

FINANCIAL STATEMENTS REPORT

# 2018



JOSÉ DE MELLO · SAÚDE

# TABLE OF CONTENTS

## FINANCIAL STATEMENTS REPORT

2

Management Report	04
Proposal for the Appropriation of Results	12
Individual Financial Information	14
Individual Financial Statements on 31 December 2018	14
Annex to individual financial statements on 31 december 2018	19
Legal Accounts Certificate	68
Supervisory Board's Report For 2018	74
Statement of Compliance of the Supervisory Board	75
Consolidated financial information	79
Consolidated Financial Statements on 31 December 2018	80
Annex to consolidated financial statements on 31 December 2018	82
Board of Directors' Declaration of Compliance	164
Information on the Shareholder Structure, Organisation and Corporate Governance	165
Remuneration policy of the members of the management and supervision bodies of the company	169
Legal Accounts Certificate	170
Report and Opinion of the Supervisory Board for 2018	177
Statement of Compliance of the Supervisory Board	179



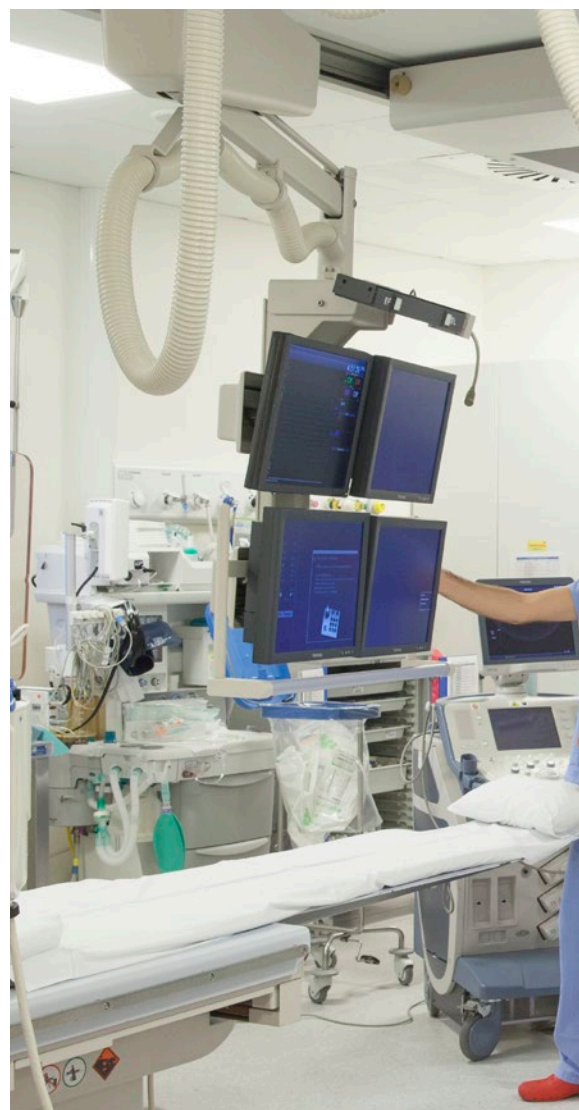


# MANAGEMENT REPORT

## Executive summary

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

- In 2018, the company's activity was driven by sustained growth across all areas of health care activity, in particular discharged patients (+15.4% versus 2017), appointments (+8.5%) and births (+9.7%);
- Consolidated operating income of 683.1 million euros, an increase of 7.2% vis-à-vis 2017. Consolidated EBITDA reached 71.2 million euros, a decrease of 1.2% in relation to the previous year;
- In the private sector (CUF), operating income reached 441.9 million euros, which represents a growth of 33.8 million euros. EBITDA, however, decreased 5.1 million euros to 55.9 million euros due to the opening of new units and the increase in personnel costs, without corresponding adjustments to pricing;
- In the public sector, and despite the increase in operating income (+9.4 million euros vis-à-vis 2017), EBITDA decreased 4.1 million euros, as a result of the significant cost increase with personnel, drugs and clinical consumables in the Braga partnership;
- Consolidated net profit of 15.6 million euros, a decrease of 7.2 million euros in comparison with 2017;
- Total assets increased 71.8 million euros (+9.6%) when compared to 2017, mostly due to the increase in tangible fixed assets (+60.5 million euros);
- Consolidated investment was 81.2 million euros in 2018;
- On 31 December 2018, net financial debt<sup>1</sup> stood at 344.4 million euros, representing a Net Debt to EBITDA ratio of 4.84x.



## Operational performance

### José de Mello Saúde Healthcare service provision indicators

(Thousands)	2018	2017	Var. %
Consultations	2.639,8	2.434,1	8,5%
Emergencies	690,5	658,2	4,9%
Surgical Patients	98,9	92,8	6,5%
Discharged patients	86,8	75,2	15,4%
Days of hospitalisation	494,9	470,0	5,3%
Births	8,6	7,8	9,7%

It does not include patients discharged from UCIPs

<sup>1</sup> Considers gross financial debt less cash and cash equivalents and other financial instruments



In 2018, José de Mello Saúde maintained the sustained growth trajectory across all areas of its healthcare activity.

Over 2,6 million appointments were performed (8.5% increase vis-à-vis 2017) and 98,9 thousand surgeries (+6.5% year-over-year), with approximately 86,8 thousand discharged patients discharged (+15.4% more than in the previous year).

There was also a relevant 9.7% increase in births versus 2017.

## CUF

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

## Public-Private Partnerships

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



## Consolidated Results

### Consolidated income statement

(Million Euros)	2018	2017	Var.	Var. %
<b>Operating Income</b>	<b>683,1</b>	637,4	45,7	7,2%
Operating Costs*	(612,0)	(565,4)	46,5	8,2%
<b>EBITDAR</b>	<b>76,2</b>	83,8	-7,7	-9,1%
EBITDAR Margin	11,2%	13,2%	-2,0 p.p.	-
<b>EBITDA**</b>	<b>71,2</b>	72,0	-0,9	-1,2%
EBITDA Margin	10,4%	11,3%	-0,9 p.p.	-
Amortization and Provisions	(40,0)	(29,4)	10,6	35,9%
<b>EBIT</b>	<b>31,2</b>	42,6	-11,4	-26,8%
EBIT Margin	4,6%	6,7%	-2,1 p.p.	-
Financial Results	(8,6)	(10,5)	1,9	18,1%
<b>EBT</b>	<b>22,6</b>	32,1	-9,5	-29,6%
Taxes	(6,8)	(8,8)	(2,0)	-23,2%
<b>Net Profit</b>	<b>15,8</b>	23,3	-7,5	-32,0%
Net Profit attributable to non-controlling interests	0,2	0,5	(0,2)	-50,4%
<b>Net Profit attributable to JMS Shareholders</b>	<b>15,6</b>	22,8	-7,2	-31,7%

\* Total minus Amortization and Provisions

\*\* EBIT plus Amortization and Provisions

6

José de Mello Saúde's operating income reached 683.1 million euros in 2018, an increase of 7.2% versus 2017, a result of the positive performance across all areas of healthcare activity. Operating costs amounted to 612.0 million euros, 8.2% more than last year. As such, EBITDA decreased to 71.2 million euros, 1.2% lower than 2017, which represents a decrease of 0.9 pp in EBITDA margin.

Amortisations and provisions amounted to 40,0 million euros, an increase of 10.6 million euros compared to 2017, of which 5.1 million euros were amortisations and 5.5 million euros were provisions. On these amounts we highlight: i) the effect of investing in new units and the acquisition of the real estate assets of CUF Porto, CUF Cascais and CUF Torres Vedras hospitals, CUF Porto Institute and CUF Belém Clinic in November 2017, impacting 2018's accounts with a full year of amortisations; and ii) the reinforcement of provisions to cover multiple risks. Due to these increases, EBIT reached 31.2 million euros (-26.8% versus 2017), with a reduction of 2.1 pp in EBIT margin.



## CUF

In the private sector (CUF), operating income increased 8.0%, reaching 438.3 million euros, supported by growth in all areas of healthcare activity, EBITDA amounted 57.6 million euros (versus 62.6 million euros in 2017) and EBITDA margin decreased 2.3 pp, now standing at 13.1%. EBIT amounted to 40.2 million euros (versus 48.2 million in 2017) and EBIT margin decreased 2.8 pp to 9.2%.

The less positive performance of the private sector in terms of operating income is mainly due to four factors:

- First year of operation of CUF Coimbra Hospital (acquired at the end of 2017) which was marked by the investment made in the acquisition of differentiated technology and the renovation of medical teams and facilities, in order to strengthen some sectors of activity;
- Opening of the new CUF Descobertas Hospital's building in July 2018, with an expected negative short-term effect in this unit's operating profitability;
- Increase in amortisations due to the investment in new units.
- Increase in personnel costs due to the investment in new units and in the strengthening of the core structure, without any corresponding adjustments in terms of pricing;

## Public-Private Partnerships

The public-private partnerships generated an EBITDA of 3.5 million euros, a decrease of 4.1 million euros from 2017. EBIT was negative, amounting to 10.8 million euros, resulting in an EBIT margin of -4.5% (-3.3 pp year-over-year).

### Braga Hospital

The operating income of Braga Hospital reached 167.2 million euros (+3.8% compared to 2017), however EBITDA decreased 6.3 million euros, to -3.5 million euros. EBIT stood at -11.7 million euros, which represents an EBIT margin of -7.0% (-4.4 pp versus 2017). This decrease can be explained by two factors: i) the significant increase in operating costs, mostly personnel costs and pharmaceuticals; and ii) the impact of the non-revalidation by the North Regional Health Authority (ARS Norte) of the vertical financing programmes for HIV and multiple sclerosis, which represent an impact of 7.5 million euros per year.

Due to this outstanding dispute, a Request for Financial Rebalancing under clause 127, paragraph

9, subparagraph b), of the Management Contract was carried out in the end of 2016, which led to an arbitration process. By 31 December 2018 the result of this process was still pending. The outcome was known at the end of January 2019 and it was favourable to José de Mello Saúde on the HIV vertical programme, in the amount of 18.5 million euros, related to the period from January 2016 to August 2019. From this total amount, 13.4 million euros (regarding 2016, 2017 and 2018) have already been settled in February 2019, with the expectation that José de Mello Saúde will receive 2.6 million euros related to the activity of 2019.

### Vila Franca de Xira Hospital

Vila Franca de Xira Hospital maintained a positive operating performance in all areas of activity, with an 8.6% year-over-year growth in operating income, reaching 72.1 million euros. As a result, EBITDA increased 2.2 million euros and its margin improved 2.4 pp vis-à-vis 2017, reaching 9.7%. EBIT stood at 0.9 million euros, which represents an EBIT margin of 1.2% (-0.8 pp from 2017).

(MILLION EUROS)	2018	2017	Var. %
Consolidated Financial Results	(8,6)	(10,5)	18,1%
Financial Income	0,7	1,0	-26,4%
Income/Costs from Financial Assets	6,2	0,7	727,3%
Financial Costs	(15,5)	(12,2)	27,1%

Financial results were negative by 8.6 million euros, which represents an improvement of 1.9 million euros in comparison with 2017. This improvement is due to the capital gains resulting from the sale of José de Mello Saúde's stake in the companies that manage the building and parking at Braga Hospital. However, financial costs increased 3.3 million euros from 2017, as a reflection of José de Mello Saúde's strong investment effort in recent years in new units and in the aforementioned real estate acquisition.

Thus, the net profit assignable to shareholders of José de Mello Saúde reached 15.6 million euros, an annual decrease of 7.2 million euros (-31.7%) in comparison with 2017.

## Investment

Total investment carried out in 2018 reached 81.2 million euros.

Recurrent investment of 15.5 million euros (2.6 million euros higher than in 2017) and was essentially composed of clinical equipment replacements and other technological updates in the CUF units.

The expansion investment represented 65.7 million euros and consisted in the construction of the new CUF Descobertas Hospital building (inaugurated in July 2018), construction of CUF Sintra and CUF Tejo Hospitals and expansion works performed on CUF Torres Vedras Hospital, as well as the opening of CUF Coimbra Hospital.

## Financial situation

(Million Euros)	2018	2017	Var.
<b>Non-current Assets</b>	<b>504,5</b>	452,5	52,0
Goodwill	45,6	43,9	1,7
Intangible assets	10,3	13,4	-3,1
Tangible fixed assets	438,9	378,4	60,5
Investments in associates	0,3	0,2	0,0
Other investments	2,1	0,8	1,4
Other non-current assets	2,7	8,3	-5,6
Deferred tax assets	4,6	3,8	0,8
Non-current assets held for sale	0,0	3,7	-3,7
<b>Current Assets</b>	<b>312,7</b>	292,9	19,8
Inventories	12,7	14,2	-1,5
Trade receivables and advances to suppliers	99,5	122,9	-23,4
Other current debtors	10,9	3,3	7,6
State and other public entities	4,0	16,7	-12,7
Cash and cash equivalents	67,4	47,9	19,5
Other financial instruments	35,2	35,2	0,0
Other current assets	83,0	52,7	30,2
<b>Total Assets</b>	<b>817,3</b>	745,4	71,8





(Million Euros)	2018	2017	Var.
<b>Total Equity</b>	<b>98,9</b>	92,4	6,5
Share capital	53,0	53,0	0,0
Retained earnings + Reserves	30,4	26,5	3,9
Net Income	15,6	22,8	-7,2
Interim dividends	-4,2	-14,1	9,9
Non-controlling interests	4,2	4,2	-0,1
<b>Financial Liabilities</b>	<b>446,9</b>	421,6	25,3
Borrowings	382,2	351,6	30,6
Financial lease creditors	64,7	70,0	-5,3
<b>Non-Financial Liabilities</b>	<b>271,4</b>	231,4	40,1
Employee benefits	1,3	1,4	-0,1
Provisions	15,6	12,3	3,4
Trade payables and advances from clients	121,1	94,5	26,5
Other current creditors	19,0	10,8	8,2
State and other public entities	10,5	22,0	-11,5
Deferred tax liabilities	13,3	11,7	1,6
Other current and non-current liabilities	90,7	78,7	12,0
<b>Total Liabilities</b>	<b>718,4</b>	653,0	65,4
<b>Total Equity + Liabilities</b>	<b>817,3</b>	745,3	71,8

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

In order to manage customer debt levels, as well as reduce credit risk, a non-recourse factoring operation was contracted with a financial institution. This operation amounted to 37.2 million euros and is expected that the use of this resource will continue in coming years. This operation contributed to the improvement of net financial debt over EBITDA ratio by 0.52x.

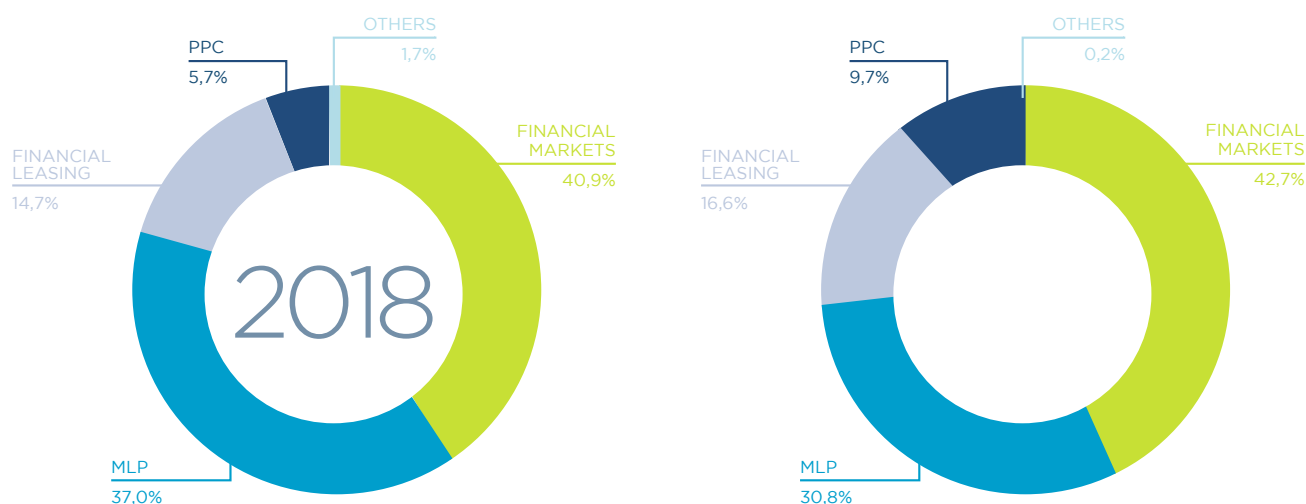
José de Mello Saúde closed 2018 with an equity increase of around 6.5 million euros from 2017, to 98.9 million euros.

On 31 December 2018, net financial debt<sup>3</sup> amounted to 344.4 million euros, 5.8 million euros higher than in the previous year. Financial liabilities increased 25.3 million euros, reflecting the expansion investments carried out, being partially offset by an increase in cash and cash equivalents of 19.5 million euros.

<sup>3</sup> Considers Gross Financial Debt less Cash and Cash Equivalents and Other Financial Instruments

## Financial position

### Financial debt profile of José de Mello Saúde



10

In recent years, José de Mello Saúde has been developing a sustainable financial policy and solid capital structure in order to support its growth strategy. This policy consists of an active management of its debt profile, both in terms of diversification of funding sources as well as extension of the maturity profile.

In 2018 this policy enabled José de Mello Saúde to maintain a sound financial position based on the access to diversified funding alternatives, ending the year with a similar weight of traditional bank loans (MLP) and bond loans raised in the capital markets.

### Main Financial Ratios

(Million Euros)	2018	2017
Financial Autonomy	12,1%	12,4%
Solvency	13,8%	14,2%
Net financial debt <sup>*</sup> /EBITDA	4,84	4,70
EBIT/Financial Charges	2,0	3,5

<sup>\*</sup>Considers gross financial debt less cash and cash equivalents and other financial instruments

(Million Euros)	2018	2017
Gross financial debt	446,9	421,6
Net financial debt <sup>*</sup>	344,4	338,6
Average maturity of debt	4,06	4,08
Average Spread	2,56%	2,77%

<sup>\*</sup>Considers gross financial debt less cash and cash equivalents and other financial instruments

<sup>\*\*</sup>Excluding leasing

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

José de Mello Saúde has to comply with a financial covenant of Net Debt/EBITDA ratio below 6.0x in all its outstanding bond transactions. On 31 December 2018, José de Mello Saúde, S.A. complied with the financial covenants on all its bond loans.

In 2018, José de Mello Saúde reduced its average cost of funding, while maintaining its average maturity.





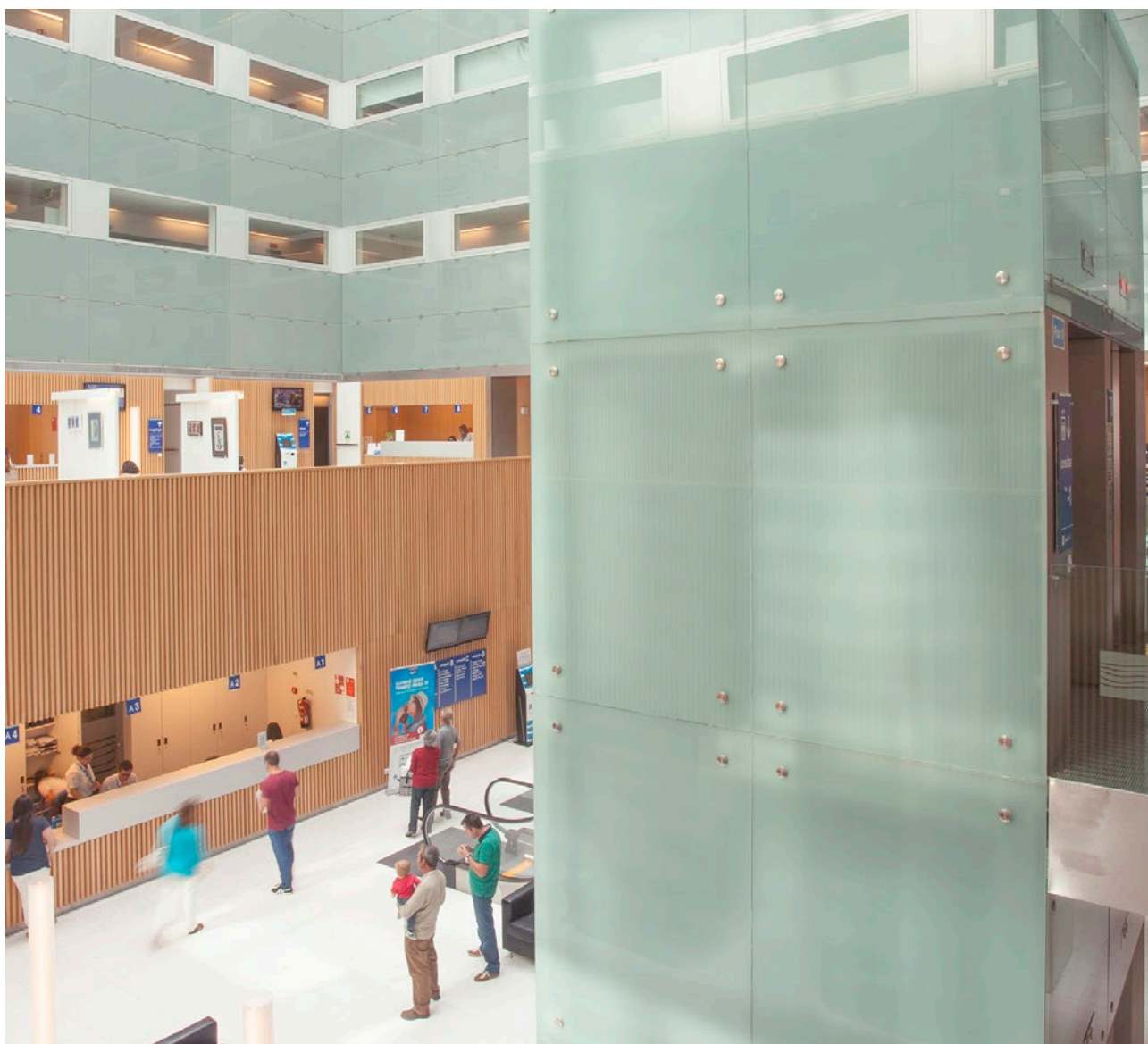
# PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Board of Directors proposes that the net profit of the individual accounts of José de Mello Saúde SA for 2018, in the amount of 23,083,430.25 euros, be appropriated as follows:

- Legal reserve: 1,154,171.51 euros
- Interim dividends: 4,200,000.00 euros
- Retained Earnings 17,729,258.74 euros

The Board of Directors

Lisbon, 29 March 2019



# MAKE-UP AND POWERS OF THE GOVERNING AND SUPERVISORY BODIES

## COMPOSITION OF THE GOVERNING BODIES:

### BOARD OF DIRECTORS



**Salvador Maria Guimarães José de Mello**

Chairman of the Board of Directors and CEO

Chairman of the Board of Directors and CEO of José de Mello Saúde (since 2001) and member of the Board of Directors of José de Mello Capital, (he is responsible), is responsible for the strong growth momentum and expansion of the network to its current 19 healthcare units. Salvador de Mello holds a degree in Economics and Business Administration from the University of Neuchâtel, Switzerland.



**Pedro Maria Guimarães José de Mello**

Deputy Chairman of the Board of Directors

Deputy Chairman of the Board of Directors Pedro de Mello holds a degree in Textile Engineering and he is also VicePresident of José de Mello Capital, member of the Board of Directors of CUF Consultoria and Services and Chairman of the Board of Directors of Monte da Ravasqueira and M Dados.



**João Gonçalves da Silveira**

Deputy Chairman of the Board of Directors

Deputy Chairman of the Board of Directors of José de Mello Saúde since 2001, João Gonçalves da Silveira holds a degree in Pharmacy from Universidade de Lisboa, Chairman of the Board of MONAF (Montepio Nacional da Farmácia).



**Rui Alexandre Pires Diniz**

Deputy Chairman of the Executive Committee

Deputy Chairman of the Executive Committee of José de Mello Saúde, Rui Diniz holds a degree in Economics from Universidade Católica de Lisboa. He is also an Executive Director of José de Mello, SGPS.



**Rui Manuel Assoreira Raposo**

Executive Director

Rui Assoreira Raposo holds a degree in Pharmacy from Universidade do Porto; he is a Specialist in Pharmacy Industry by the Portuguese Pharmacists' Association and a Postgraduate degree from IMD-Lausanne/Switzerland and from the AESE



**Vasco Luís José de Mello**

Executive Director

Vasco Luís de Mello holds a degree in Mechanical Engineering from the Catholic University of Leuven – Belgium, later obtaining a Master's Degree in Business Administration from the same University.



**Inácio António da Ponte Metello de Almeida e Brito**

Executive Director

Inácio Brito holds a degree in Economics from Universidade Católica de Lisboa, with postgraduate studies in Actuarial Sciences.



**Guilherme Barata Pereira Dias de Magalhães**

Executive Director

Holds a degree in Mechanical Engineering from Instituto Superior Técnico and an MBA from Universidade Nova de Lisboa; is also the Chairman of the Board of Trustees of Fundação do Gil.



**Paulo Jorge Cleto Duarte**

Non-Executive Director

Paulo Cleto Duarte holds a degree in Pharmaceutical Sciences from the University of Lisbon and an MBA in Information Management from Universidade Católica Portuguesa. He is Chairman of the Portuguese Association of Pharmacies and CEO of Farminveste, SGPS.





**Luís Eduardo Brito  
Freixial de Goes**

Non-Executive Director

With a degree in Law by Universidade Católica Portuguesa, Luís Brito de Goes is also an Executive Director at José de Mello Capital, member of the Board of Directors of Brisa and CUF Consulting and Services and President of the Board of Directors of MGI Capital.



**Vera Margarida Alves  
Pires Coelho**

Non-Executive Director

Vera Pires Coelho holds a degree and a master's degree in Economics with an MBA from Universidade Nova de Lisboa and a postgraduate degree in Actuarial Sciences from Catholic University of Lisbon; she is currently the Managing Director of the subsidiaries of Grupo Vendap in Angola, Mozambique and Brazil, Director of the Serralves Foundation and Deputy Chairman of the General Council of Universidade Nova.



**Celine Dora Judith  
Abecassis Moedas**

Non-Executive Director

Céline Abecassis-Moedas holds a PhD in Business Strategy, from École Polytechnique, Paris, a Master's degree in Management, from École Normale Supérieure and Université Paris Dauphine and a degree in Economics and Management from the Sorbonne. She is an Associate Professor in the areas of Strategy and Innovation at the Universidade Católica Portuguesa. Additionally, she is a member of the Board of Directors of CTT and Europac.



**Raúl Catarino Galamba  
de Oliveira**

Non-Executive Director

Raúl Galamba de Oliveira holds a degree in Mechanical Engineering from Instituto Superior Técnico, an MSc in Systems and an MBA from Nova School of Business and Economics, is currently a senior partner at McKinsey in Portugal and Spain, and leads McKinsey's Risk Management area.

# INDIVIDUAL FINANCIAL INFORMATION

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017

(Amounts in euros)	NOTES	31.12.18	31.12.17
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible fixed assets	7	5 871 707	5 716 378
Intangible assets	6	11 426	-
Investments in subsidiaries and affiliates	8	70 259 668	67 137 753
Other investments	9	982 768	-
Other financial assets	10	188 198 932	169 361 037
Other counts receivable	10	403 720	-
Deferred tax assets	16	758 967	874 938
<b>Total non-current assets</b>		<b>266 487 188</b>	<b>243 090 106</b>
<b>Current assets</b>			
Customers	10	9 707 652	3 094 216
Government and other public entities	13	15 058 108	13 364 148
Shareholders	10	—	122 780
Other financial assets	10	14 326 614	6 864 409
Other accounts receivable	10	4 458 366	3 181 964
Other financial instruments	10	16 500 000	16 500 000
Cash and bank deposits	4	108 115	19 398 704
<b>Total current assets</b>		<b>60 158 854</b>	<b>62 526 220</b>
Non-current assets held for sale	11	—	—
<b>TOTAL ASSETS</b>		<b>326 646 043</b>	<b>305 616 326</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share equity	12	53 000 000	53 000 000
Legal reserves	12	7 289 353	5 811 644
Other reserves	12	(943 972)	(1 249 145)
Retained earnings	12	40 488 526	40 012 059
Adjustments to financial assets	12	(37 434 593)	(37 434 593)
Net profit for the period	12	23 083 430	29 554 176
Interim dividends	12	(4 200 000)	(14 100 000)
<b>TOTAL EQUITY</b>		<b>81 282 744</b>	<b>75 594 141</b>

(Amounts in euros)	NOTES	31.12.18	31.12.17
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	15	27 218 877	15 832 914
Loans obtained	10	106 029 074	158 189 064
Other financial liabilities	10	29 869 000	29 869 000
Other accounts payable	10	1 050 000	700 000
Derivative financial instruments	10	1 057 696	1 627 604
<b>Total non-current liabilities</b>		<b>165 224 647</b>	<b>206 218 582</b>
<b>Current liabilities</b>			
Suppliers	10	391 209	623 336
Government and other public entities	13	76 450	29 108
Other financial liabilities	10	2 899 012	2 812 800
Loans obtained	10	71 976 993	17 729 624
Other accounts payable	10	4 618 852	2 608 736
Derivate financial instruments	10	176 137	-
<b>Total current liabilities</b>		<b>80 138 652</b>	<b>23 803 603</b>
<b>TOTAL LIABILITIES</b>		<b>245 363 299</b>	<b>230 022 185</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>326 646 043</b>	<b>305 616 326</b>

## STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDING 31 DECEMBER 2018 E 2017

(Amounts in euros)	NOTES	31.12.18	31.12.17
<b>Income and expenses</b>			
Sales and services provided	17	1 917 719	1 786 383
Gains/losses allocated to subsidiaries	18/21	5 507 927	(94 766)
External supply and services	20	(5 828 422)	(3 990 572)
Personnel expenditure	19	(2 360 106)	(2 728 515)
Provisions	15	(11 385 962)	97 000
Other income and gains	18	1 498 675	2 330 052
Other expenses and losses	21	(239 662)	(230 412)
<b>Results before Depreciation, Financing Expenses and Taxes</b>		<b>(10 889 832)</b>	<b>(2 830 830)</b>
Expenses/reversal of depreciation and amortisation	22	(1 435 802)	(1 302 610)
<b>Operating profit (before Financing Expenses and Taxes)</b>		<b>(12 325 634)</b>	<b>(4 133 440)</b>
Interest and simiar income obtained	23	38 132 851	36 508 629
Interes and similar expenses supported	24	(7 979 682)	(5 898 305)
<b>Profit before tax</b>		<b>17 827 535</b>	<b>26 476 884</b>
Income tax for the period	16	5 255 895	3 077 291
<b>Net profit for the period</b>		<b>23 083 430</b>	<b>29 554 176</b>
Other items of comprehensive income that might be subsequently reclassified to profit:			
Hedging financial instruments (net of taxes)	10.2.5	305 173	521 975
<b>Comprehensive income</b>		<b>23 388 603</b>	<b>30 076 151</b>
<b>Earnings per share</b>		<b>2,21</b>	<b>2,84</b>



## STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDING 31 DECEMBER 2018 E 2017

(Amounts in euros)

Description	Notes	Paid-up capital (Note 12.1)	Legal reserves (Note 12.3)
<b>Position at the beginning of the 2017 period</b>	1	53 000 000	4 356 460
<b>Apropriation of results</b>			
Constitution of the legal reserve	12.2/12.3		1 455 184
Transfer of the financial year results to retained earnings	12.2/12.3		
<b>2</b>		—	1 455 184
<b>Changes during period</b>			
Net gains in hedging	12.3		
<b>3</b>		—	—
Net profit for the period	4		
Comprehensive income	5=3+4		
Operations with capital holders in the period			
Interim dividends distributions	12.4/12.2		
Distribution of dividends	12.4/12.2		
Other operations			
<b>6</b>		—	—
<b>Position at the end of the 2017 period</b>	7=1+2+3+4+6	53 000 000	5 811 644
<b>Position at the beginning of the 2018</b>	7	53 000 000	5 811 644
<b>Appropriations of results</b>			
Constitution of the legal reserve	12.2		1 477 709
Transfer of the financial year results to retained earnings	12.2		
<b>8</b>		—	1 477 709
<b>Changes during the period</b>			
Net gains in hedging	10.2.5		
<b>9</b>		—	—
Net profit for the period	10		
Comprehensive income	11=9+10		
Operations with capital holders in the period			
Interim dividends distributions			
Distribution of dividends			
Other operations			
<b>12</b>		—	—
<b>Position at the the end of the 2018 period</b>	13=7+8+9+10+12	53 000 000	7 289 353

Other reserves (Note 12.3)	Retained earnings (Note 12.3)	Financial assets and liabilities adjustments (Note 12.3)	Interim Dividends (Note 12.4)	Net profit for the period	Total Equity
(2 288 872)	30 271 560	(37 434 593)	(11 408 000)	29 103 683	65 600 238
				(1 455 184)	—
	9 740 499			(9 740 499)	—
	9 740 499	—	—	(11 195 683)	—
521 975					521 975
521 975	—	—	—	—	521 975
				29 554 176	29 554 176
				29 554 176	30 076 151
			(14 100 000)		(14 100 000)
			11 408 000	(17 908 000)	(6 500 000)
517 752					517 752
517 752	—	—	(2 692 000)	(17 908 000)	(20 082 248)
(1 249 145)	40 012 059	(37 434 593)	(14 100 000)	29 554 176	75 594 141
(1 249 145)	40 012 059	(37 434 593)	(14 100 000)	29 554 176	75 594 141
				(1 477 709)	—
	476 467			(476 467)	—
	476 467	—	—	(1 954 176)	—
305 173					305 173
305 173	—	—	—	—	305 173
				23 083 430	23 083 430
				23 083 430	23 388 603
—			(4 200 000)		(4 200 000)
			14 100 000	(27 600 000)	(13 500 000)
					—
—	—		9 900 000	(27 600 000)	(17 700 000)
(943 972)	40 488 526	(37 434 593)	(4 200 000)	23 083 430	81 282 744

## STATEMENT OF CASH FLOWS FOR THE PERIODS ENDING 31 DECEMBER 2018 E 2017

(Amounts in euros)	NOTES	31.12.18	31.12.17
<b>Cash flow from operating activities - direct method</b>			
Cash receipts from customers		3 913 657	5 475 520
Cash paid to suppliers		(7 231 991)	(5 728 209)
Cash paid to employees		(1 726 898)	(1 364 107)
<b>Cash generated by operations</b>		<b>(5 045 232)</b>	<b>(1 616 796)</b>
Income tax received/paid		4 209 693	11 196 924
Other cash receipts/payments		(1 471 059)	(462 530)
<b>Cash flow from operating activities (1)</b>		<b>(2 306 598)</b>	<b>9 117 598</b>
<b>Cash flow from investments activities</b>			
Payments relating to:			
Tangible fixed assets		(589 111)	(37 652)
Intangible assets		(17 297)	-
Financial Investments		(2 795 499)	(7 905 500)
		<b>(3 401 907)</b>	<b>(7 943 152)</b>
<b>Cash receipts relating to:</b>			
Financial investments		5 507 928	5 615 635
Other assets		—	177 666
Interest and similar income		624 395	1 708 561
Dividends	23	30 534 594	31 493 755
		<b>36 666 917</b>	<b>38 995 618</b>
<b>Cash flow from investment activities (2)</b>		<b>33 265 011</b>	<b>31 052 466</b>
<b>Cash flow from financial activities</b>			
Cash receipts relating to:			
Loans obtained		78 950 000	230 150 000
Other financing operations (loans)		66 307 601	159 901 424
Outros financial instruments	10.1.5	—	13 500 000
		<b>145 257 601</b>	<b>403 551 424</b>
<b>Payments relating to:</b>			
Loans obtained		(90 243 329)	(176 795 634)
Amortisation of finance lease contracts		(1 523 371)	(1 235 974)
Interest and similar expenses		(7 179 902)	(5 282 356)
Dividends	12.4	(17 662 232)	(20 600 000)
Other financing operations (loans)		(92 696 396)	(193 723 708)
Other financial instruments	10.1.5	—	(20 000 000)
		<b>(209 305 231)</b>	<b>(417 637 672)</b>
<b>Cash flow from financial activities (3)</b>		<b>(64 047 630)</b>	<b>(14 086 248)</b>
<b>Changes in cash and cash equivalents (1+2+3)</b>		<b>(33 089 217)</b>	<b>(26 083 816)</b>



(Amounts in euros)	NOTES	31.12.18	31.12.17
<b>Effect of exchange differences</b>			
Cash and cash equivalents at the start of the period	4	19 392 933	(6 690 883)
Cash and cash equivalents at the end of the period	4	(13 696 284)	19 392 933

## ANNEX TO INDIVIDUAL FINANCIAL STATEMENTS ON 31 DECEMBER 2018

### 1. GENERAL INFORMATION ON THE ENTITY'S ACTIVITY

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

The Company has as its corporate purpose 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, namely in the area of the provision of private healthcare, in the public-private partnership, in the provision of services in the field of medicine, occupational hygiene and health and in the provision of home healthcare. The group also develops other secondary activities in the real estate and infrastructure sector.

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 ended on 31 December 2018 were approved by the Board of Directors on 29 March 2019.

### 2. SUMMARY OF THE MAIN ACCOUNTING POLICIES

#### 2.1 - BASES OF PREPARATION

The financial statements of José de Mello Saúde S.A. were prepared under the assumption of continuity of operations and 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 2018. 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 shall be generally referred to as IFRS. The financial statements are presented in euros.

### 2.1.1 - New standards and interpretations applying in the 2018 financial year

As a result of the endorsement by the European Union (EU), the following issues, revisions, amendments, and improvements of standards and interpretations took effect from 1 January 2018, which were adopted by the Company, when applicable:

Standard	Effective date
IFRS 15 - Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15 - Revenue from contracts with customers	1 January 2018
IFRS 9 - Financial instruments	1 January 2018
Application of IFRS 9 with IFRS 4 - Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IAS 40 - Transfer of Investment Properties (Amendments)	1 January 2018
IFRS 2 - Classification and measurement of payment transactions based actions (Addendum)	1 January 2018
IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018
Improvements relating to the 2014-2016 cycle (IAS 28, IFRS 1)	1 January 2018

### IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard applies to all income from contracts with customers, replacing the following existing standards and interpretations: IAS 11 – construction contracts, IAS 18 – Revenue, IFRIC 13 – customer loyalty programmes, IFRIC 15 – agreements for the construction of real estate, IFRIC 18 – transfers of assets from customers and SIC 31 – revenue – barter transactions involving advertising services. The standard applies to all revenue from contracts with customers except if the contract is within the scope of the IAS 17 (or IFRS 16 – leases, when applied).

It also provides a model for the recognition and measurement of sales of some non-financial assets, including sales of goods, equipment and intangible assets. This standard highlights the principles that an entity must apply when it measures and recognizes the revenue. The basic principle is that an entity shall recognize the revenue by an amount that reflects the consideration that it expects to be entitled to in exchange for the goods and services promised under the contract.

IFRS 15 provides for a five-step model for the accounting of the revenue coming from contracts with customers and requires that the revenue be recognised at a value that reflects the consideration that an entity expects to receive for the goods and/or services that are transferred to the customer.

The principles of this standard shall be applied in five steps: (1) identifying the contract with the customer, (2) identifying the obligations of the contract's performance, (3) determining the transaction price, (4) allocating the transaction price to the obligations of the contract's performance and (5) recognizing the income when the entity meets a performance obligation.

The standard requires that the governing body make judgments, considering all the facts and circumstances which are relevant when applying each of the model's steps. The standard also specifies how the incremental expenses in obtaining a contract and the expenses directly related to the fulfilment of a contract should be accounted for. Additionally, the standard requires more extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective approach, with initial application date of 1 January 2018. According to this approach, the standard can be applied on the date of the initial application to all contracts or only to the contracts that are completed on that date. The Company chose to apply the standard to the contracts that were not completed on 1 January 2018.

The Company concluded there were no material impacts in recognition and measurement of revenue from contracts with customers, stemming from the application of the requirements of IFRS 15.

## IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 – Financial Instruments replaced IAS 39 Financial Instruments: recognition and measurement for the annual periods beginning on or after 1 January 2018 and joined three aspects of the accounting of financial instruments – classification and measurement, impairment and hedge accounting.

### (i) Classification and measurement of financial assets

All financial assets are measured at fair value on the date of initial recognition, adjusted by the costs of transaction in case the instruments are not accounted at fair value through profit and loss (FVTPL – Fair Value Through the Statement of Profit or Loss). However, customer accounts without a significant financing component are initially measured at their transaction value, as defined in IFRS 15 – revenue from contracts with customers.

Debt instruments are subsequently measured based on their contractual cash flows and on the business model in which they are held. If a debt instrument has contractual cash flows that are solely payments of the principal and of the interest on the outstanding principal and is held within a business model with the objective of holding the assets to receive contractual cash flows, then the instrument is accounted at the amortised cost. If a debt instrument has contractual cash flows that are exclusively payments of principal and interest on the outstanding principal and is held in a business model whose objective is to receive contractual cash flows and from sale of financial assets, then the instrument is measured at fair value through the statement of other comprehensive income (FVTOCI) with subsequent reclassification to profit or loss.

All other debt instruments are subsequently accounted for by the FVTPL. In addition, there is an option that allows for the financial assets on initial recognition to be designated as FVTPL if this eliminates or significantly reduces a significant accounting mismatch in profit or loss for the accounting period.

The adoption of IFRS 9 did not bring significant changes in the classification and measurement of the financial assets:

- Trade receivables, other accounts receivable, other current and non-current financial assets and other financial instruments are held to receive contractual cash flows and give rise to cash flows that represent only capital repayments and interest payments. They are therefore classified as debt instruments measured at amortised cost, as before;
- Other investments are classified and measured as equity instruments designated at fair value through comprehensive income beginning on 1 January 2018. The group chose to irrevocably classify its investments in equity instruments of non-listed companies in this category on the date of initial application of the standard, since it intends to hold these assets in the near future. The group does not have information enabling it to reliably determine the fair value of these financial assets, and it is estimated that any difference in relation to the cost will be immaterial.

### (ii) Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL (changes in fair value through profit or loss) using the fair value option, the amount of change in the fair value of those financial liabilities that is attributable to changes in credit risk shall be presented in the statement of comprehensive income. The remainder of the change in fair value shall be presented in profit or loss unless the presentation of the change in fair value for the liability's credit risk in the statement of comprehensive income will create or enhance an accounting mismatch in profit or loss of the accounting period.

All other requirements for classification and measurement of financial liabilities of IAS 39 were transposed to IFRS 9, including the rules for separation of embedded derivatives and the criteria for using the fair value option.

The Company does not designate financial liabilities designated as FVTPL using the fair value option, so this situation had no impact on the financial statements.

### (iii) Impairment

The impairment requirements are based on an expected credit loss (ECL) model, which replaces the incurred loss model from IAS 39.

The ECL model applies to: (i) debt instruments accounted for at amortised cost or fair value through comprehensive income, (ii) most loan commitments, (iii) financial guarantee contracts, (iv) contractual assets under IFRS 15 and (v) accounts receivable from leases under IAS 17 – leases (or IFRS 16 – leases, when applicable).

Generally, entities are required to recognise ECL concerning 12 months or throughout their life, depending on whether there was a significant increase in credit risk since the initial recognition (or when the commitment or guarantee was entered into). For trade receivables without a significant financing component, and depending on the choice of an entity's accounting policy for other customer credits and accounts receivable from leases, a simplified approach may be applied in which ECL over their respective duration are always recognised.

The measurement of ECL shall reflect the weighted probability of the outcome, the effect of the time value of money, and be based on reasonable and supportable information that is available without cost or undue effort.

The company's main customer balances have no significant financial component and concern leases of equipment to group entities and shared services. An individual analysis is carried out on the receivables, taking into account each debtor's specific situation. Macroeconomic forecasting information and the effect of the time value of money were included in the assessment of impairment recording needs. These factors did not give rise to material impacts.

The Company reassessed the amount of impairments and concluded that there is no need to strengthen the balance of impairments stemming from the adoption of IFRS 9.

### (iv) Hedge Accounting

Hedge effectiveness tests should be prospective and can be qualitative, depending on the complexity of the hedging, without the 80%-125% test.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, any forward element of a forward contract and any foreign currency spread may be excluded from the designation as hedging instruments and be accounted as hedging costs.

Larger sets of items can be designated as hedged items, including layered designations and some net positions.

The entity applied IFRS 9 prospectively with an initial application date of 1 January 2018. As provided for in IFRS 9, the company did not express the comparative information, which continues to be reported in accordance with IAS 39 (whose main aspects are included in the accounting policies included in the notes to the financial statements for the accounting period ended 31 December 2017). In light of the above, no differences in material value were identified in relation to IAS 39 arising from the adoption of IFRS 9.

As for the remaining standards, interpretations, amendments and revisions mentioned in the table above, no effects were produced in the financial statements of the company in the period ended 31 December 2018, as a result of its adoption.



## 2.1.2 - NEW STANDARDS AND INTERPRETATIONS ALREADY ISSUED BUT NOT YET MANDATORY

The norms and interpretations recently issued by the IASB, whose application is mandatory only in periods after 1 January 2019 or later:

### a) Already endorsed by the EU

On 31 December 2018, 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 2019:

Standard	Effective date
IFRS 16 - Leases	1 January 2019
IFRS 9 - Anticipated payments with negative compensations (Amendments)	1 January 2019
IFRIC 23 - Uncertainty over different income Tax treatments	1 January 2019

## IFRS 16 - LEASES

The scope of IFRS 16 includes the leases of all assets, with some exceptions. A lease is defined as a contract, or part of a contract, that transfers the right to use an asset (the underlying asset) for a period of time in exchange for an amount.

IFRS 16 requires lessees to account for all leases on a single on-balance model similar to IAS 17's handling of finance leases. The standard recognizes two exceptions to this model: (1) low value leases (e.g., personal computers) and short-term leases (i.e., with a lease period of less than 12 months). At the inception date of the lease, the lessee will recognise the liability related to the lease payments (i.e., the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e., the right-of-use, or ROU).

The lessees will have to separately recognise the cost of interest on the lease liability and the depreciation of the ROU. The lessees are also required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease period, a change in future payments resulting from a change in the benchmark or the rate used to determine those payments). The lessee will recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU.

Accounting by the lessor remains substantially unchanged from the current treatment in IAS 17. The lessor continues to classify all leases using the same principles as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

IFRS 16, which enters into force in the periods beginning on or after 1 January 2019, requires lessors and lessees to provide more extensive disclosures than those required by IAS 17.

### (i) Transition to IFRS 16

The company will adopt 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 will recognise 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 will be no variations in terms of equity.

The company will also apply the standard to all contracts that were previously identified as leases under IAS 17 and IFRIC 4. Consequently, the company will not apply the standard to contracts that have not previously been identified as containing a lease.

The company decided to apply the two exceptions provided for in the standard (paragraph 5 and paragraph 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 as low value the amount of five thousand euros.

In preparing the adoption of IFRS 16, the company analysed the current contracts under the new standard and considered that the following types of contract will have material impacts:

**Real Estate** – This type of contract includes rental contracts concerning the clinical facilities (hospitals/clinics), as well as rental contracts concerning housing, offices, warehouses, parking lots and other spaces. These contracts represent, in terms of valuation, almost all of the current operating leases. The company concluded that the application of this standard will have significant impacts on the financial statements, with an expected increase in assets and liabilities to third parties, as well as an increase in EBITDA, financing costs and amortisations;

**Vehicles** – This category includes the contracts for vehicles currently in renting. The company concluded that the application of this standard will have impacts on the financial statements, with an expected increase in assets and liabilities to third parties, as well as an increase in EBITDA and in financing costs.

## (ii) Incremental Interest Rate

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 above (real estate and vehicles) was considered for the discount of the rents.

Therefore, stemming from the detailed assessment of the impacts of the application of IFRS 16 carried out during 2017 and 2018, it is estimated that the impact arising from the application of this standard will be as follows, on 1 January 2019:

- Increase in assets and liabilities between 310 thousand euros and 410 thousand euros.

No significant impacts are expected from the adoption of IFRIC 23 or from the amendments to IFRS 9.

## b) Not yet endorsed by the EU

26

Standard	Effective date
IAS 28 - Long-term interests in Associates or Joint Ventures (Amendments)	1 January 2019
IFRS 17 -Insurance Contracts	1 January 2021
IFRS 3 -Definition of business activity	1 January 2020
IAS 1 and IAS 8 - Definition of materiality	1 January 2020
Improvements relating to the 2015-2017 cycle (IFRS 11, IAS 12, IAS 23)	1 January 2019
IAS 19 - Changes, reductions and settlement of plans	1 January 2019
Changes to the references to the framework in the IFRS	1 January 2020

Regarding the standards which have not yet been adopted by the EU, the Company has not yet completed the determination of all impacts stemming from their application. However, it is not expected that these will produce materially relevant effects on its financial statements as a result of their application.

## 2.2 - MAIN ACCOUNTING POLICIES

### Tangible Assets

Tangible fixed assets are those used in the provision of services or administrative procedures.

Tangible fixed assets 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:

	2018	2017
Buildings and other constructions	5%-10%	5%-10%
Basic equipment	14,28%-33,33%	14,28%-33,33%
Office equipment	12,5% - 25%	12,5% - 25%

The impairment of these assets is determined according to the criteria set forth under impairment of non-current assets.

The gains or losses resulting from the sale or disposal of tangible fixed assets 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.

Assets acquired through finance lease are depreciated using the same rates as other tangible fixed assets, that is, based on their respective useful lives.

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.

Tangible fixed assets 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.

## 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 statement of income 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 according to the criteria set forth under 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:

	2018	2017
Software	25%	25%

Expenditure incurred from amortisation of intangible assets with finite useful lives is recognised in the statement of income and other comprehensive income under the caption depreciation and amortisation expenditure/reversals.

The gains or losses resulting from the sale or disposal of tangible fixed assets 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.

### Non-current assets held for sale

This caption 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.



## Investments in subsidiaries and affiliates

Financial investments of capital shares in subsidiaries and affiliates are valued according to their respective cost on the IFRS transition date, or rather 1 January 2012. Under this caption 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 according to the criteria set forth under impairment of non-current assets.

## 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 can be impaired. If there are 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 if the loss offsets a surplus of revaluation in the equity.

The reversal of impairment losses recognised in prior financial years is recorded when there are indications that the impairment losses no longer exist or have decreased. The reversal of impairment losses is recognised in the statement of income and other comprehensive income. The reversal would be 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.

## Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of 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, 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 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 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 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 12 financial instruments: presentation and are not held for trading. The classification is determined instrument by instrument.

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

### Customers, other accounts receivable, other financial assets and shareholders

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 the other financial instruments, the company applies the simplification for 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.

The other financial instruments concern exclusively bonds issued by the company's shareholders, which are therefore considered investments with low credit risk. The company uses Axesó's 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:

### Loans Obtained

After initial recognition, financing is 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. The accounts payable are recognised as current liabilities except if 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 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 income statement.

## (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 start of the hedging relationship, the company 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 company 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:

- 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; and
- 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.

### Income tax

Income tax for the period includes current and deferred costs from the financial year.

Current income tax is calculated based on the taxable income in accordance with the tax rules in force to which the company is subjected.

The company is taxed according to the special corporate group tax regime – (RETGS – regime especial de tributação de grupo de sociedades).

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 2014 to 2017 may still 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 2018.

### Deferred Tax Assets and Liabilities

The company recognises deferred taxes, as established in IAS 12 – income tax, 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 there is reasonable assurance that future taxable profit may be achieved against which those assets can be deducted. 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 the legislation in force, the corporate income tax rate of 21% was considered and, in the situations not connected to tax losses, a municipal surtax of 1.5% on the temporary differences that led to deferred tax assets and liabilities.

The movement 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.

### Cash and bank deposits

The amounts included in the cash and bank deposits caption 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 statement of cash flows, the caption of cash and cash equivalents also includes bank overdrafts included in the loans obtained item, in the statement of financial position.

### Leases

The determination of whether an arrangement is, or contains, a lease shall be based on the substance of the agreement at the start of the lease. The agreement is, or contains, a lease if compliance with said agreement is dependent on the use of an asset and the agreement conveys the right to use the asset, even if that asset is not explicitly identified in the agreement.

The duration of the lease is the sum of the period during which the lease cannot be cancelled with an additional period in which the lessee is expected to have the option of retaining the lease and, at the start of the contract, the company has reasonable certainty that the lessee will exercise it.

## **(i) Company as Lessee**

### **Finance leases**

Contracts are considered to be finance lease contracts if all risks and benefits associated with the possession of the corresponding assets are substantially transferred through them.

Assets acquired under finance lease contracts, as well as the corresponding liabilities, are recorded by fair value, with the assets, the corresponding accrued amortisations and the debts pending settlement being recorded according to the contracting financial plan. Additionally, the interest included in the value of the rents and the amortisations of the tangible and intangible fixed assets are recognised as costs in the statement of income for the period they concern.

### **Operating leases**

Contracts are considered to be operating lease contracts if all risks and benefits associated with the possession of the corresponding assets are not substantially transferred through them. The classification of the leases as financial or operational is made according to the substance and not the form of the contract.

In operating leases, rent payments are recognised as a cost in the statement of income during the period of the lease contract.

## **(ii) Company as Lessor**

Leases in which the company does not substantially transfer all the risks and rewards associated with 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 right is established.

### **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 according to the best estimate of expenditure required for settling the present obligation on the balance sheet date.

## **EQUITY CAPTIONS**

### **(i) Paid-up capital**

In compliance with art. 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) Other equity instruments**

Equity instruments are classified in accordance with the contract substance, irrespective of their legal form. Equity instruments issued by the entity are recorded at their received value, net of issuing costs.

### **(iii) Legal reserves**

In accordance with art. 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 unless in case of liquidation, and can only be used to absorb losses after all other reserves are exhausted, or for incorporation in share capital (art. 296 of the CSC).

#### (iv) 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.

#### (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.

#### (v) Interim dividends

This account reflects the advance on profits made in the course of financial year under the provisions of article 297 of the CSC, in the following terms:

- Carried out in the second half of the year;
- Does not exceed half of the amount that would be distributed on the date the mid-term review concerns.

#### Reconhecimento de réditos

In accordance with the principles introduced by IFRS 15, revenue is recognised when there is a transfer of control over goods and services to customers for an amount corresponding to the consideration that the company expects to receive in exchange for such goods or services. The company generally acts as the “principal” in its agreements with customers since the company typically controls the goods and services before transferring them to customers.

#### The company's relevant revenue streams are as follows:

Provision of services – this revenue stream concerns the sublease rents related to the lease of medical equipment to the Group's companies. The revenue is recognised on a monthly basis based on the sublease agreements made.

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 company 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 company 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.

Making use of the practical expedient in IFRS 15, the company 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 company receives short-term advances from its customers – in this case, the amount of the retribution is also not adjusted for the financial effect.

#### Interest

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.

## Dividends

This income is recognised when, in substance, the obligation to declare dividends is established in the declaring entity.

## Responsibility for employee benefits

Personal expenditure are recognised when the service is provided by the employees regardless of their payment date. Here are some specificities 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) Holidays, holiday entitlement and bonuses

According to labour 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 caption other accounts payable.

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

With the publication of Law No. 70/2013 and subsequent regulation through Ministerial Order No. 294-A/2013, the labour compensation fund – WCF (Fundo de Compensação do Trabalho – FCT) and the labour compensation guarantee fund – WCGF (Fundo de Garantia de Compensação do Trabalho – FGCT) 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 the 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 deliveries to the WCGF, made by the employer, are recognised as an expense in the period they concern;
- the monthly deliveries 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.

## INTEREST AND SIMILAR SUPPORTED EXPENSES

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 capitalized and part of the cost of the asset. All other financial costs are spent in the period in which they occur. Financial costs consist of interest and other costs stemming from obtained financing.

## 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.



## CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognised in financial statements but are disclosed in these notes, unless the possibility of an outflow of resources 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.

## 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 financial statements, if material.

## 2.3 - MAIN ESTIMATES AND JUDGMENTS OF THE MANAGEMENT

When preparing financial statements according to IFRS, the Board of Directors uses estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continuously evaluated and are based on experience from past events and other factors, including expectations for future events considered probable in view of the circumstances on which the estimates are based, or on results from information or experience acquired. The most significant accounting estimates shown in financial statements are as follows:

### (i) Useful Life of Tangible 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.

### (ii) 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.

### (iii) Impairment of accounts receivable

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 loans 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.

#### (iv) 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 judgment becomes necessary to determine the fair value, which encompasses considerations on liquidity risk, credit risk and volatility.

#### (v) 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 which have no relationships among 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 which 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.

#### (vi) Taxes on income 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 - POLICIES OF FINANCIAL RISK MANAGEMENT

The José de Mello Saúde's risk management policy 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.

Under the risk management process, José de Mello Saúde identified a set of risks associated with the company's financial performance considered materially more relevant, among which stand out the market (exposure to variations of interest rates), credit and liquidity risk.

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.

#### 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.

## 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.

Through control policy adopted, it 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 which can negatively affect the Group'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 debenture loans issued in 2014 and 2015 (100 million euros in total). The contracted swaps respect the characteristics of the aforementioned debenture 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 6-month Euribor for 100% of the capital in the debenture 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 2018, José de Mello Saúde held 77.3% of its financial debt contracted at fixed interest rates (36% in 2017).

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 2018 and 2017:

	Changes in Euribor rates (pp)	Impact in financial costs (euros)
<b>2018</b>		
Non-current loans	+0,5	85 103
Current loans	+0,5	5 140
Current and non-current finance leases	+0,5	14 028
<b>Total</b>	—	<b>+ 104 271</b>
<b>2017</b>		
Non-current loans	+0,5	+ 30.904
Current loans	+0,5	+ 13.853
Current and non-current finance leases	+0,5	+ 16.620
<b>Total</b>	—	<b>+ 61.377</b>

Funding contracted at a fixed rate was excluded, namely the debenture 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, in 2018 and 2017, were always negative, a scenario of rate reduction was not simulated.

## CREDIT RISK

The credit risk is the risk of a counterparty failing to comply with its obligations under the cover of a financial instrument, thus resulting in a loss. The following table presents the company's maximum exposure to credit risk:

	2018	2017
Other financial assets	202 525 546	176 225 446
Customers	9 707 652	3 094 216
Other accounts receivable	4 458 366	3 181 964
Other financial instruments	16 500 000	16 500 000
<b>Total</b>	<b>233 191 564</b>	<b>199 001 626</b>

### (i) 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.

### (ii) 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 Axesor.

## 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 tables below present the company's liabilities according to intervals of contractual maturity at the end of 2018 and 2017. The amounts represent the non-discounted cash flows to be paid in the future:

Financial Debt - 2018	< 1 year	1-5 years	> 5 years	TOTAL
Debenture loans	50 000 000	100 181 196	—	150 181 196
Pledge current account	—	—	—	—
Other bank loans	1 606 003	2 971 544	—	4 577 548
Commercial paper*	5 000 000	—	—	5 000 000
Loans obtained through finance leases	1 566 591	2 870 848	5 486	4 442 925
Bank overdrafts	13 804 399	—	—	13 804 399
<b>Total Loans Obtained</b>	<b>71 976 993</b>	<b>106 023 588</b>	<b>5 486</b>	<b>178 006 067</b>

Financial Debt - 2017	< 1 ano	1-5 anos	> 5 anos	TOTAL
Debenture loans	—	150 153 144	—	150 153 144
Pledge current account	—	—	—	—
Other bank loans	1 591 858	4 579 019	—	6 170 877
Commercial paper*	14 700 000	—	—	14 700 000
Loans obtained through finance leases	1 431 991	3 456 905	—	4 888 896
Bank overdrafts	5 771	—	—	5 771
<b>Total Loans Obtained</b>	<b>17 729 620</b>	<b>158 189 068</b>	<b>—</b>	<b>175 918 688</b>

\* Includes short-term debt used to support treasury

### 3-3 ESTIMATE OF FAIR VALUE

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:

			Hierarchy of fair value		
	YEAR	TOTAL	LEVEL 1 Market Quotes	LEVEL 2 Inputs Observable in the Market	LEVEL 3 Inputs Non- Observable in the Market
Assets valued at fair value					
Other investments (note 9)	2018	982 768	—	—	982 768
Other investments (note 9)	2017	—	—	—	—
Liabilities valued at fair value					
Cash flow hedge (note 10.2.5)	2018	1 233 833	—	1 233 833	—
Cash flow hedge (note 10.2.5)	2017	1 627 604	—	1 627 604	—

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 the other investments does not differ substantially from their cost.



## 4 - CASH AND BANK DEPOSITS

The caption of cash and banks, 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 2018 and 2017:

	2018	2017
Cash	418	418
Current accounts	107 497	19 398 086
Other bank deposits	200	200
<b>Balance in the Statement of Financial Position</b>	<b>108 115</b>	<b>19 398 704</b>
Bank overdrafts (note 10.2)	(13 804 399)	(5 771)
<b>Balance in the Statement of Cash Flows</b>	<b>(13 696 284)</b>	<b>19 392 933</b>

## 5 - RELATED PARTIES

### 5.1 - TYPE OF RELATIONSHIP WITH RELATED PARTIES

The company's financial statements are included in the consolidated financial statements of José de Mello Capital, S.A., which holds control over José de Mello Saúde. The nature of the relationships with the related parties are shown in the following table:

Entity	Location	Services Rendered / Transactions Performed	Services Received / Incoming Transactions
<b>Shareholders</b>			
FARMINVEST - INVESTIMENTOS, PARTICIPAÇÕES E GESTÃO, S.A.	Portugal	Other financial instruments	Loans
JOSÉ DE MELLO CAPITAL, S.A.	Portugal	Other financial instruments	Loans
<b>Subsidiary Companies</b>			
ACADEMIA CUF, SOCIEDADE UNIPessoal, LDA	Portugal	Shared services	
CLÍNICA CUF ALVALADE, S.A.	Portugal	Rental of equipment	
CLÍNICA CUF BELÉM, S.A.	Portugal	Rental of equipment	
HOSPITAL CUF CASCAIS, S.A.	Portugal	Rental of equipment	
HOSPITAL CUF TORRES VEDRAS, S.A.	Portugal	Rental of equipment	
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Portugal	Shared services	
HOSPITAL CUF DESCOBERTAS, S.A.	Portugal	Rental of equipment	
HOSPITAL CUF INFANTE SANTO, S.A.	Portugal	Rental of equipment	
HOSPITAL CUF PORTO, S.A.	Portugal	Rental of equipment	
INSTITUTO CUF - DIAGNÓSTICO E TRATAMENTO, S.A.	Portugal	Rental of equipment	
PPPS - GESTÃO E CONSULTORIA, S.A.	Portugal	Loans	
INFRAHEALTH - GESTÃO DE INFRAESTRUTURAS, LDA	Portugal	Loans	
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Portugal	Shared services	
HOSPITAL CUF VISEU, S.A.	Portugal	Empréstimos	
HOSPITAL CUF SANTARÉM, S.A.	Portugal	Loans	
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Portugal	Shared services	
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	Portugal	Loans	

Entity	Location	Services Rendered / Transactions Performed	Services Received / Incoming Transactions
VRAMONDI INTERNATIONAL BV	Portugal		Loans
PPPS II - GESTÃO E CONSULTORIA, S.A.	Portugal	Loans	
PPPS III - GESTÃO E CONSULTORIA, S.A.	Portugal	Loans	
HOSPITAL CUF COIMBRA, S.A.	Portugal	Loans	
CENTRO LOGÍSTICO CUF, UNIPESSOAL LDA	Portugal	Loans	
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	Portugal	Loans	
<b>Other Related Parties</b>			
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.A.UDE NO TRABALHO, S.A.	Portugal	Loans	Occupational health
SIMPLYGREEN - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Portugal	Loans	
CLINICA DR. LUIS ALVARES, S.A.	Portugal	Rental of equipment	
JOSÉ DE MELLO RESIDÊNCIAS E SERVIÇOS, SGPS, S.A.	Portugal	Loans	

The accounted income mostly stems from: (i) lease of equipment from the group's companies in sub-lease; (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 - PENDING BALANCES

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

		Debit Balances			Credit Balances		Transactions	
Company	Year	Accounts receivable	Shareholders and subsidiaries	Financial instruments	Accounts payable	Shareholders and subsidiaries	Income	Expenses
Shareholders								
FARMINVESTE - INVESTIMENTOS, PARTICIPAÇÕES E GESTÃO, S.A.	2018			10 000 000				
	2017			10 000 000				
JOSÉ DE MELLO CAPITAL, S.A.	2018			6 500 000				
	2017		122 780	6 500 000				
Subsidiary Companies								
ACADEMIA CUF , SOCIEDADE UNIPESSOAL, LDA	2018	50 457					6 216	
	2017	3 247					31 680	
CLÍNICA CUF ALVALADE, S.A.	2018	14 117					137 726	
	2017	14 117					137 726	
CLÍNICA CUF BELÉM, S.A.	2018	1 634					15 940	
	2017	1 634					15 940	
HOSPITAL CUF CASCAIS, S.A.	2018	40 478	2 000 000				106 673	
	2017	62 321	2 000 000				167 139	
HOSPITAL CUF TORRES VEDRAS, S.A.	2018	7 820					76 289	
	2017	15 639					65 850	
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	2018							
	2017	198 840						
HOSPITAL CUF DESCOBERTAS, S.A.	2018	387 536	16 700 000				1 169 347	
	2017	352 530	16 700 000				1 112 537	
HOSPITAL CUF INFANTE SANTO, S.A.	2018	353 927	16 500 000				985 197	
	2017	434 699	16 500 000				902 712	
HOSPITAL CUF PORTO, S.A.	2018	507 870	25 000 000				1 461 547	
	2017	500 631	21 600 000				1 318 419	
INSTITUTO CUF - DIAGNÓSTICO E TRATAMENTO, S.A.	2018	9 987					97 430	
	2017	9 987					98 179	
PPPS - GESTÃO E CONSULTORIA, S.A.	2018	36 553	2 000 000				80 853	
	2017	36 497	2 000 000				81 542	
INFRAHEALTH - GESTÃO DE INFRAESTRUTURAS, LDA	2018	86 632	3 000 000				124 460	
	2017	54 746	3 000 000				121 104	
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	2018	5 014 093	104 219 841				4 059 705	
	2017	1 081 800	96 597 305				1 910 801	
HOSPITAL CUF VISEU, S.A.	2018	75 530	4 003 359				173 367	
	2017	74 237	4 003 359				172 754	
HOSPITAL CUF SANTARÉM, S.A.	2018	49 164	2 690 000				109 756	
	2017	57 848	3 170 000				127 636	
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	2018	5 662 102	10 000 000					
	2017	666 540	3 500 000					
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS, S.A.	2018	495 297	7868 732				280 535	
	2017	350 867	6 788 732				272 592	
VRAMONDI INTERNATIONAL BV	2018				152 095	32 681 800		1042 686
	2017					32 681 800		

Company	Year	Debit Balances			Credit Balances		Transactions	
		Accounts receivable	Shareholders and subsidiaries	Financial instruments	Accounts payable	Shareholders and subsidiaries	Income	Expenses
Subsidiary Companies								
PPPS II - GESTÃO E CONSULTORIA, S.A.	2018							
	2017		175					
PPPS III- GESTÃO E CONSULTORIA, S.A.	2018							
	2017		548				66 952	
HOSPITAL DE COIMBRA, S.A.	2018	9 138	865 000					
	2017		365 000				3 947	
CENTRO LOGÍSTICO CUF, UNIPESSOAL, LDA	2018	2 584	141 734					
	2017							
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	2018		276 474					
	2017							
Other Related Parties								
JMS - PRESTAÇÃO DE SERVIÇOS SAÚDE, ACE	2018	437 923					405 834	
	2017	1 418 351						
LOJA SAÚDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	2018	4 845						
	2017	5 161					25 176	
SAGIES - SEGURANÇA, HIGIENE E SAÚDE NO TRABALHO, S.A.	2018	9276			50		90 502	664
	2017	7976			206		77 818	498
SIMPLYGREEN - INVESTIMENTOS IMOBILIÁRIOS, S.A.	2018	656						
	2017	328						
CLÍNICA DR. LUIS ÁLVARES, S.A.	2018	2893					28 227	
	2017							
JOSÉ DE MELLO RESIDÊNCIAS E SERVIÇOS, SGPS, S.A.	2018	7 260 000						
	2017							

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:

	2018	2017
Total remuneration	1 874 100	467 975
	<b>1 874 100</b>	<b>467 975</b>

### 6 - 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
<b>Cost</b>		
At 1 january 2017	71 262	71 262
Acquisitions	—	—
At 31 december 2017	71 262	71 262
Acquisitions	14 063	14 063
At 31 december 2018	85 325	85 325
<b>Depreciation and impairment losses:</b>		
At 1 january 2017	71 262	71 262
Depreciations for the period	—	—
At 31 december 2017	71 262	71 262
Depreciations for the period	2 637	2 637
At 31 december 2018	73 899	73 899
<b>Net book value:</b>		
At 31 december 2018	11 426	11 426
At 31 december 2017	—	—
At 1 january 2017	—	—



## 7 - TANGIBLE FIXED ASSETS

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	Office equipment	Fixed assets in progress	Total tangible asstes
<b>Cost:</b>					
At 1 january 2017	718 593	6 022 861	251 258	—	6 992 712
Acquisitions	—	2 183 179	10 695	—	2 193 874
At 31 december 2017	718 593	8 206 040	261 953	—	9 186 586
Acquisitions	182 820	1 077 400	68 275	260 000	1 588 495
At 31 december 2018	901 413	9 283 440	330 228	260 000	10 775 081
<b>Depreciation and impairment losses:</b>					
At 1 january 2017	375 631	1 602 573	189 395	—	2 167 599
Depreciations (note 21)	176 441	1 107 738	18 431	—	1 302 610
At 31 december 2017	552 072	2 710 310	207 826	—	3 470 209
Depreciations (note 21)	173 214	1 236 893	23 058	—	1 433 165
At 31 december 2018	725 286	3 947 203	230 885	—	4 903 374
<b>Net book value:</b>					
At 31 december 2018	176 127	5 336 237	99 344	260 000	5 871 707
At 31 december 2017	166 521	5 495 730	54 127	—	5 716 378
At 1 january 2017	342 962	4 420 289	61 863	—	4 825 114

The caption “Basic Equipment” concerns the medical-surgical equipment acquired to be leased to the group’s companies. The recorded increase mainly concerns the acquisition of digital mammography devices.

No signs of impairment were identified.

## 8 INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

### 8.1 - MOVEMENTS OF THE FINANCIAL INVESTMENTS PER SUBSIDIARY

The movement that took place in the current financial year under the caption of financial investments is the one shown in the following table:

	Business activity	Total Financial Investments 2017	Increases	Total Financial Investments 2018	% Holding
<b>Subsidiary Companies</b>					
ACADEMIA CUF, SOCIEDADE UNIPessoal, LDA	Training	5 000		5 000	100,00%
CLÍNICA CUF ALVALADE, S. A.	Healthcare service provision	1 164 124		1 164 124	100,00%
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Healthcare service provision	1 865 024		1 865 024	60,00%
DIGIHEALTH, S.A.	Provision of management services and consulting in healthcare	50 000		50 000	88,00%
HOSPITAL CUF DESCOBERTAS, S.A.	Healthcare service provision	6 357 407	132 733	6 490 140	100,00%
HOSPITAL CUF INFANTE SANTO, S.A.	Healthcare service provision	21 536 188		21 536 188	100,00%
LOJA SAÚDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	Parapharmaceutical	117 188		117 188	100,00%
HOSPITAL CUF PORTO, S.A.	Healthcare service provision	189 958		189 958	100,00%
VRAMONDI INTERNATIONAL BV	Shareholdings management	14 454 760		14 454 760	99,00%
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	Shareholdings management	-		-	96,00%
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Imobiliária	412 500		412 500	100,00%
HOSPITAL CUF VISEU, S.A.	Healthcare service provision	50 000		50 000	100,00%
HOSPITAL CUF SANTARÉM, S.A.	Healthcare service provision	12 390 104		12 390 104	100,00%
PPPS II - GESTÃO E CONSULTORIA, S.A.	Provision of management services and consulting in healthcare	50 000		50 000	100,00%
PPPS III - GESTÃO E CONSULTORIA, S.A.	Provision of management services and consulting in healthcare	50 000		50 000	100,00%
CENTRO LOGÍSTICO CUF, UNIPessoal, LDA	Distribution and commercialization of medication and medical devices	1	49 999	50 000	100,00%
HOSPITAL CUF COIMBRA, S.A.	Healthcare service provision	8 440 500	1 067 580	9 508 080	100,00%
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	Healthcare service provision	-	1 876 603	1 876 603	100,00%
		<b>67 132 753</b>	<b>3 126 915</b>	<b>70 259 668</b>	

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

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

- Increase in the shareholding of Centro Logístico Cuf, Unipessoal, Lda. (49,999 euros) and Hospital Cuf Coimbra, S.A. (1,067,580 euros);
- 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 shall occur 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.

The movement that took place in the previous financial year under the caption of financial investments is the one shown in the following table:

	Business activity	Total Financial Investments 2016	Increases	Supplementary payments	Ret. of issue premiums	Total Financial Investments 2017	% Holding
<b>Subsidiary Companies</b>							
ACADEMIA CUF, SOCIEDADE UNIPessoal, LDA	Training	5 000				5 000	100,00%
CLÍNICA CUF ALVALADE, S. A.	Healthcare service provision	1 164 124				1 164 124	100,00%
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Healthcare service provision	2 923 730		(1 058 796)		1 865 024	60,00%
DIGIHEALTH, S.A.	Provision of management services and consulting in healthcare	50 000				50 000	88,00%
HOSPITAL CUF DESCOBERTAS, S.A.	Healthcare service provision	6 357 407				6 357 407	100,00%
HOSPITAL CUF INFANTE SANTO, S.A.	Healthcare service provision	21 536 188				21 536 188	100,00%
LOJA SAÚDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	Parapharmaceutical	117 188				117 188	100,00%
HOSPITAL CUF PORTO, S.A.	Healthcare service provision	189 958				189 958	100,00%
VRAMONDI INTERNATIONAL BV	Shareholdings management	18 928 713			(4 473 953)	14 454 760	99,00%
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	Shareholdings management	—	—			—	96,00%
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Imobiliária	412 500				412 500	100,00%
HOSPITAL CUF VISEU, S.A.	Healthcare service provision	50 000				50 000	100,00%
HOSPITAL CUF SANTARÉM, S.A.	Healthcare service provision	12 390 104				12 390 104	100,00%
PPPS II - GESTÃO E CONSULTORIA, S.A.	Provision of management services and consulting in healthcare	—	50 000			50 000	100,00%
PPPS III - GESTÃO E CONSULTORIA, S.A.	Provision of management services and consulting in healthcare	—	50 000			50 000	100,00%
CENTRO LOGÍSTICO CUF, UNIPessoal, LDA	Distribution and commercialization of medication and medical devices	—	1			1	100,00%
HOSPITAL CUF COIMBRA, S.A	Healthcare service provision	—	8 440 500			8 440 500	100,00%
<b>Shareholders</b>							
IBET - INSTITUTO DE BIOLOGIA EXPERIMENTAR E TECNOLÓGICA	Investigation	5 000				5 000	5,00%
		<b>64 129 913</b>	<b>8 540 501</b>	<b>(1 058 706)</b>	<b>(4 473 953)</b>	<b>67 137 753</b>	

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

- Participation in the entirety of the capital of PPPS II – Gestão e Consultoria, S.A. (50,000 euros) and PPPS III – Gestão e Consultoria, S.A. (50,000 euros) and Centro Logístico – CUF, Unipessoal, Lda., companies established in August 2017;
- Participation in the entirety of the capital of CPIS – Clínica Particular de Coimbra, S.A., a company acquired in December 2017;
- Return of share premiums of Vramondi International B.V., amounting to 4,473,953 euros;
- Return of supplementary payments of Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A., in the amount of 1,058,706 euros.

## 8.2 - SUMMARY INFORMATION ABOUT THE SUBSIDIARIES

The assets, liabilities and equity, income and statutory results of the subsidiaries on 31 December 2018 are as follows:

	Equity	Assets 2018		Liabilities 2018		Net profit 2018	Dividends	Income
		Current	Non-Current	Current	Non-Current			
ACADEMIA CUF, SOCIEDADE UNIPessoal, LDA	(545 968)	482 407	45 117	1 073 493	—	25 993	—	633 912
CLÍNICA CUF ALVALADE, S. A.	2 235 402	2 795 932	1 422 869	1 845 240	138 160	779 518	256 562	9 324 963
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	9 743 472	30 565 668	9 739 789	20 668 687	9 893 298	330 591	—	71 578 454
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	(44 847 428)	61 196 448	4 454 541	110 498 418	—	(12 292 469)	—	165 224 605
DIGIHEALTH, S.A.	(9 776 505)	4 730 914	—	13 520 379	987 040	254 376	—	180 000
HOSPITAL CUF DESCOBERTAS, S.A.	10 287 610	54 068 804	20 936 257	35 170 132	29 007 318	6 849 936	3 115 969	117 949 701
HOSPITAL CUF INFANTE SANTO, S.A.	14 403 466	63 661 453	25 853 959	43 442 033	31 669 912	8 393 661	3 797 038	111 883 197
LOJA SAÚDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	207 681	234 832	11 526	38 677	—	12 911	—	274 945
HOSPITAL CUF PORTO, S.A.	(30 889 042)	27 119 524	6 301 312	31 776 443	32 533 435	(735 216)	—	70 115 305
VRAMONDI INTERNATIONAL BV	14 804 402	1 168 440	43 842 767	4 519 800	30 170 883	877 673	—	1 052 280
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	(1 150 598)	1 216 795	6 788 732	2 267 969	6 888 156	(6 989)	—	—
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	26 005 597	79 952 382	230 395 885	22 636 141	261 706 529	6 218 856	—	10 229 336
HOSPITAL CUF VISEU, S.A.	(7 168 386)	6 058 807	4 234 066	11 550 669	5 910 590	(1 882 870)	—	13 717 053
HOSPITAL CUF SANTARÉM, S.A.	1 465 227	7 826 307	6 756 797	8 905 539	4 209 338	1 092 838	—	17 316 998
PPPS - GESTÃO E CONSULTORIA, S.A.	(2 248 134)	240	—	248 374	2 000 000	(84 023)	—	—
PPPS II - GESTÃO E CONSULTORIA, S.A.	47 224	48 405	—	1 181	—	(1 432)	—	—
PPPS III - GESTÃO E CONSULTORIA, S.A.	46 852	48 020	—	1 169	—	(1 432)	—	—
CENTRO LOGÍSTICO CUF, UNIPessoal, LDA	14 732	197 236	199 983	382 488	—	(34 554)	—	—
HOSPITAL CUF COIMBRA, S.A.	(2 171 923)	8 935 232	3 285 826	13 907 451	485 530	(2 353 120)	—	3 287 512
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	1 408 430	801 755	1 958 764	652 089	700 000	107 397	—	1 273 621

## 8.3 - IMPAIRMENT OF FINANCIAL INVESTMENTS

In 2018, impairment tests were carried out on the most relevant subsidiaries, which concluded that there was no impairment concerning the value of the recognised financial investment.

The assumptions used in the impairment tests were as detailed below.

- The recoverable amounts of cash-generating units were determined based on the value-in-use calculation. The use of this method requires an estimation of future cash flows from the operations of each cash-generating unit and the choice of an appropriate discount rate;
- Five-year projections of future cash flows for each of the businesses have been prepared in accordance with the plans defined by the Board of Directors. The sole exception was Hospital CUF Coimbra, S.A., for which a period of nine years was analysed, since at the end of the fifth year it is expectable that the unit is still in a phase in which it would be premature to calculate the perpetuity;
- Each healthcare unit is a cash-generating unit, except for Valir – Sociedade Gestora de Participações Sociais, SGPS S.A., which includes the Instituto CUF – Diagnóstico e Tratamento, S.A. unit which is analysed with Hospital CUF Porto, S.A. given the complementarity and interdependence of provided services and geographical proximity, with these two units composing a single cash-generating unit.

The following assumptions were used:

Period	Risk-free interest rate	WACC rate	Perpetuity growth rate	Revenue growth rate
Explicit	3,00%	7,06%	—	6,57%
Perpetuity	3,00%	7,06%	1,80%	—

The revenue growth rate is reviewed annually in cash flow projections. It is calculated for each cash-generating unit and for each of the five years considered in the projections, with the rate shown in the table above the average growth rate for the five years and for all cash-generating units.

Sensitivity analyses were performed on the main variables: (i) discount rate (+/- 0.5%) and (ii) perpetuity growth rate (+/- 0.5%). The results of the sensitivity analysis performed do not indicate the existence of impairment.

## 9 - OTHER INVESTMENTS

The other investments at 31 December 2018 are as follows:

Share	Equity holdings	Loans granted	Impairment losses	Balance sheet value
José de Mello Residências e Serviços, SGPS, S.A.	977 768	—	—	977 768
IBET - Instituto de Biologia Experimental e Tecnológica	5 000	—	—	5 000
	<b>982 768</b>	<b>—</b>	<b>—</b>	<b>982 768</b>

Other investments include equity instruments, measured at fair value (as mentioned in note 3) through comprehensive income.

## 10 - 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.

### 10.1 - FINANCIAL ASSETS

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

	2018	2017
<b>Non-current</b>		
Other financial assets		
Loans (note 10.1.1)	188 198 932	169 361 037
Other accounts receivable (note 10.1.4)	403 720	—
	<b>188 602 652</b>	<b>169 361 037</b>
<b>Current</b>		
Clients (note 10.1.3)	9 707 652	3 094 216
Other financial assets		
Loans (note 10.1.1)	14 326 614	6 864 409
Shareholders (note 10.1.2)	—	122 780
Other accounts receivable (note 10.1.4)	4 458 366	3 181 964
Other financial instruments (note 10.1.5)	16 500 000	16 500 000
Cash and bank deposits (note 4)	108 115	19 398 704
	<b>45 100 747</b>	<b>49 162 073</b>

#### 10.1.1 - OTHER FINANCIAL ASSETS

On 31 December 2017 and 2018, the caption of other financial assets was broken down as follows:

	2018	2017
<b>Non-current assets</b>		
<b>Loans to subsidiaries</b>		
Hospital CUF Porto, S.A.	25 000 000	21 600 000
Imohealth - Investimentos Imobiliários, S.A.	101 391 841	93 769 305
PPPS - Gestão e Consultoria, S.A.	2 000 000	2 000 000
Hospital CUF Descobertas, S.A.	16 700 000	16 700 000
Hospital CUF Infante Santo, S.A.	16 500 000	16 500 000
Hospital CUF Cascais, S.A.	2 000 000	2 000 000
Hospital CUF Viseu, S.A.	4 003 359	4 003 359
Hospital CUF Santarém, S.A.	2 690 000	2 690 000
Valir, Sociedade Gestora de Participações Sociais, SGPS, S.A.	6 788 732	6 788 732
Infrahealth - Gestão de Infraestruturas, Lda	3 000 000	2 944 642
Hospital CUF Coimbra, S.A.	865 000	365 000
<b>Loans to related entities</b>		
José de Mello Residências e Serviços, SGPS, S.A.	7 260 000	—
	<b>188 198 932</b>	<b>169 361 037</b>



	2018	2017
<b>Current assets</b>		
<b>Loans to subsidiaries</b>		
Hospital CUF Santarém, S.A.	—	480 000
Infrahealth - Gestão de Infraestruturas, Lda	—	55 359
Imo Health - Investimentos Imobiliários, S.A.	2 828 000	2 828 000
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	10 000 000	3 500 000
PPPS II - Gestão e Consultoria, S.A.	—	175
PPPS III - Gestão e Consultoria, S.A - 548	—	548
Valir - Sociedade Gestora de Participações Sociais, S.A.	1 080 000	—
Centro Logístico Cuf, Unipessoal, Lda	141 484	—
Cenes - Centro de Processamento de Dispositivos Médicos, Lda	276 474	—
<b>Loans to related assets</b>		
Simply Green - Investimentos Imobiliários, S.A.	656	328
	<b>14 326 614</b>	<b>6 864 409</b>

## 10.1.2 - SHAREHOLDERS

On 31 December 2017 and 2018, the shareholders caption was broken down as follows:

	2018	2017
<b>Current assets</b>		
José de Mello Capital, S.A.	—	122 780
	<b>—</b>	<b>122 780</b>

## 10.1.3 - CUSTOMERS

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

	2018	2017
<b>Clients</b>		
Cost	9 707 652	3 094 216
	<b>9 707 652</b>	<b>3 094 216</b>

## Customer Seniority and Impairment

The seniority of customers is broken down as indicated in the table below:

Year	Total	Unexpired debt	Expired debt				
			≤ 180 days	181-365 days	366-545 days	546-730 days	>730
2018	9 707 652	360 258	7 098 862	1 345 342	462 062	441 128	—
2017	3 094 216	818 258	1 834 830	441 128	—	—	—

No impairment was identified in trade payables balances, which predominantly take place with group entities.

### 10.1.4 - OTHER ACCOUNTS RECEIVABLE

On 31 December 2018 and 2017, the other accounts receivable caption is broken down as follows:

	2018	2017
<b>Non-current</b>		
Other debtors	403 720	—
	<b>403 720</b>	<b>—</b>
<b>Current</b>		
<b>Personnel</b>	430	663
Debtors from income increase		
Interest receivable	3 770 023	2 644 761
Rappel	57 306	—
Others	314 794	272 229
<b>Other debtors</b>	<b>193 612</b>	<b>150 378</b>
<b>Recognising expenses</b>		
Rents	69 043	63 201
Insurance	36 982	34 518
Interest	501	715
Others	15 676	15 498
	<b>4 458 366</b>	<b>3 181 964</b>

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.

### 10.1.5 - 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	Expiry Date	2018	2017
Farminveste - Investimentos, Participações e Gestão, S.A.	2020	10 000 000	10 000 000
José de Mello Capital, S.A.	2022	6 500 000	6 500 000
		<b>16 500 000</b>	<b>16 500 000</b>

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

In December, 13.5 million euros were reimbursed, with a persistent debt of 6.5 million euros 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.

## 10.2 - FINANCIAL LIABILITIES

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

	2018	2017
<b>Non-current</b>		
<b>Loans obtained</b>		
Loans obtained through leases (note 14)	2 876 334	3 456 905
Other financing (note 10.2.2)	103 152 740	154 732 159
	<b>106 029 074</b>	<b>158 189 064</b>
Other financial liabilities (note 10.2.3)	29 869 000	29 869 000
Derivate financial instruments (note 10.2.5)	1 057 696	1 627 604
Other accounts payable (note 10.2.4)	1 050 000	700 000
	<b>138 005 770</b>	<b>190 385 668</b>
<b>Current</b>		
<b>Suppliers</b>		
Suppliers, current account	391 209	623 336
Suppliers, invoices in reception and under verification	—	—
	<b>391 209</b>	<b>623 336</b>
<b>Other financial liabilities (note 10.2.3)</b>	<b>2 899 012</b>	<b>2 812 800</b>
<b>Loans obtained</b>		
Loans obtained through leases (note 14)	1 566 591	1 431 991
Commercial paper (note 10.2.1)	5 000 000	14 700 000
Other financing (note 10.2.2)	51 606 003	1 591 862
Bank overdrafts (note 4)	13 804 399	5 771
	<b>71 976 993</b>	<b>17 729 624</b>
Other accounts payable (note 10.2.4)	4 618 852	2 608 736
Derivative financial instruments (note 10.2.5)	176 137	—
	<b>80 062 202</b>	<b>23 774 495</b>

## 10.2.1 - COMMERCIAL PAPER

The company has contracted five commercial paper programmes with the limit of 41 million euros. On 31 December 2018 and 2017, these liabilities had the following detail:

Contracting company	Nominal amount hired	2018		2017		Contract		Interest rate
		Outstanding amount		Outstanding amount				
		Current	Non-Current	Current	Non-Current	Maturity	Periodicity	
Banco BIC	6 000 000	—	—	—	—	jan/19	Annual	Euribor for the term +0,75%
Montepio Geral	10 000 000	—	—	—	—	nov/19	Annual	Euribor for the term +2,00%
Banco Finantia	10 000 000	—	—	9 700 000	—	mar/21	Once	0,85%
Bankinter	10 000 000	—	—	5 000 000	—	dez/18	Annual	Euribor for the term +0,85%
Sabadell	5 000 000	5 000 000	—	—	—	dez/19	Annual	0,670%
		5 000 000	—	14 700 000	—			

The commercial paper programme of Banco Finantia 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 2018, José de Mello Saúde, S.A. met the financial covenants in the commercial paper programme.

56

## 10.2.2 - OTHER FINANCING

The caption of other financing was broken down as follows on 31 December 2018 and 2017:

	2018	2017
<b>Non-current</b>		
<b>Other financing</b>		
Debenture loans	100 181 196	150 153 144
Bank loans	2 791 544	4 579 015
	<b>103 152 740</b>	<b>154 732 159</b>
<b>Current</b>		
<b>Other financing</b>		
Debenture loans	50 000 000	—
Bank loans	1 606 003	1 591 862
	<b>51 606 003</b>	<b>1 591 862</b>

### (i) Debenture loans

Debenture loans concern the following issues:

Emissions	Total loan amount	Nominal value (bond loan)	Maturity	Interest rate
José de Mello Saúde 2014/2019	50 000 000	10 000	jun/19	Euribor 6M + 3,875%
José de Mello Saúde 2015/2021	50 000 000	10 000	mai/21	Euribor 6M + 2,95%
José de Mello Saúde 2017/2023	50 000 000	10 000	set/23	4%

These contracts include compliance requirements for the following debt ratios: Net financial debt / EBITDA. On 31 December 2018, José de Mello Saúde, S.A. met the financial covenants in all debenture loans.

As at 31 December 2017, the detail of the bonds was the same, with the first issue in the amount of 50 million euros maturing in June 2019.

## (ii) Bank Loans

On 31 December 2018 and 2017, the balance of this caption is broken down as follows:

Bank	Outstanding amount 2018		Outstanding amount 2017	
	Current	Non-Current	Current	Non-Current
Mutual	1 606 003	2 971 544	1 591 862	4 579 015
	<b>1 606 003</b>	<b>2 971 544</b>	<b>1 591 862</b>	<b>4 579 015</b>

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.

## 10.2.3 - OTHER FINANCIAL LIABILITIES

The caption “Other financial liabilities” is broken down as follows:

	2018	2017
<b>Non-current</b>		
<b>Loans subsidiaries</b>		
Vramondi International B.V.	29 869 000	29 869 000
	<b>29 869 000</b>	<b>29 869 000</b>
<b>Current liabilities</b>		
<b>Loans of subsidiaries</b>		
Vramondi International B.V.	2 861 244	2 812 800
Dividends José de Mello Capital, S.A.	37 768	—
	<b>2 899 012</b>	<b>2 812 800</b>
	<b>32 768 012</b>	<b>32 681 800</b>

On 7 November, two financing agreements were signed with Vramondi International B.V. for 27 million euros and 3 million euros. These mature in November 2022 and November 2020, respectively.

## 10.2.4 - OTHER ACCOUNTS PAYABLE

Other accounts payable are discriminated as follows:

	2018	2017
<b>Non-current</b>		
<b>Other accounts payable</b>		
Other creditors	1 050 000	700 000
	<b>1 050 000</b>	<b>700 000</b>
<b>Current</b>		
<b>Other accounts payable</b>		
Personnel	217 983	33 607
Investments suppliers	19 445	—
<b>Creditors from expenses increase</b>		
Insurance	—	144
Remunertions payable	2 436 273	2 212 415
Interest payable	269 648	—
Others	373 614	22 396
Other creditors	1 301 889	340 174
	<b>4 618 852</b>	<b>2 608 736</b>

58

The amount recorded under the “Other Creditors” caption mostly concerns the acquisition of CUF Coimbra Hospital (1.6 thousand euros) and Cenes – Centro de Processamento de Dispositivos Médicos, Lda. (700 thousand euros).

## 10.2.5 - DERIVATIVE FINANCIAL INSTRUMENTS

In 2014, José de Mello Saúde, S.A. had almost all its financing indexed at variable rates. In order to reduce the risk of exposure to interest rate changes, plain vanilla interest rate swaps were contracted in May, June and July of 2015, covering 100% of the amounts of the debenture loans issued in June of 2014 and May of 2015, amounting to 100 million euros in total. 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 debenture loans and pays interest at a fixed rate on the same amount.

The 50 million concerning debenture loans issued in 2017 have no associated financial derivative, due to having a fixed rate disclosed in note 10.2.2.

On 31 December 2018 and 2017, the fair value of the contracted financial derivatives can be presented as follows:

	2018 Liabilities		2017 Liabilities	
	Current	Non-Current	Current	Non-Current
Cash flow hedging derivatives				
Interest rate swap	176 137	1 057 696	—	1 627 604
<b>Total of derived assets/liabilities</b>	<b>176 137</b>	<b>1 057 696</b>	<b>—</b>	<b>1 627 604</b>

The figure recognised in this caption refers to six swap interest rate contracts signed by the company to cover the risk of interest fluctuation.



Characteristics of derivative financial instruments contracted in relation to financing operations on 31 December 2018 and 2017 were as follows:

Cash flow hedging derivatives	Notional	Currency	Economic goal	Maturity	Fair value	
					2018	2017
Interest rate swpas						
Swap 13121-001	25 000 000	Eur	Cash-flow coverage of bond issuance	jun/19	(94 269)	(273 774)
Swap 13136-001	12 500 000	Eur	Cash-flow coverage of bond issuance	jun/19	(45 046)	(130 616)
Swap 13121-002	25 000 000	Eur	Cash-flow coverage of bond issuance	mai/21	(534 709)	(566 865)
Swap 13137-001	12 500 000	Eur	Cash-flow coverage of bond issuance	mai/21	(288 580)	(313 183)
Swap 13152-001	12 500 000	Eur	Cash-flow coverage of bond issuance	mai/21	(234 407)	(237 253)
Swap 13153-001	12 500 000	Eur	Cash-flow coverage of bond issuance	jun/19	(36 822)	(105 913)
					(1 233 833)	(1 627 604)

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.

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

SWAP'S						
Ref	13121-001	13121-002	13136-001	13137-001	13152-001	13153-001
Trade Date	19 mai 2015	19 mai 2015	23 jun 2015	23 jun 2015	30 jul 2015	30 jul 2015
Effective Date	21 mai 2015	21 mai 2015	25 jun 2015	25 jun 2015	31 jul 2015	31 jul 2015
Termination Date	09 jun 2019	17 mai 2021	9 jun 2019	17 mai 2021	17 mai 2021	9 jun 2019
Notional Amonut	25 000 000	25 000 000	12 500 000	12 500 000	12 500 000	12 500 000

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 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 on 31 December 2018 is -1,233,833 euros.

The changes occurred in the financial years ended on 31 December 2018 and 2017 are as follows:

	2017	Equity	2018
Derivates designated as hedging flows	(1 627 604)	393 771	(1 233 833)
Deferred Tax Assets (note 15)	366 211	(88 599)	277 612
	<b>(1 261 393)</b>	<b>305 173</b>	<b>(956 220)</b>
	2016	Equity	2017
Derivates designated as hedging flows	(2 301 120)	673 516	(1 627 604)
Deferred Tax Assets (note 15)	517 752	(151 541)	366 211
	<b>(1 783 368)</b>	<b>521 975</b>	<b>(1 261 393)</b>

## 11 - NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2018 and 2017, the non-current assets held for sale caption is broken down as follows:

	2018	2017
<b>Financial assets available for sale</b>		
Escala Braga - Soc. Gestora do Edifício, S.A.	—	—
Escala Parque - Gestão de Estacionamento, S.A.	—	—
	<b>—</b>	<b>—</b>

At 31 December 2017, it was the intention of José de Mello Saúde to transfer its stake in the share capital, along with all its associated rights and obligations, for the following entities:

- Escala Braga – Sociedade Gestora do Edifício, S.A. (20%)
- Escala Parque – Gestão de Estacionamento, S.A. (20%)

To this end, a contract was signed in 2016 for the purchase and sale of stocks and supplementary payments with an investor, with the completion of the transaction, at 31 December 2017, still being dependent on the authorisation of the Contracting Public Entity (Regional Health Administration – Administração Regional de Saúde).

The transaction was contingent on the authorisation of the Contracting Public Entity (Regional Health Administration), which was completed in 2018. The sale of these participations took place on 20 April 2018, generating a gain of 5.5 million euros.

60

## 12 - CAPITAL

### 12.1 - SHARE CAPITAL

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

	2018			2017		
	Amount	Quantity	% Holding	Amount	Quantity	% Holding
<b>Share equity</b>						
José de Mello Capital, S.A.	34 900 500	6 980 100	65,85%	34 900 500	6 980 100	65,85%
Farminveste - Investimentos, Participações e Gestão, S.A.	15 900 000	3 180 000	30,00%	15 900 000	3 180 000	30,00%
Fundação Amélia da Silva de Mello	2 199 500	439 900	4,15%	2 199 500	439 900	4,15%
	<b>53 000 000</b>	<b>10 600 000</b>	<b>100%</b>	<b>53 000 000</b>	<b>10 600 000</b>	<b>100%</b>

### 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 29,554,176 euros:

- Transfer to retained earnings in the amount of 476,467 euros;
- Establishment of legal reserves in the amount of 1,477,709 euros;
- Distribution of interim dividends in the amount of 14,100,000 euros;
- Distribution of dividends in the amount of 13,500,000 euros.

## 12.3 RESERVES AND OTHER EQUITY CAPTIONS

Reserves and other equity captions registered the following transactions during the financial years ending on 31 December 2018 and 2017:

	Legal reserves	Other reserves	Retained earnings	Adjustments to Financial assets
<b>1 january 2017</b>	<b>4 356 460</b>	<b>(2 288 872)</b>	<b>30 271 560</b>	<b>(37 434 593)</b>
Appropriation of results	1 455 184	—	9 740 499	—
Changes to MTM regarding hedging financial instruments (note 9.2.5)	—	521 975	—	—
Other operations	—	517 752	—	—
<b>31 december 2017</b>	<b>5 811 644</b>	<b>(1 249 145)</b>	<b>40 012 059</b>	<b>(37 434 593)</b>
<b>1 january 2018</b>	<b>5 811 644</b>	<b>(1 249 145)</b>	<b>40 012 059</b>	<b>(37 434 593)</b>
Appropriation of results	1 477 709	—	476 467	—
Changes to MTM regarding hedging financial instruments (note 9.2.5)	—	305 173	—	—
<b>31 december 2018</b>	<b>7 289 353</b>	<b>(943 972)</b>	<b>40 488 526</b>	<b>(37 434 593)</b>

Commercial legislation establishes 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 established 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.

### Dividends

According to resolution of the Board of Directors held on 26 October 2018, 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 4.16 million euros was paid, and the remaining amount (37 thousand euros) was recorded under Other Financial Liabilities (note 10.2.3).

In the financial year ended on 31 December 2017, interim dividends were paid in the amount of 14.1 million euros.

In 2018, dividends concerning the financial year of 2017 were paid in the amount of 13.5 million euros.

## 13 - GOVERNMENT AND OTHER PUBLIC ENTITIES

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

	2018	2017
<b>Government and other public entities</b>		
<b>Balance receivable</b>		
Income tax	13 971 084	12 847 972
VAT	1 087 023	516 175
	<b>15 058 108</b>	<b>13 364 148</b>
<b>Balance payable</b>		
Income tax withholdings	44 493	15 876
Social Security contributions	31 957	13 232
	<b>76 450</b>	<b>29 108</b>

## 14 - OBLIGATIONS ARISING FROM LEASE CONTRACTS

### 14.1 - FINANCE LEASES

The company has finance lease contracts for various items of its tangible fixed assets, included in the statement of financial position. On 31 December 2018 and 2017, the company maintains the following assets in a finance lease regime for each category:

	2018	2017
<b>Tangible</b>		
Buildings and other constructions	-	28 097
Basic equipment	4 916 849	5 288 196
	<b>4 916 849</b>	<b>5 316 293</b>

As at 31 December 2018 and 2017, this caption mostly concerns contracts for the acquisition of medical equipment.

These long-term contracts in which the company has the right to use a specific asset are recorded as finance leases according to IAS 17 – leases. The liabilities for finance lease have the following maturities at 31 December 2018 and 2017:

	2018			2017		
	Payments	Interest	Capital	Payments	Interest	Capital
Less than a 1 year	1 659 307	92 717	1 566 591	1 533 004	101 013	1 431 991
From 1 to 5 years	2 946 255	75 407	2 870 848	3 568 884	111 980	3 456 905
Over 5 years	5 501	14	5 486	—	—	—
	<b>4 611 063</b>	<b>168 138</b>	<b>4 442 925</b>	<b>5 101 889</b>	<b>212 993</b>	<b>4 888 896</b>

### 14.2 - OPERATING LEASES

On 31 December 2018 and 2017, the company's main liabilities with operating lease contracts concern the lease of the office and vehicles. The total amounts of future minimum payments are as follows:

	2018			2017		
	Less than a year	From 1 to 5 years	Over 5 years	Less than a year	From 1 to 5 years	Over 5 years
Vehicles	39 158	45 418	—	36 051	43 386	—
Real estate	61 380	6 138	—	704 654	1 409 309	—
	<b>100 538</b>	<b>51 556</b>	<b>—</b>	<b>740 705</b>	<b>1 452 695</b>	<b>—</b>

In the financial years ended on 31 December 2018 and 2017, costs of 1,316,447 euros and 933,103 euros were respectively recognised, concerning operating lease contracts. The reduction in liabilities related to buildings is justified by the revocation of the office's lease contracts.

## 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### PROVISIONS

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

	Liabilities with subsidiaries	Other provisions	Total
<b>1 january 2017</b>	<b>15 504 127</b>	<b>342 811</b>	<b>15 846 938</b>
Year's increases	—	—	—
Year's reductions	(14 024)	—	(14 024)
Uses during the year	—	—	—
<b>31 december 2017</b>	<b>15 490 103</b>	<b>342 811</b>	<b>15 832 914</b>
<b>1 january 2018</b>	<b>15 490 103</b>	<b>342 811</b>	<b>15 832 914</b>
Year's increases	11 385 962	—	11 385 962
Year's reversions	—	—	—
<b>31 december 2018</b>	<b>26 876 065</b>	<b>342 811</b>	<b>27 218 877</b>

The recorded value under liabilities with subsidiaries concerns additional responsibilities in the subsidiary Escala Braga – Sociedade Gestora do Estabelecimento, S.A. This estimate requires the exercise of significant judgment about the costs and income of said subsidiary until the end of the public-private partnership contract in August 2019.

The year 2018 was the third consecutive year in which Braga Hospital presented a negative result. This situation stems from the Government's failure to revalidate the vertical funding programmes for HIV and Multiple Sclerosis. This behaviour by the state-owned partner contributed inexorably to the current financial situation and is a very serious situation of contractual non-compliance. Therefore, a Request for Financial Rebalancing was lodged at the end of 2016 for the purpose of clause 127, no. 9, subparagraph b), of the Management Contract.

On 31 December 2018, the Board considered the success of this litigation to be very likely, an expectation that was confirmed by the favourable decision of the Arbitration Court on 29 January 2019, on the HIV/AIDS programme, after the date of closing of accounts and as such, disclosed as a Subsequent Event (Note 47).

The Arbitration Court upheld the claim formulated by Escala Braga concerning HIV/AIDS, having considered proven the facts alleged by it regarding the alteration of the public health policy and modification of the profile of treatment of people with HIV/AIDS, mandating the Portuguese Government to restore the financial balance of management in the following terms:

- i) For 2016, the Portuguese Government shall pay the amount of 4,557,338 euros to Escala Braga;
- ii) For 2017 and 2018, the Portuguese Government shall pay the amount that the parties define using the same criteria and assumptions for 2016 to Escala Braga, which translated into the final amounts of 4,843,506 euros and 3,579,885 euros, respectively.
- iii) The Portuguese Government must also pay arrears on these amounts to Escala Braga at the rate of 4% per year from the date of citation of the arbitration proceedings.

It should be noted that the amounts concerning 2016, 2017 and 2018 were already paid by the Portuguese Government in March 2019, and the total value amounted to 13.45 million euros.

The Court rejected Escala Braga's claim for loss of funding for the treatment of people with Multiple Sclerosis.

Taking into account the amounts received and those estimated for 2019 (2.6 million euros) in the future projection of the activity enables us to rule out the hypothesis of the contract being onerous.

## 16 - INCOME TAX

On 31 December 2018 and 2017, the spending due to current and deferred taxes is the one indicated in the following table:

	2018	2017
<b>Current tax</b>		
Corporate income tax for the year	(5 283 268)	(3 104 664)
	<b>(5 283 268)</b>	<b>(3 104 664)</b>
<b>Deferred tax</b>		
Hedging financial instruments	27 373	27 373
Retirement benefits	27 373	27 373
	<b>(5 255 895)</b>	<b>(3 077 291)</b>

## 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 the 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	
	2018	2017	2018	2017	2018	2017
<b>Deferred tax assets</b>						
Hedging financial instruments	277 612	366 211	—	—	88 599	—
Retirement benefits	481 355	508 727	27 373	27 373	—	—
	<b>758 967</b>	<b>874 938</b>	<b>27 373</b>	<b>27 373</b>	<b>88 599</b>	<b>—</b>

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 2,504,321 euros.

## Settlement of the effective tax rate

	Base de Imposto	
	2018	2017
Profit before tax	17 827 535	26 476 884
Nominal tax rate	21,00%	21,00%
<b>TAX ON PROFIT AT THE NOMINAL RATE</b>	<b>3 743 782</b>	<b>5 560 146</b>
<b>Non-taxable income</b>		
Elimination of double taxation of distributed reserves and income	36 042 521	31 493 755
Reimbursement of non-deductible taxes and overestimation of tax	862 053	735 428
Reversal of taxed provisions	—	97 000
Others	4 602	8 787
	<b>36 909 176</b>	<b>32 334 971</b>
<b>Non-deductible costs for tax purposes</b>		
Donations	5 110	6 709
Fines, penalties and interest compensation	188	1 871
Expenses incurred from renting a car without a driver	—	583
Accounting gains	—	94 766
Depreciations and amortisations not accounted as expenses	108 462	103 105
Non-deductible provisions	11 385 962	—
Corrections relating to previous periods	5 827	11 579
Others	650	8 838
	<b>11 506 199</b>	<b>277 452</b>
Tax loss / Taxable income	(7 575 441)	(5 630 635)
Income tax in Portugal	21,00%	21,00%
Calculated tax	—	—
Separate taxation	68 308	79 665
Tax saving	(5 351 576)	(3 702 080)



	Base de Imposto	
	2018	2017
Others	—	517 752
Deferred Taxes	27 373	27 372
<b>INCOME TAX</b>	<b>(5 255 895)</b>	<b>(3 077 291)</b>
<b>EFFECTIVE TAX RATE</b>	<b>(29,48%)</b>	<b>(11,62%)</b>

## 17 - INCOME

On 31 December 2018 and 2017, income is broken down as follows:

	2018	2017
<b>Service provision</b>		
Services	1 917 719	1 786 383
	<b>1 917 719</b>	<b>1 786 383</b>

The provisions of services concern the sublease rents billed to the Group's units, concerning the lease of medical equipment.

## 18 - OTHER INCOME AND GAINS

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

	2018	2017
<b>Income and Gains in tge group's companies and associates</b>		
Disposals	5 507 927	—
	<b>5 507 927</b>	<b>—</b>
<b>Supplementary income</b>		
Others	—	197 666
<b>Others</b>		
Excess of the estimate for taxes	862 053	37 293
Tax refund	—	698 136
Others	636 622	1 396 958
	<b>1 498 675</b>	<b>2 330 052</b>

The amount of 5.5 million euros 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 above-mentioned amount.

## 19 - PERSONNEL EXPENDITURE

The caption “other personnel expenditure” is broken down as follows:

	2018	2017
<b>Remunerations</b>		
Wages of governing bodies members	1 122 825	467 975
Personnel wages	(21 481)	(1 646)
Charges on remunerations	252 535	115 890
Insurances for occupational accidents and diseases	216 501	33 808
Social action expenditure	1 632	1 495
Other personnel expenditure	784 094	2 110 992
	<b>2 360 106</b>	<b>2 278 515</b>

There were 13 employees working for the entity on 31 December 2018 (2017: 14 employees).

## 20 - EXTERNAL SUPPLY AND SERVICES

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

	2018	2017
<b>Subcontracts</b>	29 224	23 242
<b>Specialised services</b>		
Specialised work	1 941 066	1 045 380
Advertising	1 760 946	1 256 724
Fees	522 227	508 619
Maintenance and repairs	—	917
<b>Materials</b>		
Tools and utensils	1 787	—
Books and technical documentation	803	7 381
Office material	1 505	1 585
Articles for free distribution	3 940	1 500
<b>Energy and fluids</b>		
Electricity	104 67	74 049
Fuel	10 179	9 501
Water	4 758	—
<b>Travel, accommodation and transport</b>		
Travel and accommodation	45 132	17 136
<b>Other services</b>		
Rents and leases	1 316 447	933 103
Communication	11 351	16 131
Insurance	49 076	41 759
Litigation and notary public fees	2 931	2 780
Representation expenses	7 207	12 529
Cleaning, hygiene and comfort	9 943	13 233
Others	5 224	25 002
	<b>5 828 422</b>	<b>3 990 572</b>

The increase in the “external supplies and services” caption is mostly justified by the following variations:

- Specialised works (+86%) comprises fees concerning consultants and lawyers. The increase over the previous year is justified by consulting projects carried out during the year.
- Rents and leases (+41%) – This caption includes the rents invoiced to the group’s multiple companies for the rental of medical equipment. The increase in comparison with the previous year is justified by the increase in the activity of the companies, which implied the acquisition of a larger number of devices.

## 21 - OTHER EXPENSES AND LOSSES

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

	2018	2017
<b>Expenses and losses in the group’s companies and associates</b>		
Financial assets adjustment	—	94 766
	<b>—</b>	<b>94 766</b>
Taxes	10 470	83 147
Bad debt	—	82 656
<b>Expenses and losses in non-financial investmentss</b>		
Others	—	13
<b>Others</b>		
Donations	205 000	36 000
Contributions	22 195	16 328
<b>Fines and penalties</b>		
Non-tax fines	188	188
Other expenses and losses	1 809	12 079
	<b>239 662</b>	<b>230 412</b>

## 22 - EXPENSES/REVERSAL OF DEPRECIATION AND AMORTISATION

According to the following chart, expenses on depreciations and amortisations amount to 1,435,802 euros in 2018 and 1,302,610 euros in 2017:

	2018	2017
<b>Expenses of depreciation and amortisation</b>		
Tangible fixed assets	1 433 165	1 302 610
Intangible assets	2 637	—
	<b>1 435 802</b>	<b>1 302 610</b>

## 23 - INTEREST AND SIMILAR EXPENSES OBTAINED

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

	2018	2017
<b>Interest received</b>		
From deposits	—	5 316
From other net financial investments	329 039	93 582
From financing granted to subsidiaries	7 269 218	4 916 021
From other loans granted	—	(45)
Dividends Obtained	30 534 594	31 493 755
	<b>38 132 851</b>	<b>36 508 629</b>

## 24 - INTEREST AND SIMILAR SUPPORTED EXPENSES

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

	2018	2017
<b>Interest paid</b>		
Form loans obtained	6 431 582	4 363 719
From finance leases	100 883	131 448
Others	851 970	828 512
<b>Other expenses and losses on loans</b>		
Others	595 247	574 626
	<b>7 979 682</b>	<b>5 898 305</b>

## 25 - FINANCIAL COMMITMENTS WITH GUARANTEES

On 31 December 2018 and 2017, the entity has the following guarantees provided in its portfolio:

Beneficiary	2018	2017	Date of issue	Date of expiry
Lisbon City Council (Câmara Municipal de Lisboa") (a)	850 000	303 195	12/04/2018	12/04/2022
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A. (b)	2 400 000	2 400 000	19/05/2011	—
Imo Health - Investimentos Imobiliários, S.A. (c)	5 856 000	5 856 000	28/06/2017	28/06/2025
Imo Health - Investimentos Imobiliários, S.A. (d)	15 000 000	15 000 000	31/12/2014	25/12/2029
Imo Health - Investimentos Imobiliários, S.A. (e)	5 450 000	—	18/04/2018	31/05/2018
Hopital CUF Infante Santo e Hospital CUF Descobertas (f)	568 835	—	—	—
	<b>30 124 835</b>	<b>23 559 195</b>		

(a) "Resetting of the original land conditions" for the expansion of Hospital Cuf Descobertas, S.A.

(b) Subscription agreement and capital subscriptions

(c) Guarantor in the Mutual of Imo Health - Investimentos Imobiliários, S.A..

(d) Guarantor in the leasing of Imo Health - Investimentos Imobiliários, S.A..

(e) Guarantor of the guarantee given by Imo Health - Investimentos, S.A. for the acquisition of the building in Travessa do Castro

(f) Guarantor of several leasing contracts for CUF Descobertas Hospital and CUF Infante Santo Hospital, concerning medical equipment

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

## 26 - EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

These financial statements were authorised for issue on 29 March 2019 by the Board of Directors.

As disclosed in note 14 – Provisions, the decision of the Arbitration Court regarding the proceedings brought by Escala Braga against the Portuguese Government became known at the end of January 2019. This decision was favourable only in the area concerning the vertical HIV programmes.

## 27 - DISCLOSURE REQUIRED DUE TO LEGAL INSTRUMENTS

As required by subparagraph 1a of article 66-A of the 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 2018, 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:

	2018	2017
Annual audit	44 616	27 185
Other Auditing Services	—	—
Tax Consulting	—	—
	<b>44 616</b>	<b>27 185</b>

Lisbon, 29 March 2019

*(Free Translation from the original in Portuguese)*

## 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, 2018 (which show a total of 326.646.043 euros and a total equity of 81.282.744 euros, including a net profit for the year of 23.083.430 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, 2018, 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

As disclosed in note 15 of the notes to the Financial Statements, the Public-Private Partnership management agreements of Braga Hospital will end in August 2019 and the estimate of the provision to face future liabilities of this affiliate includes complex and volatile assumptions, being subject to a significant level of judgement and uncertainty. The assumptions were relevant to determine the amount of the provision on the accompanying financial statements. The estimate include the inflow of the amounts from the vertical programs of HIV, confirmed by the Arbitral Court decision dated January 24, 2019, of which the amounts related to 2016, 2017 and 2018 have been subsequently received. Our opinion is not modified in respect of 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
The amount presented in Investments in subsidiaries and affiliates as at December 31, 2018, is 70,260 thousand euros, representing approximately 21,5% of the total assets of the	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.



<b>Description of the risks of material misstatement</b>	<b>Summary of our approach to the risks of material misstatement</b>
<p>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 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 8.3 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**

<b>Description of the risks of material misstatement</b>	<b>Summary of our approach to the risks of material misstatement</b>
<p>The Entity has contracted external financing presented as current and non-current liabilities, in the amounts of 106.029 thousand euros and 71.977 thousand euros, respectively. The bonds issued in 2014, 2015 and 2017 in the total amount of 150.000 thousand euros, will become partially due (50.000 thousand euros) in July 2019 and refinancing procedures are in course.</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 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>	<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 disclosed, as required by IFRS 7, in note 10.2 of the notes to the financial statements.</p>

## **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 451<sup>º</sup> 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. We were reappointed in the shareholders' general meeting held on April 29, 2016 for a forth mandate for the period between 2016 and 2018.*
- ▶ *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 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 Entity in conducting the audit.*

Lisbon, April 24, 2019

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 INDIVIDUAL 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 2018.

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

- approved the plan of activities for 2019;
- supervised the actions of the Board, through meetings with the internal audit department, financial department, strategic planning, management and innovation control department, information systems department and organisational development and quality department, obtaining the clarifications and comfort deemed necessary;
- 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 of the financial year of 2018;
- 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 can 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, Statement of Changes in Equity, Statement of Cash Flows and Annex of the financial year of 2018 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 accounts for the 2017 financial year presented 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 of the 2018 financial year presented 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 who we contacted, for all the cooperation we received when performing our duties.

Lisbon, 24 April 2019

The Supervisory Board

José Manuel Gonçalves de Morais Cabral  
(Chairman)

João Filipe de Moura-Braz Corrêa da Silva  
(Member)

José Luís Bonifácio Lopes  
(Member)

## STATEMENT OF COMPLIANCE OF THE SUPERVISORY BOARD

In accordance with 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 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, 24 April 2019

The Supervisory Board

José Manuel Gonçalves de Morais Cabral  
(Chairman)

João Filipe de Moura-Braz Corrêa da Silva  
(Member)

José Luís Bonifácio Lopes  
(Member)





# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME OF THE FINANCIAL YEARS ENDED ON 31 DECEMBER 2018 AND 2017

(Amounts in euros)	Notes	31.12.18	31.12.17
<b>Operating income:</b>			
Sales and services rendered	7,8	673 596 559	627 691 418
Other operating income	7,8	9 511 554	9 752 114
<b>Total operating income</b>		<b>683 108 114</b>	<b>637 443 532</b>
<b>Operating costs:</b>			
Cost of sales	9	(126 408 599)	(11 651 108)
External supplies and services	10	(257 564 928)	(242 738 087)
Personnel expenditure	11	(225 304 356)	(202 594 517)
Amortisations and depreciations	19	(32 828 436)	(27 731 514)
Provisions and impairment losses, net	38	(7 142 251)	(1 687 795)
Other operating costs	12	(2 672 590)	(3 582 633)
<b>Total operating costs</b>		<b>(651 921 161)</b>	<b>(594 850 714)</b>
<b>Operating income</b>	7	<b>31 186 953</b>	<b>42 592 818</b>
Financial costs and losses	13	(15 496 821)	(12 194 236)
Financial income and gains	13	703 590	956 355
Profit and loss of associated companies	13	133 169	666 471
Profit and loss of investment activities	13	6 066 595	82 900
<b>Financial results</b>	7	<b>(8 593 467)</b>	<b>(10 488 510)</b>
<b>Income before taxes</b>	7	<b>22 593 486</b>	<b>32 104 308</b>
Income taxes	14	(6 764 402)	(8 809 655)
<b>Consolidated net profit for the year</b>		<b>15 829 084</b>	<b>23 294 653</b>
"Net profit for the year attributable to non-controlling interests"	34	236 260	474 455
<b>Net profit for the year attributable to equity holders</b>	7	<b>15 593 823</b>	<b>22 820 198</b>
<b>Other items of Comprehensive Income:</b>			
Other income and expenses directly recognised in equity that will not be reclassified to profit:			
Revaluation of tangible fixed assets, net of tax	33	7 897 397	7 034 104
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	305 173	521 975
<b>Consolidated comprehensive income</b>		<b>8 202 570</b>	<b>7 556 080</b>
"Comprehensive income for the year attributable to non-controlling interests"		<b>24 031 654</b>	<b>30 850 733</b>
	34	235 260	474 455
<b>"Comprehensive income for the year attributable to equity holders"</b>		<b>23 796 393</b>	<b>30 376 278</b>
<b>Earnings per share:</b>			
Basic	16	1,47	2,15
Diluted	16	1,47	2,15

The following notes form an integral part of the income and other consolidated comprehensive income statement for the financial year ended 31 December 2018.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017

(Amounts in euros)	NOTAS	31.12.18	31.12.17
<b>Non-current assets:</b>			
<i>Goodwill</i>	17	45 569 249	43 885 257
<i>Intangible assets</i>	18	10 282 000	13 357 220
<i>Tangible fixed assets</i>	19	438 929 426	378 408 792
<i>Investments in associated companies</i>	20	265 123	233 956
<i>Other investments</i>	21	2 140 842	770 384
<i>Deferred tax assets</i>	22	4 611 108	3 786 717
<i>Other non-current debtors</i>	23	553 720	—
<i>Other non-current assets</i>	24	2 167 744	8 296 945
<b>Total non-current assets</b>		<b>504 519 212</b>	<b>448 739 272</b>
<b>Current assets:</b>			
<i>Inventories</i>	9,25	12 720 583	14 216 580
<i>Trade receivables and advances to suppliers</i>	26	99 517 916	122 870 558
<i>Other current debtors</i>	23	10 919 726	3 316 536
<i>Government and other public entities</i>	27	4 034 011	16 737 792
<i>Other current assets</i>	24	82 994 606	52 749 441
<i>Other financial instruments</i>	28	35 150 000	35 150 000
<i>Cash and bank deposits</i>	29	67 395 706	47 894 297
<b>Total current assets</b>		<b>312 732 549</b>	<b>292 935 205</b>
Non-current assets held for sale	30	—	3 735 465
<b>TOTAL ASSETS</b>		<b>817 251 760</b>	<b>745 409 942</b>
<b>Equity:</b>			
<i>Share equity</i>	31	53 000 000	53 000 000
<i>Legal reserve</i>	32	7 289 353	5 811 644
<i>Fair value of hedging instruments</i>	33	(956 220)	(1 261 393)
<i>Revaluation of tangible fixed assets</i>	33	24 020 701	21 919 399
<i>Retained earnings</i>	33	3 173 612	5 846 277
<i>Consolidated net profit</i>		15 593 823	22 820 198
<i>Interim dividends</i>	15	(4 200 000)	(14 100 000)
<b>Equity attributable to shareholders</b>		<b>94 747 657</b>	<b>88 189 849</b>
<i>Non-controlling interests</i>	34	4 152 041	4 228 716
<b>Total equity</b>		<b>98 899 699</b>	<b>92 418 565</b>

(Amounts in euros)	Notes	31.12.18	31.12.17
<b>Non-current liabilities:</b>			
Loans	35	284 362 461	295 514 364
Finance lease creditors	36	55 931 803	60 177 688
Employee benefits	37	1 282 326	1 355 216
Provisions	38	15 624 091	12 259 474
Other creditors	39	8 214 560	3 358 340
Deferred tax liabilities	22	13 345 792	11 735 363
Other non-current liabilities	40	1 057 696	1 627 604
<b>Total non-current liabilities</b>		<b>379 818 728</b>	<b>386 028 049</b>
<b>Current liabilities:</b>			
Loans	35	97 845 229	56 119 722
Finance lease creditors	36	8 768 776	9 794 327
Trade payables and advances from clients	42	121 062 391	94 542 001
Government and other public entities	27	10 455 256	21 958 566
Other current creditors	39	10 778 215	7 476 112
Other current liabilities	40	89 623 466	77 072 601
<b>Total current liabilities</b>		<b>338 533 333</b>	<b>266 963 328</b>
<b>TOTAL LIABILITIES</b>		<b>718 352 062</b>	<b>652 991 378</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>817 251 760</b>	<b>745 409 942</b>

The following notes form an integral part of the consolidated statement of financial position for 31 December 2018.

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

(Amounts in euros)

	Share equity (Note 31)	Legal reserve (Note 32)	Fair value of hedging instruments (Note 33)
<b>Balance at 31 December 2016</b>	<b>53 000 000</b>	<b>4 356 460</b>	<b>(2 301 120)</b>
Application of consolidated income for 2016:			
Transfer to retained earnings	—	—	—
Transfer to legal reserve	—	1 455 184	—
Distributed dividends	—	—	—
Changes resulting from change of			
equity in associated companies and subsidiaries	—	—	—
Changes in non-controlling interests resulting			
from changes in consolidation scope	—	—	—
Other operations	—	—	517 752
Consolidated net profit for the year	—	—	—
Other income and gains recognised in equity:			
Revaluation of tangible fixed assets, net of tax	—	—	—
Changes in fair value of hedging instruments, net of taxes	—	—	521 975
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>521 975</b>
<b>Balance at 31 December 2017</b>	<b>53 000 000</b>	<b>5 811 644</b>	<b>(1 261 393)</b>
Application of consolidated income for 2017:			
Transfer to retained earnings	—	—	—
Transfer to legal reserve	—	1 477 709	—
Distributed dividends	—	—	—
Changes resulting from change of			
equity in associated companies and subsidiaries	—	—	—
Changes in non-controlling interests resulting			
from changes in consolidation scope	—	—	—
Acquisition of non-controlling interests	—	—	—
Impact of IFRS 9 adoption	—	—	—
Other operations	—	—	—
Consolidated net profit for the year	—	—	—
Other income and gains recognised in equity:			
Revaluation of tangible fixed assets, net of tax	—	—	—
Changes in fair value of hedging instruments, net of taxes	—	—	305 173
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>305 173</b>
<b>Balance at 31 December 2018</b>	<b>53 000 000</b>	<b>7 289 353</b>	<b>(956 220)</b>

## 2018 AND 2017

Other reserves and retained earnings (Note 33)	Profit net	Interim dividends (Note 15)	Non-controlling interests (Note 34)	Total
10 140 422	23 918 981	(11 408 000)	3 960 796	81 667 539
11 055 797	(22 463 797)	11 408 000	—	—
—	(1 455 184)	—	—	—
(6 500 000)	—	(14 100 000)	(196 400)	(20 796 400)
(32 776)	—	—	—	(32 776)
221 853	—	—	(10 135)	211 718
—	—	—	—	517 752
—	22 820 198	—	474 455	23 294 653
7 034 104	—	—	—	7 034 104
—	—	—	—	521 975
7 034 104	22 820 198	—	474 455	30 850 733
21 919 400	22 820 198	(14 100 000)	4 228 716	92 418 565
7 242 490	(21 342 490)	14 100 000	—	—
—	(1 477 709)	—	—	—
(13 500 000)	—	(4 200 000)	(312 651)	(18 012 651)
73 247	—	—	—	73 247
(18 155)	—	—	20 941	2 786
(219 325)	—	—	(15 197)	(234 523)
616 695	—	—	(4 854)	611 841
8 954	—	—	(174)	8 780
—	15 593 823	—	235 260	15 829 084
7 897 397	—	—	—	7 897 397
—	—	—	—	305 173
7 897 397	15 593 823	—	235 260	24 031 654
24 020 701	15 593 823	(4 200 000)	4 152 041	98 899 699

The following notes form an integral part of the consolidated statement of changes in equity for the financial year ended 31 December 2018.

## CONSOLIDATED CASH FLOW STATEMENTS OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts in euros)	Notes	31.12.18	31.12.17
<b>OPERATING ACTIVITIES:</b>			
Cash receipts from clients		696 520 607	613 868 804
Cash paid to suppliers		(386 983 372)	(388 190 670)
Cash paid to employees		(211 827 437)	(196 604 636)
Income tax received/paid		(8 898 767)	(9 825 346)
Other cash receipts/payments relating to operating activities		3 784 042	(395 668)
<b>Cash flow from operating activities (1)</b>		<b>92 595 073</b>	<b>18 852 483</b>
<b>INVESTMENT ACTIVITIES:</b>			
Cash receipts from:			
Financial assets and other investments	44	9 743 053	195 542
Tangible fixed assets		139 780	227 036
Interest and similar income		405 101	573 661
Dividends on assets held for sale		—	6 347
		<b>10 287 934</b>	<b>1 262 585</b>
Payments from:			
Financial assets and other investments	44	(2 930 500)	(47 982 884)
Tangible fixed assets		(48 466 507)	(40 655 580)
Intangible assets		(470 039)	(960 949)
<b>Cash flow from investment activities (2)</b>		<b>(51 867 046)</b>	<b>(89 599 414)</b>
		<b>(41 579 112)</b>	<b>(88 336 829)</b>
<b>FINANCING ACTIVITIES:</b>			
Cash receipts from:			
Obtained loans		535 321 014	466 638 200
Loans to related entities		2 434 626	1 853 458
Payments of capital or Supplementary payments		20 000	34 077
Other financial instruments		—	13 500 000
Derivative Financial Instruments		—	269 774
		<b>537 775 639</b>	<b>482 295 509</b>
Payments from:			
Obtained loans		(511 909 653)	(341 999 911)
Other financing operations		(7 360 000)	(3 150 267)
Amortisation of finance lease contracts		(15 532 593)	(10 407 471)
Interest and similar costs		(16 551 983)	(10 592 310)
Dividends paid and profit distributed		(18 014 791)	(21 333 803)
		<b>(569 369 019)</b>	<b>(387 483 760)</b>
<b>Cash flow from financial activities (3)</b>		<b>(31 593 380)</b>	<b>94 811 749</b>
Changes in cash and cash equivalents (4)=(1)+(2)+(3)		19 422 581	25 327 403
Effect of change in consolidation scope	6	33 635	6 742 179
Cash and cash equivalents at the start of the period	29	47 884 243	15 814 660
Cash and cash equivalents at the end of the period	29	67 340 459	47 884 243

The following notes form an integral part of the consolidated cash flow statements for the financial year ended 31 December 2018.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ON 31 DECEMBER 2018

### 1. INTRODUCTION

José de Mello Saúde, S.A. ("Company" or "JMS") is a public limited company, with headquarters in Lisbon, in Av. do Forte, No. 3, Suécia III Building, Floor 2, 2790-073 Carnaxide, incorporated in December 1992. The corporate universe of JMS ("Group" or "JMS Group") is formed of the subsidiaries, associates and jointly controlled entities described in Note 5. Its core business is the provision of healthcare, particularly in the area of private healthcare, public-private partnerships, the provision of services in the area of medicine, occupational health and hygiene, and also providing home-based healthcare. The Group also develops other secondary activities in the real estate and infrastructure 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. Bases of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for Land and buildings (classified as tangible fixed assets), other investments (classified as 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 agree with the provisions of the International Financial Reporting Standards ("IFRS") adopted by the European Union and effective for years beginning on 1 January 2018. 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 shall be generally referred to as "IFRS".

The financial statements are presented in euros.

#### 2.1.1. New standards, alterations and interpretations applying in the 2018 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 2018, which were adopted by the Group, when applicable:

Standard	Effective date
IFRS 15 – Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
Application of IFRS 9 with IFRS 4 – Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IAS 40 – Transfer of Investment Properties (Amendments)	1 January 2018
IFRS 2 – Classification and measurement of payment transactions based on actions (Addendum)	1 January 2018
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2018
Improvements relating to the 2014–2016 cycle (IAS 28, IFRS 1)	1 January 2018

## IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard applies to all income from contracts with customers, replacing the following existing standards and interpretations: IAS 11 Construction contracts, IAS 18 – Revenue, IFRIC 13 – Customer loyalty programmes, IFRIC 15 – Agreements for the construction of real estate, IFRIC 18 – Transfers of assets from customers and SIC 31 – Revenue – Barter transactions involving advertising services. The standard applies to all revenue from contracts with customers except if the contract is within the scope of the IAS 17 (or IFRS 16 – Leases, when applied).

It also provides a model for the recognition and measurement of sales of some non-financial assets, including sales of goods, equipment and intangible assets. This standard highlights the principles that an entity must apply when it measures and recognizes the revenue. The basic principle is that an entity shall recognize the revenue by an amount that reflects the consideration that it expects to be entitled to in exchange for the goods and services promised under the contract.

IFRS 15 provides a model for the accounting of the revenue coming from contracts with customers and requires that the revenue be recognised at a value that reflects the consideration that an entity expects to receive for the goods and/or services that are transferred to the customer.

The principles of this standard shall be applied in five steps: (1) identifying the contract with the customer, (2) identifying the obligations of the contract's performance, (3) determining the transaction price, (4) allocating the transaction price to the obligations of the contract's performance and (5) recognizing the income when the entity meets a performance obligation.

The standard requires that the governing body make judgments, considering the circumstances, which are relevant when applying each of the model's steps. The standard also specifies how the incremental expenses in obtaining a contract and the expenses directly related to the fulfilment of a contract should be accounted for. Additionally, the standard requires more extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective approach, with initial application date of 1 January 2018. According to this approach, the standard can be applied on the date of the initial application to all contracts or only to the contracts that aren't completed on that date. The Group chose to apply the standard to the contracts that were not completed on 1 January 2018.

The Group concluded there were no material impacts in recognition and measurement of revenue from contracts with customers, stemming from the application of the requirements of IFRS 15, having the revenue streams referred to in note 2.4.1. been analysed.

## IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 - Financial Instruments replaced IAS 39 - Financial Instruments: Recognition and Measurement for the annual periods beginning on or after 1 January 2018 and joined three aspects of the accounting of financial instruments – classification and measurement, impairment and hedge accounting.

The Group applied IFRS 9 prospectively with application date on 1 January 2018, not having restated the comparative information, which continues to be reported in accordance with IAS 39. The differences from the adoption of IFRS 9 were recognised directly in Retained earnings and are detailed below.

### i) Classification and measurement of financial assets

All financial assets are measured at fair value on the date of initial recognition, adjusted by the costs of transaction in case the instruments are not accounted at fair value through profit and loss (FVTPL – Fair Value Through the Statement of Profit or Loss). However, customer accounts without a significant financing component are initially measured at their transaction value, as defined in IFRS 15 – Revenue from contracts with customers.

Debt instruments are subsequently measured based on their contractual cash flows and on the business model in which they are held. If a debt instrument has contractual cash flows that are solely payments of the equity and of the interest on the outstanding principal and is held within a business model with the objective of holding the assets to receive contractual cash flows, then the instrument is accounted at the amortised cost. If a debt instrument has contractual cash flows that are exclusively payments of principal and interest on the outstanding principal and is held in a business model whose objective is to receive contractual cash flows and from sale of financial assets, then the instrument is measured at fair value through the statement of comprehensive income (FVTOCI) with subsequent reclassification to profit or loss.

All other debt instruments are subsequently accounted for by the FVTPL. In addition, there is an option that allows for the financial assets on initial recognition to be designated as FVTPL if this eliminates or significantly reduces a significant accounting mismatch in profit or loss for the accounting period.

The adoption of IFRS 9 did not bring significant changes in the classification and measurement of the financial assets below.

- Accounts receivable, other debtors, other current and non-current assets and other financial instruments are held to receive contractual cash flows and give rise to cash flows that represent only capital repayments and interest payments. They are therefore classified as debt instruments measured at amortised cost, as before;
- Other investments are classified and measured as equity instruments designated at fair value through comprehensive income beginning on 1 January 2018. The Group chose to classify the investments in equity instruments of non-listed companies in this category on the date of initial application of the standard, since it intends to hold these assets in the near future. The Group does not have information enabling it to reliably determine the fair value of these financial assets, and it is estimated that any difference in relation to the cost will be immaterial.

## ii) Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the fair value option, the amount of change in the fair value of those financial liabilities that is attributable to changes in credit risk shall be presented in the comprehensive income. The remainder of the change in fair value shall be presented in net profit unless the presentation of the change in fair value for the liability's credit risk in the comprehensive income will create or enhance an accounting mismatch in profit or loss of the accounting period.

All other requirements for classification and measurement of financial liabilities of IAS 39 were transposed to IFRS 9, including the rules for separation of embedded derivatives and the criteria for using the fair value option.

The Group does not designate financial liabilities designated as FVTPL using the fair value option, so this situation had no impact on the consolidated financial statements.

## iii) Impairment

The impairment requirements are based on an expected credit loss (ECL) model, which replaces the incurred loss model from IAS 39.

The ECL model applies to: (i) debt instruments accounted for at amortised cost or fair value through comprehensive income, (ii) most loan commitments, (iii) financial guarantee contracts, (iv) contractual assets under IFRS 15 and (v) accounts receivable from leases under IAS 17 – Leases (or IFRS 16 – Leases, when applicable).

Generally, entities are required to recognise ECL concerning 12 months or throughout their life, depending on whether there was a significant increase in credit risk since the initial recognition (or when the commitment or guarantee was entered into). For trade receivables without a significant financing component, and depending on the choice of an entity's accounting policy for other customer credits and accounts receivable from leases, a simplified approach may be applied in which ECL over their respective duration are always recognised.

The measurement of ECL shall reflect the weighted probability of the outcome, the effect of the time value of money, and be based on reasonable and supportable information that is available without cost or undue effort.

The Group's main trade payables balances do not have a significant financial component and concern health services. An individual analysis is carried out on the receivables, taking into account each debtor's specific situation. Macroeconomic forecasting information and the effect of the time value of money were included in the assessment of impairment recording needs.

The adoption of IFRS 9 led to a change in the way the Group accounts for its impairment losses of financial assets. The effects of the adoption of IFRS 9, by reference to 1 January 2018, were as follows:

Standard	Increase/(decrease)
<b>Assets</b>	
Accounts receivable	616 254
Deferred tax assets	(4 412)
	<b>611 841</b>
<b>Adjustment to equity</b>	
Retained earnings	611 841
	<b>611 841</b>

The table below shows the reconciliation between the final balance of impairment losses in accordance with IAS 39 and the opening balance of impairment losses in accordance with IFRS 9:

	Impairment according to IAS 39		Remeasurement
	31-12-2017	01-01-2018	
Borrowings and accounts receivable according to IAS 39 / Financial assets at amortised cost according to IFRS 9 and Asset contracts	10 152 856	9 536 603	(616 254)
	<b>10 152 856</b>	<b>9 536 603</b>	<b>(616 254)</b>

## 88

#### iv) Hedge Accounting

Hedge effectiveness tests should be prospective and can be qualitative, depending on the complexity of the hedging, without the 80%–125% test.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, any forward element of a forward contract and any foreign currency spread may be excluded from the designation as hedging instruments and be accounted as hedging costs.

Larger sets of items can be designated as hedged items, including layered designations and some net positions.

The Group applied IFRS 9 prospectively with an initial application date of 1 January 2018. As provided for in IFRS 9, the Group did not restate the comparative information, which continues to be reported in accordance with IAS 39 (whose main aspects are included in the accounting policies included in the notes to the financial statements for the accounting period ended 31 December 2017). In light of the above, no differences in material value were identified in relation to IAS 39 arising from the adoption of IFRS 9.

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 2018, 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 2019 and which the Group decided not to adopt ahead of time:

### a) Already endorsed by the European Union:

On 31 December 2018, 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 2019:

Standard	Effective date
IFRS 16 – Leases	1 January 2019
IFRS 9 – Anticipated payments with negative compensations (amendments)	1 January 2019
IFRIC 23 – Uncertainty over different Income Tax treatments	1 January 2019

### IFRS 16 – LEASES

The scope of IFRS 16 includes the leases of all assets, with some exceptions. A lease is defined as a contract, or part of a contract, that transfers the right to use an asset (the underlying asset) for a period of time in exchange for an amount.

IFRS 16 requires lessees to account for all leases on a single on-balance model similar to IAS 17's handling of finance leases. The standard recognizes two exceptions to this model: (1) low value leases (e.g., personal computers) and short-term leases (i.e., with a lease period of less than 12 months). At the inception date of the lease, the lessee will recognise the liability related to the lease payments (i.e., the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e., the right-of-use, or ROU).

The lessees will have to separately recognise the cost of interest on the lease liability and the depreciation of the ROU.

The lessees are also required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease period, a change in future payments resulting from a change in the benchmark or the rate used to determine those payments). The lessee will recognise the amount of the remeasurement of the lease liability as an adjustment to the ROU.

Accounting by the lessor remains substantially unchanged from the current treatment in IAS 17. The lessor continues to classify all leases using the same principles as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

IFRS 16, which enters into force in the periods beginning on or after 1 January 2019, requires lessors and lessees to provide more extensive disclosures than those required by IAS 17.

### i) Transition to IFRS 16

The Group will adopt 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 will recognise 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 Consolidated Statement of Financial Position immediately before the date of initial application (paragraph C8(iii)(b)). Thus, there will be no variations in terms of equity.

The Group will also apply the standard to all contracts that were previously identified as leases under IAS 17 and IFRIC 4. Consequently, the Group will not apply the standard to contracts that have not previously been identified as containing a lease.

The Group decided to apply the two exceptions provided for in the standard (§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 five thousand euros.

In preparing the adoption of IFRS 16, the Group analysed the current contracts under the new standard and considered that the following types of contract will have material impacts on:

- **Real Estate** – This type of contract includes rental contracts concerning the clinical facilities (hospitals/clinics), as well as rental contracts concerning housing, offices, warehouses, parking lots and other spaces. These contracts represent, in terms of valuation, almost all of the current operating leases. The Group concluded that the application of this standard will have significant impacts on the Consolidated Financial Statements, with an expected increase in assets and liabilities to third parties, as well as an increase in EBITDA, financing costs and amortisations.
- **Vehicles** – This category includes the contracts for vehicles currently in renting. The Group concluded that the application of this standard will have impacts on the Consolidated Financial Statements, with an expected increase in assets and liabilities to third parties, as well as an increase in EBITDA and in financing costs.

## ii) Incremental interest rate

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 above (real estate, medical equipment and vehicles) was considered for the discount of the rents.

Therefore, stemming from the detailed assessment of the impacts of the application of IFRS 16 carried out during 2017 and 2018, it is estimated that the impact arising from the application of this standard will be, on 1 January 2019, the increase of assets and liabilities ranging from 29.3 million euros to 30 million euros, respectively.

No significant impacts are expected from the adoption of IFRIC 23 or from the amendments to IFRS 9.

## b) Not yet endorsed by the European Union:

The following standards, Interpretations, amendments and revisions have not been endorsed, by the European Union, at the date of approval of these financial statements:

Standard	Effective date
IAS 28 – Long-term interests in Associates or Joint Ventures (amendments)	1 January 2019
IFRS 17 – Insurance Contracts	1 January 2021
IFRS 3 – Definition of business activity	1 January 2020
IAS 1 and IAS 8 – Definition of materiality	1 January 2020
Improvements relating to the 2015-2017 cycle (IFRS 11, IAS 12, IAS 23)	1 January 2019
IAS 19 – Changes, reductions and settlement of plans	1 January 2019
Improvements to references to the conceptual structure of the IFRS	1 January 2020

Regarding the abovementioned standards that have not yet been adopted by the EU, the Group has not yet completed the determination of all impacts stemming 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.

## 2.2. Changes in accounting policies and errors

During the year ending on 31 December 2018, no voluntary changes occurred to accounting policies, in relation to those considered when preparing financial information for 2017.

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

## 2.3. Bases 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 income and other consolidated comprehensive income, respectively, under the “Non-controlling interests” caption. This caption corresponds 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.

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.

Significant transactions and balances between controlled companies were eliminated in the consolidation process. 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) 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.



### c) Investments in associates

An associate or associated company 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 investments in associates (Notes 5.2 and 20) 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 caption (Note 13), and for other changes that have occurred in their equity against the Other reserves caption, as well as by the recognition of impairment losses.

Losses in associates in excess of the investment in these entities are not recognised, unless the Group has made commitments to that associate.

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.

## 2.4. Accounting Policies

### 2.4.1. Recognition of income

In accordance with the principles introduced by IFRS 15, revenue is recognised when there is a transfer of control over goods and services to customers for an amount corresponding to the consideration that the Group expects to receive in exchange for such goods or services. The Group generally acts as the "principal" in its agreements with customers since it typically controls the goods and services before transferring them to customers.

The Group's relevant revenue streams are as follows:

## PRIVATE HEALTHCARE SERVICES

### Provision of healthcare

This revenue stream represents almost all of the Group's income. The provision of healthcare 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 contracts with the greatest expression. The determination of revenue for these contracts is based on the application of price lists defined for the provided healthcare.

### Occupational health, safety and medicine

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

### Domiciliary 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 recognized at the time the service is provided to the customer.

## PUBLIC HEALTHCARE SERVICES

### Provision of healthcare

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 recognized 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 income stream consists of the debt of medicines supported by the Contracting Public Entity under the management contract or ad hoc authorizations. Revenue is recognized 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 recognized monthly.

### Space rental

This revenue stream concerns the transfer of the commercial areas existing in the hospitals held by the Group, for the operation of non-clinical activities. The revenue is recognized monthly based on the values negotiated between the parties, with that being the expected revenue.

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.

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 the retribution is also not adjusted for the financial effect.

**Interest** – Income from interest receivable is specialised, so that it is recognised in the period to which it is related, regardless of whether or not the respective support document is issued.

**Dividends** – This income is recognised when, in substance, the obligation to declare dividends is established at the declaring Entity.

### 2.4.2. Financing costs

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

The financial charges on financing directly related to the acquisition, construction or production of tangible fixed assets that take a substantial period of time to be prepared for the intended use are capitalized, 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 financial income generated by loans 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 Corporate Income 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 materials 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 2014 to 2017 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 2018.

### 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 there is reasonable assurance that future taxable profit may be achieved against which those assets can be deducted. 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 the legislation in force in Portugal, the corporate income tax rate of 21% was considered and, in the situations not connected to tax losses, a municipal surtax of 1.5% on the temporary differences that led to deferred tax assets and liabilities.

### 2.4.5. Revenue per share

Basic revenue 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 revenue 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 rights	50
Surface rights	40
Right of entry into hospital management	10
Responsibility for future investments	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 caption Amortisations and depreciations.

The impairment of these assets is determined according to the criteria set forth in the “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 tangible fixed assets 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. Tangible fixed assets

Tangible fixed assets 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 premises assigned to healthcare services are carried at the revalued amount, which is their fair value at the date of revaluation.

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:

	Useful life (years)
Buildings and other constructions	10-50
Basic equipment	3-7
Transport equipment	4
Office equipment	4-8
Other tangible fixed assets	4-8

The impairment of these assets is determined according to the criteria set forth in the "Impairment of non-current assets".

The gains or losses resulting from the sale or disposal of tangible fixed assets 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.

Assets acquired through finance lease are depreciated using the same rates as other tangible fixed assets, that is, based on their respective useful lives.

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.

Tangible fixed assets 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 capitalized as part of the cost of these assets, as described in section 2.4.2 "Financing costs".

#### 2.4.8. Non-current assets held for sale

This caption 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.

#### 2.4.9. 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 can be impaired. If there are 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 prior financial years is recorded when there are indications that the impairment losses no longer exist or have decreased. 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.

#### 2.4.10. 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.

#### 2.4.11. Leases

The determination of whether an arrangement is, or contains, a lease shall be based on the substance of the agreement at the start of the lease. The agreement is, or contains, a lease if compliance with said agreement is dependent on the use of an asset and the agreement conveys the right to use the asset, even if that asset is not explicitly identified in the agreement.

The duration of the lease is the sum of the period during which the lease cannot be cancelled with an additional period in which the lessee is expected to have the option of retaining the lease and, at the start of the contract, the Group has reasonable certainty that the lessee will exercise it.

### GROUP AS LESSEE

#### Finance Leases

Contracts are considered to be finance lease contracts if all risks and benefits associated with the possession of the corresponding assets are substantially transferred through them.

Assets acquired under finance lease contracts and the corresponding liabilities are recorded in accounts by the fair value method. Additionally, the interest included in the value of the rents and the amortisations of the tangible and intangible fixed asset are recognised as costs in the Statement of income and other comprehensive income for the period they concern.

#### Operating Leases

Contracts are considered to be of operating leases if all risks and benefits associated with the possession of the corresponding assets are not substantially transferred through them. The classification of the leases as financial or operational is made according to the substance and not the form of the contract.

In leases considered to be operational, rents payable are recognised in the Statement of income on a straight-line basis over the period of the lease.

## 2.4.12. Responsibility for employee benefits

Personal expenses are recognised when the service is provided by the employees regardless of their payment date. Here are some specificities 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.

### Holidays, Holiday entitlement and Bonuses

According to labour 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 caption Other current liabilities.

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

With the publication of Law No. 70/2013 and subsequent regulation through Ministerial Order No. 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 the 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 deliveries to the WCGF, made by the entity, are recognised as an expense in the period they concern;
- the monthly deliveries to the WCF, made by the entity, 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" caption.

Pension costs are recorded under the "Personnel expenditure" caption 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.

Costs with past services are recognised immediately to the extent that the associated benefits have already been recognised or, otherwise, recognised linearly in the period in which it is estimated that they are 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 captions

##### i) Paid-up capital

In compliance with art. 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 art. 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 unless in case of liquidation, and can only be used to absorb losses after all other reserves are exhausted, or for incorporation in share capital (art. 296 of the CSC).

##### iii) Fair value of hedging instruments

This caption 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 tangible fixed assets

This caption includes changes due to increases or decreases in the fair value of the properties allocated to health services, 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 caption reflects the appropriation of the results of previous years that are realised and undistributed, from controlled and associated companies.

##### vi) Interim dividends

This caption 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 that results from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - 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 of one entity and a financial liability or equity instrument of another entity.

## i) Financial Assets

### Initial recognition and measurement

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 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 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 are not held for trading. The classification is determined instrument by instrument.

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. In making this assessment, the Group takes into account the credit rating of the debt instrument.

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 Axesó's 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:

#### Loans

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 captions are recognised as current liabilities, except if their settlement is contracted after twelve 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 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 caption 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 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 calculation. 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.

### 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 accounts receivable

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 among 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.

### Taxes on income 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 amortized 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. In particular, in the case of the Braga Hospital, the Group is reassessing its Business Plan to ensure the balance of capital until the end of the concession, estimating that on that date, based on the best available information, the net position will be negative at the time of the concession’s termination.

### 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, I.P. – “ARS Norte”), regarding adjustments made to Braga Hospital accounts in 2014, 2015, 2016, 2017 and 2018.

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

According to the provisions of the management contract, the agreement concerning 2018 shall take place by the end of June 2019.

The 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.



### **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 and 2018.

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

According to the provisions of the management contract, the agreement concerning 2018 shall take place by the end of June 2019.

The Escala Vila Franca 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 minimize 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.

Through control policy adopted, it 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 movements 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 debenture loans issued in 2014 and 2015 (100 million euros in total). The contracted swaps respect the characteristics of the aforementioned debenture 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 debenture 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 2018, José de Mello Saúde held 38.1% of its financial debt contracted at fixed interest rates (36% in 2017).

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 2018 and 2017:

	31.12.2018		31.12.2017	
	Change in rate (pp)	Impact in financial costs (euros)	Change in rate (pp)	Impact in financial costs (euros)
Non-current loans	+0,5	+ 392 753	+0,5	+ 88136
Current loans	+0,5	+ 24 137	+0,5	+92 598
Current and non-current finance leases	+0,5	+210 319	+0,5	+320 432
		<b>+ 627 209</b>		<b>+501 116</b>

#### Analysis notes:

- Funding contracted at a fixed rate was excluded, namely the debenture 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, in 2018 and 2017, were always negative, a scenario of rate reduction was not simulated.

#### 2.7.3. Credit risk

The credit risk is the risk of a counterparty failing to comply with its obligations under the cover of a financial instrument, thus 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:

	31.12.2018	31.12.2017
Other financial assets	73 206 194	49 316 786
Customers	99 517 916	122 870 558
Other accounts receivable	10 919 726	3 316 536
Other financial instruments	35 150 000	35 150 000
	<b>218 793 836</b>	<b>210 653 880</b>

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.
- the amounts owed are regularly monitored and supplies to major customers are normally covered by guarantees;

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 accounts receivables are disclosed in Note 38.

It is the understanding of the Board of Directors that, at 31 December 2018, the estimated impairment losses on accounts receivable 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 Axesor.

## Other investments

The balances shown under "Other investments" concern the Labour Compensation Fund and the Labour Compensation Guarantee Fund, which are guaranteed by the Institute for the Management of Social Security Capitalisation Funds (Instituto de Gestão de Fundos de Capitalização da Segurança Social, I.P. – IGFCSS, I.P.) and by the Institute for Financial Management of Social Security (Instituto de Gestão Financeira da Segurança Social, I.P. – IGFSS, I.P.).

### 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 2018 and 2017. The amounts represent the non-discounted cash flows to be paid in the future:

31.12.2018				
	< 1 year	1-5 years	>5 years	Total
<b>Financial Debt:</b>				
Debenture loans	50 689 372	99 491 824	—	150 181 196
Pledge current account	1 002 581	—	—	1 002 581
Other bank loans	21 098 029	82 624 383	77 575 389	174 860 010
Commercial paper	25 000 000	5 295 864	19 375 000	49 670 864
Bank overdrafts	55 247	—	—	55 247
<b>Finance leases</b>	<b>91 407 438</b>	<b>187 412 071</b>	<b>96 950 389</b>	<b>375 769 898</b>
Lease creditors	8 768 776	28 431 211	27 500 592	64 700 579
	<b>8 768 776</b>	<b>28 431 211</b>	<b>27 500 592</b>	<b>64 700 579</b>
	<b>100 176 214</b>	<b>215 843 282</b>	<b>124 450 981</b>	<b>440 470 268</b>

31.12.2017				
	< 1 year	1-5 years	>5 years	Total
<b>Financial Debt:</b>				
Debenture loans	—	149 874 323	—	149 874 323
Pledge current account	1 000 000	—	—	1 000 000
Other bank loans	6 409 667	94 122 269	51 517 772	152 049 708
Commercial paper	48 700 000	—	—	48 700 000
Bank overdrafts	10 055	—	—	10 055
	<b>56 119 722</b>	<b>243 996 592</b>	<b>51 517 772</b>	<b>351 634 086</b>
<b>Finance leases</b>				
Lease creditors	9 794 327	22 198 160	37 979 528	69 972 015
	<b>9 794 327</b>	<b>22 198 160</b>	<b>37 979 528</b>	<b>69 972 015</b>
	<b>65 914 049</b>	<b>266 194 752</b>	<b>89 497 300</b>	<b>421 606 101</b>

### 3. ESTIMATE OF FAIR VALUE

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 31.12.2018	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				
Land and Buildings (Note 19)	308 625 759	—	—	308 625 759
Other investments (Note 21)	2 140 842	—	1 089 970	1 050 872
Liabilities valued at fair value				
Derivative Financial Instruments				
Cash flow hedging (Note 41)	1 233 833	—	1 233 833	—

	Total 31.12.2017	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				
Land and Buildings (Note 19)	267 697 088	—	—	267 697 088
Other investments (Note 21)	770 384	—	648 884	121 500
Liabilities valued at fair value				
Derivative Financial Instruments				
Cash flow hedging (Note 41)	1 627 604	—	1 627 604	—

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 was determined by independent external evaluators, based on inputs not observable in the market.

## 4. CAPITAL MANAGEMENT

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 2018 and 2017:

	31.12.2018	31.12.2017
<b>Net Financial Debt (A)</b>		
Gross financial debt	446 908 268	421 606 101
Cash and cash equivalents	67 395 706	47 894 297
Other financial instruments	35 150 000	35 150 000
	<b>344 362 562</b>	<b>338 561 804</b>
<b>Equity (B)</b>		
Equity + Net Financial Debt (A+B)	94 747 657	88 189 849
	<b>439 110 219</b>	<b>426 751 653</b>
Gearing ratio (A/(A + B))	<b>78%</b>	<b>79%</b>

Additionally, 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 three issued debenture loans (for a total of 150 million euros), 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 2017 and 2018, this ratio recorded values of 4.84 and 4.7, respectively.

## 5. COMPANIES INCLUDED IN THE CONSOLIDATION

### 5.1. Companies consolidated by the full consolidation method

In 31 December 2018, the consolidation included, through the full consolidation method, the parent company and the Group's following subsidiaries in which control is held:

Company	Head office	Effective percentage	Control percentage	Business activity
<b>Private healthcare services:</b>				
Hospital CUF Descobertas, S.A.	Carnaxide	100%	100%	Management and operation of a hospital
Hospital CUF Infante Santo, S.A. (a)	Carnaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Porto, S.A. (b)	Carnaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Torres Vedras, S.A. (c)	Carnaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Cascais, S.A. (d)	Carnaxide	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.	Carnaxide	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.	Carnaxide	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 healthcare unit
HD Medicina Nuclear, S.A.	Lisboa	69,9960%	69,9960%	Provision of diagnosis services and therapy in the nuclear medicine field

Company	Head office	Effective percentage	Control percentage	Business activity
Ecografia de Cascais, Lda	Cascais	100%	100%	Operation of a diagnosis and radiology medical centre
Nova Imagem - Centro Radiodiagnóstico, S.A.	Carnaxide	100%	100%	Operation of a diagnosis and radiology medical centre
Sim-X - Serviço Imagem Médica, Lda	Viseu	100%	100%	Operation of a diagnosis and radiology medical centre
Clínica Dr. Luís Álvares, S.A.	Lisboa	100%	100%	Operation of a diagnosis and radiology medical centre
JMS - Prestação de Serviço de Saúde, ACE	Carnaxide	99,2670%	100%	Provision of operational, administrative and healthcare services
JMS - Serviços de Logística, ACE	Carnaxide	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%	Provision of logistics and reprocessing services for medical devices
<b>Public healthcare services:</b>				
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. Xira	99,9950%	99,9950%	Management and operation of a public hospital
<b>Infrastructures:</b>				
Infrahealth - Gestão de Infraestruturas, Lda.	Carnaxide	100%	100%	Operation, management and marketing of healthcare infrastructure, commercial areas and car parks
Imo Health - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo Health Belém - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo Health Santarém - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo Health Matosinhos - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo Health Torres Vedras - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo Health Cascais - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
SIMPLYGREEN - Investimentos Imobiliários, S.A.	Carnaxide	100%	100%	Buying and selling real estate, exchange and renting property
Greenimolis - Investimentos, S.A.	Carnaxide	60%	60%	Buying and selling real estate, exchange and renting property
Hospimob - Imobiliária, S.A.	Carnaxide	100%	100%	Execution of real estate projects, namely the purchase and sale of properties, swap and rental of owned properties and of properties belonging to third parties
<b>Outros</b>				
José de mellor Saúde, S.A.	Carnaxide	Empresa-mãe		Purchase and sale of equipment and provision of management and consultancy services
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Matosinhos	99,9955%	99,9955%	Management of shareholdings
Vramondi International BV	Roterdão	100%	100%	Management of shareholdings



Company	Head office	Effective percentage	Control percentage	Business activity
Academia CUF, Sociedade Unipessoal, Lda	Carnaxide	100%	100%	Provision of training services in the nursing and clinical services field
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	Carnaxide	70,5000%	70,5000%	Provision of external services of occupational safety, hygiene and health
Loja Saúde CUF - Produtos e Serviços de Saúde e Bem Estar, S.A.	Carnaxide	100%	100%	Sale of parapharmaceutical products
PPPS - Gestão e Consultoria, S.A.	Carnaxide	100%	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
PPPS II - Gestão e Consultoria, S.A.	Carnaxide	100%	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
PPPS III - Gestão e Consultoria, S.A.	Carnaxide	100%	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
Centro Logístico CUF Unipessoal, Lda	Carnaxide	100%	100%	Distribution and commercialisation of medication and medical devices
Digihealth, S.A.	Carnaxide	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 SPSPD – 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...

(e) During 2018, the corporate name of this entity was changed from CPIS – Clínica Particular de Coimbra, S.A. to Hospital CUF Coimbra, S.A..

## 5.2. Associates

The associates registered through the equity method as of 31 December 2018 (Note 20) are the following:

Company	Head office	Effective percentage	Control percentage	Business activity
Centro Gamma Knife-Radiocirurgia, S.A.	Lisboa	34,00%	34,00%	Operation of radiosurgery treatment units

## 6. CHANGES IN THE CONSOLIDATION SCOPE

The main changes in the consolidation scope, in the financial years ended 31 December 2018 and 2017, mainly concerned:

### 6.1. Incoming 2018

Company	Registered office	Date of acquisition	Percentage of equity held	
			Effective	Control
Imo health Belém - Investimentos Imobiliários, S.A. (a)	Carnaxide	6 mar 2018	100%	100%
Imo health Santarém - Investimentos Imobiliários, S.A. (a)	Carnaxide	6 mar 2018	100%	100%
Imo health Matosinhos - Investimentos Imobiliários, S.A. (a)	Carnaxide	6 mar 2018	100%	100%
Imo health Torres Vedras - Investimentos Imobiliários, S.A. (a)	Carnaxide	6 mar 2018	100%	100%
Imo health Cascais - Investimentos Imobiliários, S.A. (a)	Carnaxide	6 mar 2018	100%	100%
Ecoclínica - Diagnóstico por Imagem, Lda ("Ecoclínica")	Oeiras	12 mar 2018	100%	100%
Greenimolis - Investimentos, S.A. (a)	Carnaxide	5 jan 2018	60%	60%
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda ("Cenes")	Lisboa	1 out 2018	100%	100%

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

(a) These companies were incorporated during the 2018 accounting period and therefore did not have a significant impact on these consolidated financial statements.

**CENES** – Centro de Reprocessamento de Dispositivos Médicos, Lda. and **Ecoclínica** – Diagnóstico por Imagem, Lda. were acquired in October and March 2018, respectively.

CENES has as its corporate purpose the provision of logistics and reprocessing services for medical devices and Ecoclínica has as its corporate purpose the provision of medical services of radiology, ultrasonography and other complementary means of diagnosis, as well as medical consultations.

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.

Among the main advantages that the Group expects to achieve with the acquisition of these companies are the following: (i) increased use of the clinical capacity; (ii) increased synergy in terms of central services.

In addition, the greatest advantage for the acquisition of CENES is, in terms of its expertise – the area of sterilization –, which is an added value for the activity developed for the hospitals and clinics of the JMS Group. The goodwill of 616 thousand euros includes the value of the expected synergies stemming from the company's acquisition.

The acquisition contract for CENES has an underlying contingent value, which depends on meeting certain conditions (centralization of the sterilization 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.

The costs incurred with the business arrangements amounted to 10,750 euros and concern Due Diligences performed within the scope of the acquisition operations, and are recorded in the accounts of Suppliers and External Services.

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

	Ecoclínica	CENES	TOTAL
<b>Net assets acquired:</b>			
Intangible assets	—	10 832	10 832
Tangible fixed assets	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	290 322
Government 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
Loans	—	—	—
Deferred tax liabilities	—	—	—
Trade payables and advances from clients	(1 143)	(95 925)	(97 067)
Government 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)
	<b>9 944</b>	<b>1 258 587</b>	
Goodwill (Note 17)	—	616 412	
Other	25 056	—	
<b>Acquisition price</b>	<b>35 000</b>	<b>1 874 999</b>	
Cash settlements (Note 44)	35 000	1 174 999	
Amount owed (Note 39)	—	700 000	

The stated values are the fair values of these subsidiaries' assets and liabilities.

No contingent liabilities were identified in these business arrangements.

The contributions of these two companies to the net profit attributable to shareholders of the JMS Group in the accounting period ended 31 December 2018 were negative 32 thousand euros. The detail of these contributions is as follows:

	Ecoclínica	CENES	TOTAL
<b>Operating income:</b>			
Sales and services rendered	25 334	424 729	450 063
Other operating income	747	0	747
<b>Total operating income</b>	<b>26 081</b>	<b>424 730</b>	<b>450 810</b>
<b>Operating costs:</b>			
Cost of sales	—	(55 644)	(55 644)
External supplies and services	(20 612)	(161 753)	(182 365)
Personnel expenditure	(13 832)	(132 580)	(146 411)
Amortisations and depreciations	(165)	(23 541)	(23 706)
Provisions and impairment losses, net	(5)	—	(5)
Other operating costs	(1 278)	(84 741)	(86 019)
<b>Total operating costs</b>	<b>(35 892)</b>	<b>(458 259)</b>	<b>(494 150)</b>

	Ecoclínica	CENES	TOTAL
<b>Operating income</b>	(9 811)	(33 529)	(43 340)
Financial costs and losses	(424)	(116)	(540)
<b>Financial results</b>	(424)	(116)	(540)
Income before taxes	(10 234)	(33 645)	(43 880)
Income taxes	(60)	12 205	12 145
<b>Net profit of the financial year</b>	<b>(10 294)</b>	<b>(21 440)</b>	<b>(31 734)</b>

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

## 6.2. Incoming 2017

Company	Registered office	Date of acquisition	Percentage of equity held	
			Effective	Control
SIMPLYGREEN - Investimentos Imobiliários, S.A. ("Simplygreen")	Carnaxide	17 fev 2017	100%	100%
Celso & Santos, S.A. (C&S)	S. J. Madeira	18 jul 2017	100%	100%
Gabinete de Diagnóstico de Imagem de São João da Madeira, Lda. ("GDI")	S. J. Madeira	18 jul 2017	100%	100%
Clínica Dr. Luís Álvares, S.A. ("CLA")	Lisboa	28 fev 2017	100%	100%
Hospimob - Imobiliária, S.A. ("Hosmipob")	Carnaxide	29 nov 2017	100%	100%
CPIS - Clínica Particular de Coimbra, S.A. ("CPIS")	Coimbra	22 dez 2017	100%	100%
PPPS II - Gestão e Consultoria, S.A. ("PPPS II")	Carnaxide	6 jul 2017	100%	100%
PPPS III - Gestão e Consultoria, S.A. ("PPPS III")	Carnaxide	4 ago 2017	100%	100%

On 31 December 2017, the entry of these entities into the consolidation scope had the following impact on the consolidated financial statements:

	Simplygreen	C&S	GDI	CLA	Hospimob	CPIS	TOTAL
<b>Net assets acquired:</b>							
Intangible assets	—	—	—	—	—	13 020	13 020
Tangible fixed assets	4 228 627	1 992	6 572	760 973	76 766 703	1 352 007	83 116 875
Other investments	—	135 982	—	5 519	—	3 154	144 655
Deferred tax assets	—	—	—	—	—	78 680	78 680
Inventories	—	—	—	7 301	—	166 335	173 636
Trade receivables and advances to suppliers	—	56 658	16 466	157 684	11 095	789 073	1 030 976
Government and other public entities	29 624	4 654	4 732	12 184	388 070	162 430	601 694
Other debtors	—	370	1 170	8 826	—	859 250	869 617
Other assets	—	186	150	14 561	355 263	417 845	788 005
Cash and cash equivalents	250	33 739	122 135	246 967	6 194 453	144 634	6 742 179
Loans	(3 152 707)	—	—	(761 352)	(39 850 000)	(86 696)	(43 850 755)
Deferred tax liabilities	—	—	—	(132)	(4 067 924)	—	(4 068 056)
Trade payables and advances from clients	—	(1 041)	(51 397)	(63 567)	—	(1 097 804)	(1 213 809)
Government and other public entities	—	(774)	(2 624)	(11 543)	(859 045)	(38 465)	(912 451)

	Simplygreen	C&S	GDI	CLA	Hospimob	CPIS	TOTAL
Other liabilities	(8 501)	(1 230)	—	(140 509)	(775 059)	(1 298 032)	(2 223 331)
Other creditors	(360 000)	(22 565)	(56 106)	(100 000)	(1 795 196)	(1 933 680)	(4 267 547)
	737 293	207 972	41 099	136 913	36 368 360	(468 259)	
Goodwill (Note 17)	—	19 328	94 883	2 145 867	—	8 258 750	
<b>Acquisition price</b>	<b>737 293</b>	<b>227 300</b>	<b>135 982</b>	<b>2 282 780</b>	<b>36 368 360</b>	<b>7 790 500</b>	
Cash settlements (Note 44)	737 293	159 992	n.a.	1 382 780	34 387 465	6 790 500	
Amount owed (Note 39)	—	67 308	n.a.	900 000	2 988 134	1 000 000	

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.

### 6.3. Other operations

The following operations took place in 2018:

- merger, in September 2018, of Gabinete Diagnóstico de Imagem de São João da Madeira, Lda. and Celso & Santos S.A. with Hospital CUF Porto, S.A.;
- liquidation, in September 2018, of the company JMS – Prestação de Serviços Administrativos e Operacionais, ACE;
- beginning of the activity of Centro Logístico CUF Unipessoal, Lda., whose corporate purpose is the distribution of medicines, medical devices, clinical consumables and uniforms, as well as the provision of services and activities related to the aforementioned distribution of medicines, consumables and uniforms.

Given it had no activity in 2018, the liquidation Imo Health Santarém – Investimentos Imobiliários, S.A. will be proposed in 2019.

### 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 Administração Regional de Saúde de Lisboa e Vale do Tejo, I.P. ("ARSLVT") to pay Digihealth the sum of 18,123,526 euros. 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 Administrative Central 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, Finanzfarma – 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 ("PER"). The strategy advocated by Digihealth merited the agreement of a large majority of creditors (74.46%), representatives of its liability. 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 portion, opting for its inclusion in the consolidation scope. The Group believes that it has effective control over the assets and liabilities generated, 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 2018, the "Private healthcare" business area includes the following units:

- eight hospitals providing a total of 594 inpatient beds; 457 consultation rooms; 45 operating theatres, 6 delivery rooms, and a wide offer of specialty consultations, exams, dental care, check-ups, physical and rehabilitation medicine;
- nine outpatient clinics, with 203 consultation rooms, and offering specialty 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 56 specialty consultation rooms; and,
- seven clinical imaging units with a wide range of exams (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, in which the Group manages two hospitals:

- **Braga Hospital** - resulting from a public-private partnership (established in December 2008), the Management Contract was initiated with ARS Norte IP on 1 September 2009, for a period of 10 years, i.e., until 31 August 2019. 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 m<sup>2</sup>, 705 inpatient beds and 128 consultation rooms, 13 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; and

• **Vila Franca de Xira Hospital** – the Escala Vila Franca de Xira Consortium – took over the management of Reynaldo dos Santos Hospital on 1 June 2011, being responsible for the entire operations of this hospital, which belongs to the Portuguese National Health Service. The management of the previous hospital infrastructure was assured for a two-year period. In April 2013, the new Vila Franca de Xira Hospital opened, with a gross construction area of 49,000 m<sup>2</sup>, 313 inpatient beds and 33 consultation rooms, nine operating theatre 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.

The “Infrastructure” segment includes 10 entities whose corporate purpose 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 12 buildings and nine car parks (for a total of 1,755 parking spaces).

The Group analyses this segment independently for the purposes of decision-making and performance evaluation. This segment is predominantly represented by Imo Health – Investimentos Imobiliários, S.A., thus having separate financial information.

The “Other” segment integrates, in addition to the management of holdings, six 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 occupational safety and health services essential for the monitoring of the health of workers and of environmental working conditions, (ii) provide custom home healthcare, namely in the areas of gerontology, maternal and child care, follow-up in convalescence and palliative care, (iii) trade practice of parapharmacy products, which include dermocosmetics, personal hygiene, child care and orthopaedic products, and food and food supplements, dietary food, natural products and non-prescription pharmaceuticals.

The main information 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 2018 and 2017 is as follows:

2018	Private healthcare services	Public healthcare services	Infra- structures	Other	Eliminations	Consolidated
Service provision						
External clients	433 658 927	236 803 059	114 941	3 019 633	—	673 596 559
Intersegment	1 199 069	—	14 616 826	3 343 382	(19 159 277)	—
<b>Total sales and services rendered</b>	<b>434 857 996</b>	<b>236 803 059</b>	<b>14 731 767</b>	<b>6 363 015</b>	<b>(19 159 277)</b>	<b>673 596 559</b>
Other operating income	3 423 284	2 459 651	3 275 702	1 955 206	(1 602 289)	9 511 554
Operating costs	(398 125 371)	(250 068 713)	(9 699 849)	(14 767 881)	20 740 654	(651 921 161)
<b>Segment operating profit</b>	<b>40 155 909</b>	<b>(10 806 004)</b>	<b>8 307 620</b>	<b>(6 449 660)</b>	<b>(20 912)</b>	<b>31 186 953</b>
Financial expenses and losses	(5 165 600)	(562 477)	(8 962 066)	(7 899 080)	7 092 404	(15 496 821)
Financial income and gains	265 327	23	—	7 463 636	(7 025 397)	703 590
Profit and loss of associated companies	133 169	—	—	—	—	133 169
Profit of investment activities	2 112 375	—	—	3 954 219	—	6 066 595
<b>Financial results</b>	<b>(2 654 729)</b>	<b>(562 454)</b>	<b>(8 962 066)</b>	<b>3 518 775</b>	<b>—</b>	<b>(8 593 467)</b>
Profit before tax	37 501 179	(11 368 458)	(654 447)	(2 930 885)	(20 912)	22 593 485
Income tax	(11 535 670)	(35 934)	(1 216 297)	6 023 499	—	(6 764 402)
Profit attributable to non-controlling interests	(270 450)	(29)	74 115	(38 896)	—	(235 260)
<b>Net profit for the year attributable to shareholders</b>	<b>25 695 060</b>	<b>(11 404 421)</b>	<b>(1 796 630)</b>	<b>3 053 718</b>	<b>(20 912)</b>	<b>15 593 823</b>



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	Other	Eliminations	Consolidated
Fixed capital expenditure (Note 19)	28 001 294	3 311 130	47 209 138	1 817 555	—	80 339 117
Depreciation and amortisation in profit/loss	(14 686 377)	(10 196 822)	(6 555 864)	(1 389 373)	—	(32 828 436)
Provisions and impairment losses, net	(2 739 448)	(4 365 651)	—	(37 153)	—	(7 142 251)

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	Other	Eliminations	Consolidated
<b>Assets related to segments</b>						
Tangible fixed assets	83 541 751	7 523 619	341 926 430	5 937 626	—	438 929 426
Goodwill	2 770 704	—	42 798 545	—	—	45 569 249
Trade receivables and advances to suppliers	91 977 776	14 822 540	1 313 479	10 710 748	(19 306 627)	99 517 916
Investments in associated companies	265 123	—	—	—	—	265 123
Government and other public entities	122 846	—	2 072	3 909 093	—	4 034 011
Other assets	19 000 527	63 919 360	711 802	5 083 807	(3 553 147)	85 162 349
Other financial instruments	18 650 000	—	—	16 500 000	—	35 150 000
Cash and bank deposits	29 163 694	9 087 190	25 863 040	3 281 782	—	67 395 706
Other assets related to segments	31 265 917	11 142 661	4 149 696	133 256 513	(138 586 807)	41 227 980
<b>Total consolidated assets</b>	<b>276 758 337</b>	<b>106 495 371</b>	<b>416 765 064</b>	<b>178 679 570</b>	<b>(161 446 581)</b>	<b>817 251 760</b>
<b>Current</b>						
Loans	39 911 883	—	152 433 117	189 862 689	—	382 207 690
Finance lease creditors	20 353 198	935 860	38 968 596	4 442 925	—	64 700 579
Trade payables and advances from clients	67 198 155	77 785 486	10 237 803	1 525 386	(35 684 439)	121 062 391
Government and other public entities	4 529 143	4 285 234	1 446 234	194 412	—	10 455 256
Other liabilities	58 866 878	30 792 389	3 550 937	4 794 728	(7 323 770)	90 681 162
Other liabilities related to segments	84 469 137	26 633 730	146 093 412	13 328 547	(221 279 842)	49 244 984
<b>Total consolidated liabilities</b>	<b>275 328 395</b>	<b>140 432 699</b>	<b>352 730 332</b>	<b>214 148 686</b>	<b>(264 288 051)</b>	<b>718 352 062</b>

The breakdown by segment of the amounts receivable from the customers which are most significant to the Group is as follows:

Segment	Weight in debt total
Insurers	45%
Government and other public entities	37%
Private	8%
Subsystems	6%
Other clients	4%

## 2017

	Private healthcare services	Public healthcare services	Infra- structures	Other	Eliminations	Consolidated
Service provision						
External clients	399 530 553	225 040 349	—	3 120 516	—	627 691 418
Intersegment	1 386 609	—	5 113 248	2 867 867	(9 367 724)	—
<b>Total sales and services rendered</b>	<b>400 917 162</b>	<b>225 040 349</b>	<b>5 113 248</b>	<b>5 988 383</b>	<b>(9 367 724)</b>	<b>627 691 418</b>
Other operating income	4 805 919	2 331 281	1 950 961	1 905 364	(1 241 410)	9 752 114
Operating costs	(357 560 758)	(230 290 784)	(5 664 915)	(12 430 279)	11 096 022	(594 850 714)
<b>Segment operating profit</b>	<b>48 162 322</b>	<b>(2 919 153)</b>	<b>1 399 294</b>	<b>(4 536 533)</b>	<b>486 888</b>	<b>42 592 818</b>
Financial expenses and losses	(5 814 582)	(616 985)	(4 750 072)	(5 846 329)	4 833 731	(12 194 236)
Financial income and gains	817 293	142	486 243	4 972 501	(5 319 823)	956 355
Profit and loss of associated companies	332 050	—	—	334 421	—	666 471
Profit of investment activities	—	—	—	82 900	—	82 900
<b>Financial results</b>	<b>(4 665 239)</b>	<b>(616 843)</b>	<b>(4 263 829)</b>	<b>(456 507)</b>	<b>—</b>	<b>(10 488 510)</b>
Profit before tax	43 497 084	(3 535 996)	(2 864 535)	(4 993 040)	486 888	32 104 308
Income tax	(12 241 812)	(279 957)	20 652	3 691 461	—	(8 809 655)
Profit attributable to non-controlling interests	(384 014)	682	—	(91 123)	—	(474 455)
<b>Net profit for the year attributable to</b>	<b>30 871 258</b>	<b>(3 815 271)</b>	<b>(2 843 883)</b>	<b>(1 392 702)</b>	<b>486 888</b>	<b>22 820 198</b>

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	Other	Eliminations	Consolidated
Fixed capital expenditure (Note 19)	16 918 943	3 781 510	95 490 880	2 241 720	—	118 433 053
Depreciation and amortisation in profit/loss	(13 478 162)	(9 908 924)	(3 087 849)	(1 256 579)	—	(27 731 514)
Provisions and impairment losses, net	(942 143)	(815 913)	—	70 261	—	(1 687 795)

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

	Private healthcare services	Public healthcare services	Infra- structures	Other	Eliminations	Consolidated
<b>Assets related to segments</b>						
Tangible fixed assets	68 524 668	13 191 527	291 185 799	5 506 799	—	378 408 792
Goodwill	38 695 735	15 896	13 261	5 160 365	—	43 885 257
Trade receivables and advances to suppliers	103 175 818	32 197 814	327 753	4 370 555	(17 201 382)	122 870 558
Investments in associated companies	233 956	—	—	—	—	233 956
Government and other public entities	1 176 570	35	2 136 001	13 425 186	—	16 737 792
Other assets	14 820 165	44 374 626	668 936	4 152 681	(2 970 022)	61 046 386
Other financial instruments	18 650 000	—	—	16 500 000	—	35 150 000
Cash and bank deposits	16 140 454	4 559 878	8 457 523	18 736 443	—	47 894 297
Other assets related to segments	30 414 422	16 301 626	4 203 073	177 802 152	(189 538 371)	39 182 903
<b>Total consolidated assets</b>	<b>291 831 789</b>	<b>110 641 402</b>	<b>306 992 345</b>	<b>245 654 180</b>	<b>(209 709 774)</b>	<b>745 409 942</b>

	Private healthcare services	Public healthcare services	Infra- structures	Other	Eliminations	Consolidated
<b>Current</b>						
Loans	33 095 036	10 000 000	107 740 051	200 798 998	—	351 634 085
Finance lease creditors	17 031 885	2 757 002	45 294 233	4 888 896	—	69 972 015
Trade payables and advances from clients	35 150 723	71 817 362	3 122 768	1 165 569	(16 714 331)	94 542 001
Government and other public entities	15 006 004	3 854 438	2 800 004	298 120	—	21 958 566
Other liabilities	46 852 914	27 487 899	2 871 691	4 459 561	(2 971 859)	78 700 205
Other liabilities related to segments	79 123 441	17 828 309	127 513 517	1 744 620	(190 025 382)	36 184 506
<b>Total consolidated liabilities</b>	<b>226 260 002</b>	<b>133 745 010</b>	<b>289 342 173</b>	<b>213 355 765</b>	<b>(209 711 572)</b>	<b>652 991 378</b>

## 8. OPERATING INCOME

Operating income in the financial years ended 31 December 2018 and 2017 is broken down as follows:

	31.12.2018	31.12.2017
<b>Sales and services rendered:</b>		
Sales	291 992	438 802
<b>Service provision:</b>		
Hospital and clinical activity	437 735 509	406 107 933
Portuguese National Health Service	231 100 072	217 420 992
Occupational health, safety and medicine	2 477 916	2 637 432
Domiciliary services	1 323 119	950 828
Other	667 952	135 431
<b>Other operating income</b>	<b>673 596 559</b>	<b>627 691 418</b>
Space rental		
Adjustment to balances	3 915 504	2 995 040
Operation rights transfer	—	1 393 047
Hospital projects and technical consultancy	1 185 456	1 015 608
Clinical tests, exams, analyses and consumables	969 860	934 942
Clinical events (conferences and congresses)	631 754	1 097 244
Recovery of outstanding debts	584 045	402 559
Management contracts with Regional Health Authority (ARS)	437 457	—
Transport of patients	430 837	602 742
Prompt payment discounts	275 809	249 756
Rappel	154 062	257 325
Provisional retirement	119 635	129 866
Gains obtained on the sale of assets	67 713	27 589
Internships	63 287	40 893
Compensations	11 933	38 908
Operating subsidies	—	15 434
Other operating income	—	4 972
	664 204	646 190
	<b>9 511 554</b>	<b>9 752 114</b>
	<b>683 108 114</b>	<b>637 443 532</b>

Sales and provision of services recorded a growth of 7.16% vis-à-vis the previous year, which is mostly justified by:

- an increase in the number of specialty appointments;
- increase in the number of surgeries in operating rooms;
- opening of CUF Descobertas Hospital's new building (CUF Descobertas 2 Hospital);
- increase in the number of events in urgent care;
- the opening of new services in the existing clinics;
- the growth of the different areas of activity and increase of installed capacity.

The Space rental item predominantly includes the amounts concerning the operation of car parks and the cafeteria areas of the Group's units.

The caption of 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 31 December 2018 and 2017 was determined as follows:

	31.12.2018	31.12.2017
<b>Inventories at 1 January (Note 25)</b>	<b>14 229 710</b>	<b>11 295 357</b>
Variation in scope:		
incoming	45 864	173 636
outgoing	—	—
<b>Procurement</b>	<b>124 866 738</b>	<b>119 276 825</b>
Cost of sales	(126 408 599)	(116 516 108)
<b>Inventories at 31 December (Note 25)</b>	<b>12 733 713</b>	<b>14 229 710</b>

## 10. EXTERNAL SUPPLIES AND SERVICES

External supplies and services in the financial years ended 31 December 2018 and 2017 are broken down as follows:

	31.12.2018	31.12.2017
Fees	154 904 144	138 052 054
Specialised work	28 918 797	31 231 651
Subcontracts	28 602 345	24 260 241
Maintenance and repairs	13 770 923	12 697 185
Rents and leases	9 856 588	17 259 802
Electricity	6 839 334	6 410 667
Advertising	2 869 126	2 669 351
Fuel	1 918 405	1 544 363
Insurances	1 729 086	1 579 522
Communications	1 639 591	1 660 550
Waste collection	1 243 716	1 155 539
Water	1 209 758	1 295 555
Tools and utensils	1 012 538	868 504
Travel and accommodation	822 202	603 361
Air conditioning	485 671	399 284
Litigation and notary public fees	350 573	144 977
Road tolls	273 277	254 055
Courier services	235 628	127 024
Cleaning, hygiene and comfort	219 143	59 143
Articles for free distribution	143 097	54 896
Office material	128 497	245 726
Books and technical documentation	37 760	66 459
Transport of goods	9 712	10 238
Other supplies and services	343 016	87 941
	<b>257 564 928</b>	<b>242 738 087</b>

The External Supplies and Services item recorded an increase of about 6% vis-à-vis the previous year, which is justified by the Group's increased activity. Its main subitems concern:

- **fees (60%)** – 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;
- **specialized Work (11%)** – this item mostly concerns clinical works;
- **subcontracts (11%)** – includes contracting specific services such as (i) catering, (ii) cleaning, (iii) patient transport and (iv) CDTMs;

Compared to the same period last year, there was a decrease in rental costs as a result of the acquisition, in 2017, of several properties held by real estate funds, such as the CUF Belém Clinic building, the CUF Torres Vedras building, the CUF Institute building and the CUF Cascais Hospital building.

## 11. PERSONNEL EXPENDITURE

The number of employees at 31 December 2018 and 2017 by business segment was as follows:

	31.12.2018	31.12.2017
Public healthcare services	4 125	3 885
Infrastructures	—	—
Private healthcare services	4 738	4 198
Others	56	52
	<b>8 919</b>	<b>8 135</b>

The personnel expenditure in the financial years ended on those dates were as follows:

	31.12.2018	31.12.2017
Wages of governing bodies members	3 561 292	2 275 338
Personnel wages	155 631 628	140 194 157
Charges on remunerations	37 865 529	33 778 845
Social action expenditure	10 001 591	9 033 595
Insurances	4 278 696	3 452 999
Compensations	333 623	470 314
Training	4 238 656	3 342 510
Employee benefits	188 691	172 731
Other personnel expenditure	9 204 649	9 874 028
	<b>225 304 356</b>	<b>202 594 517</b>

Other personnel expenditure are mainly related to performance bonuses given to the Group's employees.

Personnel expenditure increased by 11% compared to the same period of the previous year, justified by the increase in the number of employees.

## 12. OTHER OPERATING COSTS

Other operating costs for the financial years ended on 31 December 2018 and 2017 were as follows:

	31.12.2018	31.12.2017
Taxes	1 391 753	1 527 093
Bad debt	240 736	561 527
Donations	486 730	417 622
Estimate revision	—	336 354
Contributions and other expenditure	256 036	220 398
Events and conferences	—	135 972
Duties, fines and penalties	52 866	127 859
Management contracts with Regional Health Authority (ARS)	—	82 353
Losses incurred in the sale of assets	—	20 287
Other	244 468	153 228
	<b>2 672 590</b>	<b>3 582 693</b>

The Taxes item predominantly includes expenditure with Municipal Property Tax (MPT) and with Stamp Duty.

### 13. FINANCIAL RESULTS

The financial results in the financial years ended 31 December 2018 and 2017 is broken down as follows:

	31.12.2018	31.12.2017
<b>Financial expenses and losses:</b>		
Interest paid	(12 082 101)	(8 393 235)
Bank fees and services	(2 563 660)	(2 970 864)
Derivative financial instruments - Interest rate (Note 41)	(851 970)	(826 829)
Unfavourable exchange rate differences	(90)	(187)
Other financial costs and losses	—	(3 121)
	<b>(15 496 821)</b>	<b>(12 194 236)</b>
<b>Financial income and gains:</b>		
Interest received	656 701	610 291
Favourable exchange rate differences	—	26
Other financial income and gains	46 888	346 039
	<b>(15 496 821)</b>	<b>(15 496 821)</b>
<b>Profit and loss of associated companies:</b>		
Losses in associated companies	—	—
Profit in associated companies	133 169	666 471
	<b>133 169</b>	<b>666 471</b>
<b>Profit /(Losses) relating to investment activities:</b>		
Profit in non-current assets held for sale (Note 30)	6 066 595	—
Profit/losses in financial instruments at fair value	—	82 900
	<b>6 066 595</b>	<b>82 900</b>

The Interest Paid caption includes interest concerning: (i) debenture loans, (ii) other bank loans, (iii) commercial paper, (iv) secured current accounts, (v) bank overdrafts and (vi) finance leases. This caption is broken down as follows:

	31.12.2018		31.12.2017	
	Balance	Interest paid	Balance	Interest paid
<b>Borrowings:</b>				
Debenture loans	150 181 196	5 416 672	149 874 323	3 752 639
Other bank loans	181 211 330	3 788 505	152 049 708	1 122 317
Commercial paper	49 670 864	792 477	48 700 000	622 698
Pledge current account	1 002 581	19 598	1 000 000	77 864
Factoring financing	86 472	—	—	—
Bank overdrafts	55 247	36 092	10 055	9 106
	<b>375 769 899</b>	<b>10 053 344</b>	<b>351 634 085</b>	<b>5 584 624</b>
<b>Finance lease:</b>				
Finance lease creditors	64 700 579	1 964 938	69 972 015	2 808 611
	<b>64 700 579</b>	<b>1 964 938</b>	<b>69 972 015</b>	<b>2 808 611</b>
<b>Creditors:</b>				
Other creditors	2 332 169	62 819	—	—
	<b>2 332 169</b>	<b>62 819</b>	<b>—</b>	<b>—</b>
	<b>12 081 101</b>			<b>8 393 235</b>



The amount of costs recognised in 2018 related to financial costs via measurement of loans using the amortised cost method was 661 thousand euros (2017: 454 thousand euros).

The amount of 6 million euros recorded in 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 (Note 30).

The detail of the values recognised as results concerning interests in associated companies in the years ending on 31 December 2018 and 2017 is as follows:

Subsidiary	31.12.2018		31.12.2017	
	Profit in associated companies	Losses in associated companies	Profit in associated companies	Losses in associated companies
Escala Parque - Gestão de Estacionamento, S.A.	—	—	260 754	—
Centro Gamma Knife-Radiocirurgia, S.A.	133 169	—	97 956	—
Escala Braga - Sociedade Gestora do Edifício, S.A.	—	—	307 761	—
	<b>133 169</b>	<b>—</b>	<b>666 471</b>	<b>—</b>

## 14. INCOME TAX

Income tax recognised in the financial years ended on 31 December 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
<b>Current tax:</b>		
Concerning the financial year	8 070 929	9 182 340
Concerning the previous financial year	(999 746)	(294 608)
	<b>7 071 183</b>	<b>8 887 732</b>
<b>Deferred tax concerning the previous financial year (Note 22):</b>		
Customer impairment	(206 352)	99 522
Retirement benefits	43 773	51 349
Revaluation of tangible fixed assets	1 782 944	(510 068)
Revaluation of tangible fixed assets	(553 552)	—
Provisions not approved for tax purposes	(623 034)	223 582
Tax losses	30 344	57 538
	<b>474 123</b>	<b>(78 077)</b>
<b>Deferred tax concerning the previous financial year:</b>		
Temporary difference and reversal	(780 904)	—
<b>Tax for the financial year</b>	<b>6 764 402</b>	<b>8 809 655</b>

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 recognized 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 corporate income 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 1,500,000 euros and 7,500,000 euros, of 5% on the excess of taxable income between 7,500,000 euros and 35,000,000 euros and the rate of 7% for the excess of taxable income over 35,000,000 euros. Pursuant to Article 88 of the Corporate Income 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.

Temporary differences between the book values of assets and liabilities and the corresponding tax base were recognised in accordance with IAS 12 – Income taxes (Note 22).

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

	31.12.2018	31.12.2017
Profit before tax	22 593 486	32 104 308
Income tax in Portugal	21,0%	21,0%
<b>Tax on profit at the nominal rate</b>	<b>4 744 632</b>	<b>6 741 905</b>
Non-taxable income	3 592 914	2 072 323
Non-deductible costs for tax purposes	3 293 067	1 498 856
Tax losses carried forward	6 761	(55 048)
<b>Calculated tax</b>	<b>4 438 024</b>	<b>6 223 486</b>
Separate taxation	719 065	699 014
Municipal Surtax	757 310	747 448
State Surtax	1 412 600	1 419 782
Tax benefits	(172 022)	(231 694)
Effect of the increase/reversal of deferred taxes	(306 781)	(78 077)
Effect of insufficiency/excess of the estimate for taxes	(209 947)	(61 868)
Other	126 152	91 563
<b>Income tax</b>	<b>2 326 378</b>	<b>2 586 169</b>
<b>Effective tax rate</b>	<b>6 764 402</b>	<b>8 809 655</b>

On 31 December 2018 and 2017, deferred tax assets related to tax losses carried forward concern the subsidiaries Hospital CUF Coimbra, S.A. ("HC Coimbra") and CENES – Centro de Reprocessamento de Dispositivos Médicos, Lda. ("CENES"), which are not covered by the STSGC. The tax losses carried forward and recoverable, as well as the corresponding recognised deferred tax, are broken down as follows:

Company	Financial year	31.12.2018						
		Tax loss	Recoverable tax losses	Deferred tax asset	Predicted EBT	Business plan period	Limit (amount)	Usage deadline
HC Coimbra	Generated in 2014	142 893	142 893	30 008	365 785	2019	256 050	2026
HC Coimbra	Generated in 2017	15 598	15 598	3 276	436 284	2020	305 399	2029
HC Coimbra	Generated in 2018	2 294 880	—	—				
CENES	Generated in 2014	485 929	485 929	102 045	661 307	2019	462 915	2026
CENES	Generated in 2015	79 265	79 265	16 646	783 849	2020	548 694	2027
CENES	Generated in 2016	151 771	151 771	31 872	869 206	2021	608 444	2028
CENES	Generated in 2017	98 671	98 671	20 721	942 850	2022	659 995	2029
CENES	Generated in 2018	71 679	71 679	15 053	1 005 866	2023	704 107	2030
		<b>3 340 686</b>	<b>1 045 806</b>	<b>219 621</b>				

Company	Financial year	31.12.2017						
		Tax loss	Recoverable tax losses	Deferred tax asset	Predicted EBT	Business plan period	Limit (amount)	Usage deadline
HC Coimbra	Generated in 2013	869 223	216 170	45 396	308 814	2018	216 170	2018
HC Coimbra	Generated in 2014	142 893	142 893	30 008	365 785	2019	256 050	2026
HC Coimbra	Generated in 2017	15 598	15 598	3 276	—	—	—	2022
		<b>1 027 714</b>	<b>374 661</b>	<b>78 679</b>				

## 15. 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 4.16 million euros was paid, and the remaining amount (38 thousand euros) was recorded under Other creditors. In the financial year ended on 31 December 2017, interim dividends were paid in the amount of 14.1 million euros. In 2018, dividends concerning the financial year of 2017 were paid in the amount of 13.5 million euros.

## 16. REVENUE PER SHARE

The basic and diluted earnings per share in the financial years ended 31 December 2018 and 2017 was calculated considering the following amounts:

	31.12.2018	31.12.2017
<b>Basic earnings per share</b>		
Earnings considered for the calculation of the basic earnings per share (net profit for the financial year)	15 593 823	22 820 198
Weighted average number of shares considered for the calculation of the basic earnings per share	10 600 000	10 600 000
<b>Net basic earnings per share (in euros)</b>	<b>1.47</b>	<b>2.15</b>

On 31 December 2018 and 2017 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 2018 and 2017 were as follows:

	Private healthcare services	Public healthcare services	Other	Infra-structures	Total
<b>Balance at 1 January 2017</b>	<b>624 837</b>	<b>—</b>	<b>32 741 592</b>	<b>—</b>	<b>33 366 429</b>
Changes in scope:					
incoming	2 260 078	—	8 258 750	—	10 518 828
outgoing	—	—	—	—	—
<b>Balance at 31 December 2017</b>	<b>2 884 915</b>	<b>—</b>	<b>41 000 342</b>	<b>—</b>	<b>43 885 257</b>

	Private healthcare services	Public healthcare services	Other	Infra-structures	Total
Impairment losses (Note 38)	—	—	—	—	—
Changes in scope:					
incoming	—	—	616 412	—	616 412
outgoing	—	—	—	—	—
Transfers	(114 211)	—	114 211	—	—
Additions	—	—	1 067 580	—	1 067 580
Disposals	—	—	—	—	—
<b>Balance at 31 December 2018</b>	<b>2 770 704</b>	<b>—</b>	<b>42 798 545</b>	<b>—</b>	<b>45 569 249</b>

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 2018 and 2017 refers to the following entities:

Subsidiary	Segment (Note 5)	31.12.2018	31.12.2017
Hospital CUF Infante Santo, S.A.	Other	12 432 819	12 432 819
Hospital CUF Coimbra, S.A.	Other	9 326 330	8 258 750
Nova Imagem - Centro Radiodiagnóstico, S.A.	Other	7 269 220	7 269 220
Hospital CUF Santarém, S.A.	Other	7 035 102	7 035 102
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Other	5 220 465	5 220 465
Clínica Dr. Luís Álvares, S.A.	Private healthcare services	2 145 867	2 145 867
SIM-X - Serviços de Imagem Médica, Lda.	Private healthcare services	624 000	624 000
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda.	Other	616 412	—
Hospital CUF Cascais, S.A.	Other	482 166	482 166
Hospital CUF Porto, S.A.	Other	274 490	160 279
Hospital CUF Descobertas, S.A.	Other	97 265	97 265
Gabinete de Diagnóstico de Imagem de São João da Madeira, Lda	Private healthcare services	—	94 883
Celso & Santos, S.A.	Private healthcare services	—	19 328
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A.	Other	15 896	15 896
Imo health - Investimentos Imobiliários, S.A.	Other	13 261	13 261
Ecografia de Cascais, Lda.	Other	9 119	9 119
Vramondi International BV	Other	6 000	6 000
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	Private healthcare services	837	837
		<b>45 569 249</b>	<b>43 885 257</b>

Impairment tests were carried out using the following methods:

- the recoverable amounts of cash generating units were determined based on the value-in-use calculation. The use of this method requires the estimate of future cash flows arising from the operations of each cash-generating unit and choice of an appropriate discount rate;
- the valuations are supported by past results and future prospects of development of the markets in which the Group operates. Five-year projections of future cash flows for each of the businesses have been prepared in accordance with the plans defined by the Board of Directors. The sole exception was Hospital CUF Coimbra, S.A., for which a period of nine years was analysed, since at the end of the fifth year it is expectable that the unit is still in a phase in which it would be premature to calculate the perpetuity;
- each healthcare unit is a cash-generating unit. Valir - Sociedade Gestora de Participações Sociais, SGPS S.A. includes Instituto CUF - Diagnóstico e Tratamento, S.A. unit, which is analysed together with Hospital CUF Porto, S.A., Nova Imagem - Centro Radiodiagnóstico, S.A. and S.P.S.D, S.A. (provision of healthcare services at home), given the complementarity of provided services and the geographical proximity;

and using the following assumptions:

Period	Risk-free interest rate	WACC rate	Perpetuity growth rate	Revenue growth rate
Explicit	3,00%	7,03%	—	6,03%
Perpetuity	3,00%	7,03%	1,80%	—

The key assumptions underlying the cash flow projections included in the goodwill tests of Hospital CUF Infante Santo, S.A., Nova Imagem, Hospital CUF Santarém and Valir were defined by the JMS management teams and approved by the Executive Committee, within the scope of the annual budget and business plan exercises. 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 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 on the basis of this parameter.

The revenue growth rate is reviewed annually in cash flow projections. It is calculated for each cash-generating unit and for each of the five years considered in the projections, with the rate shown in the table above the average growth rate for the five years and for all cash-generating units.

Sensitivity analyses were performed on the main variables: (i) discount rate (+/- 0.5%) and (ii) perpetuity growth rate (+/- 0.5%). The results of the sensitivity analysis performed do not indicate the existence of impairment.

## 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 2018 and 2017, were as follows:

	Industrial property and other rights (a) (b) (c) (d) (e)	Software	Other intangible assets (f)	Intangible assets in progress (g)	Total
<b>Gross assets:</b>					
Balance at 1 January 2017	18 070 106	11 727 641	3 971 478	1 835 722	35 604 946
<b>Changes in scope:</b>					
incoming	—	89 571	—	—	89 571
Additions	2 796 638	1 178 248	—	—	3 974 886
Reductions	—	—	(630 159)	—	(630 159)
Transfers to Tangibles	—	—	—	(182 178)	(182 178)
<b>Balance at 31 December 2017</b>	<b>20 866 744</b>	<b>12 995 460</b>	<b>3 341 319</b>	<b>1 653 544</b>	<b>38 857 066</b>

	Industrial property and other rights (a) (b) (c) (d) (e)	Software	Other intangible assets (f)	Intangible assets in progress (g)	Total
<b>Changes in scope:</b>					
incoming	—	20 000	—	—	20 000
Additions	—	668 681	—	—	668 681
Reductions	—	—	(1 696 006)	—	(1 696 006)
<b>Balance at 31 December 2018</b>	<b>20 866 744</b>	<b>13 684 141</b>	<b>1 645 313</b>	<b>1 653 544</b>	<b>37 849 741</b>
Depreciation and accumulated impairment losses:					
<b>Balance at 1 January 2017</b>	<b>(10 324 499)</b>	<b>(10 693 113)</b>	<b>(1 710 117)</b>	<b>—</b>	<b>(22 727 729)</b>
<b>Changes in scope:</b>					
incoming	—	(76 551)	—	—	(76 551)
Increases	(1 541 471)	(707 211)	(446 884)	—	(2 695 566)
<b>Balance at 31 December 2017</b>	<b>(11 865 970)</b>	<b>(11 476 875)</b>	<b>(2 157 001)</b>	<b>—</b>	<b>(25 499 846)</b>
<b>Changes in scope:</b>					
incoming	—	(9 168)	—	—	(9 168)
Estimate revision	—	—	511 689	—	511 689
Other	—	(175 249)	—	—	(175 249)
Increases	(1 680 846)	(714 321)	—	—	(2 395 166)
<b>Balance at 31 December 2018</b>	<b>(13 546 816)</b>	<b>(12 375 613)</b>	<b>(1 645 313)</b>	<b>—</b>	<b>(27 567 741)</b>
<b>Net value</b>					
<b>At 31 December 2017</b>	<b>9 000 774</b>	<b>1 518 585</b>	<b>1 184 317</b>	<b>1 653 544</b>	<b>13 357 220</b>
<b>At 31 December 2018</b>	<b>7 319 928</b>	<b>1 308 527</b>	<b>—</b>	<b>1 653 544</b>	<b>10 282 000</b>

(a) The management contract between Regional Health Authority North (ARS Norte) 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 15 million euros under the hospital management contract, deducted from which was the amount corresponding to Inventories and Tangible Fixed Assets, and the remaining amount was called concession rights. This amount will be amortised in 10 years, the term of the contract.

(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 7.5 million euros under the hospital management contract, deducted from which was the amount corresponding to Inventories and Tangible Fixed Assets, and the remaining amount was called concession rights. This amount will be amortised in 10 years, the term of the contract.

(c) This item includes the amount of 2.8 million euros, categorized as "Surface Rights" and which concern a transfer agreement by the City Council of Cascais to CUF Cascais Hospital. This contract concerns the transfer of the surface rights of two properties located in the municipality of Cascais and has a duration of 40 years.

(d) This item includes the amount of 2.4 million euros, 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. ceded the contractual position to Infrahealth - Gestão de Infraestruturas, Lda.

(e) This item also includes the amount of 150 thousand euros concerning the transfer of CUF São Domingos de Rana Clinic.

(f) In this item is recorded the gross amount of 1,645,313 euros corresponding to the total estimated value of the investments expected until the end of the Management and operation contract of Vila Franca Hospital, stemming from the contractual obligations provided for in Appendix V of the aforementioned 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 shall 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 period of 2018, by reviewing the expected purchasing values, this asset was adjusted and reduced by 1,696,006 thousand euros. 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 2018, there was a need to review the amount of accumulated depreciation, in which an excess in the amount of 511,689 euros was determined.

(g) The value recorded in ongoing intangible assets includes the amount of 1.6 million euros 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 2019.

The remaining period of useful life for the periods ended in 2018 and 2017 is detailed below, with regard to the intangible assets listed above:

	Years until the end of the Contracts	
	31.12.2018	31.12.2017
<b>Industrial property and other rights</b>		
Concession and operation rights for car parks	46	47
Transfer of S. Domingues	8	9
Surface rights for José de Almeida Orthopaedic Hospital (HOJA)	39	40
Concession and operation rights for São Marcos Hospital	1	2
Concession and operation rights for Reynaldo dos Santos Hospital	3	4

As at 31 December 2018, 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;
- Surface Right of Hospital Ortopédico José de Almeida – 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;
- Concession Right of Hospital São Marcos and Concession Right of Hospital Reynaldo dos Santos – Contracts under a Public-Private Partnership regime, which at the end of their useful life will not prove onerous. As such, the amortisation over the life of the contract restricts the risk of its impairment.

## 19. TANGIBLE FIXED ASSETS

The changes in the value of tangible fixed assets as well as the corresponding depreciation and accumulated impairment losses, during the financial years ended 31 December 2018 and 2017, were as follows:

	31.12.2018						
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Others tangible assets	Tangible assets in progress	Total
<b>Gross assets:</b>							
Balance at 1 January 2018	62 674 941	254 057 642	178 858 764	22 427 062	214 312	61 074 885	579 307 606
Changes in scope	—	1 069 728	1 283 519	70 372	81 540	1 325	2 506 483
Revaluation surplus	78 780	8 983 085	—	—	—	—	9 061 865
Additions	—	8 527 288	15 455 199	2 547 721	—	53 808 908	80 339 117
Disposals and write-offs	(34 916)	(57 465)	(313 634)	(17 060)	—	—	(423 075)
Interest capitalisation	—	—	—	—	—	546 502	546 502
Transfers	14 012 829	22 914 539	(168 877)	3 255	(74 405)	(36 687 340)	—
<b>Balance at 31 December 2018</b>	<b>76 731 634</b>	<b>295 494 817</b>	<b>195 114 971</b>	<b>25 031 350</b>	<b>221 447</b>	<b>78 744 280</b>	<b>671 338 499</b>
<b>Depreciation and accumulated impairment losses:</b>							
Balance at 1 January 2018	—	(42 561 663)	(138 505 341)	(19 684 591)	(147 219)	—	(200 898 814)
Changes in scope	—	(296 026)	(476 439)	(54 731)	(63 960)	—	(891 155)
Depreciation	—	(12 372 495)	(16 991 772)	(1 539 509)	(41 182)	—	(30 944 958)
Disposals and write-offs	—	309 673	—	16 181	—	—	325 854
Transfers	—	(282 504)	224 742	34 007	23 756	—	0
<b>Balance at 31 December 2018</b>	<b>—</b>	<b>(55 203 015)</b>	<b>(155 748 810)</b>	<b>(21 228 642)</b>	<b>(228 605)</b>	<b>—</b>	<b>(232 409 073)</b>
<b>Net value</b>	<b>76 731 634</b>	<b>240 291 802</b>	<b>39 366 161</b>	<b>3 802 707</b>	<b>(7 158)</b>	<b>78 744 280</b>	<b>438 929 426</b>

	31.12.2017						
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Others tangible assets	Tangible assets in progress	Total
<b>Gross assets:</b>							
Balance at 1 January 2017	27 209 923	118 642 333	160 063 856	20 638 106	134 402	32 523 184	359 211 804
Changes in scope	1 981 616	83 452 570	3 967 736	808 386	79 910	—	90 290 217
Revaluation surplus	3 829 369	4 373 216	—	—	—	—	8 202 585
Additions	16 733 533	55 852 518	14 320 076	982 762	—	30 544 164	118 433 053
Settlements	—	(8 161)	75 819	(3 926)	—	—	63 732
Disposals and write-offs	—	(25 695)	(272 901)	—	—	—	(298 598)
Intangible transfers	—	—	182 178	—	—	—	182 178
Transfers and reclassifications	12 920 500	(8 229 138)	521 999	1 735	—	(1 992 463)	3 222 633
<b>Balance at 31 December 2017</b>	<b>62 674 941</b>	<b>254 057 642</b>	<b>178 858 764</b>	<b>22 427 062</b>	<b>214 312</b>	<b>61 074 885</b>	<b>579 307 606</b>



	31.12.2018						
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Others tangible assets	Tangible assets in progress	Total
<b>Depreciation and accumulated impairment losses:</b>							
Balance at 1 January 2017	—	(36 045 891)	(115 682 147)	(17 682 147)	(91 689)	—	(169 422 196)
Changes in scope	—	(86 939)	(2 451 219)	(708 710)	(42 076)	—	(3 288 945)
Settlements	—	8 161	(75 819)	3 926	—	—	(63 732)
Depreciation	—	(8 305 287)	(15 341 257)	(1 375 951)	(13 453)	—	(25 035 948)
Disposals and write-offs	—	29 945	104 695	—	—	—	134 640
Transfers and reclassifications	—	1 838 348	(5 059 594)	(1 387)	—	—	(3 222 633)
Balance at 31 December 2017	—	<b>(42 561 663)</b>	<b>(138 505 341)</b>	<b>(19 684 591)</b>	<b>(147 219)</b>	—	<b>(200 898 814)</b>
<b>Net value</b>	<b>62 674</b>	<b>211 495 979</b>	<b>40 353 422</b>	<b>2 742 471</b>	<b>67 093</b>	<b>61 074 885</b>	<b>378 408 792</b>

JMS Group established that the real estate asset class allocated to health services, 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 recognized in the comprehensive income.

The gross book value and the accumulated depreciation of the class of properties allocated to the health business activity (Imóveis afetos à área da saúde - IAAS), broken down into "Land and natural resources" and "Buildings and other constructions" captions ended on 31 December 2018 and 2017 is as follows:

	31.12.2018			31.12.2017		
	Land	Buildings	Total	Land	Buildings	Total
<b>Gross:</b>						
IASS	79 731 428	274 543 341	453 274 769	62 452 761	240 687 216	303 139 977
Other	320 460	17 689 436	18 009 896	222 180	13 370 426	13 592 606
	<b>80 051 888</b>	<b>292 232 776</b>	<b>372 284 665</b>	<b>62 674 941</b>	<b>254 057 642</b>	<b>316 732 583</b>
<b>Accumulated amortisation:</b>						
IASS	—	(45 649 010)	(45 649 010)	—	(35 442 889)	(35 442 889)
Other	—	(9 698 757)	(9 698 757)	—	(7 118 774)	(7 118 774)
	<b>—</b>	<b>(55 347 767)</b>	<b>(55 347 767)</b>	<b>—</b>	<b>(42 561 664)</b>	<b>(42 561 664)</b>
<b>Net:</b>						
IASS	79 731 428	228 894 331	308 625 759	62 452 761	205 244 326	267 697 087
Other	320 460	7 990 679	8 311 139	222 180	6 251 652	6 473 832
	<b>80 051 888</b>	<b>236 885 009</b>	<b>316 936 898</b>	<b>62 674 941</b>	<b>211 495 978</b>	<b>274 170 919</b>

As at 31 December 2018 and 2017, the net value of tangible assets valued by the revaluation model was 308 million euros and 268 million euros, respectively (Note 3).

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 2018, 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 Hospital, 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 estate 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. In real estate, the perpetuity of income is considered in scenarios of 20 to 25 years.

#### CUF Infante Santo Hospital

In December 2017, a purchase and sale promissory agreement was signed with a real estate fund where a sale value of 27,250,000 euros was agreed, with this being the fair value considered for the property. The actual sale of the property is scheduled for 2020.

136

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.

At the end of 2017, the Group completed the acquisition of several properties considered strategic to the provision of private healthcare, held by real estate funds: CUF Belém Clinic Building; CUF Torres Vedras Hospital Building; CUF Institute Building; and CUF Cascais Hospital Building. These buildings, acquired from real estate funds, as well as the buildings of CUF Tejo Hospital and of CUF Descobertas Hospital's Expansion are provided as an assurance for the loans (Note 43).

The remaining items of tangible fixed assets concern:

- **buildings and other constructions** – this item includes, in addition to Real estate allocated to healthcare services, the works and improvements in all of the Group's 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 caption predominantly includes administrative/office equipment and furniture.

Assets that qualify as tangible assets in progress concern assets that will be recognised as Land and natural resources or as Buildings and other constructions when they are available for use in the conditions intended by the administration. On 31 December 2018, this item predominantly includes the amount of 55.5 million euros and 7.1 million euros corresponding to the investments in architecture projects and studies, as well as to the works already carried out within the scope of the construction of the new CUF Tejo Hospital and of CUF Sintra Hospital, respectively. These assets are valued at cost at the date of the financial position.

As at 31 December 2018, the amount of contractual commitments for the acquisition of tangible fixed assets amounts to 90.7 million euros and concerns the remaining amount contracted under the construction works of CUF Tejo and CUF Sintra hospitals.

During 2018 and 2017, the Amortisations, depreciations and impairment losses caption had the following impacts on the financial position:

	31.12.2018	31.12.2017
<b>Depreciation, amortisation and impairment losses expenses:</b>		
Tangible fixed assets	30 944 958	25 035 948
Intangible assets	1 883 478	2 695 566
	<b>32 828 436</b>	<b>27 731 514</b>

### Capitalised Financing Costs

During the 2018 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, expansion of CUF Descobertas 2 Hospital and CUF Sintra Hospital.

In fact, the financing costs capitalised in the 2018 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:

	Capitalisation of interest on borrowings	Rate
CUF Tejo Hospital	413 773	Euribor do prazo + 2,30%
CUF Descobertas Hospital 2	132 729	Euribor 6M + 2,20%
CUF Sintra Hospital	9 392	Euribor 12M* + 2,10%
	<b>555 894</b>	

137

## 20. INVESTMENTS IN ASSOCIATES

Equity holdings in associates changed as follows in the financial years ended on 31 December 2018 and 2017:

	31.12.2018				31.12.2017			
	Shareholdings	Loans granted	Impairment losses	Total	Shareholdings	Loans granted	Impairment losses	Total
<b>Balance at 1 January</b>	<b>131 956</b>	<b>102 000</b>	<b>—</b>	<b>233 956</b>	<b>34 000</b>	<b>170 000</b>	<b>(35 889)</b>	<b>168 111</b>
Equity method application:								
Impact on results	133 169	—	—	133 169	97 956	—	35 889	133 845
Disposals and write-offs	—	(102 000)	—	(102 000)	—	(68 000)	—	(68 000)
<b>Balance at 31 December</b>	<b>265 123</b>	<b>—</b>	<b>—</b>	<b>265 123</b>	<b>131 956</b>	<b>102 000</b>	<b>—</b>	<b>233 956</b>

The Investments in associates caption in the financial years ended on 31 December 2017 and 2017 is broken down as follows:

	31.12.2018				31.12.2017			
	Shareholdings	Loans granted	Impairment losses	Balance sheet value	Shareholdings	Loans granted	Impairment losses	Balance sheet value
<b>Associated companies</b>								
Centro Gamma Knife-Radiocirurgia, S.A.	265 123	—	—	265 123	131 956	102 000	—	233 956
	<b>265 123</b>	<b>—</b>	<b>—</b>	<b>265 123</b>	<b>131 956</b>	<b>102 000</b>	<b>—</b>	<b>233 956</b>

The Investments in associates caption in the financial years ended on 31 December 2017 and 2017 is broken down as follows:

Associated companies	Financial information at 31 December 2018				Equity	Expenses	Income	Net profit
	Non-current assets	Current assets	Non-current liabilities	Current liabilities				
Centro Gamma Knife-Radiocirurgia, S.A.	799 754	537 183	173 619	383 545	770 773	643 118	1 034 792	391 674

## 21. OTHER INVESTMENTS

Other investments at 31 December 2018 and 2017 are as follows:

Share	31.12.2018				31.12.2017			
	Shareholdings	Loans granted	Impairment losses	Balance sheet value	Shareholdings	Loans granted	Impairment losses	Balance sheet value
Work Compensation Fund	1089 970	—	—	1089 970	648 884	—	—	648 884
Digihealth, S.A.	—	—	—	—	1 315 853	50 000	(1 315 853)	50 000
José de Mello Saúde Residências e Serviços, SGPS, S.A.	977 768	—	—	977 768	—	—	—	—
Centro Clínico Académico de Braga	35 000	—	—	35 000	35 000	—	—	35 000
Diagnosticar - Diagnóstico Computorizado, S.A.	26 200	—	—	26 200	26 200	—	—	26 200
Lisgarante	5 300	—	—	5 300	5 300	—	—	5 300
IBET	5 000	—	—	5 000	5 000	—	—	5 000
Other	1 604	—	—	1 604	—	—	—	1 604
	<b>2 140 842</b>	<b>—</b>	<b>—</b>	<b>2 140 842</b>	<b>2 036 238</b>	<b>50 000</b>	<b>(1 315 853)</b>	<b>770 384</b>

Other investments include equity instruments, measured at fair value through comprehensive income. This caption recorded the following changes in the financial years ended on 31 December 2018 and 2017:

Other investments	
<b>Gross investment:</b>	
Balance at 1 January 2017	1 825 525
Increases	260 713
<b>Balance at 31 December 2017</b>	<b>2 086 237</b>
Inclusion in the scope	(1 365 853)
Increases	1 420 457
<b>Balance at 31 December 2018</b>	<b>2 140 842</b>
<b>Impairment losses (Note 38)</b>	
Balance at 1 January 2017	(1 315 853)
<b>Balance at 31 December 2017</b>	<b>(1 315 853)</b>
Inclusion in the scope	1 315 853
<b>Balance at 31 December 2018</b>	<b>—</b>
<b>Net value:</b>	
At 31 December 2017	770 384
At 31 December 2018	2 140 842

## 22. 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 tangible fixed assets.

The amounts, by nature, and the movements occurred in deferred tax assets and liabilities in the accounting periods ended 31 December 2018 and 2017 were as follows:

	Ativos por impostos diferidos						Total
	Customer impairment	Derivative Financial Instruments	Reported tax losses	Employee benefits (Note 33)	Provisions not approved for tax purposes	Other	
<b>Balance at 1 January 2017</b>	<b>354 009</b>	<b>517 752</b>	<b>57 537</b>	<b>864 998</b>	<b>2 388 237</b>	<b>109 412</b>	<b>4 291 945</b>
Changes in scope	—	—	78 680	—	—	—	78 680
Composition:							
Net profit	72 877	—	—	—	14 792	—	87 669
Equity	—	—	—	—	—	—	—
Reversal:							
Net profit	184 280	—	57 538	51 349	226 493	375	520 035
Equity	—	151 542	—	—	—	—	151 542
Impact of the change in tax rate	—	—	—	—	—	—	—
<b>Balance at 31 December 2017</b>	<b>242 606</b>	<b>366 210</b>	<b>78 679</b>	<b>813 649</b>	<b>2 176 536</b>	<b>(375)</b>	<b>3 786 717</b>
Changes in scope	—	—	171 283	—	—	—	171 283
Composition:							
Net profit	255 606	—	48 339	—	634 665	—	938 610
Equity	28 169	—	—	—	7 947	—	36 116
Reversal:							
Net profit	(57 091)	—	(78 680)	(43 773)	(3 795)	(9 150)	(192 489)
Equity	(40 530)	(88 599)	—	—	—	—	(129 129)
Transfers	99 768	—	—	—	(699 768)	—	—
<b>Balance at 31 December 2018</b>	<b>528 528</b>	<b>277 611</b>	<b>219 621</b>	<b>769 876</b>	<b>2 715 585</b>	<b>(9 525)</b>	<b>4 611 108</b>

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 contracting existing since 2000, where JMS was responsible for ensuring a lifetime payment of a rent to an employee who retired via Social Security on 1 January 2016.

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.

The caption of Deferred tax assets concerning Derivative financial instruments includes only cash flow hedging derivatives.

	Deferred tax liabilities	
	Revaluation of tangible fixed assets	Total
<b>Balance at 1 January 2017</b>	<b>2 857 449</b>	<b>2 857 449</b>
Changes in scope	4 068 056	4 068 056
Composition:		
Net profit	—	—
Equity	5 689 281	5 689 281
Reversal:		
Net profit	(510 443)	(510 443)
Equity	(368 979)	(368 979)
<b>Balance at 31 December 2017</b>	<b>11 735 363</b>	<b>11 735 363</b>
Changes in scope	—	—
Composition:		
Net profit	1 773 795	1 773 795
Equity	407 688	407 688
Reversal:		(510 443)
Net profit	(553 552)	(553 552)
Equity	(17 502)	(17 502)
<b>Balance at 31 December 2018</b>	<b>13 345 792</b>	<b>13 345 792</b>

Regarding deferred tax liabilities, these concern the revaluation of tangible fixed assets, as well as the temporary differences arising from the amortisations considered for tax purposes.

## 23. OTHER CURRENT AND NON-CURRENT DEBTORS

The Other debtors caption was broken down as follows at 31 December 2018 and 2017:

	31.12.2018		31.12.2017
	Current	Non-current	Current
Shareholder loans and related parties (Note 45)	7 260 000	—	122 780
Personnel	1 125 228	—	794 132
Hospital projects in progress	848 680	—	799 859
Advances on financial investments	500 000	533 720	—
Bastos Mota Investimentos Imobiliários, Lda.	459 250	—	859 250
Surety bonds	222 341	—	152 630
Seizures and liens	132 094	—	134 165
Sale of financial investments	132 000	—	132 000
Service providers	15 766	—	11 025
Re-invoicing	65 657	—	5 980
Other debtors	158 710	—	304 715
	<b>19 919 726</b>	<b>553 720</b>	<b>3 316 536</b>

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; (ii) contract for the purchase and sale of shares and voting rights of Inogroup, a company owned by Medicil; (iii) contract for the purchase and sale of the share capital of Hospital Ordem da Trindade, Unipessoal, Lda.

In the Other debtors caption, several receivables from different entities for transactions not related to the core activities of the Group are identified.

## 24. OTHER CURRENT AND NON-CURRENT ASSETS

On 31 December 2018 and 2017, these captions showed the following breakdown:

	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
<b>Accrued income:</b>				
Income from production not invoiced	52 056 100	—	33 559 905	—
Provision of medical services not invoiced	14 180 767	—	10 983 783	—
Rappel to receive	6 379 342	—	4 157 148	—
Interest receivable	448 500	—	491 073	—
Space rental	7 500	—	21 816	—
Other accrued income:	133 985	—	103 061	—
	<b>73 206 194</b>	<b>—</b>	<b>49 316 786</b>	<b>—</b>
<b>Deferred costs:</b>				
São Marcos Hospital responsibility	6 129 201	—	—	6 129 201
Reynaldo dos Santos Hospital responsibility	—	2 167 744	—	2 167 744
Insurances	1 651 771	—	1 207 954	—
Bank fees and stamp duty	201 679	—	251 075	—
Mortgage commissions	525 576	—	576 905	—
Sale price deferral	613 344	—	697 321	—
Rents and leases	328 651	—	228 334	—
Software licenses	166 303	—	220 812	—
Clinical analyses and consumables	48 344	—	68 527	—
Maintenance and servicing costs	—	—	56 522	—
Court of Auditors (fees)	—	—	36 158	—
Deferred interest	11 241	—	11 034	—
Other deferred costs	112 302	—	78 014	—
	<b>9 788 412</b>	<b>2 167 744</b>	<b>3 432 655</b>	<b>8 296 945</b>
	<b>82 994 606</b>	<b>2 167 744</b>	<b>52 749 441</b>	<b>8 296 945</b>

The amounts 6,129,201 euros and 2,167,744 euros concern the values calculated for the responsibilities of Holidays, Holiday Allowance and Christmas Allowance for the employees of São Marcos Hospital and Reynaldo dos Santos Hospital, concerning the year when their corresponding contracts began.

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: (1) growth of the Activity; (2) 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 2017 only the budgeted value was considered, and the volumes of purchases that guaranteed discounts were not reached. The growth of activity in 2018 enabled exceeding the stipulated purchase 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 and 2018 (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. On 31 December 2018 and 2017, this caption showed the following breakdown:

	Income from production not invoiced			
	31.12.2018		31.12.2017	
	ARS Norte	ARSLVT	ARS Norte	ARSLVT
Production for the financial year of 2013	—	2 642 412	—	2 642 412
Production for the financial year of 2014	—	2 770 113	—	2 770 113
Production for the financial year of 2015	249 548	124 730	585 676	150 444
Production for the financial year of 2016	(356 860)	428 792	65 694	446 657
Production for the financial year of 2017	6 962 537	5 787 242	19 902 728	6 996 181
Production for the financial year of 2018	23 380 441	10 067 145	—	—
	<b>30 235 666</b>	<b>21 820 434</b>	<b>20 554 097</b>	<b>13 005 807</b>

## 25. INVENTORIES

On 31 December 2018 and 2017, the inventories predominantly concern Pharmaceutical products and Material for clinical consumption, and present the following balances:

	31.12.2018	31.12.2017
Pharmaceutical products	5 968 742	8 552 314
Material for clinical consumption	6 059 370	4 946 522
Material for administrative consumption	292 055	225 879
Other consumable material	153 442	116 560
Uniforms	154 588	90 647
Other	105 515	297 788
	<b>12 733 713</b>	<b>14 229 710</b>
Accumulated impairment losses on inventories (Note 38)	(13 130)	(13 130)
	<b>12 720 583</b>	<b>14 216 580</b>

## 26. TRADE RECEIVABLES AND ADVANCE PAYMENTS TO SUPPLIERS

The Trade receivables and advances to suppliers caption was broken down as follows at 31 December 2018 and 2017:



	31.12.2018			31.12.2017		
	Gross value	Impairment losses (Note 38)	Net value	Gross value	Impairment losses (Note 38)	Net value
Trade receivables, current account	98 366 184	(1 773 213)	96 592 971	120 767 384	(1 052 312)	119 715 072
Trade receivables, bills receivable	—	—	—	47 011	—	47 011
Doubtful trade receivables	12 212 818	(9 310 729)	2 902 090	12 186 095	(9 100 589)	3 085 506
Advances to suppliers	22 855	—	22 855	22 970	—	22 970
	<b>110 601 857</b>	<b>(11 083 941)</b>	<b>99 517 916</b>	<b>133 023 460</b>	<b>(10 152 901)</b>	<b>122 870 558</b>

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 customers.

The seniority of the caption on "Trade receivables and advance payments to suppliers" is broken down as indicated in the table below:

Financial year	Total	Debt not yet overdue	Overdue debt				
			< 180 days	181-365 days	366-545 days	546-739 days	>730 days
31.12.2018	<b>110 601 857</b>	64 842 076	17 962 413	11 713 244	3 772 965	2 455 072	9 856 088
31.12.2017	<b>133 023 460</b>	53 940 555	55 681 680	9 022 351	3 261 050	2 813 835	8 303 987

At the end of 2018, the Group contracted a factoring operation with a banking entity, in the amount of 37.2 million euros, with these assets having been derecognised as the requirements detailed in note 2.4.16 were met.

## 27. GOVERNMENT AND OTHER PUBLIC ENTITIES

The balances with these entities at 31 December 2018 and 2017 were as follows:

	31.12.2018	31.12.2017
<b>Debit balances:</b>		
Corporate income tax	2 763 409	14 406 170
Value added tax	1 238 109	2 316 597
Personal income tax	8 701	425
Social security contributions	22 572	13 191
Other	1 220	1 409
	<b>4 034 011</b>	<b>16 737 792</b>
<b>Credit balances:</b>		
Corporate income tax	726 664	13 282 036
Personal income tax	2 702 719	2 253 285
Social security contributions	4 999 081	4 192 515
Value added tax	1 925 894	2 141 292
Other	100 899	89 438
	<b>10 455 256</b>	<b>21 958 566</b>

## 28. OTHER FINANCIAL INSTRUMENTS

The other financial instruments are made up of debenture loans, which are detailed in the table below:

Issuer	Year of issue	Maturity	31.12.2018	31.12.2017
Farminveste - Investimentos, Participações e Gestão, S.A.	2014	Jun-20	10 000 000	10 000 000
José de Mello Capital, S.A.	2007	Dec-22	10 000 000	10 000 000
José de Mello Capital, S.A.	2008	Dec-22	6 500 000	6 500 000
Farminveste - Investimentos, Participações e Gestão, S.A.	2010	Dec-20	4 350 000	4 350 000
Farminveste - Investimentos, Participações e Gestão, S.A.	2014	Jun-20	4 350 000	4 350 000
			<b>35 150 000</b>	<b>35 150 000</b>

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.

There are no indications of impairment for the amounts of the bond loans listed above.

## 29. CASH AND BANK DEPOSITS

On 31 December 2018 and 2017, this caption showed the following breakdown:

	31.12.2018	31.12.2017
<b>Cash and bank deposits:</b>		
Cash	1 371 938	1 561 666
Current accounts	66 014 870	46 323 734
Term deposits	6 307	6 307
Other cash investments	2 590	2 590
	<b>67 340 459</b>	<b>47 894 297</b>
<b>Cash and cash equivalents:</b>		
Bank overdrafts (Note 35)	(55 247)	(10 055)
	<b>60 902 668</b>	<b>47 884 243</b>

On 31 December 2018, the caption of Current accounts deposits includes the amount of 6.4 million euros from credits received from customers that have been assigned to factoring.

## 30. NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2017, this caption showed the following detail

	31.12.2017			
Associated companies	Shareholdings	Loans granted	Impairment losses	Balance sheet value
Escala Braga - Sociedade Gestora do Edifício, S.A.	1 549 932	1 904 379	—	3 454 311
Escala Parque - Gestão de Estacionamento, S.A.	281 154	—	—	281 154
	<b>1 831 086</b>	<b>1 904 379</b>	<b>—</b>	<b>3 735 465</b>

During 2016, the JMS Group signed a contract for the purchase and sale of shares and supplementary payments with an investor, with a view to the transfer of its holdings in the share capital of Escala Braga – Sociedade Gestora do Edifício, S.A. and Escala Parque – Gestão de Estacionamento, S.A., along with all the rights and obligations associated with them. On 31 December 2017, the conclusion of the transaction was dependent on the authorisation of the Public Contracting Entity (Regional Health Administration – Administração Regional de Saúde), which was obtained in 2018. The sale of these participations took place on 20 April 2018, generating a gain of 6.1 million euros.

### 31. SHARE CAPITAL

The share capital at 31 December 2018 amounted to 53,000,000 euros, 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 on 31 December 2018 and 2017:

Entity	Number of shares	Holding 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%
	<b>10 600 000</b>	<b>100,00%</b>

### 32. LEGAL RESERVE

The legal reserve is not yet fully established and, as such, in 2017, 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 caption 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.

The changes occurred in the financial years ended on 31 December 2018 and 2017 are as follows:

	Derivatives designated as hedging flows	Deferred tax assets (Note 22)	Total
<b>Balance at 1 January 2017</b>	(2 301 121)	517 751	(1 783 370)
Reversal:			
Net profit	—	—	—
Equity	673 517	(151 541)	521 975
<b>Balance at 31 December 2017</b>	<b>(1 627 604)</b>	<b>366 209</b>	<b>(1 261 394)</b>
Reversal:			
Net profit	—	—	—
Equity	393 771	(88 599)	305 173
<b>Balance at 31 December 2018</b>	<b>(1 233 833)</b>	<b>277 611</b>	<b>(956 221)</b>

The detail of the financial instruments is presented in Note 41.

### Revaluation of tangible fixed assets

This caption includes changes due to increases or reductions in the fair value of properties allocated to health services. 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. The Retained Earnings include the impact of the transition from IFRS 9, on 1 January 2018, in the amount of 616 thousand euros.

## 34. NON-CONTROLLING INTERESTS

The changes occurred in this caption in the financial years ended on 31 December 2018 and 2017 were as follows:

	31.12.2018	31.12.2017
<b>Initial balance at 1 January</b>	<b>4 228 716</b>	<b>3 960 796</b>
Impact of IFRS 9 adoption	(4 854)	—
Changes in scope:		
Incoming	20 941	—
Outgoing	—	—
Dividends	(312 651)	(196 400)
Capital holding increases	(15 197)	—
Reductions in capital holdings	—	(10 135)
Other changes resulting from change of equity in associated companies	(174)	—
Net profit for the year attributable to non-controlling interests	235 260	474 455
<b>Final balance at 31 December</b>	<b>4 152 041</b>	<b>4 228 716</b>

The detail of the Non-controlling interests caption at 31 December 2018 and 2017, by company, is as follows:

Company	31.12.2018			31.12.2017	
	Percentage not owned	Non-controlling interests		Non-controlling interests	
		Profit	Equity	Profit	Equity
VALIR - Sociedade Gestora de Participações Sociais, S.A.	4,00%	(280)	1 218 053	(344)	1 218 333
Vramondi International BV	—	—	—	—	(5)
Hospital CUF Descobertas, S.A.	—	—	—	12 709	23 799
Clínica CUF Belém, S.A.	37,19%	164 100	1 349 841	261 022	1 435 244
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	66,35%	75 448	1 199 776	37 455	1 124 330
Nova Imagem - Centro Radiodiagnóstico, S.A.	—	—	—	2	4
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	29,50%	38 521	394 843	91 467	357 093
HD Medicina Nuclear, S.A.	30,00%	73 732	551 992	108 256	544 241
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A.	0,00%	44	515	241	2 023
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	0,00%	(15)	(79)	(923)	(11 355)
Greenmolis - Investimentos, S.A.	40,00%	(74 115)	(54 115)	—	—
Digihealth, S.A.	12,00%	655	1 596	—	—
Instituto CUF - Diagnóstico e Tratamento, S.A.	4,00%	(42 831)	(510 382)	(35 431)	(464 991)
		<b>235 260</b>	<b>4 152 041</b>	<b>474 455</b>	<b>4 228 716</b>

## 35. LOANS

Borrowings at 31 December 2018 and 2017 were as follows:

	31.12.2018	31.12.2017
<b>Non-current liabilities:</b>		
Debtenture loans	99 491 824	149 874 323
Other bank loans	160 199 772	145 640 041
Commercial paper	24 670 864	—
	<b>284 362 461</b>	<b>295 514 364</b>
<b>Current liabilities:</b>		
Debtenture loans	50 689 372	—
Commercial paper	25 000 000	48 700 000
Other bank loans	21 011 557	6 409 667
Pledge current account	1 002 581	1 000 000
Factoring financing	86 472	—
Bank overdrafts (Note 29)	55 247	10 055
	<b>97 845 229</b>	<b>56 119 722</b>
	<b>382 207 690</b>	<b>351 634 085</b>

## Commercial paper

The Group has contracted seven commercial paper programmes with a limit of 121 thousand euros. On 31 December 2018, these liabilities had the following detail:

Contracting company	Nominal amount hired	Outstanding amount		Contract		Interest rate
		Current	Non-current	Maturity	Periodicity	
José de Mello Saúde, S.A.		—	—	Jan.2019	Annual	Euribor + 0,75%
Hospital CUF Descobertas, S.A.	6 000 000	—	—	Jan.2019	Annual	Euribor + 1,75%
Hospital CUF Infante Santo, S.A.				Jan.2019	Annual	Euribor + 1,75%
José de Mello Saúde, S.A.	10 000 000	—	—	Mar. 2021	Once	0,085%
Imohealth - Investimentos Imobiliários, S.A.	80 000 000	—	24 670 864	Jun. 2032	Annual	Euribor + 2,30%
Hospital CUF Descobertas, S.A.		5 000 000	—	Nov. 2019	Annual	Euribor + 2%
Hospital CUF Infante Santo, S.A.	10 000 000	5 000 000	—	Nov. 2019	Annual	Euribor + 2%
José de Mello Saúde, S.A.		—	—	Nov. 2019	Annual	Euribor + 2%
José de Mello Saúde, S.A.	5 000 000	10 000 000	—	Dec. 2019	Annual	0,67%
Hospital CUF Infante Santo, S.A.		—	—	Dec. 2019	Annual	Euribor + 0,85%
José de Mello Saúde, S.A.	10 000 000	—	—	Dec. 2019	Annual	Euribor + 0,85%
Hospital CUF Descobertas, S.A.			—	Dec. 2019	Annual	Euribor + 0,85%
	<b>121 000 000</b>	<b>25 000 000</b>	<b>24 670 864</b>			

\*Interpolated rate

148

The commercial paper programme with a nominal contracted amount of 10 million euros, which was being used in 2017 by Braga Hospital, matured in December 2018 and was not renewed.

On 31 December 2017, these liabilities had the following detail:

Contracting company	Nominal amount hired	Outstanding amount		Contract		Interest rate
		Current	Non-current	Maturity	Periodicity	
José de Mello Saúde, S.A.		—	—	Jan.2019	Annual	Euribor + 1,75%
Hospital CUF Descobertas, S.A.	6 000 000	6 000 000	—	Jan.2019	Annual	Euribor + 1,75%
José de Mello Saúde, S.A.		—	—	Nov. 2019	Annual	Euribor + 2%
Hospital CUF Descobertas, S.A.	10 000 000	10 000 000	—	Nov. 2019	Annual	Euribor + 2%
José de Mello Saúde, S.A.	10 000 000	9 700 000	—	Mar. 2021	Once	1%
José de Mello Saúde, S.A.		5 000 000	—	Dec. 2018	Annual	Euribor + 0,85%
Hospital CUF Infante Santo, S.A.	10 000 000	—	—	Dec. 2018	Annual	Euribor + 0,85%
Hospital CUF Descobertas, S.A.		—	—	Dec. 2018	Annual	Euribor + 0,85%
Imohealth - Investimentos Imobiliários, S.A.	80 000 000	8 000 000	—	Jul. 2031	Monthly	Euribor + 2,3%
Escala Braga - SGE, S.A.		10 000 000	—	Dec. 2018	Annual	Euribor + 2,75%
José de Mello Saúde, S.A.		—	—	Dec. 2018	Annual	Euribor + 2,75%
Hospital CUF Infante Santo, S.A.	10 000 000	—	—	Dec. 2018	Annual	Euribor + 2,75%
Hospital CUF Descobertas, S.A.		—	—	Dec. 2018	Annual	Euribor + 2,75%
	<b>126 000 000</b>	<b>48 700 000</b>	<b>—</b>			

\*Interpolated rate

Although there are programmes with a 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 2018, the JMS Group fulfilled all financial covenants in the commercial paper programmes. At the end of 2017, the financial covenants of Imo Health's contract with Caixa de Crédito Agrícola were under review and were approved by the bank in December 2018.

The CUF Tejo Hospital property is pledged as a guarantee on Commercial Paper with a contracted amount of 80 million euros.

## Debenture loans

Debenture loans concern the following issues:

Issue	Interest rate	Maturity	Nominal value	Amount owed at 31 December 2018		Amount owed at 31 December 2017	
				Current	Non-current	Corrente	Não corrente
José de Mello Saúde 2014/2019	6-month Euribor + 3.875%	jun. 2019	50 000 000	50 689 372	—	—	49 814 137
José de Mello Saúde 2015/2021	6-month Euribor + 2.955%	mai. 2021	50 000 000	—	49 827 114	—	49 921 693
José de Mello Saúde 2017/2023	Fixed rate (4%)	sep. 2023	50 000 000	—	49 664 711	—	50 138 493
				<b>50 689 372</b>	<b>99 491 824</b>	<b>—</b>	<b>149 874 323</b>

These issuances were placed with institutional investors and approved for trading in the regulated markets of Euronext Lisbon and Bourse de Luxembourg. These contracts include compliance requirements for the "Net Financial Debt / EBITDA" debt ratio. On 31 December 2018, José de Mello Saúde, S.A. met the financial covenants in all debenture loans.

In June 2019, the first issue, amounting to 50 million euros, matures.

## Other bank loans

Other bank loans were broken down as follows at 31 December 2018 and 2017:

Type of financing	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Bank loan	115 562	30 000 000	121 997	30 054 006
IAPMEI / PME	64 680	114 771	75 000	179 167
Mutual Loan Agreements	14 393 524	130 085 001	6 212 670	115 406 868
	<b>14 573 766</b>	<b>160 199 772</b>	<b>6 409 667</b>	<b>145 640 041</b>

The increase in financing is predominantly justified by the financing obtained for: (i) the construction of CUF Sintra Hospital and (ii) the expansion of CUF Descobertas Hospital.

On 31 December 2018, the caption of other financing includes the amount of 6.4 million euros from credits from customers that have been assigned to factoring.

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.

With the exception of one loan that has included the obligation to comply with ratios, which is being complied with (debt service coverage ratio), there are no financial covenants associated with the remaining bank loans. These loans have associated guarantees and collaterals described in Note 43.

### Financing through factoring

The amount recorded in this caption concerns a factoring operation with recourse, contracted by CUF Coimbra Hospital.

### Credit lines available but not used

On 31 December 2018 and 2017, the credit lines available and not used amounted to respectively 101,750 thousand euros and 117,782 thousand euros.

## 36. OBLIGATIONS ARISING FROM LEASE CONTRACTS

### Finance lease

The Group has finance lease contracts for various items of its tangible fixed assets and intangible assets recorded on the balance sheet. The carrying amount of these assets for each class of asset, at 31 December 2018 and 2017, is as follows:

	31.12.2018	31.12.2017
<b>Tangible fixed assets:</b>		
Land and natural resources	27 269 500	27 269 500
Buildings and other constructions	50 172 601	49 700 039
Basic equipment	25 093 378	24 371 948
Office equipment	277 580	438 186
Other tangible fixed assets	—	2 898
	<b>102 813 058</b>	<b>101 782 571</b>
<b>Intangible assets:</b>		
Concession rights	2 697 590	2 767 506
Software	—	41 294
	<b>2 697 590</b>	<b>2 808 800</b>
	<b>105 510 648</b>	<b>105 510 648</b>

These long-term contracts in which the Group has the right to use a specific asset are recorded as finance leases according to IAS 17 – Leases. The rent is calculated based on the asset's acquisition value and on the interest rate applied in the financing contract. The JMS Group's financing contracts have an implicit residual value that varies between 1% and 2%, except for Real Estate.

In the accounting period that ended in 2014, a Sale & Leaseback operation was carried out with two financial institutions, corresponding to the CUF Descobertas Hospital and CUF Infante Santo Hospital properties.

On 31 December 2018 and 2017, the finance lease liabilities have the following maturities:

	31.12.2018	31.12.2017
<b>Minimum finance lease instalments:</b>		
Not over one year	8 768 776	9 794 327
Over one year and not exceeding five years	28 431 211	24 531 984
Over five years	27 500 592	35 645 704
	<b>64 700 579</b>	<b>69 972 015</b>

In the accounting periods ended in 2018 and 2017, no contingent rents were recognised under finance lease contracts.



## Operating lease

The operating lease contracts in force in JMS Group predominantly concern contracts for computer equipment, buildings and car parks, vehicles and medical and office equipment. On 31 December 2018 and 2017, the total amounts of the future minimum payments are as follows:

	31.12.2018				31.12.2017			
	Less than 1 year	From 1 to 5 years	Over 5 years	Total	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Medical equipment	404 575	95 448	—	500 023	412 396	505 751	—	918 147
Vehicles	944 666	1 289 774	—	2 234 440	1 342 970	2 250 202	98	3 593 270
Real estate	3 410 071	12 101 325	19 874 652	35 386 047	3 675 173	12 698 934	22 723 472	39 097 579
	<b>4 759 312</b>	<b>13 486 547</b>	<b>19 874 652</b>	<b>38 120 510</b>	<b>5 430 540</b>	<b>15 454 886</b>	<b>22 723 570</b>	<b>43 608 996</b>

In the accounting periods ended 31 December 2018 and 2017, costs of 8,151 million euros and 17,181 million euros were recognised, respectively, related to rents from operating lease contracts, of which 346,563 euros and 262,080 euros refer to contingent rent costs in 2018 and 2017, respectively.

The variation in operating leases costs is justified by the acquisition, at the end of 2017, of several properties held by real estate funds, such as the CUF Belém Clinic building, the CUF Torres Vedras building, the CUF Institute building and the CUF Cascais Hospital building.

## 37. 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 1,282 thousand euros (1,355 thousand euros in 2017). 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:

	31.12.2018	31.12.2017
Discount rate (before retirement)	1.30%	1.30%
Discount rate (after retirement)	1.30%	1.30%
Pensions' growth rate	0.00%	0.00%
Life table:		
For men	TV 73/77	TV 73/77
For women	TV 88/90	TV 88/90
Number of pensioners	52	54
Average age	74.48	74

The movement in employee benefit liabilities during the accounting periods ended 31 December 2018 and 2017 was as follows:

	Employee benefits
<b>Balance at 1 January 2017</b>	<b>1 461 775</b>
Reversal	(106 559)
<b>Balance at 31 December 2017</b>	<b>1 355 216</b>
Reversal	(72 891)
<b>Balance at 31 December 2018</b>	<b>1 282 326</b>

The change in the current value of pensions in payment is due to the natural ageing of the population and to the death of two pensioners.

### 38. PROVISIONS, IMPAIRMENT LOSSES, CONTINGENT ASSETS

#### Provisions

The changes occurred in provisions during the financial years ended on 31 December 2018 and 2017 were as follows:

	Taxes	Responsibility for future investments	Contractual risks	Legal proceedings	Other provisions	Total
<b>Balance at 1 January 2017</b>	<b>390 811</b>	<b>3 971 444</b>	<b>7 741 689</b>	<b>1 288 647</b>	<b>628 642</b>	<b>14 021 234</b>
Increases	—	—	699 268	100 306	—	799 573
Use	—	—	(1 741 050)	—	—	(1 741 050)
Reversal	—	—	(84 327)	—	(105 832)	(190 158)
Transfers	—	—	—	—	—	—
Discontinued operations	—	—	—	—	—	—
Investment Plan (note 17)	—	(630 125)	—	—	—	(630 125)
Financial reversals	—	—	—	—	—	—
<b>Balance at 31 December 2017</b>	<b>390 811</b>	<b>3 341 319</b>	<b>6 615 581</b>	<b>1 388 953</b>	<b>522 810</b>	<b>12 259 474</b>
Increases	—	—	4 194 426	—	926 897	5 121 323
Use	—	—	—	—	—	—
Reversal	—	—	—	—	(60 700)	(60 700)
Transfers	—	—	—	—	—	—
Discontinued operations	—	—	—	—	—	—
Investment Plan (note 17)	—	(1 696 006)	—	—	—	(1 696 006)
Financial reversals	—	—	—	—	—	—
<b>Balance at 31 December 2018</b>	<b>390 811</b>	<b>1 645 313</b>	<b>10 810 006</b>	<b>1 388 953</b>	<b>1 389 007</b>	<b>15 624 091</b>

The main amounts shown under Provisions predominantly concern:

#### Provisions for 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 the following stand out:

• **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 2018, the total value of the investments under the defined plan was revised, and reduced by 1.69 million euros.

• **Riscos Contratuais** - 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 2018 and 2017 were as follows:

#### Non-current assets

	Impairment losses on non-current assets		
	Other investments (Note 21)	Trade receivables and to suppliers (Note 26)	Total
<b>Balance at 1 January 2017</b>	<b>1 351 742</b>	<b>97 000</b>	<b>1 448 742</b>
Reversal	(35 889)	(97 000)	(132 889)
<b>Balance at 31 December 2017</b>	<b>1 315 853</b>	<b>—</b>	<b>1 315 853</b>
Inclusion in the scope	(1 315 853)	—	(1 315 853)
<b>Balance at 31 December 2018</b>	<b>—</b>	<b>—</b>	<b>—</b>

#### Current assets

	Impairment losses on current assets		
	Inventories (Note 25)	Trade receivables and to suppliers (Note 26)	Total
<b>Balance at 1 January 2017</b>	<b>32 501</b>	<b>10 273 241</b>	<b>10 305 742</b>
Increases	2 152	1 880 641	1 882 793
Use	—	(1 436 015)	(1 436 015)
Reversal	—	(564 966)	(594 966)
Transfers	(21 523)	—	(21 523)
<b>Balance at 31 December 2017</b>	<b>13 130</b>	<b>10 152 901</b>	<b>10 166 031</b>
Increases	—	3 802 160	3 802 160
Use	—	(589 083)	(589 083)
Reversal	—	(1 647 641)	(1 647 641)
Impact of IFRS 9 adoption	—	(634 396)	(634 396)
<b>Balance at 31 December 2018</b>	<b>13 130</b>	<b>11 083 941</b>	<b>11 097 071</b>

During the 2018 and 2017 financial years, the changes occurred in the Impairment losses and Provisions captions were offset against income:

	31.12.2018			31.12.2017		
	Increases	Reversal	Total	Increases	Reversal	Total
Employee benefits	—	(72 891)	(72 891)	—	(106 559)	(106 559)
Provisions	5 121 323	(60 700)	5 060 623	799 574	(190 159)	609 415
Impairment on non-current assets	—	—	—	—	(132 889)	(132 889)
Impairment on current assets	3 802 160	(1 647 641)	2 154 519	1 882 793	(564 966)	1 317 827
			<b>7 142 251</b>			<b>1 687 795</b>

### Contingent assets

The year 2018 was the third consecutive year in which Braga Hospital presented a negative result. This situation stems from the Government's failure to revalidate the vertical funding programmes for HIV and Multiple Sclerosis. This behaviour by the state-owned partner contributed inexorably to the current financial situation and is a very serious situation of contractual non-compliance. Therefore, a Request for Financial Rebalancing was lodged at the end of 2016 for the purpose of clause 127, no. 9, subparagraph b), of the Management Contract.

On 31 December 2018, the Board considered the success of this litigation to be very likely, an expectation that was confirmed by the favourable decision of the Arbitration Court on 29 January 2019, on the HIV/AIDS programme, after the date of closing of accounts and as such, disclosed as a Subsequent Event (Note 47).

The Arbitration Court upheld the claim formulated by Escala Braga concerning HIV/AIDS, having considered proven the facts alleged by it regarding the alteration of the public health policy and modification of the profile of treatment of people with HIV/AIDS, mandating the Portuguese Government to restore the financial balance of management in the following terms:

- (i) For 2016, the Portuguese Government shall pay the amount of 4,557,338 euros to Escala Braga;
- (ii) For 2017 and 2018, the Portuguese Government shall pay the amount that the parties define using the same criteria and assumptions for 2016 to Escala Braga, which translated into the final amounts of 4,843,506 euros and 3,579,885 euros, respectively.
- (iii) The Portuguese Government must also pay arrears on these amounts to Escala Braga at the rate of 4% per year from the date of citation of the arbitration proceedings.

It should be noted that the amounts concerning 2016, 2017 and 2018 were already paid by the Portuguese Government in March 2019, and the total value amounted to 13.45 million euros. The Court rejected Escala Braga's claim for loss of funding for the treatment of people with Multiple Sclerosis.

Taking into account the amounts received and those estimated for 2019 (2.6 million euros) in the future projection of the activity enables us to rule out the hypothesis of the contract being onerous.

### 39. OTHER CURRENT AND NON-CURRENT CREDITORS

On 31 December 2018 and 2017, these captions showed the following breakdown:

	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Property sale advance (a)	—	5 450 000	—	—
Related entities	2 332 169	—	—	—
São Marcos Hospital (b)	3 092 476	—	3 092 476	—
Acquisition of investments (c)	1 906 860	2 764 560	1 016 588	3 358 340
Personnel and Trade Unions	1 109 318	—	755 114	—
Fees	696 342	—	599 524	—
Fixed assets suppliers	336 024	—	555 547	—
Clinical events and conferences	301 160	—	37 073	—
Base - Serviços Médicos de Imagiologia, SGPS, S.A.	288 483	—	250 000	—
Consultants, advisors and intermediaries	172 681	—	281 277	—
Innovation Support Fund - Renewable energies and energy efficiency	84 314	—	286 666	—
Reynaldo dos Santos Hospital	55 859	—	57 859	—
Surety bonds	62 255	—	33 765	—
Available profits	37 768	—	—	—
Other creditors	302 506	—	490 222	—
	<b>10 778 215</b>	<b>8 214 560</b>	<b>7 476 112</b>	<b>3 358 340</b>

155

(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 caption includes, in essence, the amounts payable for the acquisition of SIM-X - Serviço de Imagem Médica Lda. (553 thousand euros), CUF Coimbra Hospital (1.6 million euros), Dr. Luís Álvares Clinic (810 thousand euros), the CUF Almada Clinic property (1 million euros) and Cenes - Centro de Reprocessamento de Dispositivos Médicos, Lda. (700 thousand euros). According to the respective acquisition contracts, the corresponding shares to liquidate after the 2020 financial year were considered as non-current.

### 40. OTHER CURRENT AND NON-CURRENT LIABILITIES

On 31 December 2018 and 2017, this caption showed the following breakdown:

	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
<b>Accrued costs:</b>				
Remunerations payable	40 878 790	—	31 392 404	—
Fees (a)	27 929 279	—	23 970 098	—
Operating costs (b)	13 750 704	—	15 236 234	—
Escala Braga Accrued costs	5 813 781	—	4 498 353	—
Financial costs	123 777	—	1 467 165	—
IMI - Municipal Property Tax (MPT)	477 892	—	—	—
Derivative financial instruments (Note 41)	176 137	1 057 696	—	1 627 604
	<b>89 150 359</b>	<b>1 057 696</b>	<b>76 564 254</b>	<b>1 627 604</b>
<b>Deferred income:</b>				
Financial income	453 289	—	493 957	—
Rents and leases	13 979	—	14 141	—
Other deferred income	5 840	—	249	—
	<b>473 108</b>	<b>—</b>	<b>508 347</b>	<b>—</b>
	<b>89 623 466</b>	<b>1 057 696</b>	<b>77 072 601</b>	<b>1 627 604</b>

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

## 41. FINANCIAL DERIVATIVE 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 debenture loans issued in June 2014 and May 2015 (for a total of 100 million euros). 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 debenture 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.

On 31 December 2018 and 2017, the fair value of the contracted financial derivatives can be presented as follows:

	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
<b>Cash flow hedging derivatives</b>				
Interest rate swap	176 137	1 057 696	—	1 627 604
<b>Total derivatives (Note 3)</b>	<b>176 137</b>	<b>1 057 696</b>	<b>—</b>	<b>1 627 604</b>

The figure recognised in this caption refers to six swap interest rate contracts signed by the JMS Group to cover the risk of interest rate fluctuation.

Characteristics of derivative financial instruments contracted in relation to financing operations on 31 December 2018 and 2017 were as follows:

Cash flow hedging derivatives	Notional	Currency	Economic goal	Maturity	Fair value	
					31.12.2018	31.12.2017
Interest rate swaps						
Swap 13121-001	25 000 000	Eur	Cash-flow coverage of bond issuance	June 2019	(94 269)	(273 774)
Swap 13121-002	25 000 000	Eur	Cash-flow coverage of bond issuance	May 2021	(534 709)	(566 865)
Swap 13136-001	12 500 000	Eur	Cash-flow coverage of bond issuance	June 2019	(45 046)	(130 616)
Swap 13137-001	12 500 000	Eur	Cash-flow coverage of bond issuance	May 2021	(288 580)	(313 183)
Swap 13152-001	12 500 000	Eur	Cash-flow coverage of bond issuance	May 2021	(234 407)	(237 253)
Swap 13153-001	12 500 000	Eur	Cash-flow coverage of bond issuance	June 2019	(36 822)	(105 913)
	100 000 000				(1 233 833)	(1 627 604)

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.

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

	31.12.2018					
	SWAP's					
	13121-001	13136-001	13121-002	13137-001	13152-001	13153-001
Trade date	19 mai 2015	23 jun 2015	19 mai 2015	23 jun 2015	30 jul 2015	30 jul 2015
Date of settlement	21 mai 2015	25 jun 2015	21 mai 2015	25 jun 2015	31 jul 2015	31 jul 2015
Maturity	9 jun 2019	9 jun 2019	17 mai 2021	17 mai 2021	17 mai 2021	9 jun 2019
Notional	25 000 000	12 500 000	25 000 000	12 500 000	12 500 000	12 500 000

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 on 31 December 2018 is -1,233,833 euros (1,627,604 in 2017).

## 42. TRADE PAYABLES AND ADVANCES FROM CLIENTS

On 31 December 2018 and 2017, these captions showed the following breakdown:

	31.12.2018	31.12.2017
Suppliers, current account	91 765 225	80 830 747
Suppliers, invoices in reception and under verification	24 664 601	9 356 007
Advances from clients	4 632 564	4 355 247
	<b>121 062 391</b>	<b>94 542 001</b>

## 43. GUARANTEES

### Financial guarantees provided to third parties

On 31 December 2018, the companies included in the consolidation had provided guarantees to third parties, the details of which are as follows:

Beneficiary	31.12.2018
Lisboa Residence	5 450 000
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A.	4 000 000
ESLI - Parques de Estacionamento, S.A.	2 197 800
Lisbon City Council	850 000
Matosinhos City Council	120 157
ARSN	116 701
Instituto Português de Oncologia de Lisboa Francisco Gentil, E.P.E	29 971
Labour Court of Lisbon	1 864
Presidency of the Council of Ministers - Social Services	1 214
EDP - Energias de Portugal, S.A.	1 082

### Real guarantees given to third parties

On 31 December 2018, the companies included in the consolidation scope had provided the following real guarantees to financial institutions, which consist of mortgaging the Group's following properties:

Property	31.12.2018
CUF Sintra Hospital	16 170 000
CUF Porto Hospital	39 850 000
CUF Descobertas Hospital (Expansion)	33 000 000
CUF Almada Clinic	6 001 500
CUF Tejo Hospital	86 000 000
CUF Cascais Hospital	15 000 000
CUF Belém Clinic and CUF Torres Vedras Hospital	37 256 000
CUF Santarém Hospital	3 907 414

### 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;
- José de Mello Saúde, S.A. is a guarantor under the scope of the financial leasing contract for the Travessa do Castro building, signed with Imo Health Investimentos, S.A.;
- Blank promissory Note subscribed by Imo Health – Investimentos Imobiliários, S.A. (“Imo Health”) and guaranteed 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 subscribed by Hospimob Imobiliária, S.A. and guaranteed by José de Mello Saúde, S.A. and by Hospital CUF Porto, S.A.;



- Blank Promissory Note subscribed by Imo Health and guaranteed 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 subscribed a blank promissory note, guaranteed by José de Mello Saúde, S.A.;
- Hospital CUF Santarém, S.A. subscribed 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.;
- Establishment of a Surety by José de Mello Saúde S.A. to guarantee the mutual financing entered into by CUF Torres Vedras Hospital;
- 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 subscribed by Hospital CUF Infante Santo, S.A., within the scope of the mutual financing contract;
- Blank Promissory Note signed by Hospital CUF Coimbra, S.A., under 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.; and
- Guarantee provided by José de Mello Saúde, S.A. and Hospital CUF Descobertas, 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 2018 and 2017 are:

	31.12.2018	31.12.2017
Manuel Guimarães, Lda.	—	82 976
Centro Gamma Knife-Radiocirurgia, S.A.	34 000	68 000
Dr. Campos Costa - Consultório de Tomografia Computorizada, S.A.	—	44 566
Escala Braga and Escala Parque	9 709 053	—
	<b>9 743 053</b>	<b>195 542</b>

The amounts regarding Escala Braga and Escala Parque concern the shareholding sold in the current year (Note 30).

## 44.2 Payments from financial investments and other investments:

The most significant payments related to financial investments occurring during the financial years ended on 31 December 2018 and 2017 are:

	Classification	31.12.2018	31.12.2017
Hospimob - Imobiliária, S.A.	Acquisition of assets	—	37 375 599
CPIS - Clínica Particular de Coimbra, S.A.	Acquisition of business	—	6 790 500
CPIS - Clínica Particular de Coimbra, S.A. (P. Suplementares)	Acquisition of business	—	650 000
CPIS - Clínica Particular de Coimbra, S.A. (Suprimentos)	Acquisition of business	460 000	365 000
Clínica Dr. Luís Álvares, S.A.	Acquisition of business	—	1 382 780
Clínica Dr. Luís Álvares, S.A. (P. Suplementares)	Acquisition of business	—	100 000
SIMPLYGREEN - Investimentos Imobiliários, S.A.	Acquisition of assets	—	737 293
SIMPLYGREEN - Investimentos Imobiliários, S.A. (P. Suplementares)	Acquisition of assets	—	362 440
Celso & Santos, S.A.	Acquisition of business	—	159 992
SIM-X - Serviço de Imagem Médica, Lda.	Acquisition of business	—	59 280
ICIL - Instituto Clínico, Lda.	Acquisition of business	150 000	—
Ecoclínica - Diagnóstico por Imagem, Lda.	Acquisition of business	35 000	—
Purchase from the individual shareholders of SGHD	Acquisition of business	132 733	—
José de Mello Residências e Serviços, SGPS, S.A.	Acquisition of business	977 768	—
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda.	Acquisition of business	1 174 999	—
		<b>2 930 500</b>	<b>47 982 884</b>

## 45. RELATED PARTIES

### 45.1 NATURE OF THE 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	Location	Transactions			
		Sales and services rendered	Financial income	Financial costs	External supplies
Shareholders:					
José de Mello Capital, S.A.	Portugal	Occupational health	Debenture loans		Specialised Work
Farminveste - Investimentos, Participações e Gestão, S.A.	Portugal	Occupational health	Debenture loanss		
Fundação Amélia de Mello	Portugal	Occupational health			

Related party	Location	Transactions			
		Sales and services rendered	Financial income	Financial costs	External supplies
Other related entities:					
MGI Capital Group	Portugal	Occupational health	Debenture loans		Maintenance services
Brisa Group – Auto-estradas de Portugal	Portugal	Occupational health	Debenture loans		Parking commissions
José de Mello Energia, S.A.	Portugal	Occupational health			
José de Mello Residências e Serviços Group	Portugal	Occupational health			Personnel transfer
Grupo Bondalti	Portugal	Occupational health			
M Dados - Sistemas de Informação, S.A.	Portugal	Occupational health			Data Management Fees
Grupo Farminveste	Portugal	Occupational health			
I. A. R. F - Imobiliária, S.A.	Portugal			Loans	
José de Mello Imobiliária Group	Portugal	Occupational health			
José de Mello Residências e Serviços, SGPS, S.A.	Portugal		Loans		

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 PENDING 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:

## 2018

Related party	Debit balances			Credit balances	
	Customers	Other debtors	Bonds (Note 28)	Suppliers	Other creditors
<b>Shareholders:</b>					
José de Mello Capital, S.A.	2 563	695	16 500 000	8 792	—
Farminveste - Investimentos, Participações e Gestão, S.A.	—	375 343	18 650 000	—	—
<b>Other related entities:</b>					
MGI Capital Group	108 114	—	—	1 164 365	—
Brisa Group – Auto-estradas de Portugal	34 102	48 375	—	12 602	—
José de Mello Residências e Serviços Group	53 000	—	—	23 793	—
Bondalti Group	10 904	—	—	—	—
M Dados - Sistemas de Informação, S.A.	—	—	—	214 858	—
MGICAPITAL - Sistemas de Gestão, S.A.	284	—	—	—	—
L.A.R.F. - Imobiliária, S.A.	—	—	—	—	2 332 169
José de Mello Residências e Serviços, SGPS, S.A.	—	7 260 000	—	—	—
	<b>208 966</b>	<b>7 684 413</b>	<b>35 150 000</b>	<b>1 424 410</b>	<b>2 332 169</b>

Related party	Transactions			
	Sales and services rendered	Financial income	External supplies and services	Financial costs
<b>Shareholders:</b>				
José de Mello Capital, S.A.	11 703	284 101	40 959	—
Farminveste - Investimentos, Participações e Gestão, S.A.	2 960	135 651	—	—
Fundação Amélia da Silva de Mello	690	—	—	—
<b>Other related entities:</b>				
MGI Capital Group	262 287	—	3 158 559	—
Brisa Group – Auto-estradas de Portugal	178 279	—	490 424	—
MGICAPITAL - Sistemas de Gestão, S.A.	—	—	—	—
José de Mello Residências e Serviços Group	105 846	—	77 921	—
Bondalti Group	34 847	—	—	—
M Dados - Sistemas de Informação, S.A.	1 536	—	578 470	—
L.A.R.F. - Imobiliária, S.A.	—	—	—	62 819
Farminveste Group	11 790	—	—	—
José de Mello Imobiliária Group	284	—	—	—
	<b>610 222</b>	<b>419 752</b>	<b>4 346 334</b>	<b>62 819</b>

## 2017

Related party	Debit balances			Credit balances
	Customers	Other debtors	Bonds (Note 28)	Suppliers
<b>Shareholders:</b>				
José de Mello Capital, S.A.	1 449	122 780	16 500 000	4 761
Farminveste - Investimentos, Participações e Gestão, S.A.	—	—	18 650 000	—
<b>Other related entities:</b>				
MGI Capital Group	6 131	—	—	1 472 106
Brisa Group – Auto-estradas de Portugal	36 344	—	—	(21 522)
José de Mello Residências e Serviços Group	36 047	—	—	7 996
Bondalti Group	41 481	—	—	—
M Dados - Sistemas de Informação, S.A.	—	—	—	178 078
José de Mello Imobiliária Group	284	—	—	—
	<b>121 735</b>	<b>122 780</b>	<b>35 150 000</b>	<b>1 641 419</b>

Related party	Transactions		
	Sales and services rendered	Financial income	External supplies and services
<b>Shareholders:</b>			
José de Mello Capital, S.A.	7 847	214 366	41 314
Farminveste - Investimentos, Participações e Gestão, S.A.	—	162 916	—
<b>Other related entities:</b>			
MGI Capital Group	32 241	—	3 415 978
Brisa Group – Auto-estradas de Portugal	185 243	—	377 467
José de Mello Residências e Serviços Group	92 786	—	61 929
Bondalti Group	55 656	—	—
José de Mello Imobiliária Group	284	—	—
M Dados - Sistemas de Informação, S.A.	—	—	586 916
José de Mello Energia, S.A.	454	—	—
José de Mello Serviços, Lda.	3 595	—	2 139
	<b>370 259</b>	<b>—</b>	<b>4 444 428</b>

### Wages of key management personnel

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

	31.12.2018	31.12.2017
Remunerations	3 612 016	2 275 338
	<b>3 612 016</b>	<b>2 275 338</b>

In the context of transactions with related parties, no commitments were entered into nor were any guarantees given or received.

## 46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and the publication authorised by the Board of Directors on 29 March 2019, and will be subject to approval at the General Meeting of Shareholders scheduled for 15 May 2019.

## 47. SUBSEQUENT EVENTS

These financial statements were authorised for issue by the Board of Directors on 29 March 2019.

As disclosed in Note 38, the decision of the Arbitration Court regarding the proceedings brought by Escala Braga against the Portuguese Government became known at the end of January 2019. This decision was favourable only in the area concerning the vertical HIV programmes.

## STATEMENT OF COMPLIANCE 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”) Board members declare that, to the best of their knowledge, the management report, the consolidated and 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 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 consolidation scope; and iii) they contain a description of the main risks JMS faces in its activity.

Lisbon, 29 March 2019

## INFORMATION ON THE SHAREHOLDING STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

a) Qualifying holdings in the company's share capital.

Shareholder	Nº of Shares	% Capital	% 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	3 180 000	30,00%	30,00%
<b>Total</b>	<b>10 600 000</b>	<b>100,00%</b>	<b>100,00%</b>

(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 administrative and supervisory boards, 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 No. 5/2008.

Members of the Company's administrative do not hold shares or bonds in José de Mello Saúde S.A., as no transaction has taken place on these bonds during the financial year of 2018.

Members of José de Mello Saúde S.A. administrative and supervisory boards do not hold non-voting preference shares representing the share capital in José de Mello Saúde S.A. Hospital CUF Descobertas, S.A., subscribed on the date and under the following terms:

Shareholder	Balance at 31/12/2017	Subscriptions		Acquisitions		Disposals		Balance in 31/12/2018
	Amount	Amount	Value €	Amount	Value €	Amount	Value €	Amount
<b>Salvador Maria Guimarães José de Mello</b> Hospital CUF Descobertas, S.A.	236	236	5,00			305	5,00	0
<b>Rui Manuel Assoeira Raposo</b> Hospital CUF Descobertas, S.A.	100	37	5,00			137	5,00	0
<b>Guilherme Barata Pereira Dias de Magalhães</b> Hospital CUF Descobertas, S.A.	100	37	5,00			137	5,00	0
<b>Vasco Luís José de Mello</b> Hospital CUF Descobertas, S.A.	100	16	5,00			116	5,00	0
<b>Inácio António da Ponte Metello de Almeida e Brito</b> Hospital CUF Descobertas, S.A.	92					92	5,00	0
<b>Rui Alexandre Pires Diniz</b> Hospital CUF Descobertas, S.A.	200	127	5,00			327	5,00	0

(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 administrative board and on the change of bylaws.

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 administrative board and on change of José de Mello Saúde S.A. bylaws. With regard to these matters, the corresponding provisions of the Portuguese Commercial Companies Code apply.

f) The powers that the administrative board 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 administrative board. 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 an 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/reorganization 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) 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;

(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 15,000,000.00 euros (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.** Signing 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 15,000,000.00 euros (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 1,000,000.00 euros (one million euros), disposal, encumbrance or acquisition of immovable assets for the Company, whose value exceeds 15,000,000.00 euros (fifteen million euros);
- xiv.** Carrying out provision of all movable property and equipment essential for the exercise of the Company's activity;
- xv.** Proposing 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.** Establishing 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.** Representing 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 percent) 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 4 of the Management Report.

h) Annual amount for remuneration awarded, in aggregated and individual form, for members of the administrative and supervisory boards of the Company, for the effects of Law No. 28/2009, of 19 June.

Name	Position	Wage (euros)
Salvador Maria Guimarães José De Mello	Chairman of the Board of Directors and CEO	798 738
Pedro Maria Guimarães José De Mello	Non-Executive Vice-Chairman	-
João Gonçalves Da Silveira	Non-Executive Vice-Chairman	-
Rui Alexandre Pires Diniz	Executive Director	870 404
Rui Manuel Assoeira Raposo	Executive Director	468 299
Vasco Luís José De Mello	Executive Director	448 067
Inácio António P.M. Almeida E Brito	Executive Director	437 969
Guilherme Barata Pereira Dias de Magalhães	Executive Director	468 539
Paulo Jorge Cleto Duarte	Non-Executive Director	-
Luis Eduardo Brito Freixial De Goes	Non-Executive Director	-
Vera Margarida Alves Pires Coelho	Non-Executive Director	40 000
Celine Dora Judith Abecassis-Moedas	Non-Executive Director	40 000
Raúl Catarino Galamba Oliveira	Non-Executive Director	40 000

i. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Board of Directors during the financial year of 2018.

Members of the Supervisory Board have a gross annual remuneration of 7,500 euros for the Chairman and 6,000 for Members.

ii. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Remuneration Committee during the financial year 2018

Members of the Supervisory Board have a gross annual remuneration of 7,500 euros for the Chairman and 6,000 for Members.

iii. 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	Amount
Cost of statutory audit services	241 950
Cost of other audit services	2 000
<b>Total</b>	<b>243 950</b>

## REMUNERATION POLICY OF THE MEMBERS OF THE COMPANY'S GOVERNING AND SUPERVISORY BODIES

- The members of the Board of Directors shall 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 body 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;
- In 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 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 collective, annual and multi-annual 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;
- 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 art. 422-A, along with the provisions of paragraph 1 of art. 399, 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.

*(Free Translation from the original in Portuguese)*

## **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, 2018 (which show a total of 817.251.760 euros and a total equity of 98.899.699 euros, including a net profit for the year of 15.593.823 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, 2018, 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**

As disclosed in notes 7 and 38 of the notes to the Consolidated Financial Statements, the Public-Private Partnership management agreements of Braga Hospital will end in august 2019 and management estimations of remaining activity and possible contingencies of the partnership include complex and volatile assumptions, being subject to a significant level of judgement and uncertainty. The assumptions were relevant to determine that non-current assets are not impairment and that no provisions for additional liabilities are required on the accompanying financial statements. The estimate includes the inflow of the amounts from the vertical programs of HIV, confirmed by the Arbitral Court decision dated January 24, 2019, of which amounts related to 2016, 2017 and 2018 have been subsequently received. Our opinion is not modified in respect of 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**

Sales and services rendered and Other operational revenues of the group are essentially related to two business segments:

- ▶ Public health services, that represent 35% of total revenue; and
- ▶ Private health services, that represent 65% of total revenue.

The group manages the operations of two public hospitals: Braga Hospital and 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, 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 significant uncertainty about the acceptance of revenues recognized in prior years and in the current year, as detailed in note 24 of the notes to the Consolidated Financial Statements.

Consequently, the recoverability of the balances related to Braga Hospital (30.236 thousand euros) and Vila Franca de Xira Hospital (21.820 thousand euros) depend on the success of the ongoing negotiations with the Regional Health Administrations for each of the indicated years.

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.

**Summary of our approach to the risks of material misstatement**

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:

- ▶ 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.

Our approach also encompassed the analysis of the disclosures included in notes 2.4, 2.6, 7 and 24 of the notes to the Consolidated Financial Statements to ensure that those notes are in accordance with the applicable accounting standards.

**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**

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.

**Summary of our approach to the risks of material misstatement**

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:

- ▶ 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, 2018, 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, 2018 to December 31, 2018.

Our approach also encompassed the analysis of the disclosures included in notes 2.4, 7 and 24 of the notes to the Consolidated Financial Statements to validate that the disclosures are in accordance with the applicable accounting standards.

**3. Impairment of Goodwill**

**Description of the risks of material misstatement**

The amount of Goodwill as at December 31, 2018 amounts to 45.569 thousand euros and is related to the business combinations disclosed in note 17 of the notes to the Consolidated Financial Statements.

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 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

**Summary of our approach to the risks of material misstatement**

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.

We have tested the consistency of the assumptions used in the business plans with prior years, with historical data and with external data.

We have tested the arithmetical calculation of the model used.

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.

We have reviewed the requirements of the applicable disclosures (IAS 36) in

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>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>accordance with notes 2.3.b), 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 340.294 thousand euros and 106.614 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 30.574 thousand euros, 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, 2018, under the terms disclosed in the note 26 of the notes to the Consolidated Financial Statements.</p> <p>The bonds issued in 2014 in the amount of 50.000 thousand euros mature on June 2019 and procedures envisaging refinancing are being executed.</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>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.</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>



## **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 66-B 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 66-B 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. We were reappointed in the shareholders' general meeting held on April 29, 2016 for a forth mandate for the period between 2016 and 2018.
- ▶ 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 24, 2019

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*

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

approved the plan of activities for 2019;

à fiscalização dos atos da Administração, através de visitas a várias unidades, bem como reuniões com a direção de auditoria interna, a direção financeira, a direção de planeamento estratégico, controlo de gestão e inovação, direção de sistemas de informação e a direção de desenvolvimento organizacional e qualidade, e com a comissão de auditoria e gestão de risco tendo obtido os esclarecimentos e conforto considerados necessários;

à verificação da observância da lei e do cumprimento do contrato da sociedade;

à avaliação sobre se as políticas contabilísticas e critérios de valorimetria/mensuração adotados pela sociedade estão de acordo com os princípios contabilísticos geralmente aceites, e conduzem a uma correta avaliação do património e dos resultados;

à avaliação da eficácia do sistema de controlo interno implementado pela Administração;

à fiscalização do processo de preparação e divulgação da informação financeira;

à verificação da exatidão da Demonstração da Posição Financeira, a Demonstração dos Resultados e de Outro Rendimento Integral, a Demonstração das Alterações no Capital Próprio, a Demonstração dos Fluxos de Caixa e o Anexo do exercício de 2018;

à apreciação do Relatório de Gestão emitido pela Administração, e da proposta de aplicação de resultados nele inserta;

à apreciação do trabalho realizado pelo Revisor Oficial de Contas conducente à revisão legal e a serviços adicionais;

à verificação dos termos da Certificação Legal das Contas, o Relatório de Auditoria e o Relatório Adicional ao Órgão de Fiscalização, emitidos pela Ernst & Young Audit & Associados – SROC, S.A., tendo concluído que o seu conteúdo merece o nosso acordo.

## **2. Do trabalho que realizamos entendemos destacar o seguinte:**

como referido nos anos anteriores, a não revalidação pela ARS Norte dos programas de financiamento vertical de HIV e Esclerose Múltipla, num valor aproximado de 7,5 milhões de euros por ano, é um factor penalizante para o desequilíbrio das contas do Escala Braga. Foi cautelarmente interposto no final do ano de 2016 um Pedido de Reequilíbrio Financeiro para o efeito da cláusula 127ª, nº9, alínea b), do Contrato de Gestão, com vista a que se inicie um processo de arbitragem para resolução deste litígio. O resultado desta arbitragem não era conhecida a 31 de dezembro de 2018. No final de janeiro de 2019 foi conhecido o resultado do processo, sendo este favorável para a José de Mello Saúde no financiamento do programa vertical relativo ao HIV no valor de 18,5 milhões de euros, respeitantes ao período de janeiro de 2016 a agosto de 2019. Deste valor já foram liquidadas em março de 2019 as quantias respeitantes aos primeiros três anos no montante de 13,4 milhões de euros.

salientamos o crescimento do balanço da Sociedade em 71,8 milhões de euros, ultrapassando os 817,3 milhões de euros. A continuação das diversas obras de expansão são a principal explicação para o incremento registado.

face a 2017, a dívida bruta aumentou 25,3 milhões de euros e a dívida líquida 5,8 milhões de euros. O rácio de alavancagem financeira, nomeadamente o D/EBITDA, cresceu para 4,84x (4,70x em 2017).

## 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 2018.

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

- approved the plan of activities for 2019;
- supervised the actions of the Board, through meetings with the internal audit department, financial department, strategic planning, management and innovation control department, information systems department and organisational development and quality department, and the auditing and risk management committee and obtaining the clarifications and comfort deemed necessary;
- 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 of the financial year of 2018;
- 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:

- As mentioned in previous years, the non-renewal by the Regional Health Authority North (ARS Norte) of the vertical funding programmes for HIV and Multiple Sclerosis, with an approximate value of 7.5 million euros per year is a penalizing factor for the imbalance of Escala Braga's accounts. A Request for Financial Recovery was cautiously lodged at the end of 2016 for the purposes of clause 127, paragraph 9, subparagraph (b) of the Management Contract, seeking the beginning of an arbitration process for the settlement of this dispute. By 31 December 2018 the result of this process was still pending. The outcome was known at the end of January 2019 and it was favourable to José de Mello Saúde on the HIV vertical programme, in the amount of 18.5 million euros, related to the period from January 2016 to August 2019. From this total amount, 13.4 million euros (regarding 2016, 2017 and 2018) have already been settled in March 2019.
- We emphasise the growth of the Company's balance sheet by 71.8 million euros, exceeding 817.3 million euros. The continuation of the various expansion works is the main reason for the recorded increase.
- In comparison with 2017, gross debt increased by 25.3 million euros and net debt increased by 5.8 million euros. The financial leverage ratio, namely D/EBITDA, increased to 4.84x (4.70x in 2017).

### 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 can 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, Statement of Changes in Equity, Statement of Cash Flows and Annex of the financial year of 2018 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 accounts for the 2018 financial year presented 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.

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

- the consolidated Management Report and the consolidated accounts of the 2018 financial year presented 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 who we contacted, for all the cooperation we received when performing our duties.

Lisbon, 24 April 2019

## DECLARATION OF COMPLIANCE OF THE SUPERVISORY BOARD

In accordance with 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.



JOSÉ DE MELLO · SAÚDE

FINANCIAL  
STATEMENTS REPORT

2018