JOSÉ DE MELLO · SAÚDE

2017 FINANCIAL STATEMENTS REPORT

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MANAGEMENT
REPORT

Executive summary

The 2017 financial year was characterised by a strong operating and financial performance, with an emphasis on the following facts:

- Operating income was 637.4 million euros, an increase of 8.7% vis-à-vis 2016; in the private activity, we recorded an increase of 9.9% over the previous year, to 408 million euros. In the public sector, operating income was 227 million euros, growing 4.4% in comparison with the previous year;
- EBITDA was 72.0 million euros, an increase of 5.3% versus 2016, driven by growth in the healthcare activity;
- EBITDA on the private activity grew from 56.6 million euros to 61.5 million euros (+7.5%);
- In the public sector, despite growth in operating income, EBITDA decreased by 1.5 million euros, to 7.8 million euros. EBITDA margin was 3.4%, a decrease of 0.8 pp;
- Consolidated net profit was 22.8 million euros, a decrease of 1.1 million euros in comparison with 2016;
- Total assets increased by 242.5 million euros (+48.2%) compared to the end of 2016, a consequence of the increase in tangible fixed assets (+188.6 million euros);
- José de Mello Saúde's consolidated investment was of 203 million euros;
- On 31 December 2017, net financial debt[1] stood at 338.6 million euros, resulting in a Net Debt to EBITDA ratio of 4.7x.

Operational performance

Healthcare service provision indicators of José de Mello Saúde

(thousands)	2016*	2017	Variation %
Consultations	2,208.6	2,434.1	10.2%
Emergencies	638.2	658.2	3.1%
Patients operated on	86.3	92.8	7.5%
Discharged patients	73.8	75.2	2.0%
Days of hospitalisation	461.7	470.0	1.8%
Births	7.8	7.8	0.9%

Does not include patients discharged from MICUs (Multipurpose Intensive Care Units)
*Pro-forma values based on the current activity accounting methodology

In 2017, José de Mello Saúde maintained a trajectory of sustained increase across its healthcare activity in the different fields of action. Over 2.4 million appointments were recorded (10.2% increase versus 2016), 92,800 surgeries (+7.5% year-over-year) and approximately 75,200 patients discharged from hospitalisation (+2% more than in the previous year). There was also a slight increase in the number of births , which improved by 0.9% vis-à-vis the previous year.

[1]Considers gross financial debt less cash and cash equivalents and other financial instruments.

CUF

In the private sector, JMS registered over 1.8 million appointments (increase of +12.6%), 52.9 thousand surgical patients (improvement of +10.4% year-on-year) and 36 thousand patients discharged from hospitalisation (+6.7% than in 2016) were recorded.

Public-private partnerships

In the public sector, hospitals managed under public-private partnership, there were around 596 thousand appointments (+3.4% vis-à-vis 2016), 39.9 thousand surgical patients (+4.0% in comparison with 2016) and 39.2 thousand patients discharged from hospitalisation (-2.0% vis-à-vis 2016).

Consolidated results

INCOME STATEMENT

(Million euros)	2016	2017	Var.	Var. %
Operating income	**586.3**	**637.4**	**51.2**	**8.7%**
Operating costs*	(517.9)	(565.4)	(47.5)	-9.2%
EBITDAR	**79.4**	**83.8**	**4.4**	**5.6%**
EBITDAR margin	13.5%	13.2%	-0.4 p.p.	
EBITDA**	**68.4**	**72.0**	**3.6**	**5.3%**
EBITDA margin	11.7%	11.3%	-0.4 p.p.	
Depreciation and Provisions	(26.8)	(29.4)	(2.6)	-9.6%
EBIT	**41.5**	**42.6**	**1.1**	**2.5%**
EBIT margin	7.1%	6.7%	-0.4 p.p.	
Financial results	(8.9)	(10.5)	(1.6)	-18.0%
EBT	**32.6**	**32.1**	**-0.5**	**-1.7%**
Taxes	(8.4)	(8.8)	(0.4)	-4.3%
Net profit	**24.2**	**23.3**	**-0.9**	**-3.8%**
Net profit attributable to non-controlling interests	0.3	0.5	0.2	67.1%
Net profit attributable to JMS shareholders	**23.9**	**22.8**	**-1.1**	**-4.6%**

*Total less depreciation and provisions
**Operational results plus depreciation and provisions

The operating income of José de Mello Saúde reached 637.4 million euros, increase of 8.7% versus the same period in 2016, following the strong performance across all areas of healthcare activity. Operating costs amounted to 565.4 million euros, 9.2% more than in the previous year, mainly due to the 10% increase in personnel costs and fees.

As a result of this growth in operating income, especially in the private sector, EBITDA and EBIT improved to 72 million euros (+5.3% compared to 2016) and 42.6 million euros (+2.5% compared to the previous year), respectively. However, there has been a reduction in EBITDA (-0.4 pp) and EBIT (-0.4 pp) margins', since the increase of operating income did not yet compensate for the increase in the fixed costs structure, as a result of the opening of new units in the past two years (**CUF** Viseu Hospital and **CUF** Almada Clinic in 2016 and **CUF** São João da Madeira Clinic in 2017).

CUF

In the private sector, Operating income reached 408.4 million euros (+9.9% than in 2016), as a result ofgrowth acrossall healthcare activities, with an EBITDA of 61.5 million euros and EBITDA margin slightly decreasing by 0.6 pp, now standing at 14.8%.

Public-private partnerships

Vila Franca de Xira Hospital maintained its positive operating performance, with a 1.6% growth in operating income vis-à-vis 2016. However, EBITDA decreased 1.4 million euros, as well as the EBITDA margin, which was 7.4% in 2017 (-2.3 pp vis-à-vis 2016).

Operating income of Braga Hospital reached 161 million euros (+5.6% vis-à-vis 2016) whereas the EBITDA margin fell to 1.8% (-0.1 pp vis-à-vis 2016). 2017 was the second consecutive year in which Braga Hospital presented a negative result of around 4 million euros. This situation is driven by ARS North's non-renewal of the vertical funding programmes for HIV and Multiple Sclerosis, with an approximate value of 7.5 million euros per year. 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. We believe a favourable result for Escala Braga is very likely to come from this arbitration process, with our estimate of this contingent asset being 15 million euros.

Financial results

(Million euros)	2016	2017	Var %
Consolidated financial results	**(8.9)**	**(10.5)**	**-18.0%**
Financial income	0.5	1.0	83.2%
Income/costs for financial assets	0.7	0.7	10.7%
Financial costs	(10.1)	(12.2)	-20.9%

As a reflection of the strong investment taken place during 2017, and the subsequent increase in financial costs, financial results were negative by 10.5 million euros (1.6 million decrease versus 2016).

Thus, José de Mello Saúde's net profit was 22.8 million euros, which represented an annual decrease of 1.1 million euros (-4.6%) in comparison with 2016.

Investment

The total investment carried out in 2017 was €203 million. The most relevant investment amounted to €143 million and was due to the acquisition of real estate operated by José de Mello Saúde, belonging to the ImoSaúde Closed Real Estate Investment Fund and to the ImoSocial Closed Real Estate Investment Fund. In addition, 16 million euros were invested in the acquisition of four companies that provide healthcare in the regions of Almada, São João da Madeira and Coimbra, and in another company holding a property in the region of Sintra.

The expansion investment, both organic, with the expansion works in **CUF** Descobertas Hospital, **CUF** Torres Vedras Hospital and **CUF** Santarém Hospital, and geographical, with the opening of **CUF** Almada Clinic and with the construction of **CUF** Tejo Hospital, totalled 31 million euros.

Recurrent investment, mostly for technological replacement and update, reached €13 million (+0.9 million euros than in 2016).

Financial situation

(Million euros)	2016	2017	Var.
Fixed assets	**252.5**	**452.5**	**200.0**
Goodwill	33.4	43.9	10.5
Intangible	12.9	13.4	0.5
Tangible	189.8	378.4	188.6
Investments in subsidiaries	0.2	0.2	0.1
Other investments	0.5	0.8	0.3
Other MLP assets	8.3	8.3	0.0
Deferred tax assets	4.3	3.8	-0.5
Assets held for sale	3.2	3.7	0.6
Current assets	**250.4**	**292.9**	**42.5**
Stocks	11.3	14.2	3.0
Clients	95.4	122.9	27.5
Other Debtors and Creditors	5.1	3.3	-1.8
State	13.5	16.7	3.2
Cash and cash equivalents	16.1	47.7	31.6
Other financial instruments	48.7	35.3	-13.3
Other current and non-current assets	60.4	52.7	-7.7
Total assets	**502.9**	**745.4**	**242.5**

(Million euros)	2016	2017	Var.
Equity	**81.7**	**92.4**	**10.8**
Capital + additional payments	53.0	53.0	0.0
Retained earnings + reserves	12.2	26.5	14.3
Net profit	23.9	22.8	-1.1
Interim dividends	-11.4	-14.1	-2.7
Minority interests	4.0	4.2	0.3
Financial liabilities	**219.6**	**421.6**	**202.0**
Borrowings	150.0	351.6	201.6
Leasing	69.6	70.0	0.4
Non-financial liabilities	**201.6**	**231.4**	**29.8**
Pension fund	1.5	1.4	-0.1
Provisions	14.0	12.3	-1.8
Suppliers	87.5	94.5	7.0
Other Debtors and Creditors	8.5	10.8	2.3
State	19.3	22.0	2.7
Deferred tax liabilities	2.9	11.7	8.9
Other current and non-current liabilities	67.9	78.7	10.8
Total liabilities	**421.2**	**653.0**	**231.8**
Liabilities + Equity	**502.9**	**745.4**	**242.5**

Total assets increased 242.5 million euros (+48.2%) in comparison with the end of 2016, reaching 745.4 million euros. This variation was largely due to the increase in tangible fixed assets (+188.6 million euros), on the back of the various expansion works and the acquisition of properties belonging to the ImoSaúde Closed Real Estate Investment Fund and to the ImoSocial Closed Real Estate Investment Fund, namely the buildings operated by **CUF** Porto Hospital, **CUF** Porto Institute, **CUF** Belém Clinic, **CUF** Cascais Hospital and **CUF** Torres Vedras Hospital.

The decision to acquire the buildings was taken in a context of opportunity and anticipation:

- These are strategic properties for José de Mello Saúde, making their control a relevant factor;
- The funds holding the properties entered into liquidation;
- The maintenance of interest rates at all-time lows enabled the contracting of funding at competitive conditions, which allowed for relevant cost savings (amortisations and financial charges versus the previously contracted rents) and in cash flows (financial charges and debt service vis-à-vis the previously contracted rents);
- The mandatory application of IFRS 16 in January 2019 also implies the recognition of the operating leases in the balance sheet, recording the right of use in assets and the underlying responsibilities in liabilities. With the acquisition of the properties, it was possible to anticipate what would be the balance structure from 2019 onwards.

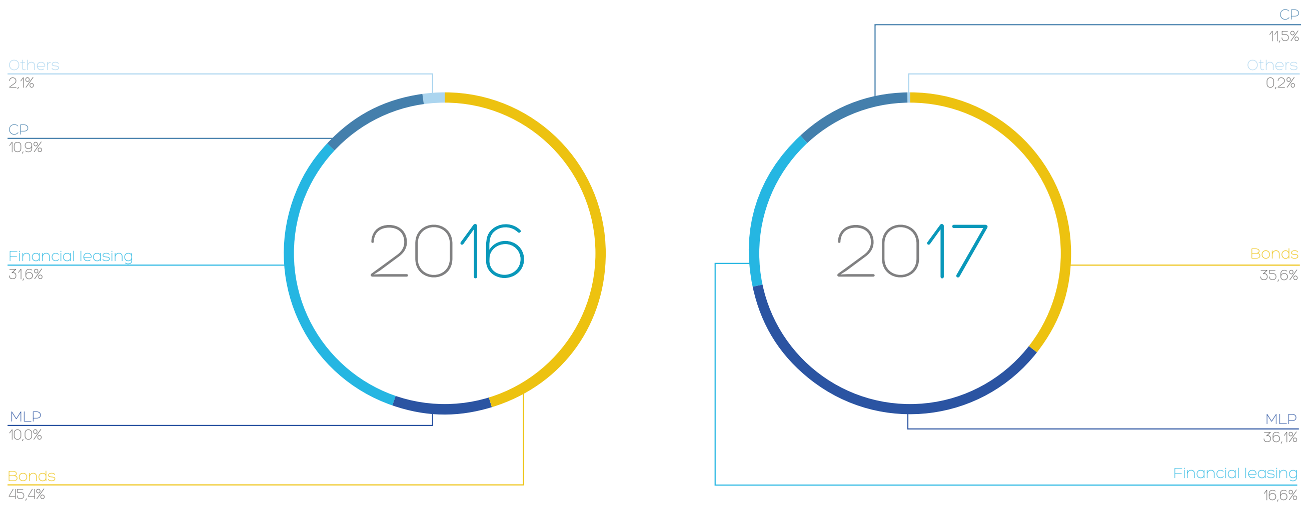
José de Mello Saúde closed 2017 with an equity increase of around 10.8 million euros, from 2016, to 92.4 million euros.

On 31 December 2017, net financial debt[2] stood at 338.6 million euros, 183.7 million more than at the end of the previous year, reflecting the investment carried out throughout the year.

2 Considers gross financial debt less cash and cash equivalents and other financial instruments.

Financial sustainability

Financial Debt Profile of José de Mello Saúde



In 2017, José de Mello Saúde maintained the focus on maintaining a sustainable financial policy and solid capital structure, in line with its growth strategy, as one of its strategic goals. This policy has undergone active management of its debt profile in recent years both in terms of source diversification as well asextension of its maturity profile.

As a result, José de Mello Saúde has been able to access diverse funding sources, having finished 2017 with a similar weight of bank funding (MLP) and bond loans raised in the capital market in the mix of its gross financial debt.

(Million euros)	**2016**	**2017**
Gross financial debt	219.6	421.6
Net financial debt*	154.9	338.6
Average maturity of debt (years)**	3.04	4.08
Average spread	3.18%	2.77%

*Considers gross financial debt less cash and cash equivalents and other financial instruments.
** Excluding leasing

In 2017, José de Mello Saúde was once again able to reduce the avarage spread of its loans and, on the other hand, extend the associated avarage maturity.

Main financial ratios

Ratios

	2016	2017	Var %
Financial autonomy	16.2%	12.4%	**-23.7%**
Solvency	19.4%	14.2%	-27.0%
Net financial debt[1]/EBITDA	2.3	4.7	107.5%
EBIT/Financial charges	4.1	3.5	-15.2%

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

Despite having presented a robust operational and financial activity in 2017, the performance of JMS' financial ratios translates the strong investment effort in the multiple expansion works in course across the network and on the acquisition of relevant real estate assets during the year. For those reasons, and even considering the increase of EBITDA, there is a growth of the Net Debt/EBITDA ratio to 4.7x. José de Mello Saúde has included a financial covenant of Net Debt/EBITDA ratio below 6x in all its bond transactions placed in the financial markets. On 31 December 2017, José de Mello Saúde, S.A. complied with the financial covenants defined in all bond loans.

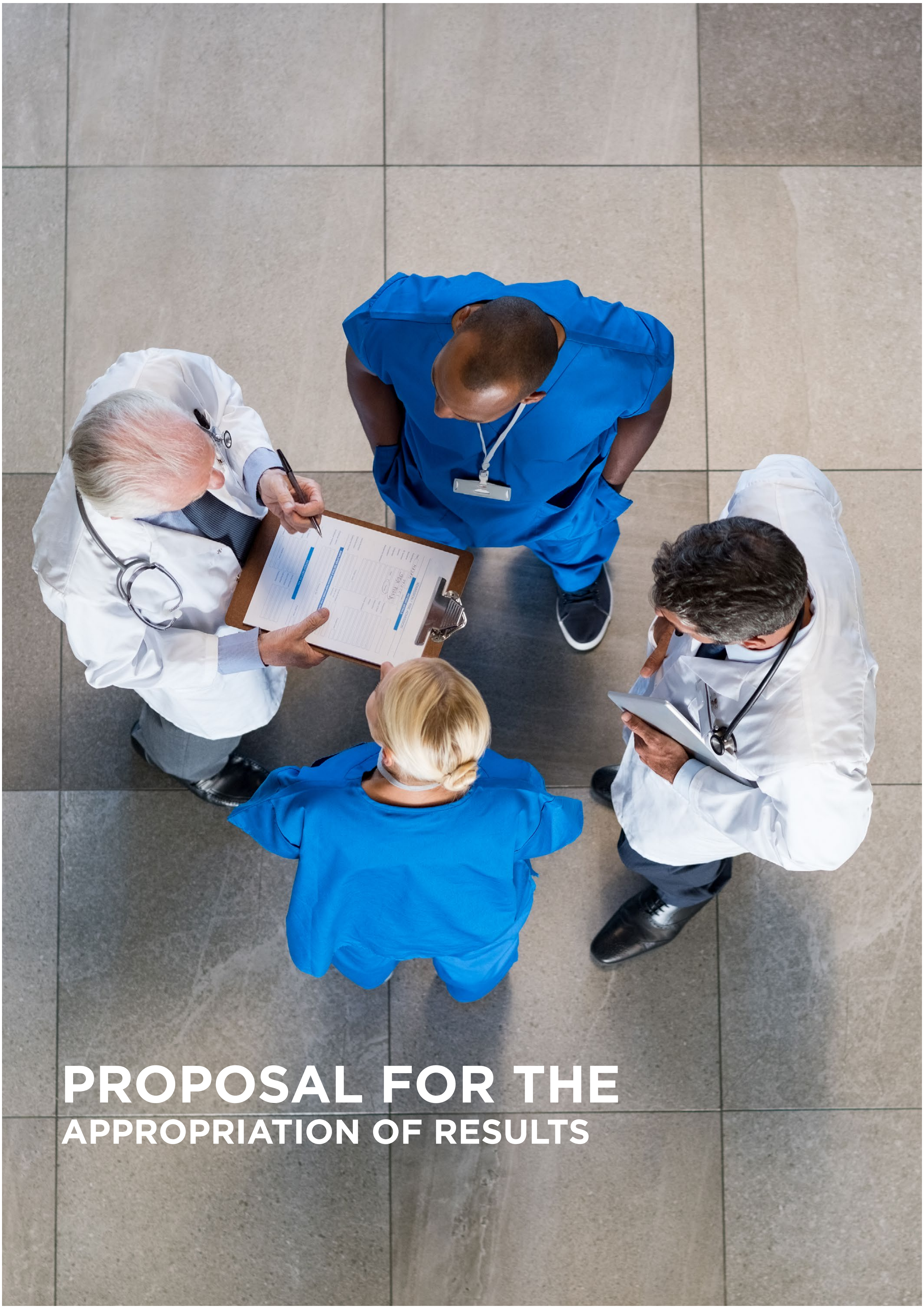
Additional information

Additional and detailed information about José de Mello Saúde can be consulted in the 2017 Integrated Report document and in the GRI Annex*, in the following chapters:

- About José de Mello Saúde (External Environment)
- Strategy, achievements and goals;
- Risk management, main risks and uncertainties;
- Research, Development and Innovation;
- Social Performance;
- Environmental Performance;

From December 31, 2017 until March 22, 2018, the date on which the individual financial statements were authorized by the Board of Directors, there were no events that were not already adjusted and / or disclosed in the financial statements.

*Sustainability Report - GRI Annex



PROPOSAL FOR THE APPROPRIATION OF RESULTS

The Board of Directors proposes that the net profit of the individual accounts of José de Mello Saúde, S.A. for 2017, in the amount of 29,554,175.64 euros, be appropriated as follows:

- Legal reserve: 1,477,708.78 euros
- Interim dividends: 14,100,000 euros
- Dividends: 13,500,000 euros
- Retained earnings: 476,466.86 euros

The Board of Directors

Lisbon, 22 March 2018

MAKE-UP AND POWERS OF THE GOVERNING AND SUPERVISORY BODIES

BOARD OF DIRECTORS

Salvador 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 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 Vice-President 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 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 Assoeira 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 Business School – Lisbon/Portugal.

Vasco Luís 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 Brito

Executive Director

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

Guilherme 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 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 Brito de Goes

Non-Executive Director

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

Vera 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 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 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 STATEMENTS

STATEMENT OF FINANCIAL POSITION
ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)	Notes	31-12-2017	31-12-2016
Assets			
Non-current assets			
Tangible fixed assets	7	5,716,378	4,825,114
Investments in subsidiaries and affiliates	8	67,137,753	64,129,913
Other financial assets	9	169,361,037	100,847,068
Deferred tax assets	15	874,938	1,053,852
Total non-current assets		**243,090,106**	**170,855,946**
Current assets			
Clients	9	3,094,216	1,753,134
Government and other public entities	12	13,364,148	20,024,203
Shareholders	9	122,780	1,885,798
Other financial assets	9	6,864,409	13,199,329
Other Accounts Receivable	9	3,181,964	2,292,714
Other financial instruments	9	16,500,000	10,000,000
Cash and bank deposits	4	19,398,704	1,288,616
Total current assets		**62,526,220**	**50,443,794**
Non-current assets held for sale	10	-	-
TOTAL ASSETS		**305,616,326**	**221,299,740**
Equity and Liabilities			
Equity			
Share equity	11	53,000,000	53,000,000
Legal reserves	11	5,811,644	4,356,460
Other reserves	11	(1,249,145)	(2,288,872)
Retained earnings	11	40,012,059	30,271,560
Financial assets adjustment	11	(37,434,593)	(37,434,593)
Net profit for the period		29,554,176	29,103,683
Interim dividends	11	(14,100,000)	(11,408,000)
TOTAL EQUITY		**75,594,141**	**65,600,238**
Liabilities			
Non-current liabilities			
Provisions	14	15,832,914	15,846,938
Loans obtained	9	158,189,064	105,303,388
Other financial liabilities	9	29,869,000	-
Other accounts payable	9	700,000	-
Financial derivative instruments	9	1,627,604	2,301,120
Total non-current liabilities		**206,218,582**	**123,451,447**

STATEMENT OF FINANCIAL POSITION
ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)	Notes	31-12-2017	31-12-2016
Current liabilities			
Suppliers	9	623,336	843,016
Government and other public entities	12	29,108	26,392
Other financial liabilities	9	2,812,800	6,454,253
Loans obtained	9	17,729,624	23,701,092
Other accounts payable	9	2,608,736	1,223,302
Total current liabilities		**23,803,603**	**32,248,055**
TOTAL LIABILITIES		**230,022,185**	**155,699,502**
TOTAL EQUITY AND LIABILITIES		**305,616,326**	**221,299,740**

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FINANCIAL YEAR ENDED ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)	Notes	31-12-2017	31-12-2016
Income and Expenses			
Sales and services provided	16	1,786,383	1,400,283
Gains / losses allocated to subsidiaries	20	(94,766)	371,117
External supplies and services	19	(3,990,572)	(3,181,056)
Personnel expenditure	18	(2,728,515)	(1,137,733)
Provisions (increases/reductions)	14	97,000	6,266,078
Impairment of investments not depreciable/ amortisable (Losses/Reversals)	8	-	(66,100)
Other incomes and gains	17	2,330,052	1,216,255
Other expenses and losses	20	(230,412)	(291,765)
Results before depreciation, financing expenses and taxes		**(2,830,830)**	**4,577,079**
Expenses/reversal of depreciation and amortisation	21	(1,302,610)	(1,093,922)
Operating profit (before financing expenses and taxes)		**(4,133,440)**	**3,483,158**
Interest and similar income obtained	22	36,508,629	27,941,863
Interest and similar expenses supported	23	(5,898,305)	(4,809,044)
Profit before tax		**26,476,884**	**26,615,976**
Income tax for the period	15	3,077,291	2,487,707
Net profit for the period		**29,554,176**	**29,103,683**
Other recognised income and expenses in equity:			
That might be subsequently reclassified to profit:			
Hedging financial instruments (net of taxes)	11.3	521,975	(813,312)
Comprehensive Income		**30,076,151**	**28,290,371**
Earnings per share		**2.84**	**2.67**

STATEMENT OF CHANGES IN EQUITY
OF THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2017 AND 2016

Description (Amounts in euros)		Notes	Paid-up capital (Nota 11.1)	Other equity instruments (Nota 11.3)	Legal reserves (Nota 11.3)
POSITION AT THE BEGINNING OF THE 2016	1		**53,000,000**	**14,350,000**	**3,430,501**
APPROPRIATION OF RESULTS					
Constitution of the legal reserve		11.3			925,958
Transfer of the financial year results to retained earnings		11.3			
	2		-	-	925,958
CHANGES DURING THE PERIOD					
Net losses in hedging		11.3	-	-	-
	3		-	-	-
NET PROFIT FOR THE PERIOD	4				
COMPREHENSIVE INCOME	5=3+4				
Interim dividends distributions					
Return of supplementary payments				(14,350,000)	
	6		-	(14,350,000)	-
POSITION AT THE END OF THE 2016 PERIOD	7=1+2+3+4+6		**53,000,000**	**-**	**4,356,460**
POSITION AT THE BEGINING OF THE 2017	7		**53,000,000**	**-**	**4,356,460**
APPROPRIATION OF RESULTS					
Constitution of the legal reserve		11.2 / 11.3			1,455,184
Transfer of the financial year results to retained earnings		11.2 / 11.3			
	8				1,455,184
CHANGES DURING THE PERIOD			-	-	-
Net gains in hedging		11.3	-	-	-
	9				
NET PROFIT FOR THE PERIOD	10				
COMPREHENSIVE INCOME	11=9+10				
Interim dividends distributions		11.4/11.2			
Distribution of Dividends		11.4/11.2			
Other Operations			-	-	-
	12				
POSITION AT THE END OF THE 2017 PERIOD	13=7+8+9+10+12		**53,000,000**	**-**	**5,811,644**

Other reserves (Nota 11.3)	Retained earnings (Nota 11.3)	Financial assets and liabilities adjustments (nota 11.3)	Interim dividends (Note 11.4)	Net profit for the period	Total Equity
(1,475,560)	**12,678,352**	**(37,434,593)**		**18,519,167**	**63,067,867**
				(925,958)	-
	17,593,209			(17,593,209)	
-	17,593,209	-	-	(18,519,167)	-
(813,312)	-	-	-		(813,312)
(813,312)				0	(813,312)
				29,103,683	29,103,683
				29,103,683	28,290,371
			(11,408,000)		(11,408,000)
					(14,350,000)
	-	-	(11,408,000)	0	(25,758,000)
(2,288,872)	**30,271,560**	**(37,434,593)**	**(11,408,000)**	**29,103,683**	**65,600,238**
(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				0	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**

SEPARATE STATEMENT OF CASH FLOWS
OF THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2017 AND 2016

(Amounts in euros)	Notes	31-12-2017	31-12-2016
Cash flow from operating activities – direct method			
Cash receipts from customers		5,475,520	7,573,904
Cash paid to suppliers		(5,728,209)	(7,890,730)
Cash paid to employees		(1,364,107)	(1,159,056)
Cash generated by operations		**(1,616,796)**	**(1,475,882)**
Income tax received/paid		11,196,924	(10,853,360)
Other cash receipts/payments		(462,530)	(875,482)
Cash flow from operating activities (1)		**9,117,598**	**(13,204,724)**
Cash flow from investment activities			
Payments relating to:			
Tangible fixed assets		(37,652)	(38,618)
Financial Investments	8.1	(7,905,500)	(45,000)
		(7,943,152)	**(83,618)**
Cash receipts relating to:			
Financial investments	8.1	5,615,635	1,116,494
Other assets		177,666	-
Interest and similar income		1,708,561	1,594,749
Dividends	2.2	31,493,755	24,066,269
		38,995,618	**26,777,512**
Cash flow from investment activities (2)		**31,052,466**	**26,693,894**
Cash receipts relating to:			
Bank loans		230,150,000	78,800,000
Other financing operations (loans)		159,901,424	62,979,176
Other financial instruments	9.5	13,500,000	-
		403,551,424	**141,779,176**
Payments relating to:			
Bank loans		(176,795,634)	(65,783,489)
Amortisation of finance lease contracts		(1,235,974)	(947,689)
Interest and similar expenses		(5,282,356)	(4,491,145)
Dividends	11.4	(20,600,000)	(11,408,000)
Return of supplementary payments		-	(14,350,000)
Other financing operations (loans)		(193,723,708)	(83,621,665)
Other financial instruments	9.5	(20,000,000)	-
		(417,637,672)	**(180,601,989)**
Cash flow from financing activities(3)		**(14,086,248)**	**(38,822,812)**
Changes in cash and cash equivalents (1+2+3)		**26,083,816**	**(25,333,643)**
Effect of exchange differences			
Cash and cash equivalents at the start of the period	4	(6,690,883)	27,829,448
Changes in cash and cash equivalents			(9,186,688)
Cash and cash equivalents at the end of the period	4	19,392,933	(6,690,883)

NOTES ATTACHED TO THE INDIVIDUAL FINANCIAL STATEMENTS ON 31 DECEMBER 2017

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 object the purchase, sale and rental of equipment, the provision of management, consulting, IT, administrative, negotiation/provisioning services, as well as to provide health services.

José de Mello Saúde is the holding company of a group whose main activity is to provide healthcare services, namely in the private healthcare, in the public-private partnerships, services in the field of medicine, occupational hygiene and health as well as 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%).

It should be noted that on 12 December 2017, the companies José de Mello Participações II, SGPS, S.A., Guimarães de Mello Portugal, SGPS, S.A., Guimarães de Mello Investimentos, SGPS, S.A., and José de Mello – Sociedade Gestora de Participações Sociais, S.A. (the former parent company of JMS) were incorporated, via merger, into SOGEFI – Sociedade de Gestão e Financiamentos, SGPS, S.A., which was renamed to José de Mello Capital, S.A. This corporate restructuring jeopardize any commitments made by the intervening Companies, since all of their rights and obligations are now concentrated on José de Mello Capital, S.A.

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 2017. 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 APPLICABLE TO THE 2017 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 2017, which were adopted by the Company, when applicable:

Standard	Effective date
IAS 12 – Recognition of deferred tax assets for unrealised losses (amendments)	1 January 2017
IAS 7 – Disclosure initiative (amendments)	1 January 2017
Improvements concerning the 2014–2016 cycle (IFRS 12 Disclosure of interests in other entities)	1 January 2017

The adoption of these standards, interpretations and amendments to standards did not have a significant impact on the financial statements.

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 2018 or later:

a) Already endorsed by the EU

On 31 December 2017, the following improvements of the Standards and Interpretations issued by the IASB were already endorsed by the EU; however, their application is only mandatory for the financial years beginning after 1 January 2018:

Standard	Effective date
IFRS 15 – Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
Application of IFRS 9 with IFRS 4 – Amendments to IFRS 4	1 January 2018
IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate or joint venture	1 January 2018
IFRS 16 – Leases	1 January 2019
Improvements relating to the 2014–2016 cycle	1 January 2018

The new IFRS 15 – Revenue from Contracts with Customers standard establishes a five-step model for the recognition of revenue resulting from contracts entered into with customers. According to the provisions of the standard, the revenue is recognised at the value the entity expects to receive from the customer in exchange for the goods or services provided.

The application of the standard is mandatory for the financial years started on or after 1 January 2018, with their adoption needing to follow the full retrospective method or the modified retrospective method.

The Company adopted this standard from 1 January 2018, and carried out an analysis of the implications of their adoption, with no significant impact being expected in the Financial Statements. In the preparation for the adoption of the IFRS 15, the Company considered the following relevant aspects:

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. Indeed, the Company concluded that the application of this standard will have no significant impacts on the financial statements.

The Company has not carried out the anticipated adoption of these standards and, with the exception of IFRS 16 – Leases, no significant impacts stemming from their adoption are expected in the financial statements. The application of IFRS 16 will have significant impacts on the Company's balance sheet. The registration of the right of use of the buildings that are in operation by the Company shall involve an increase in the assets and liabilities to third parties.

b) Not yet endorsed by the EU

Standard	Effective date
IAS 28 – Long-term interests in Associates or Joint Ventures (Amendments)	1 January 2019
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
IAS 40 – Transfer of Investment Properties (Amendments)	1 January 2018
IFRS 17 – Insurance Contracts	1 January 2021
IFRIC 23 – Uncertainty over different Income Tax Treatments	1 January 2019
IFRS 9 – Anticipated payments with negative compensations (Amendments)	1 January 2019
Improvements relating to the 2015–2017 cycle	1 January 2019

Regarding the standards presented above whose mandatory implementation has not yet taken place, the Company has not yet completed the determination of all impacts stemming from their application and, as such, chose to not adopt them in advance. However, it is not expected that these will produce materially relevant effects on its assets and results.

2.2. MAIN ACCOUNTING POLICIES

TANGIBLE FIXED 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 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:

	2017	2016
Buildings and other constructions	5%-10%	5%-10%
Basic equipment	14,28%-33,33%	14,28%-33,33%
Office equipment	12,50%-25%	12,50%-25%

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 result 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 Profit and loss statement and Other Comprehensive Income in the year in which the expenses take place.

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

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

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

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

The impairment of these assets is determined 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.

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

	2017	2016
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 result of the period in the year in which the asset is derecognised.

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 in the “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 areindicators, 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 exists or has decreased. The reversal of impairment losses is recognised in the Income Statement 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 ASSETS (IN ADDITION TO FINANCIAL INVESTMENTS)

Financial assets are recognised in the Company’s Statement of Financial Position at the date of negotiation or contracting, which is the date on which the Company agrees to acquire the asset.

Financial assets are classified as follows, depending on whether or not the Board of Directors intends to acquire them:

- **Clients and Other Receivables Accounts**

Non-derivative Financial assets, with fixed or determinable payments, are included. The balances for Clients, Other Receivable Accounts and Other Financial Assets are recorded at fair value and subsequently, at amortised cost, minus impairment adjustments, if applicable.

At the end of the year, the company evaluates the impairment of these assets. When there is objective evidence of impairment, the company recognises an impairment loss on the profit and loss statement.

The objective evidence that a financial asset is impaired 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
- Likelihood that the debtor will become bankrupt.

- **Other financial instruments**

Financial assets included in this caption concern financial instruments held to maturity, measured at amortised cost, using the effective interest rate method, less impairment.

- **Shareholders**

Balances with shareholders are presented at their corresponding cost, net of impairment losses, where applicable, determined based on the criteria defined for the remaining accounts receivable.

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 2017.

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 15.

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 less than three months, and which may be immediately redeemed at insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, the caption "Cash and cash equivalents" also includes bank overdrafts included in the "Loans Obtained" item, in the Statement of Financial Position.

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:
    - The appropriate management hierarchy is involved in a plan to sell the assets (or disposal groups);
    - A programme was started to locate a buyer and complete the plan;
    - The asset was widely advertised for sale at a price that is reasonable in relation to its current fair value;
    - 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.

FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contract, regardless of their legal form, as shown below:

- **Bank Loans**

Loans are valued at amortised cost, with the received value being net of commissions with the issuing of these Loans. Financial charges are calculated in accordance with the effective interest rate method and accounted for in the Statement of Income and Other Comprehensive Income, based on the financial year specialisation principle.

- **Suppliers, Other Payable Accounts and Other Financial Liabilities**

Balances of Suppliers, Other Payable Accounts 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.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

• **Hedging Instruments**

The possibility of calling a derivative financial instrument a hedging instrument complies with the provisions of IAS 39, namely, with regard to its respective documentation and effectiveness evaluation.

Financial derivative instruments are recognised for their fair value on the date they are negotiated. Fair value is evaluated on a regular basis, and gains or losses resulting from that evaluation are recorded in the profit and loss statement, except cash flow hedging derivatives, in which the variation is recognised in Equity (“Other financial instrument reserves”).

Accounting is discontinued when the hedging instrument reaches maturity or is sold, or when the hedging relationship ceases to comply with the requirements of IAS 39.

LEASES

• **Finance leases**

Contracts are considered to be financial leasing 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 the financial method, 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 asset are recognised as costs in the income statement for the period they concern.

• **Operating leases**

Contracts are considered to be of operational leasing 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 income statement during the period of the lease contract.

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

• **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.

• **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.

• **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).

• **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.

• **Retained earnings**

This caption includes the realised results available for distribution to shareholders and gains from increases in fair value, financial investments and investment properties that, in accordance with point 2, art. 32 of the CSC, will only be available for distribution when the elements or rights giving rise to them are disposed of, exercised, eliminated or settled.

• **Net Profit of the Financial Year**

This caption includes gains from increases in fair value, financial investments and investment properties that, in accordance with point 2, art. 32 of the CSC, will only be available for distribution when the elements or rights giving rise to them are disposed of, exercised, eliminated or settled.

• **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.

• **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.

RECOGNITION OF INCOME

Income is recognised as such when it is likely that the Company will receive economic benefits that can be evaluated reliably.

For income to be recognised, the following criteria must also be complied with in full:

• **Provision of Services**

The provisions of service are measures at the fair value of the compensation received or to be received net of amounts concerning granted discounts.

Income from services supplied is recognised when the outcome of the transaction may be estimated reliably, which occurs when the following conditions are met:

- The amount of income can be measured reliably;
- Economic benefits from the transaction are probably received by the company;
- Costs incurred from the transaction and from its completion can be measured reliably.

• **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 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 accepts 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.

• **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 Payable Accounts".

INTERESTS 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 the IFRS, the Board of Directors uses estimates and assumptions that affect the application of the policies and the reported amounts. Estimates and judgements are continuously evaluated and are based on the 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 as a result from acquired information or experience. The most significant accounting estimates shown in the Financial Statements are as follows:

- **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 Government operates.

- **Recognition and measurement of provisions**

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

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

- **Impairment of receivable accounts**

The credit risk of the balances of receivable accountsis assessed at each reporting date, taking into account the historical information of the debtor and its risk profile.

The receivable accounts are adjusted by the evaluation of the estimated risks of collection existing at the balance sheet date, which may come to differ from the actual risk to incur in the future.

- **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.

- **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.

- **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 to the extent it is likely that there will be taxable profit on which they can be used.

2.5. POLICIES OF FINANCIAL RISK MANAGEMENT

José de Mello Saúde's Financial Risk Management Policy seeks to ensure the proper identification of risks associated with the businesses 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 on 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 market 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 the adopted control policy, the intention is to select the suitable strategies for each business area, seeking to ensure that this risk factor does not negatively affect the corresponding operating 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 are justifiable, the Company seeks to contract operations to protect against adverse movements through derivatives. The economic aspects of the instruments are the main factors in their selection.

Currently, the Company has contracted hedging instruments for cash flow risk with the sole intent of setting the interest rates of some of its credit lines. Plain vanilla interest rate swaps were contracted in 2015 covering 100% of the amounts of the bond loans issued in 2014 and 2015 (100 million euros in total). The contracted swaps respect the characteristics of the aforementioned bond loans in order to be considered hedging products (similar indexer, time period and interest-payment deadlines). On the date of interest payment, José de Mello Saúde receives interest indexed to 6-month Euribor for 100% of the capital 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 2017, José de Mello Saúde held 36% of its financial debt contracted at fixed interest rates (46% in 2016).

The table below provides a sensitivity analysis of the impact of a potential increment of Euribor rates in José de Mello Saúde's financial costs in 2017 and 2016:

	Changes in Euribor rates (pp)	Impact in financial costs (euros)
2017		
Non-current loans	+0.5	+30,904
Current loans	+0.5	+13,853
Current and non-current finance leases	+0.5	+16,620
Total	-	**+61,377**
2016		
Non-current loans	+0.5	+6,748
Current loans	+0.5	+11,273
Current and non-current finance leases	+0.5	+19,233
Total	-	**+37,254**

Funding contracted at a fixed rate was excluded, namely the bond loan mentioned previously;

Since the vast majority of the loans contracted by José de Mello Saúde are supported by the application of a floor at zero if Euribor rates are negative, and given that these, in 2017 and 2016, 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:

	2017	2016
Other Financial Assets	176,225,446	114,046,398
Clients	3,094,216	1,753,134
Other accounts receivable	3,181,964	2,292,714
Other financial instruments	16,500,000	10,000,000
	199,001,626	**128,092,245**

Accounts Receivable

The Company's credit risk is essentially related to the operational and investment activity with its subsidiaries.

The management tracks the activity of all subsidiaries, enabling this risk to be monitored.

Other financial instruments

Other Financial Instruments include bonds issued by José de Mello Capital, S.A. and Farminveste – Investimentos, Participações e Gestão, S.A. Risk monitoring is carried out periodically by the management via the analysis of the accounts of José de Mello Capital, S.A. and Farminveste – Investimentos, Participações e Gestão, S.A.

- **Liquidity risk**

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

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

The table below presents the Company's liabilities according to intervals of contractual maturity at the end of 2017 and 2016, respectively. The amounts represent the non-discounted cash flows to be paid in the future.

Financial debt*	< 1 year	1-3 years	3-5 years	> 5 years
2017	1,591,858	104,512,353	50,133,333	-
2016	777,810	52,422,008	50,416,693	-

* Short-term debt used to support treasury is excluded

3. FAIR VALUE ESTIMATE

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

- Level 1 – market quotes net of assets, which the Company can access at the balance sheet's date of reference;
- Level 2 – generally accepted evaluation models, based on inputs observable in the market, in 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 table below, in which their corresponding hierarchy is also specified:

Fair Value at 31 December 2017

		HIERARCHY OF FAIR VALUE		
	Total	Level 1 Market Quotes	Level 2 Inputs Observable In The Market	Level 3 Inputs Non-Observable In The Market
Liabilities Valued at Fair Value				
Financial derivative instruments				
Cash Flow Hedge (note 9.10)	1,627,604	-	1,627,604	-
	1,627,604	**-**	**1,627,604**	**-**

Fair Value at 31 December 2016

		HIERARCHY OF FAIR VALUE		
	Total	Level 1 Market Quotes	Level 2 Inputs Observable In The Market	Level 3 Inputs Non-Observable In The Market
Liabilities Valued at Fair Value				
Financial derivative instruments				
Cash Flow Hedge (note 9.10)	2,301,120	-	2,301,120	-
	2,301,120	**-**	**2,301,120**	**-**

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.

4. CASH AND BANK DEPOSITS

The caption "Cash and Banks" in the Financial Position Statement and the balance of "Cash and Cash Equivalents" in the Cash Flows Statementis broken down as follows, as of 31 December 2017 and 2016:

	2017	2016
Cash	418	418
Current accounts	19,398,086	1,097,931
Other bank deposits	200	200
Other Short-term Investments	-	190,067
Balance in the Statement of Financial Position	**19,398,704**	**1,288,616**
Bank overdrafts	(5,771)	(7,979,498)
Balance in the Cash Flow Statement	**19,392,933**	**(6,690,883)**

The variation in the caption "Other Short-term Investments" is justified by the disposal of the shares in Montepio Geral.

5. RELATED PARTIES

5.1 NATURE OF THE 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:

Company	Location	Services Provided/ Transactions Carried Out	Services Received/ Transactions Received
Shareholders			
Farminveste - Investimentos, Participações e Gestão, S.A.	Portugal	Other financial instruments	Loans
José de Mello Capital, S.A.	Portugal	Other financial instruments	Loans
Subsidiary Companies			
Academia **CUF**, Lda	Portugal	Shared services	
Clinica **CUF** Alvalade, S.A.	Portugal	Rental of equipment	
Clinica **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	Consulting	
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	Loans	
Hospital **CUF** Santarém, S.A.	Portugal	Loans	
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	Portugal	Consulting	
Valir - Sociedade Gestora de Participações Sociais, S.A.	Portugal	Loans	
Vramondi International Bv	Portugal		Loans
PPPS II - Gestão e Consultoria, S.A.	Portugal	Loans	
PPPS III - Gestão e Consultoria, S.A.	Portugal	Loans	
CPIS - Clínica Particular de Coimbra, S.A.	Portugal	Loans	
Other Related Parties			
JMS - Prestação de Serviços Administrativos e Operacionais A.C.E.	Portugal	Shared services	
JMS - Prestação de Serviços Saude, A.C.E.	Portugal	Shared services	
Loja Saude **CUF** - Produtos e Serviços de Saude e Bem Estar, S.A.	Portugal	Shared services	
Sagies - Segurança, Higiene e Saude no Trabalho, S.A.	Portugal	Loans	Occupational health
Simplygreen - Investimentos Imobiliários, S.A.	Portugal	Loans	

The accounted income mostly results 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 legislation concerning occupational health.

No impairments were identified in receivable balances.

5.2. TRANSACTIONS AND PENDING BALANCES

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

		Debit Balances			Credit Balances		Transactions	
Company	**Year**	**Accounts receivable**	**Shareholders / Subsidiaries**	**Other Financial Instruments**	**Accounts payable**	**Shareholders / Subsidiaries**	**Income**	**Expenses**
Shareholders								
Farminveste - Investimentos, Participações e Gestão, S.A.	2017			10,000,000				
	2016			10,000,000				
José de Mello Capital, S.A.	2017		122,780	6,500,000				
	2016							
Subsidiary Companies								
Academia **CUF**, Lda	2017	3,247					31,680	
	2016	1,927					18,804	
Clinica **CUF** Alvalade, S.A.	2017	14,117					137,726	
	2016	28,234					139,703	
Clinica **CUF** Belém, S.A.	2017	1,634					15,940	
	2016	742					10,101	
Hospital **CUF** Cascais, S.A.	2017	62,321	2,000,000				167,139	
	2016	59,424	3,200,000				159,435	
Hospital **CUF** Torres Vedras, S.A.	2017	15,639					65,850	
	2016	3,540					28,032	
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A.	2017	198,840						
	2016	182,463						
Hospital **CUF** Descobertas, S.A.	2017	352,530	16,700,000				1,112,537	
	2016	339,037	16,700,000				1,041,121	
Hospital **CUF** Infante Santo, S.A.	2017	434,699	16,500,000				902,712	
	2016	302,002	16,500,000				791,679	
Hospital **CUF** Porto, S.A.	2017	500,631	21,600,000				1,318,419	
	2016	401,529	21,600,000				1,206,665	
Instituto **CUF** - Diagnóstico e Tratamento, S.A.	2017	9,987					98,179	
	2016						99,997	
PPPS - Gestão e Consultoria, S.A.	2017	36,497	2,000,000				81,542	
	2016	43,496	2,000,000				96,482	
Infrahealth - Gestão de Infraestruturas, Lda.	2017	54,746	3,000,000				121,104	
	2016	4,313	3,000,000				4,313	
Imo Health - Investimentos Imobiliários, S.A.	2017	1,081,800	96,597,305				1,910,801	
	2016	560,983	36,973,036				1,135,048	
Hospital **CUF** Viseu, S.A.	2017	74,237	4,003,359				172,754	
	2016	1,181	4,024,190				1,599	
Hospital **CUF** Santarém, S.A.	2017	57,848	3,170,000				127,636	
	2016	54,978	3,170,000				119,912	
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	2017	666,540	3,500,000					
	2016	350,043						
Valir - Sociedade Gestora de Participações Sociais, S.A.	2017	350,867	6,788,732				272,592	
	2016	131,765	6,788,732				131,765	
Vramondi International Bv	2017	-				32,681,800		
	2016	252,150				6,454,253		
PPPS II - Gestão e Consultoria, S.A.	2017		175					
	2016							
PPPS III - Gestão e Consultoria, S.A.	2017		548					
	2016			INDIVIDUAL FINANCIAL INFORMATION				
CPIS - Clínica Particular de Coimbra, S.A.	2017		365,000					
	2016							

Company	Year	Debit Balances: Accounts receivable	Debit Balances: Shareholders / Subsidiaries	Debit Balances: Other Financial Instruments	Credit Balances: Accounts payable	Credit Balances: Shareholders / Subsidiaries	Transactions: Income	Transactions: Expenses
Other Related Parties								
JMS - Prestação de Serviços Administrativos e Operacionais A.C.E.	2017							
	2016	(126,040)					401,400	
JMS - Prestação de Serviços Saude, A.C.E.	2017	1,418,351						
	2016	513,188					401,400	
Loja Saude **CUF** - Produtos e Serviços de Saude e Bem Estar, S.A.	2017	5,161					25,176	
	2016	1,635					15,948	
Sagies - Segurança, Higiene e Saude no Trabalho, S.A.	2017	7,976			206		77,818	498
	2016	48,481			40,026		81,421	33,014
Simplygreen - Investimentos Imobiliários, S.A.	2017	328						
	2016							

5.3. WAGES OF KEY MANAGEMENT PERSONNEL

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

	2017	2016
Total remuneration paid	467,975	464,676
	467,975	**464,676**

Remunerations concern wages received by the governing bodies.

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
Cost:		
At 1 January 2016	71,262	71,262
Acquisitions	-	-
At 31 December 2016	71,262	71,262
At 31 December 2017	71,262	71,262
Depreciation and impairment losses:		
At 1 January 2016	71,262	71,262
Depreciations for the period	-	-
At 31 December 2016	71,262	71,262
Depreciations for the period	-	-
At 31 December 2017	71,262	71,262

	Software	Total Intangible Assets
Net book value:		
At 31 December 2017	-	-
At 31 December 2016	-	-
At 1 January 2016	-	-

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	Total Tangible Assets
Cost:				
At 1 January 2016	642,319	5,309,252	254,730	6,206,301
Increases	76,273	713,610		789,883
Revaluations			(3,472)	(3,472)
At 31 December 2016	718,593	6,022,861	251,258	6,992,712
Increases		2,183,179	10,695	2,193,874
At 31 December 2017	718,593	8,206,040	261,953	9,186,586
Depreciation and impairment losses:				
At 1 January 2016	204,480	698,158	171,039	1,073,677
Depreciation (Note 21)	171,151	904,415	18,356	1,093,922
At 31 December 2016	375,631	1,602,573	189,395	2,167,599
Depreciation (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
Net book value:				
At 31 December 2017	166,521	5,495,730	54,127	5,716,378
At 31 December 2016	342,962	4,420,289	61,863	4,825,114
At 1 January 2016	437,840	4,611,094	83,691	5,132,624

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 magnetic resonance 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 2016	Increases	Supplementary payments	Ret. Issue Premiums	Total Financial Investments 2017	% Holding
Subsidiary companies							
Academia **CUF**, Lda	Training	5,000				5,000	100.00%
Clinica **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		(1,058,706)		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 Saude **CUF** - Produtos e Serviços de Saude e Bem Estar, S.A.	Parapharmaceutical	117,188				117,188	100.00%
Hospital **CUF** Porto, S.A.	Healthcare service provision	189,958				189,958	
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	-				0	96.00%
Imo Health - Investimentos Imobiliários, S.A.	Real estate	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%
CPIS - Clínica Particular de Comibra, S.A.	Healthcare service provision	-	8,440,500			8,440,500	100.00%
Associated companies							
IBET -Instituto de Biologia Experimental e Tecnológica	Research	5,000				5,000	5.00%
		64,129,913	**8,540,501**	**(1,058,706)**	**(4,473,953)**	**67,137,753**	

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

The main variations in "Financial Investments" are justified by the following movements:

- Participation in the total 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 total capital of CPIS – Clínica Particular de Coimbra, S.A., company acquired in December 2017 for 8,440,500 euros;
- Return of share premiums' by 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.

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 2015	Increases	Supplementary payments	Impairment	Reclassification (Note 10)	Total Financial Investments 2016	% Holding
Subsidiárias								
Academia **CUF**, Lda	Training	5,000					5,000	100.00%
Clinica **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	3,327,449		(403,719)			2,923,730	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	21,589,068			(52,880)		21,536,188	100.00%
Loja Saude **CUF** - Produtos e Serviços de Saude e Bem Estar, S.A.	Parapharmaceutical	117,188					117,188	100.00%
Hospital **CUF** Porto, S.A.	Healthcare service provision	203,178			(13,220)		189,958	100.00%
Vramondi International Bv	Shareholdings management	18,928,713					18,928,713	99.00%
Valir - Sociedade Gestora de Participações Sociais, Sgps S.A.	Shareholdings management	0					0	96.00%
Imo Health - Investimentos Imobiliários, S.A.	Real estate	367,500	45,000				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%

	Business activity	Total Financial Investments 2015	Increases	Supplementary payments	Impairment	Reclassifica-tion (Note 10)	Total Financial Investments 2016	% Holding
Associadas								
Escala Braga - Sociedade Gestora do Edifício, SA	Management of healthcare infrastructures and car parks	399,572	313,203	(712,775)				20.00%
Escala Parque - Gestão de Estacionamento SA	Management of healthcare infrastructures and car parks	(140,984)		140,984				20.00%
IBET -Instituto de Biologia Experimental e Tecnológica	Research	5,000					5,000	5.00%
		64,813,320	**358,203**	**(975,510)**	**(66,100)**		**64,129,913**	

8.2. SUMMARY OF SUBSIDIARIES FINANCIAL INFORMATION

The assets, liabilities and equity, income and statutory results of the subsidiaries on 31 December 2017 are as follows:

	Equity 2017	Assets 2017		Liabilities 2017		Net profit 2017	Income
		Current	Non-current	Current	Non-current		
Academia **CUF**, Lda	(576,280)	334,799	23,310	934,389	934,389	(45,891)	473,771
Clinica **CUF** Alvalade, S.A.	2,364,122	2,895,406	1,541,585	1,925,063	147,806	1,031,751	9,338,843
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A.	9,203,619	22,794,534	12,698,601	17,687,323	8,602,193	1,003,142	65,728,415
Digihealth, S.A.							
Hospital **CUF** Descobertas, S.A.	16,283,484	62,339,514	18,609,753	41,620,048	23,045,735	13,377,352	114,159,846
Hospital **CUF** Infante Santo, S.A.	16,080,925	49,901,017	18,673,496	24,748,646	27,744,941	9,716,634	98,335,796
Loja Saude **CUF** - Produtos e Serviços de Saude e Bem Estar, S.A.	220,133	248,747	20,704	49,318	-	25,363	397,738
Vramondi International Bv							
Valir - Sociedade Gestora de Participações Sociais, Sgps S.A.	(1,143,609)	266,412	6,788,732	1,310,597	6,888,156	(8,584)	-
Imo Health - Investimentos Imobiliários, S.A.	19,786,741	70,742,458	190,641,980	14,157,079	227,440,648	(2,803,267)	4,881,102
Hospital **CUF** Viseu, S.A.	(5,258,098)	4,787,820	5,076,822	9,115,402	6,007,339	(2,297,048)	10,467,130
Hospital **CUF** Santarém, S.A.	1,297,826	6,182,355	7,699,520	7,508,574	5,075,476	781,760	14,636,629
PPPS II - Gestão e Consultoria, S.A.	48,657	50,000	-	1,344	-	(1,344)	-
PPPS III - Gestão e Consultoria, S.A.	48,284	50,000	-	1,716	-	(1,716)	-

8.3. IMPAIRMENT OF FINANCIAL INVESTMENTS

The assumptions used in the impairment tests were as follows:

- 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;
- The values of the evaluations are supported by past results and by future perspectives regarding development of the markets in which the Group operates, with 5-year projections of future cash flows prepared for each of the businesses, in accordance with the plans set by the Board of Directors;
- 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 of provided services and geographical proximity, with these two units continuing to be a single cash-generating unit.

The following assumptions were used:

Period	Risk-Free Interest Rate	Wacc Rate	Perpetuity Growth Rate	The Revenue Growth Rate
Explicit	3.00%	6.97%	-	8.24%
Perpetuity	3.00%	6.97%	1.80%	8.24%

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.

In the 2017 financial year, impairment tests were carried out in the most relevant subsidiaries, finding the absence of any impairment concerning the value of the recognised Financial Investment, with the exception of the impairment already recorded in 2016 for S.P.S.D. - Sociedade Portuguesa de Serviços Domiciliários, S.A., amounting to 66 thousand euros.

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. FINANCIAL INSTRUMENTS

The Company's only financial instruments held at fair value are the financial derivative instruments, 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.

FINANCIAL ASSETS

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

	2017	2016
Non-current		
Other financial assets		
Loans (Note 9.1)	169,361,037	100,847,068
	169,361,037	**100,847,068**
Current		
Customers (note 9.3)	3,094,216	1,753,134
Other financial assets		
Loans (Note 9.1)	6,864,409	13,199,329
Shareholders (Note 9.2)	122,780	1,885,798
Other accounts receivable (note 9.4)	3,181,964	2,292,714
Other financial instruments (Note 9.5)	16,500,000	10,000,000
Cash and bank deposits (Note 3)	19,398,704	1,288,616
	49,162,072	**30,419,591**

9.1. OTHER FINANCIAL ASSETS

On 31 December 2017 and 2016, the caption of other financial assets was broken down as follows::

	2017	2016
Non-current assets		
Loans to subsidiaries		
Hospital **CUF** Porto, S.A.	21,600,000	21,600,000
Imohealth - Investimentos Imobiliários, S.A.	93,769,305	24,364,977
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	3,200,000
Hospital **CUF** Viseu, S.A.	4,003,359	4,003,359
Hospital **CUF** Santarém, S.A.	2,690,000	2,690,000
Valir, SGPS, S.A.	6,788,732	6,788,732
INFRAHEALTH - Gestão de Infraestruturas, Lda	2,944,642	3,000,000
CPIS - Clínica Particular de Coimbra, S.A.	365,000	-
	169,361,037	**100,847,068**
Current assets		
Loans to subsidiaries		
Hospital **CUF** Santarém, S.A.	480,000	480,000
INFRAHEALTH - Gestão de Infraestruturas, Lda	55,359	-
Imohealth - Investimentos Imobiliários, S.A.	2,828,000	12,608,059
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	3,500,000	-
Hospital **CUF** Viseu, S.A.	-	20,831
Manuel Guimarães, Lda	-	90,440
PPPS II - Gestão e Consultoria, S.A	175	-
PPPS III - Gestão e Consultoria, S.A	548	-
Simply Green - Investimentos Imobiliários, S.A.	328	-
	6,864,409	**13,199,329**

9.2 SHAREHOLDERS

On 31 December 2017 and 2016, the shareholders caption was broken down as follows:

	2017	2016
Current assets		
José de Mello Capital, S.A.	122,780	122,780
Farminveste - Investimentos, Participações e Gestão, S.A.	-	1,763,018
	122,780	**1,885,798**

9.3. CLIENTS

The total amount written of in relation to clients is broken down in the table below:

	2017	2016
Customers	3,094,216	1,753,134

Seniority and Impairment of Clients

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

			Expired debt				
Year	Total	Unexpired Debt	≤ 180 days	181-365 days	366-545 days	546-730 days	>730
2017	3,094,216	818,258	1,834,830	441,128	-	-	-
2016	1,753,134	562,335	520,444	244,628	252,150	-	173,577

No impairments were identified in trade payables balances.

9.4. OTHER ACCOUNTS RECEIVABLE

On 31 December 2017 and 2016, the “Other Receivable Accounts” caption is broken down as follows:

	2017	2016
Personnel	663	753
Debtors from accrued income		
Interest receivable	2,644,761	1,963,238
Others	272,229	-
Other debtors	150,378	195,200
Recognising expenses		
Rents	63,201	59,857
Insurances	34,518	35,945
IT	-	31,171
Interest	715	5,199
Others	15,498	1,350
	3,181,964	**2,292,714**

The caption “Interest Receivable” concerns the interest of loans and overdrafts charged to the group’s units with which the company has a balance, as well as the interest of bond loans issued by Farminveste – Investimentos, Participações e Gestão, S.A. and José de Mello Capital, S.A. (note 9.5).

9.5. 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	Maturity year	2017	2016
Farminveste - Investimentos, Participações e Gestão, S.A.	2020	10,000,000	10,000,000
José de Mello Capital, S.A.	2022	6,500,000	-
		16,500,000	**10,000,000**

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 remaining debt of 6.5 million euros concerning the original contract with José de Mello Capital, S.A., whose repayment period 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, which is why they are categorised as a current asset.

The sale option was recorded at face value, without any associated derivative.

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

FINANCIAL LIABILITIES

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

	2017	2016
Non-Current		
Loans Obtained		
Loans obtained through leases (note 13)	3,456,905	2,970,211
Other Financing (Note 9.7)	154,732,159	102,333,177
	158,189,064	**105,303,388**
Other financial liabilities (note 9.8)	29,869,000	-
Financial derivative instruments (note 9.10)	1,627,604	2,301,120
Other accounts payable (note 9.9)	700,000	
	190,385,668	**107,604,508**
Current		
Suppliers		
Suppliers, current account	623,336	843,016
Suppliers, invoices in reception and under verification	-	-
	623,336	**843,016**
Other financial liabilities (note 9.8)	2,812,800	6,454,253
Loans Obtained		
Loans obtained through leases (note 13)	1,431,991	1,043,783
Commercial paper (Note 9.6)	14,700,000	13,900,000
Other Financing (Note 9.7)	1,591,862	777,810
Bank overdrafts (Note 4)	5,771	7,979,498
	17,729,624	**23,701,092**
Other accounts payable (note 9.9)	2,608,736	1,223,302
	23,774,495	**32,221,663**

9.6. COMMERCIAL PAPER

The company has contracted three commercial paper programmes with the limit of 36 million euros. On 31 December 2017 and 2016, these liabilities had the following detail:

		Outstanding amount 2017		Outstanding amount 2016		Amortisation		
Contracting company	Nominal amount hired	Current	Non-current	Current	Non-current	Maturity	Periodicity	Interest rate
Banco BIC	6,000,000	-	-	6,000,000	-	Jan.2019	Annual	Euribor do prazo + 1,75%
Montepio Geral	10,000,000	-	-	3,000,000	-	Nov. 2019	Annual	Euribor do prazo + 2,00%
Banco Finantia	10,000,000	9,700,000	-	4,900,000	-	Mar. 2021	Single	1%
Bankinter	10,000,000	5,000,000	-	-	-	Dez.2018	Annual	Euribor do prazo + 0,85%
	36,000,000	**14,700,000**	**-**	**13,900,000**	**-**			

Although there are programmes with maturities exceeding one year, there are annual renewals, leading the Commercial Paper to be categorised as current.

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 2017, José de Mello Saúde, S.A. met the financial covenants in the commercial paper programme of Banco Finantia.

9.7. OTHER FINANCING

The caption "**Other Financing**" was broken down as follows on 31 December 2017 and 2016:

	2017	2016
Non-current		
Other Financing		
Bond loans	150,153,144	99,494,476
Bank Loans	4,579,015	2,838,701
	154,732,159	**102,333,177**
Current		
Other Financing		
Bond loans	-	-
Bank Loans	1,591,862	777,810
	1,591,862	**777,810**

Bond Loans

Bondloans 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	09/06/19	Euribor 6M + 3,875%
José de Mello Saúde 2015/2021	50,000,000	10,000	17/05/21	Euribor 6M + 2,95%
José de Mello Saúde 2017/2023	50,000,000	10,000	28/09/23	4%

In September 2017, José de Mello Saúde, S.A. issued a new bond loan at fixed rate, in the amount of 50 million euros, having requested admission to trading in the regulated market of the Luxembourg Stock Exchange and in Euronext Lisbon.

These contracts include a financial covenant for the following debt ratio: Net Financial Debt / EBITDA.

On 31 December 2017, José de Mello Saúde, S.A. met the financial covenants in all bond loans.

Bank Loans

On 31 December 2017 and 2016, the balance of this caption is broken down as follows:

	Outstanding amount 2017		Outstanding amount 2016	
Financing	Current	Non-current	Current	Non-current
Pledge current account	-	-	-	-
Mutual	1,591,862	4,579,015	777,810	2,838,701
	1,591,862	**4,579,015**	**777,810**	**2,838,701**

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 bank funding. These loans have an associated guarantee: a blank promissory note, seeking to record and enable the collection of the loan.

9.8. OTHER FINANCIAL LIABILITIES

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

	2017	2016
Non-current		
Loans of subsidiaries		
Vramondi International B.V.	29,869,000	-
Current liabilities		
Loans of subsidiaries		
Vramondi International B.V.	2,812,800	6,454,253
	32,681,800	**6,454,253**

9.9. OTHER ACCOUNTS PAYABLE

Other payable accountsare discriminated as follows:

	2017	2016
Non-current		
Other accounts payable		
Other creditors	700,000	
	700,000	
Current		
Other accounts payable		
Personnel	33,607	8,391
Investment suppliers	-	300
Creditors from income increase		
Insurances	144	-
Remunerations payable	2,212,415	562,913
Others	22,396	611,530
Other creditors	340,174	40,169
	2,608,736	**1,223,302**

The amount recorded under the caption “Other Creditors” predominantly concerns the acquisition of CPIS – Clínica Particular de Coimbra.

9.10. FINANCIAL DERIVATIVE 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 loansso 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 and pays interest at a fixed rate on the same amount.

The 50 million concerning bond loans issued in September 2017 have no associated financial derivative, as this is a fixed rate funding - disclosed in note 9.7.

On 31 December 2017 and 2016, the fair value of the contracted financial derivatives can be presented as follows:

	2017 Liabilities		2016 Liabilities	
	Current	Non-current	Current	Non-current
Cash flow hedging derivatives				
Interest rate swap	-	1,627,604	-	2,301,120
Total liabilities derivatives		**1,627,604**		**2,301,120**

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

The characteristics of the financial derivative instruments contracted in association with financing operations on 31 December 2017 and 2016 were as follows:

Cash flow hedging derivatives	Notional	Currency	Economic goal	Maturity	Fair value 2017	Fair value 2016
Interest rate swaps						
Swap 13121-001	25,000,000	Eur	Cash-flow coverage of bond issuance	jun/19	(273,774)	(403,663)
Swap 13136-001	12,500,000	Eur	Cash-flow coverage of bond issuance	jun/19	(130,616)	(191,344)
Swap 13121-002	25,000,000	Eur	Cash-flow coverage of bond issuance	mai/21	(566,865)	(788,611)
Swap 13137-001	12,500,000	Eur	Cash-flow coverage of bond issuance	mai/21	(313,183)	(432,585)
Swap 13152-001	12,500,000	Eur	Cash-flow coverage of bond issuance	mai/21	(237,253)	(334,886)
Swap 13153-001	12,500,000	Eur	Cash-flow coverage of bond issuance	jun/19	(105,913)	(150,030)
					(1,627,604)	**(2,301,120)**

The fair value of the hedging derivatives is classified as non-current when the maturity of the hedging transaction is higher 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	19/05/15	19/05/15	23/06/15	23/06/15	30/07/15	30/07/15
Effective Date	21/05/15	21/05/15	25/06/15	25/06/15	31/07/15	31/07/15
Termination Date	09/06/19	17/05/21	25/06/15	17/05/21	17/05/21	09/06/19
Notional Amount	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 hedge is to transform variable interest rate loans into a fixed interest rate. The fair value of the interest rate Swaps on 31 December 2017 is -1,627,604 euros.

10. NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2017 and 2016, the "Non-current assets held for sale" caption is broken down as follows:

	2017	2016
Non-Current Assets Held for Sale		
Escala Braga - Soc. Gestora do Edifício, S.A.	-	-
Escala Parque - Gestão de Estacionamento, S.A.	-	-
	-	**-**

It is José de Mello Saúde, S.A.'s intention to transfer its stake in the share capital, along with all its associated rights and obligations, to 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 still dependent on the authorisation of the Contracting Public Entity (Regional Health Administration – Administração Regional de Saúde).

The Long Stop Date contractually provided to obtain this authorisation was extended. However, the authorisation from ARS – Administração Regional de Saúde for the transfer of shares has not been obtained. The involved parties maintain the intent to sell the shares. The Company believes that the approval process will be completed in 2018.

The expected impact of the sale of these shares is estimated to be approximately 5,915 thousand euros.

11. EQUITY

11.1. SHARE CAPITAL

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

	2017			2016		
	Amount	Quantity	% Holding	Amount	Quantity	% Holding
Equity						
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%
	53,000,000	**10,600,000**	**100%**	**53,000,000**	**10,600,000**	**100%**

11.2. 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 29,103,683.29 euros, pursuant to minute 55 of the general meeting:

- Transfer to Retained Earnings in the amount of 9,740,499.13 euros;
- Establishment of Legal Reserves in the amount of 1,455,184.16 euros;
- Distribution of Interim Dividends in the amount of 11,408,000 euros;
- Distribution of Dividends in the amount of 6,500,000 euros.

11.3. RESERVES AND OTHER EQUITY ITEMS

Reserves and other equity items recorded the following movements during the financial years ended in 31 December 2017 and 2016:

	Legal reserves	Other reserves	Retained earnings	Adjustments to Financial Assets	Other equity instruments
1 January 2016	**3,430,501**	**(1,475,560)**	**12,678,352**	**(37,434,593)**	**14,350,000**
Appropriation of results	925,958		17,593,209		
Changes to MTM regarding hedging financial instruments (Note 9.10)		(813,312)			
Return of supplementary payments					(14,350,000)
Adjustments for results					
31 December 2016	**4,356,460**	**(2,288,872)**	**30,271,560**	**(37,434,593)**	**-**
1 January 2017	**4,356,460**	**(2,288,872)**	**30,271,560**	**(37,434,593)**	**-**
Appropriation of results	1,455,184		9,740,499		
Changes to MTM regarding hedging financial instruments (Note 9.10)		521,975			
Other operations		517,752			
31 December 2017	**5,811,644**	**(1,249,145)**	**40,012,059**	**(37,434,593)**	**-**

The legal reserve is not fully established under the law (20% of share capital), whereby the minimum amount stipulated was donated (5% of the net profit). 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.

11.4. DIVIDENDS

According to resolution of the Board of Directors held on 29 November 2017, in the financial year ended on 31 December 2017 interim dividends of 14.1 million euros were paid on the mid-term review prepared on 31 October 2017.

In the financial year ended on 31 December 2016, interim dividends were paid in the amount of 11.4 million euros.

In 2017, dividends concerning the financial year of 2016 were paid in the amount of 6.5 million euros.

12. GOVERNMENT AND OTHER PUBLIC ENTITIES

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

	2017	2016
Government And Other Public Entities		
Balance receivable		
Income tax	12,847,972	19,606,734
VAT	516,175	417,469
	13,364,148	**20,024,203**
Balance Payable		
Income Tax Withholdings	15,876	15,355
Social security contributions	13,232	11,037
	29,108	**26,392**

13. OBLIGATIONS ARISING FROM LEASE CONTRACTS

13.1 FINANCE LEASES

The Company has finance lease contracts for various items of its tangible fixed assets, included in the StatementFinancial Position Statement. On 31 December 2017 and 2016, the Company maintains the following assets in a finance lease regime, for each asset category:

	2017	2016
Tangible		
Buildings and other constructions	28,097	56,194
Basic equipment	5,288,196	4,339,872
	5,316,293	**4,396,067**

The finance lease liabilities have the following maturities at 31 December 2017:

	2017		
	Minimum Payments	**Interest**	**Equity**
Less than 1 year	1,533,004	101,013	1,431,991
From 1 to 5 years	3,568,884	111,980	3,456,905
Over 5 years	-	-	-
	5,101,889	**212,993**	**4,888,896**

13.2. OPERATING LEASES

On 31 December 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:

	2017		
	Less than 1 year	From 1 to 5 years	Over 5 years
Vehicles	36,051	43,386	-
Office	704,654	1,409,309	-
	740,705	**1,452,695**	**-**

In the financial year ended on 31 December 2017 and 2016, costs of 760,956 euros and 726,828 euros were respectively recognised, concerning operating lease contracts. The contract concerning the office has a 5-year renewal term.

In 2016 it was impossible to obtain the detail of the minimum payments of the operating and financial leases. However, the recorded operating leases also concerned contracts related to the office, parking and vehicles, and the amounts are similar to those recorded in 2017.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSET

Provisions

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

	Liabilities with subsidiaries	Other provisions	TOTAL
At 1 January 2016	**21,770,205**	**342,811**	**22,113,016**
Year's reversions	(6,266,078)	-	**(6,266,078)**
At 31 December 2016	**15,504,127**	**342,811**	**15,846,938**
At 1 January 2017	**15,504,127**	**342,811**	**15,846,938**
Uses in the year	(14,024)	-	(14,024)
At 31 December 2017	**15,490,103**	**342,811**	**15,832,914**

The reduction vis-à-vis 2016, amounting to 97 thousand euros, concerns the sale of the subsidiary Manuel Guimarães, which took place in March 2017.

The recorded value in "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 estimate of income includes the co-payment of the vertical programmes for HIV and multiple sclerosis, with the Board being firmly convinced that the result of the arbitration process begun by Escala Braga against the Government – ARS Norte will be favourable.

15. INCOME TAXES

On 31 December 2017 and 2016, the spending due to current and deferred taxes is the one indicated in the following table:

	2017	2016
Current tax		
Corporate income tax for the year	(3,104,664)	(2,332,084)
Deferred tax		
Hedging financial instruments (Swaps)	-	(182,995)
Retirement benefits	27,373	27,373
	27,373	**(155,623)**
	(3,077,291)	**(2,487,707)**

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 balance sheet for each period are indicated in the table below:

	Accounts Balance		Income Statement		Comprehensive Income	
	2017	2016	2017	2016	2017	2016
Deferred Tax Assets						
Hedging financial instruments (Swaps)	366,211	517,752	-	182,995	(151,541)	-
Retirement benefits	508,727	536,100	(27,373)	(27,373)	-	-
	874,938	**1,053,852**	**(27,373)**	**155,623**	**(151,541)**	**-**

The amount of deferred tax assets concerning Retirement Benefits is related to a life annuity insurance contracted by José de Mello Saúde S.A. in January 2016. This insurance allowed to comply with ancontract signed since 2000, where the Company was responsible for ensuring a lifetime payment of a rent to a worker who retired via Social Security on 1 January 2016. The commercial premiumpaid to the insurance company on 28 January 2016 was 2,504,321 euros.

Reconciliation of the Effective Tax Rate

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

	Tax base	
	2017	**2016**
Result before Taxes	26,476,884	26,615,976
Nominal tax rate	21.00%	21.00%
TAX ON PROFIT AT THE NOMINAL RATE	**5,560,146**	**5,589,355**
Non-taxable income		
Taxable amount/tax loss attributed by ACE		
Elimination of double taxation	31,493,755	23,913,683
Cancellation of the equity method	-	454,187
Reimbursement of non-deductible taxes and overestimation of tax	735,428	212,893
Reversal of taxed provisions	97,000	-
Reversal of taxed provisions	-	6,266,078
Tax benefits	-	13,797
Others	8,787	223,706
	32,334,971	**31,084,343**
Non-deductible costs for tax purposes		
Taxable amount/tax loss attributed by ACE		
Donations	6,709	93,996
Fines, penalties and interest compensation	1,871	250
Expenses incurred from renting a car without a driver	583	12,212
Accounting Losses	94,766	-
Depreciations and amortisations not accounted as expenses	103,105	103,132
Non-deductible social contributions	-	23,309
Corrections relating to previous periods	11,579	129,744
Others	8,838	-
	227,452	**362,644**
Tax loss/taxable income	(5,630,635)	(4,105,724)
Income tax in Portugal	**21.00%**	**21.00%**
Calculated tax	-	-
Separate taxation	79,665	74,861
Tax saving	(3,702,080)	(2,406,946)
Others	517,752	-
INCOME TAX	**(3,104,664)**	**(2,332,084)**
EFFECTIVE TAX RATE	**-11.73%**	**-8.76%**

16. SERVICES SUPPLIED

Income is discriminated as follows:

	2017	2016
Service provision		
Services	1,786,383	1,400,283
	1,786,383	**1,400,283**

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

17. OTHER INCOME AND GAINS

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

	2017	2016
Supplementary income		
Others	20,000	-
Income and gains in the Group's companies and associates		
Disposals	177,666	-
Others		
Corrections relating to previous periods	43,034	82,394
Excess of the estimate for taxes	37,293	212,893
Tax refund	698,136	102,050
Others not specified	1,353,924	818,918
	2,330,052	**1,216,255**

The "Unspecified Others" caption includes the value of the office's lease, which is re-invoiced to JMS – Prestação de Serviços Saúde, A.C.E., as well as consultancy services provided to group's companies.

18. PERSONNEL EXPENSES

Details of personnel expenses are indicated in the table below:

	2017	2016
Remunerations		
Wages of governing bodies members	467,975	464,676
Personnel wages	-	33,633
Retirement benefits	-	-
Charges on remunerations	115,890	117,868
Occupational accidents and diseases insurances	33,808	37,000
Social welfare expenditure	1,495	2 922
Other personnel expenditure	2,109,346	481,634
	2,728,515	**1,137,733**

There were 19 people working for the company on 31 December 2017 (2016: 14 people).

19. EXTERNAL SUPPLIES AND SERVICES

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

	2017	2016
Subcontracts	23,242	11,884
Specialised services		
Specialised work	1,045,380	793,178
Advertising	1,256,724	896,425
Fees	508,619	236,471
Maintenance and repair	917	922
Materials		
Tools and utensils	-	-
Books and technical documentation	7,381	2,228
Office material	1,585	-
Articles for free distribution	1,500	146,930
Energy and fluids		
Electricity	74,049	55,915
Fuel	9,501	4,048
Travel, accommodation and transport		
Travel and accommodation	17,136	51,949
Other services		
Rents and leases	933,103	897,249
Communications	16,131	31,268
Insurances	41,759	34,794
Litigation and notary public fees	2,780	7,395
Representation expenses	12,529	-
Cleaning, hygiene and comfort	13,233	6,737
Others	25,002	3,663
	3,990,572	**3,181,056**

The caption “Specialised Works” predominantly comprises fees concerning consultants and lawyers.

20. OTHER EXPENSES AND LOSSES

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

	2017	2016
Expenses and losses in the group's companies and associates		
Financial assets adjustment	94,766	371,117
	94,766	**371,117**
Taxes	83,147	19,823
Bad debt	82,656	-
Expenditure and Losses in Non-Financial Investments		
Others	13	-
Others		
Corrections relating to previous periods	11,579	129,744
Donations	36,000	115,000
Contributions	16,328	21,890
Fines and penalties		
Non-tax fines	188	240
Other expenses and losses	500	5,069
	230,412	**291,765**

21. EXPENSES/REVERSAL OF DEPRECIATION AND AMORTISATION

According to the following chart, expenses on depreciations and amortisations amount to 1,302,610 euros in 2017 and 1,093,922 euros in 2016:

	2017	2016
Expenses of depreciation and amortisation		
Tangible Fixed Assets (Note 7)	1,302,610	1,093,922
	1,302,610	**1,093,922**

22. INTEREST AND SIMILAR EXPENSES OBTAINED

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

	2017	2016
Interest received		
From deposits	5,271	42,586
From other net financial investments	93,582	93,838
From financing granted to subsidiaries	4,916,021	3,739,170
Dividends obtained	31,493,755	24,066,269
	36,508,629	**27,941,863**

The earned interest concerning funding granted to Subsidiaries are detailed as follows:

	2017	2016
InfraHealth - Gestão de Infraestruturas, Lda	121,104	4,313
Hospital **CUF** Cascais, S.A.	128,844	123,106
Hospital **CUF** Infante Santo, S.A.	664,352	634,766
Hospital **CUF** Porto, S.A.	874,769	849,719
Hospital **CUF** Viseu, SA.	161,229	1,599
Hospital **CUF** Santarém, S.A.	127,636	119,912
Instituto **CUF** - Tratamento e Diagnóstico, S.A.	272,592	130,735
Imo Health - Investimentos Imobiliários, S.A.	1,810,801	1 135,048
PPPS - Gestão e Consultoria, S.A.	81,542	96,482
Hospital **CUF** Descobertas, S.A.	672,405	642,460
Valir - Sociedade Gestora de Participações, S.A.	748	1,030
	4,916,021	**3,739,170**

The dividends obtained in 2017 and 2016 are detailed according to the following table:

	2017	2016
Clínica **CUF** Alvalade, S.A.	1,064,336	1,209,919
Hospital **CUF** Cascais, S.A.	5,046,043	3,637,101
Hospital **CUF** Infante Santos, S.A.	9,823,100	7,946,650
Loja Saúde **CUF** - Produtos e Serviços de Saúde e Bem Estar, S.A.	41,026	32,360
Hospital **CUF** Descobertas, S.A.	15,178,989	10,999,016
Hospital **CUF** Santarém, S.A.	183,586	-
Escala Parque - Gestão de Estacionamento, S.A.	156,675	145,361
Imo Health - Investimentos Imobiliários, S.A.	-	88,636
InfraHealth - Gestão de Infraestruturas, Lda	-	7,225
	31,493,755	**24,066,269**

23. INTERESTS AND SIMILAR SUPPORTED EXPENSES

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

	2017	2016
Interest paid		
From loans obtained	4,363,719	3,516,061
From finance leases	131,448	130,678
Others	828,512	685,545
Other expenses and losses on loans		
Others	574,626	447,057
	5,898,305	**4,809,044**

The "Other" supported interest regards the interest of the contracted hedging instruments (note 9.10).

24. FINANCIAL COMMITMENTS WITH GUARANTEES

On 31 December 2017 and 31 December 2016, the entity has the following provided guarantees in its portfolio:

Beneficiary	Bank	2017	2016	Date of issue	Date of Expiry
Lisbon Municipal Council (a)	Santander Totta	303,195	303,195	24/05/2016	24/05/2020
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A. (b)	Novo Banco	2,400,000	2,400,000	19/05/2011	-
Imo Health - Investimentos Imobiliários, S.A. (c)	BIC	5,856,000	-	28/06/2017	28/06/2025
Imo Health - Investimentos Imobiliários, S.A. (d)	BIC	15,000,000	15,000,000	31/12/2014	25/12/2029
		23,559,195	**17,703,195**		

(a) "Resetting of the original land conditions" for the CUF Descobertas Hospital Expansion.
(b) Agreement for capital subscription.
(c) Guarantor in the Mutual of Imo Health – Investimentos Imobiliários, S.A..
(d) Guarantor in the leasing of Imo Health – Investimentos Imobiliários, S.A., concerning the building of Travessa do Castro.

25. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

These individual financial statements were authorised for issue by the Board of Directors on 22 March 2018.

From 31 December 2017 until now, no relevant facts have occurred other than those already adjusted and/or disclosed in these consolidated financial statements.

26. DISCLOSURE REQUIRED DUE TO LEGAL INSTRUMENTS

As required by paragraph 5, article 66 of the Portuguese Commercial Companies Code, no operations are excluded from the Statement of Financial Position, whereby the respective nature, commercial objective, financial impact or risks and benefits have to be disclosed.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(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, 2017 (which show a total of 305.616.326 euros and a total equity of 75.594.141 euros, including a net profit for the year of 29.554.176 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, 2017, 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 14 of the Notes to the Financial Statements, the Public-Private Partnership management agreements of Braga Hospital will end in August 2019. The estimate of the provision to cover the liabilities of this affiliate includes complex and volatile assumptions which, for this reason, involve uncertainty, namely the inflow of the amounts claimed from the vertical programs of HIV and Multiple Sclerosis of which management firmly confirms positive outcome. 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, 2017, is 67.138 thousand euros, representing approximately 22% of the total assets of the Entity. 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.	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. 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 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. 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. We have confirmed the applicable disclosure requirements (IAS 36 and IAS 37).

2. Liquidity, refinancing and contractual ratios

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
The Entity has contracted external financing presented as current and non-current liabilities, in the amounts of 158.189 thousand euros and 17.730 thousand euros, respectively. As part of the Group’s investment strategy, in September 2017 a significant financing transaction was carried out through the issuance of bonds in the amount of 50.000 thousand euros. The management of cash-flows, refinancing capacity and compliance with the financial ratios are significant matters for our audit. The test or evaluation is largely based on Management's expectations	We have obtained the support agreements of the various debt instruments and the understanding of the contractual ratios computation method. We have tested compliance with the contractual conditions. 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. We have verified the subsidiaries’ ability to distribute dividends. 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. We have discussed with the Entity’s management the

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
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. 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.	projections of debt market conditions and confirmed the group policy of dividend distribution and shareholders financing. 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 9 of the Notes to the financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under numbers 4 and 5 of article 451º of the Commercial Companies Code.

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 April 9, 2018.
- 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 12, 2018

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

(Signed)

Luís Miguel Gonçalves Rosado - ROC nº 1607

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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 2017.

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

- approved the plan of activities for 2018;
- 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 2017;
- 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 2017 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 2017 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, 13 April 2018

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; and iii) they contain a description of the main risks JMS faces in its activity.

Lisbon, 13 April 2018

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 COMPREHENSIVE INCOME STATEMENT
OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(Amounts in Euros)	Notes	31-12-2017	31-12-2016
Ongoing operations			
Operating income			
Sales and services rendered	5,7	627,691,418	578,041,322
Other operating income	5,7	9,752,114	8,229,524
Total operating income		**637,443,532**	**586,270,846**
Operating costs			
Cost of sales	8	(116,516,108)	(107,414,581)
External supplies and services	9	(242,738,087)	(222,850,139)
Personnel costs	10	(202,594,517)	(184,618,966)
Amortisations and depreciations	18	(27,731,514)	(25,092,368)
Provisions and impairment losses, net	38	(1,687,795)	(1,754,594)
Other operating costs	11	(3,582,693)	(3,005,581)
Total operating costs		**(594,850,714)**	**(544,736,229)**
Operating profit	**5**	**42,592,818**	**41,534,616**
Financial expenses and losses	12	(12,194,236)	(10,086,554)
Financial income and gains	12	956,355	522,121
Profit/loss of associates	12	666,471	760,181
Profit/loss of investment activities	12	82,900	(83,070)
Financial results	5	**(10,488,510)**	**(8,887,323)**
Pre-tax profit	**5**	**32,104,308**	**32,647,294**
Income tax	13	(8,809,655)	(8,444,376)
Consolidated net profit for the year		**23,294,653**	**24,202,918**
Net profit for the year attributable to non-controlling interests	34	474,455	283,937
Net profit for the year attributable to equity holders	5	**22,820,198**	**23,918,981**
Other items of Comprehensive Income			
Other income and expenses directly recognised in equity that will not be reclassified to profit			
Revaluation of tangible fixed assets (Net of taxes)	18	7,034,104	5,127,649
Other income and expenses directly recognised in equity that might be reclassified to profit:			
Changes in fair value of hedging instruments (Net of taxes)	42	521,975	(813,312)
		7,556,080	**4,314,337**
Consolidated comprehensive income		**30,850,733**	**28,517,255**
Comprehensive income for the year attributable to non-controlling interests	34	474,455	283,937
Comprehensive income for the year attributable to equity holders		**30,376,278**	**28,233,318**
Earnings per share:			
Basic	15	2.15	2.26
Diluted	15	2.15	2.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

(Amounts in Euros)	Notes	31-12-2017	31-12-2016
Non-current assets:			
Goodwill	16	43,885,257	33,366,429
Intangible assets	17	13,357,220	12,877,217
Tangible fixed assets	18	378,408,792	189,789,608
Investments in associates	19	233,956	168,111
Other Investments	21	770,384	509,672
Deferred tax assets	22	3,786,717	4,291,945
Other non-current assets	23	8,296,945	8,296,945
Total non-current assets		**448,739,272**	**249,299,926**
Current assets:			
Inventories	8, 24	14,216,580	11,262,856
Trade receivables and advances to suppliers	25	122,870,558	95,377,577
Other current debtors	26	3,316,536	5,088,234
State and other public entities	27	16,737,792	13,540,692
Other current assets	23	52,749,441	60,410,979
Other financial instruments	28	35,150,000	48,650,000
Cash and cash equivalents	29	47,894,297	16,067,394
Total current assets		**292,935,205**	**250,397,732**
Non-current assets held for sale	30	3,735,465	3,168,613
TOTAL ASSETS		**745,409,942**	**502,866,271**
Equity:			
Share capital	31	53,000,000	53,000,000
Legal reserve	32	5,811,644	4,356,460
Other reserves and retained earnings	33	20,658,007	7,839,302
Consolidated net income		22,820,198	23,918,981
Interim dividends	14	(14,100,000)	(11,408,000)
Equity attributable to shareholders		**88,189,849**	**77,706,743**
Non-controlling interests	34	4,228,716	3,960,796
Total equity		**92,418,565**	**81,667,539**
Non-current liabilities:			
Borrowings	35	295,514,364	117,984,922
Finance lease creditors	36	60,177,688	59,964,427
Employee benefits	37, 38	1,355,216	1,461,775
Provisions	38	12,259,474	14,021,234
Other creditors	40	3,358,340	-
Deferred tax liabilities	22	11,735,363	2,857,449
Other non-current liabilities	42	1,627,604	2,301,121
Non-current liabilities		**386,028,049**	**198,590,928**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

(Amounts in Euros)	Notes	31-12-2017	31-12-2016
Current liabilities:			
Borrowings	35	56,119,722	32,025,005
Finance lease creditors	36	9,794,327	9,650,238
Trade payables and advances from clients	39	94,542,001	87,534,852
State and other public entities	27	21,958,566	19,252,327
Other current creditors	40	7,476,112	8,547,200
Other current liabilities	41	77,072,601	65,598,181
Total current liabilities		**266,963,328**	**222,607,805**
TOTAL LIABILITIES		**652,991,378**	**421,198,732**
TOTAL EQUITY AND LIABILITIES		**745,409,942**	**502,866,271**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in Euros)	Notes	Share Capital	Additional capital paid in
Balance at 31 December 2015		**53,000,000**	**14,350,000**
Appropriation of consolidated net profit for 2015:			
Transfer to retained earnings		-	-
Transfer to legal reserve		-	-
Dividends paid out	14	-	-
Changes resulting from change of equity in associates		-	-
Repayment of additional capital		-	(14,350,000)
Capital decrease		-	-
Other		-	-
Consolidated net profit for the year		-	-
Other income and gains recognised in equity:			
Revaluation of tangible fixed assets (Net of taxes)		-	-
Changes in fair value of hedging instruments		-	-
Total comprehensive income for the year		**-**	**-**
Balance at 31 December 2016		**53,000,000**	-
Appropriation of consolidated net profit for 2016:			
Transfer to retained earnings		-	-
Transfer to legal reserve		-	-
Dividends paid out	14	-	-
Changes resulting from change of equity in associates		-	-
Changes in non-controlling interests resulting from changes in consolidation perimeter		-	-
Other		-	-
Consolidated net profit for the year		-	-
Other income and gains recognised in equity:			
Revaluation of tangible fixed assets (Net of taxes)		-	-
Changes in fair value of hedging instruments		-	-
Total comprehensive income for the year		**-**	**-**
Balance at 31 December 2017		**53,000,000**	-

Legal reserve	Other reserves and Retained earnings	Net profit	Interim dividends	Non-controlling interests	Total
3,430,501	**(15,113,286)**	**21,893,940**	-	**3,708,111**	**81,269,266**
-	20,967,982	(20,967,982)	-	-	-
925,958	-	(925,958)	-	-	-
-	(1,495,329)	-	(11,408,000)	(206,278)	(13,109,607)
-	657,218	-	-	175,027	832,245
-	-	-	-	-	(14,350,000)
-	-	-	-	-	-
-	(1,491,620)	-	-	-	(1,491,620)
-	-	23,918,981	-	283,937	24,202,918
-	5,127,649	-	-	-	5,127,649
-	(813,312)	-	-	-	(813,312)
-	**4,314,337**	**23,918,981**	**-**	**283,937**	**28,517,255**
4,356,460	**7,839,302**	**23,918,981**	**(11,408,000)**	**3,960,796**	**81,667,539**
-	11,055,797	(22,463,797)	11,408,000	-	-
1,455,184	-	(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	-	-	-	517,752
-	-	22,820,198	-	474,455	23,294,653
-	7,034,104	-	-	-	7,034,104
-	521,975	-	-	-	521,975
-	**7,556,080**	**22,820,198**	**-**	**474,455**	**30,850,733**
5,811,644	**20,658,007**	**22,820,198**	**(14,100,000)**	**4,228,716**	**92,418,565**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended December 31, 2017

CONSOLIDATED CASH FLOW STATEMENTS
OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in Euros)	Notes	31-12-2017	31-12-2016
OPERATING ACTIVITIES:			
Cash receipts from clients		705,239,151	576,418,011
Cash paid to suppliers		(482,549,151)	(350,671,062)
Cash paid to employees		(196,604,636)	(181,584,069)
Income tax received/paid		(9,825,346)	(14,820,101)
Other cash receipts/payments relating to operating activities		(395,668)	1,306,138
Net cash from operating activities (1)		**15,864,349**	**30,648,917**
INVESTMENT ACTIVITIES:			
Cash receipts relating to:			
Financial assets and other investments	46	195,542	1,279,718
Tangible fixed assets		227,036	82,358
Interest and similar income		573,661	417,605
Dividends		266,347	259,396
		1 262,585	**2,039,077**
Payments regarding:			
Financial assets and other investments	46	(44,994,750)	(327,600)
Tangible fixed assets		(40,655,580)	(13,901,628)
Intangible assets		(960,949)	(2,674,065)
		(86,611,280)	**(16,903,293)**
Net cash from investment activities (2)		**(85,348,695)**	**(14,864,216)**
FINANCING ACTIVITIES:			
Cash receipts relating to:			
Borrowings		466,638,200	244,800,000
Borrowings to group companies		1,853,458	3,990,000
Additional capital paid in		34,077	-
Other financial instruments		13,500,000	13,500,000
Financial derivative instruments		269,774	1,358,563
		482,295,509	**263,648,563**
Payments regarding:			
Borrowings		(341,999,911)	(236,191,351)
Borrowings to group companies		(3,150,267)	-
Payment of finance lease liabilities		(10,407,471)	(9,773,480)
Interest and similar expenses		(10,592,310)	(8,850,873)
Dividends paid and profit distributed		(21,333,803)	(12,597,191)
Capital reductions and accessory capital		-	(14,350,000)
Other financial instruments		-	
Financial derivative instruments		-	(2,171,875)
		(387,483,760)	**(283,934,771)**
Net cash from financing activities (3)		**94,811,749**	**(20,286,208)**

CONSOLIDATED CASH FLOW STATEMENTS
OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in Euros)	Notes	31-12-2017	31-12-2016
Changes in cash and equivalents (4)=(1)+(2)+(3)		**25,327,403**	**(4,501,507)**
Effect of currency conversion differences		-	-
Effect of change in consolidation perimeter	4	6,742,179	34,739
Cash and cash equivalents at the start of the period	29	**15,814,660**	**82,431,428**
Changes in cash equivalents		-	(62,150,000)
Cash and cash equivalents at the end of the period	29	**47,884,243**	**15,814,660**

The accompanying notes form an integral part of the Consolidated Cash Flow Statements for the financial year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ON 31 DECEMBER 2017

(Amounts in euros)

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 3. 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 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 47) are influenced by the decisions of the José de Mello Capital Group.

It should be noted that on 12 December 2017, the companies José de Mello Participações II, SGPS, S.A., Guimarães de Mello Portugal, SGPS, S.A., Guimarães de Mello Investimentos, SGPS, S.A., and José de Mello – Sociedade Gestora de Participações Sociais, S.A. (the former parent company of JMS) were incorporated, via merger, into SOGEFI – Sociedade de Gestão e Financiamentos, SGPS, S.A., which was renamed to José de Mello Capital, S.A. This corporate restructuring did not call into question any commitments made by the participating companies, since all of their rights and obligations are now concentrated on José de Mello Capital, S.A.

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis from the accounting books and records of the companies included in the consolidation (Note 3), 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 2017. 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 2017 FINANCIAL YEAR

As a result of endorsement by the European Union (EU), the following issues, revisions, amendments, and improvements of standards and interpretations with effect from 1 January 2017 had with no significant impact on the Group's financial statements.

Standard	Effective date
IAS 12 – Recognition of deferred tax assets for unrealised losses (amendments)	1 January 2017
IAS 7 – Disclosure initiative	1 January 2017
Improvements concerning the 2014–2016 cycle (IFRS 12 Disclosure of interests in other entities)	1 January 2017

The adoption of these standards, interpretations and amendments to standards did not have a significant impact on the financial statements.

2.1.2. NEW STANDARDS, ALTERATIONS AND INTERPRETATIONS ALREADY ISSUED BUT NOT YET MANDATORY

New standards, amendments and interpretations now exist that have already been published but whose application is only mandatory for annual periods starting after 1 January 2018 and which the Group decided not to adopt ahead of time:

a) Already endorsed by the European Union:

On 31 December 2017, the following improvements of the Standards and Interpretations issued by the IASB were already endorsed by the EU; however, their application is only mandatory for the financial years beginning after 1 January 2018:

Standard	Effective date
IFRS 15 – Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
Application of IFRS 9 with IFRS 4 – Amendments to IFRS 4	1 January 2018
IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate or joint venture	1 January 2018
IFRS 16 - Leases	1 January 2019
Improvements relating to the 2014–2016 cycle	1 January 2018

IFRS 15 – Revenue from contracts with customers

The IFRS 15 – Revenue from contracts with customers, applies to all income from contracts with clients, 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.

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 an entity to apply professional judgment in the application of each of the model's steps, taking into account all the relevant facts and circumstances. This standard also specifies how to account for the incremental expenses in obtaining a contract and the expenses directly related to the fulfilment of a contract. The standard shall be applied in financial years beginning on or after 1 January 2018. The application is retrospective, with the entities being allowed to choose if they want to apply the full retrospective approach or the modified retrospective approach. Early application is permitted.

The Group carried out an analysis of the implications of their adoption, with no significant impact being expected in the Financial Statements. In the preparation for the adoption of the IFRS 15, the Group considered the following relevant aspects:

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. Indeed, the Group concluded that the application of this standard will have no significant impacts on the consolidated financial statements.

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. The Group thus concluded that the application of this standard will have no significant impacts on the consolidated financial statements.

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. The Group thus concluded that the application of this standard will have no significant impacts on the consolidated financial statements.

Household 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. Indeed, the Group concluded that the application of this standard will have no impact on the consolidated financial statements.

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 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.

This way, the Group found that the application of this standard does not cause changes to the registration of this stream's revenue carried out by the companies.

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 transferred. Once again, the Group found that the application of this standard does not cause changes to the registration of this stream's revenue carried out by the companies.

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. The Group concluded that the application of this standard will have no impact on the consolidated financial statements.

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. The Group concluded that the application of this standard will have no significant impacts on the consolidated financial statements.

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. The Group concluded that the application of this standard will have no significant impacts on the consolidated financial statements.

Concerning the remaining standards whose application is not yet mandatory, the Group chose to not adopt them in advance. However, the application of IFRS 16 is expected to have significant impacts on the Group's balance sheet. The registration of the usage right for the current operating leases shall thus imply an increase in third-party assets and liabilities. The Group is now finalizing the quantification of this standard's impacts.

b) Not yet endorsed by the European Union:

The following standards, interpretations, amendments and revisions have not been approved (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 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
IAS 40 – Transfer of Investment Properties (Amendments)	1 January 2018
IFRS 17 – Insurance Contracts	1 January 2021
IFRS 17 – Insurance Contracts	1 January 2019
IFRS 9 – Anticipated payments with negative compensations (amendments)	1 January 2019
Improvements relating to the 2015–2017 cycle	1 January 2019

Regarding the standards presented above, whose compulsory entry into force has not yet occurred, the Group is still measuring the impact of these changes and will apply these standards in the financial year in which they become effective, or in advance when allowed.

2.2. CHANGES IN ACCOUNTING POLICIES

During the year ending on 31 December 2017, no voluntary changes occurred to accounting policies, in relation to those considered when preparing financial information for 2016.

2.3. MAIN ESTIMATES AND JUDGMENTS OF THE MANAGEMENT

The preparation of financial statements in accordance with the principles of recognition and measurement of IFRS requires that the Board of Directors make judgments, estimates and assumptions that may affect the value of assets and liabilities presented, in particular amortisation and depreciation, adjustments, impairment losses and provisions, disclosures of contingent assets and liabilities at the date of the financial statements, as well as the income and expenses.

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

The most significant accounting experiences 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;

Valuation and 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 judgment 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 historical information of the debtor and its risk profile.

The accounts receivable are adjusted by the evaluation of the estimated risks of collection existing at the balance sheet date, which may come to differ from the actual risk to incur in the future.

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, 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, 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 the operations of subsidiaries and associated companies

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 Administração Regional de Saúde do Norte, I.P. ("ARS Norte"), regarding adjustments made to Braga Hospital accounts in 2014, 2015, 2016 and 2017.

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

According to the provisions of the management contract, the agreement concerning 2017 shall take place by the end of June 2018.

The Escala Braga 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 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 and 2017.

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

According to the provisions of the management contract, the agreement concerning 2017 shall take place by the end of June 2018.

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.

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

2.4. CONSOLIDATION PRINCIPLES

a) Controlled companies

The consolidation of controlled companies (Note 3.1) 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 Consolidated Comprehensive Income Statement, respectively, under the "Non-controlling interests" caption.

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 meet the recognition criteria 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 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 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 3.2 and 19) 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 related to associated companies" caption (Note 12), 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 associates are eliminated in proportion to the Group's interest in the associate, reported against the investment in that associate. 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.

2.5. REVENUE AND ACCRUALS

Revenue from sales is recognised on the income statement when the following conditions are met:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the assets;
- The Group does not retain continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction flow to the Group; and,
- The costs incurred or to be incurred in respect of the transaction may be reliably measured.

The revenue from sales is recognised net of taxes, discounts and other costs incurred to realize the fair value of the amount received or receivable.

The income arising from services rendered is recognised in the income statement in the period in which they are provided.

The income stemming from dividends is recognized when, in substance, the obligation to declare dividends was established in the declaring Entity.

Interest and financial income are recognised in accordance with the principle of accruals and according to the effective interest rate applying.

Costs and income are accounted for in the period to which they relate, regardless of the date of payment or receipt. Costs and income for which the actual amounts are not known are estimated.

Costs and income imputable to the current period and which have expenses and revenues that will only occur in future periods, as well as expenses and revenues that have already occurred, but which relate to future periods and which will be attributed to the profit/loss of each of those periods in the corresponding value, are recorded under the "Other current assets" and "Other current liabilities" captions.

2.6. OPERATING PROFIT

The results of operations include all costs and income from operations, whether recurring or not, including those related to restructuring and tangible and intangible assets. They also include gains or losses obtained in the sale of companies consolidated using the full consolidation method. Hence, net financing costs, profits obtained from associates and other financial investments, and income taxes are excluded from the operating profit.

2.7. 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 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.

2.8. INCOME TAX

Income tax for the period is calculated based on the taxable results of the companies included in the consolidation and it considers deferred taxation.

The current income tax is calculated based on the taxable income (which differs from accounting income) of the companies included in the consolidation, in accordance with the tax rules in force at the registered office of each Group company.

According to current legislation, tax returns are liable for review and correction by the tax authorities for a period of four years (five years for Social Security). Accordingly, the tax returns of the Group companies 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 referred financial statements as at 31 December 2017.

2.9. 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. 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.

The movement that took place during the financial period and the breakdown of the Deferred Taxes balances are presented in Note 22; the reconciliation between the nominal rate and the actual rate of the current tax is presented in Note 13.

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

2.11. INTANGIBLE ASSETS, EXCLUDING GOODWILL

Intangible assets (excluding goodwill) basically comprise the expenses incurred in specific projects with future economic value and are recorded at acquisition cost, less accrued amortisations and impairment losses. 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.

Intangible assets for which the existence of a limited period of future economic benefits cannot be envisaged are called intangible assets with indefinite useful lives. These assets are not amortised but undergo annual impairment tests.

Under this caption are reflected, among others:

- Even concession rights corresponding to the right of management and operation of the two hospitals under the Public-Private Partnership arrangement. The amortisation is performed for the period stipulated in the contracts (10 years);
- Responsibility corresponding to the total estimated value of the investments expected until the end of the management and operation contract of the Vila Franca Hospital, stemming from the contractual obligations provided for in its Appendix V, in accordance with the provisions of IAS 37 – Provisions, contingent liabilities and contingent assets, and based on the principles described in IFRIC 12 – Service Concession Arrangements. This asset is to be amortised for the remainder of the contract;
- Surface rights of two properties for the period of 40 years;
- Exploitation right of a car park for the period of 50 years;
- Underground surface rights on a plot of land adjacent to the parking of Descobertas Hospital's Expansion Building;
- Transfer concerning the facilities of **CUF** São Domingos de Rana Clinic.

After the beginning of the usage of the goods, amortizations are calculated using the straight-line method from the date when they are available for their intended use in accordance with the following estimated service lives:

	Useful life (years)
Software	4
Operation right	50
Surface rights	40
Right of entry into hospital management	10
Total estimated value of the investments	9

2.12. TANGIBLE FIXED ASSETS

Tangible fixed assets used in production, in the provision of services or for administrative purposes are recorded at the cost of acquisition or production, including expenses imputable to the acquisition, less accumulated depreciation and impairment losses, where applicable.

The premises assigned to healthcare services are carried at the revalued amount, which is their fair value at the date of revaluation. Evaluation of these properties on 31 December 2017 was carried out by an independent specialised company – Ktesios Appraisal – Consultoria e Avaliação Imobiliária, Lda.

Tangible fixed assets are depreciated by the straight-line method from the date on which they are available for use as the intended use, according to the following estimated useful lives:

	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 depreciable amount of tangible fixed assets does not include the residual value estimated at the end of their useful lives, except in cases where it is estimated to be immaterial or uncertainty exists as to its realisation. Moreover, the depreciation ceases when the assets are classified as held for sale.

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 and are registered at cost of acquisition or production, less any impairment losses. These assets are depreciated from the time they are able to be used for their intended purpose.

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. They are recorded at net value on the income statement under “Other operating income” or “Other operating costs”.

2.13. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or discontinued operations) are classified as held for sale if their value is realisable through a sale transaction rather than through their continued use. This situation is considered to occur only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition; (ii) the management is committed to a sales plan; and (iii) it is expected that the sale will take place within a period of twelve months.

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.

Non-current assets (or discontinued operations) classified as held for sale are measured at the lower of book value and fair value, less costs to bear in future sales.

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.

2.14. IMPAIRMENT OF NON-CURRENT ASSETS, EXCLUDING GOODWILL

An assessment of impairment is performed whenever an event or changes in circumstances are identified that indicate the carrying amount at which an asset is recorded may not be recoverable. If such indications exist, the Group determines the recoverable amount of the asset in order to ascertain any possible extension of the impairment loss. In situations where the asset does not individually generate cash flows in a manner independent from other assets, the estimated recoverable amount is made for the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are subject to annual impairment tests or whenever it appears that there is evidence that such exists.

Whenever the amount at which the asset is recorded is higher than its recoverable amount an impairment loss is recognised, recorded under the "Provisions and impairment losses" caption.

The recoverable amount is the higher of the net sale price (sale price less selling costs) and the value in use. The net sale price is the amount that would be obtained from the sale of the asset in a transaction between knowledgeable and independent entities, less the costs directly attributable to the disposal. Value in use is the present value of estimated future cash flows arising from the continued use of the asset and from its disposal at the end of its useful life. The recoverable amount is estimated individually for each asset or, if this is not possible, for the generating unit of cash flows to which the asset belongs.

The reversal of impairment losses recognised in prior years is recorded when there are indications that the impairment losses no longer exist or have decreased. The reversal of impairment losses is recognised under "Reversal of amortisation and adjustments" caption. However, the reversal of the impairment loss is done up to the amount that would be recognized (net of amortisation or depreciation) if the impairment loss had not been recognised in prior years.

2.15. INVENTORIES AND COSTS OF GOODS SOLD AND MATERIALS CONSUMED

Goods and raw materials and consumables are valued at cost which 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, 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.

2.16. LEASES

Lease contracts are classified as: (i) finance leases if all the risks and rewards of ownership of the leased asset are substantially transferred through these; and (ii) operating leases if all the risks and rewards of their ownership are not substantially transferred.

The classification of leases as finance or operating is based on the substance and not the form of the contract.

Finance Leases

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

Tangible fixed assets acquired under finance leases and the corresponding liabilities are recorded in accounts by the financial method. According to this method, the cost of the asset is recorded as a tangible fixed asset and the corresponding liability is recorded as a liability and the interest included in the value of the rental payments and depreciation of assets, calculated as described above, are recognised as financial expenses on the income statement of the period to which they relate.

Operating Leases

Contracts are considered to be of operational leasing 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, the rental payments are recognised as a cost in the “External supplies and services” caption, on a straight line basis over the period of the lease.

2.17. 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 Company are recorded when incurred, regardless of the time of their payment, and are reflected in the caption “Other current liabilities”.

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 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.

2.18. PROVISIONS

Provisions are recognised when: (i) the Group has a present obligation (legal or implicit) resulting from past events; (ii) settlement is expected to result in an outflow of resources; and (iii) the amount can be estimated reliably. Provisions are reviewed on the date of each Statement of Financial Position and adjusted in order to reflect the best estimate at that date.

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 and in accordance with the principles described in IFRIC 12 – Service concession arrangements.

2.19. 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 arises 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 arises 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.

2.20. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual relationship.

a) 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 Consolidated 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.

b) Customers, Other Debtors and Other Assets

Accounts receivable have no implicit interest and are initially recorded in the accounts at nominal value and subsequently measured at amortised cost, net of estimated realisation losses. Impairment losses are recorded based on the evaluation of the estimated losses associated with doubtful debts at the date of the Statement of Financial Position. The identified impairment losses are recognised against profit and loss in the "Provisions and impairment losses" caption. They are subsequently reversed through profit and loss under the "Reversal of provisions and impairment losses" caption if a reduction of the estimated loss in a subsequent period is verified. The objective evidence showing that a financial asset is impaired took into account the following aspects: (i) Significant financial difficulty by the debtor; (ii) Contractual breach, such as failure to pay or breach in the payment of interest or amortization of the debt; (iii) Probability that the debtor goes into bankruptcy.

c) Investments

Investments are recognised (and derecognised) on the date all the risks and rewards of ownership are substantially transferred, regardless of the date of settlement.

They are initially measured at their acquisition cost, which is the fair value of the price paid, including transaction costs.

Investments other than those in subsidiaries, associates and joint ventures are classified as follows:

- Held-to-maturity investments;
- Assets measured at fair value through profit or loss;
- Financial assets available for sale;
- Other investments.

Investments held to maturity are investments with predetermined financial flows and defined maturity, which the Group has the intention and capacity to hold up to that date. They are classified as non-current investments, unless the maturity is less than twelve months from the date of the statement of financial position. These investments are recorded at amortised cost using the effective interest rate, less repayments of principal and interest earned. Impairment losses are recognised in profit/loss when the recorded value of the investment is less than the estimated cash flows discounted at the effective interest rate determined at the time of initial recognition. The reversal of impairment losses in subsequent periods may only occur when an increase in the recoverable amount of the investment is related to events occurring after the date on which the impairment loss was recognised. In any event, the recognised value of the investment resulting from the reversal of the impairment loss cannot exceed the value corresponding to the respective amortised cost if the impairment loss had not been recognised.

The Group categorizes the "Other Financial Instruments" as held until maturity.

Assets measured at fair value through profit or loss are financial instruments held for trading acquired for sale in the short term, and are classified as current investments. Financial instruments that on initial recognition are designated by the Company at fair value through profit or loss are also included in this category, provided they have a price listed on an active market or the fair value may be reliably measured.

After initial recognition, the assets measured at fair value through profit or loss and financial assets available for sale are re-evaluated at their fair values by reference to their market value at the date of the statement of financial position, without any deduction for transaction costs that may occur up to their actual sale. In the situations where the investments are equity instruments not admitted to trading on regulated markets, and for which the fair value cannot be reliably estimated, they are kept at their acquisition cost less any impairment losses.

Financial assets available for sale are financial investments that are available for sale or which do not fit under any of the previous classifications and are classified as non-current assets.

The gains or losses arising from changes in fair value of financial assets available for sale are recognised in equity under the "Other reserves" caption until the investment is sold or otherwise disposed of, or in situations where an impairment loss is believed to exist, then the cumulative gain or loss is recognised on the income statement.

d) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contract, regardless of their legal form. Equity instruments are contracts that demonstrate a residual interest in the Group's assets after deduction of the liabilities.

The equity instruments issued are recorded at the amount received, net of costs incurred with their issuance.

e) Bank loans

Loans are initially recorded under liabilities at their nominal value, net of issuing costs, corresponding to their fair value at that date. Loans are subsequently measured by the amortised cost method, calculated according to the effective interest method. The corresponding financial charges are calculated according to the effective interest rate.

f) Suppliers, Other creditors and Other liabilities

The Balances of Suppliers, Other Creditors and Other Liabilities are initially recorded at their nominal value and later, whenever applicable, are measured by the amortized cost and in accordance with 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 consolidated statement of financial position.

g) Derivative financial instruments and hedge accounting

The JMS 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.

Hedging Instruments

The possibility of calling a derivative financial instrument a hedging instrument complies with the provisions of IAS 39, namely, with regard to its respective documentation and effectiveness evaluation.

Derivative financial instruments are recognised for their fair value on the date they are negotiated. Fair value is evaluated on a regular basis, and gains or losses resulting from that evaluation are recorded in the income statement, except cash flow hedging derivatives in which the variation is recognised in consolidated equity.

Accounting is discontinued when the hedging instrument reaches maturity or is sold, or when the hedging relationship ceases to comply with the requirements of IAS 39.

2.21. CASH FLOWS STATEMENT

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.

2.22. SUBSEQUENT EVENTS

Events occurring after the date of the Statement of Financial Position and which provide additional information about situations existing on the date of the Statement of Financial Position are reflected in the Consolidated Financial Statements.

Events occurring after the date of the Statement of Financial Position and which provide information about situations occurring after that date, are disclosed, if material, in the notes to the Consolidated Financial Statements.

3. COMPANIES INCLUDED IN THE CONSOLIDATION

3.1. COMPANIES CONSOLIDATED BY THE FULL CONSOLIDATION METHOD

In 31 December 2017, the consolidation included, through the full consolidation method, the parent company and the following subsidiaries in which control is held:

Company	Registered office	Effective percentage	Business activity
Private healthcare services:			
Hospital **CUF** Descobertas, S.A.	Carnaxide	99.9049%	Management and operation of a hospital
Hospital **CUF** Infante Santo, S.A. (a)	Carnaxide	100%	Management and operation of a hospital and nursing units
Hospital **CUF** Porto, S.A. (d)	Carnaxide	100%	Management and operation of a hospital and nursing units
Hospital **CUF** Torres Vedras, S.A. (b)	Carnaxide	100%	Management and operation of a hospital and nursing units
Hospital **CUF** Cascais, S.A. (c)	Carnaxide	100%	Management and operation of a hospital and nursing units
Hospital **CUF** Viseu, S.A.	Viseu	100%	Management and operation of a hospital
Hospital **CUF** Santarém, S.A.	Carnaxide	100%	Management and operation of a hospital
Clínica **CUF** Alvalade, S.A.	Carnaxide	100%	Provision of medical and nursing services
Clínica **CUF** Belém, S.A.	Lisboa	62.8068%	Provision of medical and nursing services
Clínica de Serviços Médicos Computorizados de Belém, S.A. (f)	Lisboa	33.6490%	Provision of medical and nursing services
Instituto **CUF** - Diagnóstico e Tratamento, S.A.	Matosinhos	95.9955%	Operation of health unit
HD Medicina Nuclear, S.A.	Lisboa	69.9294%	Provision of diagnosis services and therapy in the nuclear medicine field
Ecografia de Cascais, Lda.	Cascais	99.9995%	Operation of a diagnosis and radiology medical centre
Nova Imagem - Centro Radiodiagnóstico, S.A.	Carnaxide	99.9995%	Operation of a diagnosis and radiology medical centre
SIM-X - Serviço de Imagem Médica, Lda.	Viseu	100%	Operation of a diagnosis and radiology medical centre
Clínica Dr. Luís Álvares, S.A.	Lisboa	100%	Operation of a diagnosis and radiology medical centre
Celso & Santos, S.A.	S.J.Madeira	100%	Operation of a diagnosis and radiology medical centre
Gabinete de Diagnóstico de Imagem de São João da Madeira, Lda.	S.J.Madeira	100%	Operation of a diagnosis and radiology medical centre
CPIS - Clínica Particular de Coimbra, S.A.	Coimbra	100%	Provision of medical and nursing services

Company	Registered office	Effective percentage	Business activity
Public healthcare services:			
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	Braga	99.9809%	Management and operation of a public hospital
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	V.F. de Xira	99.9760%	Management and operation of a public hospital
Infrastructures:			
Infrahealth – Gestão de Infraestruturas, Lda.	Carnaxide	100%	Operation, management and marketing of healthcare infrastructure, commercial areas and car parks
Imo health - Investimentos Imobiliários, S.A.	Carnaxide	100%	Buying and selling real estate, exchange and renting property
SIMPLYGREEN - Investimentos Imobiliários, S.A.	Carnaxide	100%	Buying and selling real estate, exchange and renting property
Hospimob - Imobiliária, S.A.	Carnaxide	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
Others:			
José de Mello Saúde, S.A.	Carnaxide	Empresa-mãe	Purchase and sale of equipment and provision of management and consultancy
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Matosinhos	95.9955%	Management of shareholdings
Vramondi International BV	Roterdão	99.9995%	Management of shareholdings
JMS - Prestação de Serviços Administrativos e Operacionais, ACE	Carnaxide	99.0933%	Provision of IT, operational, administrative and negotiation services
JMS - Prestação de Serviços de Saúde, ACE	Carnaxide	99.2404%	Provision of operational, administrative and health services
JMS - Serviços de Logística, ACE	Carnaxide	99.1714%	Provision of operating services (catering, cleaning and maintenance)
Academia **CUF**, Sociedade Unipessoal, Lda.	Carnaxide	100%	Provision of training services in the nursing and clinical services field
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	Carnaxide	70.4997%	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%	Sale of parapharmaceutical products
PPPS - Gestão e Consultoria, S.A.	Carnaxide	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
PPPS II - Gestão e Consultoria, S.A.	Carnaxide	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
PPPS III - Gestão e Consultoria, S.A.	Carnaxide	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
Centro Logístico **CUF** Unipessoal, Lda. (e)	Carnaxide	100%	Distribution and commercialization of medication and medical devices

(a) The activity of this company includes domiciliary services (resulting from a division-merger operation of SPSD – 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** Mafra Clinic, which is clinically and administratively accountable to Hospital **CUF** Torres Vedras, S.A..

(c) 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..

(d) 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..

(e) This society was formed at the end of 2017, but it has not yet started its activity.

(f) The percentage of control over this entity, given indirectly through Clínica **CUF** Belém, S.A. is 53.57%.

3.2. ASSOCIATES

The associates registered through the equity method as of 31 December 2017 (Note 19) are the following:

Company	Registered office	Effective percentage	Business activity
Centro Gamma Knife-Radiocirurgia, S.A.	Lisboa	34.000%	Operation of radiosurgery treatment units

4. CHANGES IN THE CONSOLIDATION SCOPE

The main changes occurred in the consolidation scope in the financial year ended on 31 December 2017 were essentially the following:

4.1. NEWLY CONSOLIDATED COMPANIES

Company	Registered office	Percentage capital held	
		Control	Effective
SIMPLYGREEN - Investimentos Imobiliários, S.A. ("Simplygreen")	Carnaxide	100%	100%
Celso & Santos, S.A. ("C&S")	S.J.Madeira	100%	100%
Gabinete de Diagnóstico de Imagem de São João da Madeira, Lda. ("GDI")	S.J.Madeira	100%	100%
Clínica Dr. Luís Álvares, S.A. ("CLA")	Lisboa	100%	100%
Hospimob - Imobiliária, S.A. ("Hospimob")	Carnaxide	100%	100%
CPIS - Clínica Particular de Coimbra, S.A. ("CPIS")	Coimbra	100%	100%
PPPS II - Gestão e Consultoria, S.A. ("PPPS II")	Carnaxide	100%	100%
PPPS III - Gestão e Consultoria, S.A. ("PPPS III")	Carnaxide	100%	100%

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

	Simplygreen	C&S	GDI	CLA	Hospimob	CPIS	Total
Net assets acquired:							
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
State 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
Borrowings	(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)
State and other public entities	-	(774)	(2,624)	(11,543)	(859,045)	(38,465)	(912,451)
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**	**(468,250)**	
Goodwill (Note 15)	-	19,328	94,883	2,145,867	-	8,258,750	
Acquisition price	737,293	227,300	135,982	2,282,780	36,368,360	7,790,500	
Settlement by monetary means (Note 46)	737,293	159,992	n,a,	1 382,780	34,387,465	6,790,500	
Amount due (Note 40)	-	67,308	n,a,	900,000	2,988,134	1,000,000	

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

In 2016, the Group acquired control of Sim X – Serviços de Imagem Médica, Lda. which resulted in a goodwill of 624 thousand euros.

4.2. OTHER OPERATIONS THAT AFFECTED THE SCOPE IN PREVIOUS PERIODS

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. Consequently, the activity of another group company, 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, Finanfarma – Sociedade de Factoring, S.A., willing to sign a factoring contract and to pay a very large sum for the acquisition of Digihealth's credit over ARSLVT, expressly envisaging the possibility of appealing to the Special Revitalisation Process ("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 Board of Directors of Digihealth carried out its activity according to the framework and to the commitments made with the creditors, including the Special Revitalisation Process. Thus, JMS Group believes that is a very limited control over this subsidiary and, due to its immateriality, it was excluded from the consolidation perimeter.

5. 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 2017, the "private healthcare" business area includes the following units:

- seven hospitals providing a total of 566 inpatient beds; 385 consultation rooms; 41 operating theatres, 6 delivery rooms, and a wide offer of specialty consultations, exams, dental care, check-ups, physical and rehabilitation medicine;
- nine outpatient units, with 229 consultation rooms, and offering specialty consultations, exams, dental care, check-ups, physical and rehabilitation medicine and also the possibility of carrying out minor surgery;
- one high technology diagnosis and treatment unit including 56 specially consultation rooms; and,
- eight clinical imaging units with a wide range of exams (bone densitometry, ultrasound scan, mammography, radiology, magnetic resonance imaging and computed tomography).

The public healthcare business area results from two partnership contracts with the Portuguese State, in which the Group manages two hospitals:

- Braga Hospital – resulting from a public-private partnership (established in December 2008), the 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 m2, 705 inpatient beds and 109 consultation rooms, 12 operating theatres and one delivery block, 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 m2, 233 inpatient beds and 33 consultation rooms, 9 operating theatre and 6 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 four entities whose corporate purpose is the purchase, sale, management and lease of health infrastructure, commercial spaces and car parks; this way, with this separation, it was possible to separate the clinical business units from the ancillary activities. In its entirety, this segment mostly includes the management and operation of thirteen buildings and seven car parks (for a total of 1,421 parking spaces).

The “Other” segment integrates, in addition to the management of holdings, six entities providing management, training, accounting, consulting, cleaning and maintenance services, and also IT, operational, administrative, leasing of medical equipment, negotiation and procurement services. The Group also has units that (i) provide occupational safety and health services essential for the monitoring of the health of workers and of environmental working conditions, (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 for the financial years ending on 31 December 2017 and 2016 is as follows:

2017

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Services rendered						
External clients	399,480,468	225,040,349	-	3,170,601	-	627,691,418
Intersegment	8,911,779	-	5,113,248	47,251,208	(61,276,235)	-
Total sales and services rendered	**408,392,246**	**225,040,349**	**5,113,248**	**50,421,809**	**(61,276,235)**	**627,691,418**
Other operating profit	6,941,366	2,331,281	1,950,961	41,675,286	(43,146,779)	9,752,114
Operating costs	(367,510,515)	(230,290,784)	(5,664,915)	(96,293,529)	104,909,029	(594,850,714)
Segment operating profit	**47,823,097**	**(2,919,153)**	**1,399,294**	**(4,196,434)**	**486,014**	**42,592,818**
Financial expenses and losses	(5,774,401)	(616,985)	(4,750,072)	(6,455,534)	5,402,755	(12,194,236)
Financial income and gains	822,778	142	486,243	5,535,962	(5,888,769)	956,355
Profit/loss of associates	332,050	-	-	334,421	-	666,471
Profit/loss of investment activities	-	-	-	82,900	-	82,900
Financial results	**(4 619 573)**	**(616 843)**	**(4 263 829)**	**(502 251)**	-	**(10 488 510)**
Pre-tax profit	43,203,523	(3,535,996)	(2,864,535)	(4,698,684)	486,014	32,104,308
Income tax	(11,947,378)	(279,957)	20,652	3,397,028	-	(8,809,655)
Profit attributable to non-controlling interests	(384,014)	682	-	(91,123)	-	(474,455)
Net profit for the year attributable to shareholders	**30,872,131**	**(3,815,271)**	**(2,843,883)**	**(1,392,780)**	**486,014**	**22,820,198**

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

Other information:

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Fixed capital expenses (Note 18)	15,633,386	3,781,510	95,490,880	3,527,277	-	118,433,053
Depreciation and amortisation in profit/loss	(12,788,280)	(9,908,924)	(3,087,849)	(1,946,461)	-	(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	Others	Eliminations	Consolidated
Assets by segments						
Tangible fixed assets	66,073,717	13,191,527	291,185,799	7,957,749	-	378,408,792
Goodwill	43,850,100	15,896	13,261	6,000	-	43,885,257
Trade receivables and advances to suppliers	98,013,786	32,197,814	327,753	27,191,913	(34,860,708)	122,870,558
Investments in associates	233,956	-	-	-	-	233,956
Other assets by segments	70,311,906	65,220,269	61,239,773	439,963,066	(436,723,635)	200,011,378
Total consolidated assets	**278,483,466**	**110,625,506**	**352,766,585**	**475,118,728**	**(471,584,343)**	**745,409,942**
Liabilities						
Borrowings	33,095,036	10,000,000	107,740,051	200,798,998	-	351,634,085
Trade payables and advances from clients	48,110,070	71,817,362	3,122,678	5,865,548	(34,373,657)	94,542,001
Other liabilities by segments	147,294,701	51,927,649	181,851,467	70,836,077	(245,094,602)	206,815,292
Total consolidated liabilities	**228,499,807**	**133,745,010**	**292,714,196**	**277,500,623**	**(279,468,259)**	**652,991,378**

2016

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Services rendered						
External clients	360,378,674	214,605,554	-	3,057,094	-	578,041,322
Intersegment	1,272,399	-	4,366,010	40,000,413	(45,638,822)	-
Total sales and services rendered	**361,651,073**	**214,605,554**	**4,366,010**	**43,057,507**	**(45,638,822)**	**578,041,322**
Other operating profit	4,783,252	3,197,257	68,503	32,604,006	(32,423,495)	8,229,524
Operating costs	(320,703,324)	(220,627,433)	(2,730,745)	(78,737,045)	78,062,317	(544,736,229)
Segment operating profit	**45,731,002**	**(2,824,623)**	**1,703,769**	**(3,075,532)**	**-**	**41,534,616**
Financial expenses and losses	(4,331,383)	(853,048)	(3,419,282)	(5,349,344)	3,866,502	(10,086,554)
Financial income and gains	382,517	533	-	4,005,573	(3,866,502)	522,121
Profit/loss of associates	313,015	-	-	447,166	-	760,181
Profit/loss of investment activities	-	-	-	(83,070)	-	(83,070)
Financial results	**(3,635,851)**	**(852,515)**	**(3,419,282)**	**(979,675)**	**-**	**(8,887,323)**
Pre-tax profit	42,095,151	(3,677,137)	(1,715,513)	(4,055,207)	-	32,647,294
Income tax	(11,533,047)	663,761	(133,641)	2,558,552	-	(8,444,376)
Profit attributable to non-controlling interests	(286,016)	380	-	1,700	-	(283,937)
Net profit for the year attributable to shareholders	**30,276,088**	**(3,012,997)**	**(1,849,155)**	**(1,494,955)**	**-**	**23,918,981**

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

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Fixed capital expenses (Note 18)	15,107,985	2,850,538	17,894,248	3,136,739	-	38,989,509
Depreciation and amortisation in profit/loss	(10,946,727)	(10,098,729)	(2,289,564)	(1,757,347)	-	(25,092,368)
Provisions and impairment losses, net	163,057	(2,038,453)	-	120,802	-	(1,754,594)

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

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Assets by segments						
Tangible fixed assets	55,849,826	17,125,267	110,925,844	5,888,671	-	189,789,608
Goodwill	33,331,272	15,896	13,261	6,000	-	33,366,429
Trade receivables and advances to suppliers	81,681,345	16,736,643	64,359	19,148,552	(22,253,322)	95,377,577
Investments in associates	168,111	-	-	-	-	168,111
Other assets by segments	73,784,529	76,858,534	3,978,412	292,697,687	(263,154,615)	184,164,546
Total consolidated assets	**244,815,082**	**110,736,339**	**114,981,876**	**317,740,910**	**(285,407,936)**	**502,866,271**
Liabilities						
Borrowings	22,971,455	10,000,000	125,734	116,912,739	-	150,009,928
Trade payables and advances from clients	35,581,520	68,170,882	1,383,902	4,659,104	(22,260,555)	87,534,852
Other liabilities by segments	135,322,901	50,104,498	94,939,793	32,369,490	(129,082,729)	183,653,952
Total consolidated liabilities	**193,875,876**	**128,275,379**	**96,449,429**	**153,941,333**	**(151,343,285)**	**421,198,732**

6. 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. The following table presents the details of the calculation of this ratio for 2017 and 2016:

	31-12-2017	31-12-2016
Gross financial debt	421,606,101	219,624,592
Cash and cash equivalents	47,894,297	16,067,394
Other financial instruments	35,150,000	48,650,000
Net Financial Debt (A)	**338,561,804**	**154,907,198**
Equity (B)	**88,189,849**	**77,706,743**
Equity + Net Financial Debt (A+B)	426,751,653	232,613,941
Gearing ratio (A/(A + B))	79%	67%

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 bond 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 2016 and 2017, this ratio recorded values of 4.7x and 2.3x, respectively.

7. OPERATING INCOME

Operating income in the financial years ended 31 December 2017 and 2016 is broken down as follows:

	31-12-2017	31-12-2016
Sales and services:		
Sales	438,802	629,474
Services rendered:		
Hospital and clinical activity	406,107,933	367,169,069
Public health service	217,420,992	206,830,166
Occupational Hygiene, Safety and Medicine	2,637,432	2,523,533
Home Services	950,828	819,328
Others	135,431	69,752
	627,691,418	**578,041,322**
Other operating income:		
Assignment of space	2,995,040	2,593,141
Prior-year corrections	2,285,795	2,037,457
Personnel transfer	1,015,608	920,370
Hospital projects and technical consultancy	934,942	520,425
Clinical tests and analyses	970,625	495,478
Management contracts with regional health authorities	409,118	264,699
Clinical tests, exams, analyses and consumables	402,559	358,522
Prompt payment and discounts obtained	257,325	333,174
Transport of patients	249,756	230,104
Rappel	65,236	-
Gains obtained on sale of assets	40,893	172,145
Internships	38,908	53,181
Provisional retirement	27,589	14,736
Indemnities	15,434	-
Operating grants	4,972	28,884
Reimbursement of costs	-	2,737
Recovery of outstanding debts	-	435
Assignment of personnel	-	138,935
Other operating income	38,314	65,102
	9,752,114	**8,229,524**
	637,443,532	**586,270,846**

Sales and provision of services recorded a growth of 8.6% vis-à-vis the previous year, which is mostly justified by:

- an increase in the number of specialty consultations;
- an increase in the number of operated patients;
- the opening of new clinics;
- the opening of new services in the existing clinics;
- the growth of the different areas of activity and increase of installed capacity.

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

In the year ended 31 December 2016, Corrections concerning previous financial periods item includes the settlement, in the amount of 1,265 million euros, generated in the reconciliation of the settlement of the 2014 and 2015 accounts with ARS Norte IP.

8. COST OF SALES

Cost of sales in the financial years ended 31 December 2017 and 2016 was determined as follows:

	31-12-2017	31-12-2016
Inventories at 1 January (Note 24)	**11,295,357**	**8,951,535**
Changes in consolidation perimeter:		
Incoming	173,636	-
Outgoing	-	-
Procurement	119,276,825	109,758,403
Cost of sales	(116,516,108)	(107,414,581)
Inventories at 31 December (Note 24)	**14,229,710**	**11,295,357**

9. EXTERNAL SUPPLIES AND SERVICES

External supplies and services in the financial years ended on 31 December 2017 and 2016 are broken down as follows:

	31-12-2017	31-12-2016
Fees	142,234,579	110,190,913
Specialised work	25,850,818	42,573,698
Subcontracts	28,924,978	22,899,034
Rents and leases	17,180,664	16,279,333
Maintenance and repair	9,109,711	11,606,045
Electricity	6,410,667	6,260,843
Advertising	2,669,667	2,191,508
Communications	1,740,070	2,049,940
Fuel	1,537,951	1,728,541
Insurance	1,568,816	1,400,043
Water	1,295,555	1,193,224
Collection of waste	1,155,539	1,118,923
Tools and utensils	868,304	1,043,124
Travel and accommodation	588,226	529,599
Air conditioning	399,284	450,923
Articles for free distribution	54,896	267,843
Road tolls	254,055	238,187
Office material	245,154	191,996
Litigation and notary public fees	144,872	154,538
Cleaning, hygiene and comfort	167,359	136,246
Books and technical documentation	66,443	36,055
Transport of goods	10,238	8,555
Other supplies and services	260,239	301,026
	242,738,087	**222,850,139**

The External Supplies and Services item recorded an increase of about 8.9% vis-à-vis the previous year, which is justified by the Group's increased activity. Its main subitem concern:

- Fees (59%) – this item includes the amounts paid to healthcare professionals (doctors, nurses, diagnostic technicians and assistants) of the various units within the scope of the Group's operating activity;
- Specialized Work (11%) – this item mostly concerns clinical works;
- Subcontracts (12%) – includes contracting specific services such as (i) catering, (ii) cleaning, (iii) patient transport and (iv) CDTMs;

10. PERSONNEL COSTS

The number of employees at 31 December 2017 and 2016 by business segment was as follows:

	31-12-2017	31-12-2016
Public healthcare services	4,120	3,926
Infrastructures	-	-
Private healthcare services	1,134	1,009
Others	3,833	3,331
	9,087	**8,266**

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

	31-12-2017	31-12-2016
Remuneration of governing bodies	2,275,338	2,265,336
Wages	140,194,157	131,068,432
Wage-related expenses	33,778,845	31,740,081
Social security contributions	8,486,173	8,391,271
Insurance	3,452,999	2,883,780
Indemnities	470,314	735,984
Training	417,177	665,334
Employee benefits (Note 37)	172,731	226,285
Other personnel costs	13,346,782	6,642,462
	202,594,517	**184,618,966**

Other personnel costs include expenditure on vocational training, medical care and food allowance.

11. OTHER OPERATING COSTS

Other operating costs for the financial years ended on 31 December 2017 and 2016 were as follows:

	31-12-2017	31-12-2016
Taxes	1,520,644	835,136
Prior-year corrections	637,536	1,022,222
Uncollectable debts	561,527	543,933
Donations	417,622	218,477
Contributions to associations	196,236	72,207
Fines and penalties	126,110	274,183
Management contracts with regional health authorities	82,353	-
Losses incurred in the sale of assets	20,287	5,252
Others	20,379	34,172
	3,582,693	**3,005,581**

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

12. FINANCIAL RESULTS

The financial results in the financial years ended 31 December 2017 and 2016 is broken down as follows:

	31-12-2017	31-12-2016
Financial expenses and losses:		
Interest expenses	(8,393,235)	(7,736,684)
Bank fees and services	(2,970,864)	(1,398,482)
Derivative financial instruments - Interest rate (Note 42)	(826,829)	(685,535)
Foreign exchange losses	(187)	-
Other financial losses and expenses	(3,121)	(265,854)
	(12,194,236)	**(10,086,554)**
Financial income and gains:		
Interest earned	610,291	509,882
Foreign exchange gains	26	-
Other financial income and gains	346,039	12,239
	956,355	**522,121**
Profit/loss of associates:		
Losses in associates	-	-
Gains on associates	666,471	760,181
	666,471	**760,181**
Gains /(Losses) relating to investment activities:		
Dividends	-	-
Gains/losses in financial instruments at fair value	82,900	(83,070)
	82,900	**(83,070)**

The detail of the values recognised as results concerning interests in associated companies in the years ending on 31 December 2017 and 2016 is as follows:

Company	31-12-2017		31-12-2016	
	Gains in associates	Losses in associates	Gains in associates	Losses in associates
Escala Parque – Gestão de Estacionamento, S.A. (note 30)	260,754	-	302,691	-
Centro Gamma Knife-Radiocirurgia, S.A. (note 19)	97,956	-	-	-
Escala Braga - Sociedade Gestora do Edifício, S.A. (note 30)	307,761	-	457,490	-
	666,471		**760,181**	

13. INCOME TAX

Income tax recognised in the financial years ended on 31 December 2017 and 2016 is as follows:

	31-12-2017	31-12-2016
Current tax:		
In financial year	9,182,340	9,905,474
In previous financial year	(294,608)	(590,101)
	8,887,732	**9,315,374**
Deferred tax (Note 22):		
Temporary difference and reversal	-	(282,263)
Other transactions	-	34,793
Customer impairments	99,522	-
Retirement benefits	51,349	-
Revaluation of tangible fixed assets	(510,068)	-
Provisions not approved for tax purposes	223,582	(697,916)
Tax losses	57,538	74,387
	(78,077)	**(870,998)**
Tax for the year	**8,809,655**	**8,444,376**

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 RETGS determine and record tax on income as if they were taxed individually; the determined responsibilities are, however, 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 RETGS, 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 income. 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 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:

	31-12-2017	31-12-2016
Income before taxes	32,104,308	32,647,294
Income tax in Portugal	21.0%	21.0%
Standard tax on profits	**6,741,905**	**6,855,932**
Nontaxable income:		
Amortisation of investment property	1,240,455	1,038,621
Excess tax estimate	294,608	590,101
Reversal of adjustments in inventories	-	124,262
Reversal of taxed provisions	2,833,027	684,471
Tax benefits	5,220,289	2,199,042
Others	200,775	265,108
	9,789,154	**4,901,605**
Nontaxable expenses:		
Donations	39,609	143,649
Fines penalties and compensatory interest	64,900	32,386
Non tax deductible provisions	799,573	1,668,767
Expenses incurred from renting a car without a driver	50,978	17,393
Depreciations and amortisations not accepted as expenses	1,635,518	1,402,129
Nondeductible social fringe benefits	-	72,475
Cancellation of the equity method	571,705	898,640
Accounting Losses	94,766	-
Non-deductible adjustments from the application of fair value	34,979	-
Imparity and credits that are non-deductible or beyond the legal limits	516,025	136,107
Irrecoverable debts not accepted as expenses	72	1,249,553
Unduly documented expenses	335	-
Income tax and other taxes on profits	659,998	107,725
Corrections relating to previous periods	618,483	794,090
Others	530,589	611,446
	5,617,530	**7,134,360**

	31-12-2017	31-12-2016
Tax loss/Taxable profit	**27,932,685**	**34,880,049**
Losses carried forward	262,135	541,787
Income tax in Portugal	21.0%	21.0%
Calculated tax	**5,810,815**	**7,211,035**
Autonomous taxation	698,983	729,521
Local Tax	749,432	678,314
Local Government Tax	1,417,465	1,410,237
Tax benefits	(231,694)	-
Effect of the increase/reversal of deferred taxes	(78,077)	(870,998)
Effect of insufficiency/excess tax estimate	(294,608)	(590,101)
Others	737,338	(123,632)
	2,998,839	**1,233,341**
Income tax	**8,809,655**	**8,444,376**
Effective tax rate	**27.4%**	**25.9%**

14. DIVIDENDS

In 2017, dividends concerning the financial year of 2016 were paid in the amount of 6.5 million euros.

Additionally, according to resolution of the Board of Directors held on 29 November 2017, in the financial year ending on 31 December 2017 interim dividends of 1.33 euros per share were paid, amounting to 14.1 million euros, on the result of the mid-term review prepared on 31 October 2017.

In the financial year ended on 31 December 2016, interim dividends were paid 1.08 euros per share, in the amount of 11.4 million euros.

15. REVENUE PER SHARE

The basic and diluted earnings per share in the financial years ended 31 December 2017 and 2016 was calculated considering the following amounts:

	31-12-2017	31-12-2016
Basic earnings per share		
Profit for the purpose of calculating basic earnings per share (profit for the period)	22,820,198	23,918,981
Weighted average number of shares for calculation of basic earnings per share	10,600,000	10,600,000
Net basic earnings per share (euro)	**2.15**	**2.26**

On 31 December 2017 and 2016 there were no dilutive effects of earnings per share, so the diluted revenue per share is equal to basic revenue per share.

16. GOODWILL

The changes in the values of goodwill during the financial years ended 31 December 2017 and 2016 were as follows:

	Private healthcare services	Public healthcare services	Others	Infra-structures	Total
Balance at 1 January 2016	**32,773,372**	**15,896**	**6,000**	**13,261**	**32,808,529**
Impairment losses (Note 38)	(66,100)	-	-	-	(66,100)
Changes in consolidation perimeter:	-	-	-	-	-
Incoming	624,000	-	-	-	624,000
Outgoing	-	-	-	-	-
Balance at 31 December 2016	**33,331,272**	**15,896**	**6,000**	**13,261**	**33,366,429**
Changes in consolidation perimeter:	-	-	-	-	-
Incoming	10,518,828	-	-	-	10,518,828
Outgoing	-	-	-	-	-
Balance at 31 December 2017	**43,850,100**	**15,896**	**6,000**	**13,261**	**43,885,257**

Goodwill in the financial years ended on 31 December 2017 and 2016 was as follows:

Company	Segment (Note 5)	31-12-2017	31-12-2016
Hospital **CUF** Infante Santo, S.A.	Private healthcare services	12,432,819	12,432,819
CPIS - Clínica Particular de Coimbra, S.A.	Private healthcare services	8,258,750	-
Nova Imagem - Centro Radiodiagnóstico, S.A.	Private healthcare services	7,269,220	7,269,220
Hospital **CUF** Santarém, S.A.	Private healthcare services	7,035,102	7,035,102
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Private healthcare services	5,220,465	5,220,465
Clínica Dr. Luís Álvares, S.A.	Private healthcare services	2,145,867	-
SIM-X - Serviço de Imagem Médica, Lda.	Private healthcare services	624,000	624,000
Hospital **CUF** Cascais, S.A.	Private healthcare services	482,166	482,166
Hospital **CUF** Porto, S.A.	Private healthcare services	160,279	160,279
Hospital **CUF** Descobertas, S.A.	Private healthcare services	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.	Public healthcare services	15,896	15,896
Imo health - Investimentos Imobiliários, S.A.	Infra-structures	13,261	13,261

Company	Segment (Note 5)	31-12-2017	31-12-2016
Ecografia de Cascais, Lda.	Private healthcare services	9,119	9,119
Vramondi International BV	Others	6,000	6,000
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	Private healthcare services	837	837
		43,885,257	**33,366,429**

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.
- Each healthcare unit is a cash-generating unit. Valir – Sociedade Gestora de Participações Sociais, SGPS S.A. includes Instituto **CUF** – Diagnóstico e Tratamento, S.A. unit, which is analysed together with Hospital **CUF** Porto, S.A., Nova Imagem – Centro Radiodiagnóstico, S.A. and S.P.S.D – Sociedade Portuguesa de Serviços Domiciliários, S.A., given the complementarity of provided services and the geographical proximity;

and using the following assumptions:

Period	Risk-Free Interest Rate	Wacc Rate	Perpetuity Growth Rate	Revenue Growth Rate
Explicit	3%	7%	-	8%
Perpetuity	3%	7%	2%	8%

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.

The most significant subsidiaries were reviewed in 2017. This review concluded that there was no evidence of impairment of the value of goodwill that has been recognised.

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.

17. 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 2017 and 2016, were as follows:

	Industrial property and other rights (a) (b) (c) (d) (e)	Software	Other intangible assets (f)	Intangible assets in progress (g)	Total
Gross assets:					
Balance at 1 January 2016	15,450,023	13,796,112	4,121,444	397,074	33,764,653
Changes in consolidation perimeter:					
Incoming	-	11,568	-	-	11,568
Outgoing	-	-	-	-	-
Additions	-	382,950	1,922,860	1,984,781	4,290,591
Write-offs	-	(2,461,866)	-	-	(2 461 866)
Transfers	2,470,117	-	(2,470,117)	-	-
Balance at 31 December 2016	**17,920,140**	**11,728,764**	**3,574,188**	**2,381,855**	**35,604,946**
Changes in consolidation perimeter:					
Incoming	-	89,571	-	-	89,571
Outgoing	-	-	-	-	-
Additions	2,796,638	1,177,125	-	1,123	3,974,886
Write-offs	-	-	(630,159)	-	(630,159)
Transfers	-	(182,178)	-	-	(182,178)
Balance at 31 December 2017	**20,716,778**	**12,813,282**	**2,944,029**	**2,382,978**	**38,857,066**
Depreciation and accumulated impairment losses:					
Balance at 1 January 2016	(8,687,217)	(12,312,166)	(1,317,179)	-	(22,316,562)
Changes in consolidation perimeter:					
Incoming	-	(11,568)	-	-	(11,568)
Outgoing	-	-	-	-	-
Write-offs	-	2,525,650	-	-	2,525,650
Increases	(1,541,471)	(865,898)	(517,881)	-	(2,925,249)
Balance at 31 December 2016	**(10,228,688)**	**(10,663,981)**	**(1,835,060)**	**-**	**(22,727,729)**
Changes in consolidation perimeter:					
Incoming	-	(76,551)	-	-	(76,551)
Outgoing	-	-	-	-	-
Increases	(1,541,471)	(707,211)	(446,884)	-	(2,695,566)
Balance at 31 December 2017	**(11,770,159)**	**(11,447,743)**	**(2,281,944)**	**-**	**(25,499,846)**
Net value					
At 31 December 2016	7,691,452	1,064,782	1,739,128	2,381,855	12,877,217
At 31 December 2017	**8,946,619**	**1,365,538**	**662,085**	**2,382,978**	**13,357,220**

(a) The management contract between 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.

(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) This caption includes the amount of 3,228,817 euros corresponding to the total estimated value of investments expected until the end of the management and operation contract for the Vila Franca de Xira Hospital, arising from the obligations laid down in Annex V of that contract. As specified in IAS 37 – Provisions, contingent liabilities and contingent assets and in accordance with the principles described in IFRIC 12 – Service concession arrangements, this value began to be amortised in April 2013 following the transfer to the new facility, which was when new capacity was acquired and an investment plan was prepared envisaging the recognition of the future liability with the replacement of the referred equipment by the end of the 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, a provision was created in 2013 to account for the intangible, with it beginning to be amortized 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 2017, by reviewing the expected purchasing values, this asset was adjusted and reduced by 630 thousand euros, with the corresponding provision adjusted by the same amount (Note 38).

(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, and which is still under construction.

There are no signs of impairment on the intangible assets.

18. 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 2017 and 2016, were as follows:

	31-12-2017						
	Land and natural resources	Land and natural resources	Basic equipment	Office equipment	Other tangible assets	Tangible assets in progress	Total
Gross assets:							
Balance at 1 January 2017	44,352,024	114,742,314	160,846,804	20,639,128	134,402	23,875,360	364,590,033
Changes in consolidation perimeter	1,981,616	82,655,784	3,967,736	808,386	79,910	-	89,493,431
Discontinued operations	-	-	-	-	-	-	-
Fair value variation	-	8,999,371	-	-	-	-	8,999,371
Additions	-	72,586,051	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)	-	-	-	(298,596)
Intangible transfers	-	-	182,178	-	-	-	182,178
Transfers	-	(6,657,691)	1,617	713	-	6,655,361	-
Balance at 31 December 2017	**46,333,640**	**272,291,973**	**179,121,330**	**22,427,062**	**214,312**	**61,074,886**	**581,463,202**
Depreciation and accumulated impairment losses:							
Balance at 1 January 2017	-	(36,077,226)	(121,027,654)	(17,603,856)	(91,689)	-	(174,800,425)
Changes in consolidation perimeter	-	(86,939)	(2,451,219)	708,710	(42,076)	-	(3,288,945)
Discontinued operations	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Balance at 31 December 2017	**-**	**(44,431,346)**	**(138,791,254)**	**(19,684,591)**	**(147,219)**	**-**	**(203,054,410)**
Net value	46,333,640	227,860,627	40,330,075	2,742,471	67,093	61,074,886	378,408,792

	31-12-2016						
	Land and natural resources	**Land and natural resources**	**Basic equipment**	**Office equipment**	**Other tangible assets**	**Tangible assets in progress**	**Total**
Gross assets:							
Balance at 1 January 2016	20,600,285	108,625,622	145,210,796	21,559,326	134,402	26,323,631	322,454,062
Changes in consolidation perimeter	-	583,251	1,053,032	3,165	-	-	1,639,447
Fair value variation	1,026,101	5,018,856	-	-	-	-	6,044,957
Additions	379,058	20,858,117	14,668,173	2,044,558	-	1,039,604	38,989,509
Settlements	20,577,214	(20,507,389)	772,985	-	-	-	842,810
Disposals and write-offs	-	(1,040,987)	(1,188,686)	(2,967,921)	-	(183,160)	(5,380,754)
Transfers	1,769,366	1,204,845	330,504	-	-	(3,304,715)	0
Balance at 31 December 2016	**44,352,024**	**114,742,314**	**160,846,804**	**20,639,128**	**134,402**	**23,875,360**	**364,590,033**
Depreciation and accumulated impairment losses:							
Balance at 1 January 2016	-	(29,039,527)	(108,031,798)	(18,271,054)	(78,424)	-	(155,420,804)
Changes in consolidation perimeter	-	(374,252)	(427,712)	(1,912)	-	-	(803,876)
Settlements	-	214,072	(95,303)	-	-	-	118,769
Depreciation	-	(7,209,039)	(13,357,259)	(1,587,555)	(13,265)	-	(22,167,118)
Disposals and write-offs	-	331,522	884,418	2,256,665	-	-	3,472,605
Balance at 31 December 2016	**-**	**(36,077,226)**	**(121,027,654)**	**(17,603,856)**	**(91,689)**	**-**	**(174,800,425)**
Net value	**44,352,024**	**78,665,089**	**39,819,151**	**3,035,272**	**42,713**	**23,875,360**	**189,789,608**

JMS Group established that the real estate asset class allocated to health services, which includes the Lands 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 revaluated amount and the win/loss, net of the liability deferred tax effect is recognized in the Other items of comprehensive income item. These properties were evaluated using different methods:

CUF Descobertas 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 Santos 34" Building

The Income Capitalisation 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.

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.

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. Capitalisation rates used reflect market behaviour of offices in Portugal upon analysing the profitability of medium/long-term investment projects.

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 35).

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;

Tangible assets in progress will be recognised as land and natural resources or buildings and other constructions when their promotion is recognised as irresistible. On 31 December 2017, this item predominantly includes the amount of 57.7 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 the Descobertas Hospital's Expansion Building. These assets are valued at cost price on the date of the financial statement.

During 2017 and 2016, the Amortisations, depreciations and impairment losses caption had the following impacts on the financial position:

	31-12-2017	31-12-2016
Total amortization, depreciation and impairment losses:		
Tangible fixed assets	25,035,948	22,167,118
Intangible assets	2,695,566	2,925,249
Investment properties	-	-
	27,731,514	**25,092,368**

19. INVESTMENTS IN ASSOCIATES

Equity holdings in associates changed as follows in the financial years ended on 31 December 2017 and 2016:

	31-12-2017				31-12-2016
	Equity holdings	Loans granted	Impairment losses	Total	Total
Balance at 1 January	34,000	170,000	(35,889)	168,111	3,268,747
Changes in consolidation perimeter	-	-	-		
Effect of currency conversion	-	-	-	-	
Equity method application:					
Effect on results	97,956	-	35,889	133,845	138,459
Effect on equity	-	-	-	-	-
Dividends earned	-	-	-	-	-
Acquisitions and increases	-	-	-	-	-
Transfers	-	-	-	-	(3,171,095)
Disposals and write-offs	-	(68,000)	-	(68,000)	(68,000)
Balance at 31 December	**131,956**	**102,000**	**-**	**233,956**	**168,111**

The Investments in associates caption in the financial years ended on 31 December 2017 and 2016 is broken down as follows:

	31-12-2017				31-12-2016			
Associates	Equity holdings	Loans granted	Impairment losses	Balance sheet value	Equity holdings	Loans granted	Impairment losses	Balance sheet value
Centro Gamma Knife-Radiocirurgia, S.A.	131,956	102,000	-	233,956	34,000	170,000	(35,889)	168,111
	131,956	**102,000**	**-**	**233,956**	**34,000**	**170,000**	**(35,889)**	**168,111**

The main aggregated financial information regarding associates at 31 December 2017 is as follows:

	Financial information at 31 December 2017					
Associates	Assets	Liabilities	Equity	Expenses	Income	Net profit
Centro Gamma Knife-Radiocirurgia, S.A.	1,262,319	674,220	588,099	616,456	1,010,116	393,660

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

Fair Value at 31 December 2017

		HIERARCHY OF FAIR VALUE		
	Total 31-12-2017	Level 1 Market Quotes	Level 2 Inputs Observable In The Market	Level 3 Inputs Non-Observable In The Market
Assets valued at fair value				
Lands and Buildings (Note 18)	314,275,866	-	-	314,275,866
Liabilities valued at fair value				
Financial Derivative Instruments				
Cash flow hedging (Note 42)	1,627,604	-	1,627,604	-
	315,903,470	**-**	**1,627,604**	**314,275,866**

Fair Value at 31 December 2016

		HIERARCHY OF FAIR VALUE		
	Total 31-12-2016	Level 1 Market Quotes	Level 2 Inputs Observable In The Market	Level 3 Inputs Non-Observable In The Market
Assets valued at fair value				
Lands and Buildings (Note 18)	131,389,179	-	-	131,389,179
Liabilities valued at fair value				
Financial Derivative Instruments				
Cash flow hedging (Note 42)	2,301,121	-	2,301,121	-
	133,690,299	**-**	**2,301,121**	**131,389,179**

21. OTHER INVESTMENTS

The other investments at 31 December 2017 and 2016 are as follows:

	31-12-2017				31-12-2016
Company	Equity holdings	Loans granted	Impairment losses	Balance sheet value	Balance sheet value
Fundo de Compensação do Trabalho e Fundo de Garantia de Compensação do Trabalho	648,884	-	-	648,884	393,472
Digihealth, S.A.	1,315,853	50,000	(1,315,853)	50,000	50,000
Centro Clínico Académico de Braga	35,000	-	-	35,000	35,000
Diagnosticar - Diagnóstico Computorizado, S.A.	26,200	-	-	26,200	26,200
Lisgarante	5,300	-	-	5,300	-
IBET	5,000	-	-	5,000	5,000
	2,036,238	**50,000**	**(1,315,853)**	**770,384**	**509,672**

Other investments include non-current financial assets, measured at acquisition cost and adjusted for estimated impairment losses. This caption recorded the following changes in the financial years ended on 31 December 2017 and 2016:

	Other investments
Gross investment:	
Balance at 1 January 2016	1,627,481
Increases	198,044
Balance at 31 December 2016	**1,825,525**
Increases	260,713
Balance at 31 December 2017	**2,086,237**
Impairment losses (Note 33):	
Balance at 1 January 2016	(1,315,853)
Increase	-
Balance at 31 December 2016	**(1,315,853)**
Increase	-
Balance at 31 December 2017	**(1,315,853)**
Net value:	
At 31 December 2016	**509,672**
At 31 December 2017	**770,384**

22. DEFERRED TAX ASSETS AND LIABILITIES

The changes occurred in deferred tax assets and liabilities in the financial years ended on 31 December 2017 and 2016 were as follows:

	Deferred tax assets						
	Other	Impairment losses on trade receivables	Derivatives	Reported tax losses	Employee benefits (Note 33)	Provisions not approved for tax purposes	Total
Balance at 1 January 2016	-	71,746	334,757	131,924	950,188	1,690,321	3,178,936
Changes in consolidation perimeter	-	-	-	-	-	-	-
Composition:							
Net profit	-	282,303	182,995	-	-	698,410	1,163,708
Equity	126,574	-	-	-	-	-	126,574
Reversal:							
Net profit	17,162	40	-	74,387	85,190	494	177,273
Changes in tax rate			-	-	-	-	-
Balance at 31 December 2016	**109,412**	**354,009**	**517,752**	**57,537**	**864,998**	**2 388 237**	**4 291 945**
Changes in consolidation perimeter (Note 4)	-	-	-	78,680	-	-	78,680
Composition:							
Net profit	-	72,877	-	-	-	14,792	87,669
Equity	-	-	-	-	-	-	-
Reversal:							
Net profit	375	184,280	-	57,538	51,349	226,493	520,035
Equity	-	-	151,542	-	-	-	151,542
Balance at 31 December 2017	**109,037**	**242,606**	**366,210**	**78,679**	**813,649**	**2,176,536**	**3,786,717**

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 a worker 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.

	Deferred tax liabilities		
	Revaluation of tangible fixed assets	Financial derivative instruments	Total
Balance at 1 January 2016	-	-	-
Composition:			
Net profit	115,436	-	115,436
Equity	2,742,013	-	2,742,013
Reversal:			
Net profit	-	-	-
Equity	-	-	-
Balance at 31 December 2016	**2,857,449**	**-**	**2 857 449**
Changes in scope (Note 4)	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)
Balance at 31 December 2017	**11,735,363**	**-**	**11,735,363**

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.

23. OTHER CURRENT AND NON-CURRENT ASSETS

On 31 December 2017 and 2016, these captions showed the following breakdown:

	31-12-2017		31-12-2016	
	Current	**Non-current**	**Current**	**Non-current**
Accrued income:				
Income from production not invoiced	33,559,905	-	43,999,641	
Provision of medical services not invoiced	10,983,783	-	5,148,355	-
Sliding scale income receivable	4,157,148	-	6,753,463	-
Interest earned	491,073	-	342,081	
Assignment of space	21,816	-	16,278	-
Other accrued income	103,061	-	136,288	-
	49,316,786	**-**	**56,396,107**	**-**
Deferred costs:				
São Marcos Hospital responsibility	-	6,129,201	-	6,129,201
Reynaldo dos Santos Hospital responsibility	-	2,167,744	-	2,167,744
Insurance	1,207,954	-	1,197,484	-
Commissions and Stamp duty	827,980	-	630,400	-
Sale price deferral	697,321	-	772,755	
Rents and leases	228,334	-	983,933	-
Information systems licenses	220,812	-	182,144	-
Clinical analyses and consumables	68,527	-	161,011	-
Maintenance and repair costs	56,522	-	7,918	-
Official Court of Auditors (Fees)	36,158	-	52,244	-
Deferred interest	11,034	-	5,570	-
Other deferred costs	78,014	-	21,413	-
	3,432,655	**8,296,945**	**4,014,872**	**8,296,945**
	52,749,441	**8,296,945**	**60,410,979**	**8,296,945**

The elements recorded as Non-current 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 item of Income for unbilled production includes the accrued income from ARS Norte and ARSLVT, stemming from the determination of the actual production of 2013, 2014, 2015, 2016 and 2017 (and that are also ongoing conference and closing), in accordance with the provisions of the management contract, as mentioned in Note 2.3, as well as accruals from services provided and not billed from third parties and, also, medications to be billed. On 31 December 2017 and 2016, this caption showed the following breakdown:

	31-12-2017		31-12-2016	
	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	204,935	2,805,192
Production for the financial year of 2015	585,676	150,444	819,640	157,408
Production for the financial year of 2016	65,694	446,657	29,677,175	7,692,880
Production for the financial year of 2017	19,902,728	6,996,181	-	-
	20,554,097	**13,005,807**	**30,701,750**	**13,297,891**

24. INVENTÁRIOS

On 31 December 2017 and 2016, the inventories predominantly concern Pharmaceutical Products and Material for Clinical Consumption, and present the following balances:

	31-12-2017	31-12-2016
Pharmaceuticals products	8,552,314	5,670,702
Material for clinical consumption	4,946,522	5 095 705
Material for office consumption	225,879	187,618
Other consumption material	116,560	113,089
Uniforms	90,647	77,354
Others	297,788	150,889
	14,229,710	**11,295,357**
Accumulated impairment losses on inventories (Note 38)	(13,130)	(32,501)
	14,216,580	**11,262,856**

These products and materials are used by the Group's various clinical units in their activity to provide clinical services.

25. TRADE RECEIVABLES AND ADVANCE PAYMENTS TO SUPPLIERS

The Trade receivables and advances to suppliers caption was broken down as follows at 31 December 2017 and 2016:

	31-12-2017			31-12-2016		
	Gross value	Impairment losses (Note 38)	Net value	Gross value	Impairment losses (Note 38)	Net value
Trade receivables, current account	120,767,384	(1,052,312)	119,715,072	93,353,001	(976,496)	92,376,505
Customers, bills receivable	47,011	-	47,011	-	-	-
Doubtful receivables	12,186,095	(9,100,589)	3,085,506	12,274,963	(9,296,745)	2,978,218
Advances to suppliers	22,970	-	22,970	22,855	-	22,855
	133,023,460	**(10,152,901)**	**122,870,558**	**105,650,818**	**(10,273,241)**	**95,377,577**

The balances in the Statement of Financial Position are net of impairment losses on trade payables balances, which were estimated as described in Note 2.20 (b).

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

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

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

Year	Total	Debt	Overdue debt				
			< 180 days	181-365 days	366-545 days	546-730 days	> 730 days
31-12-2017	**133,023,460**	29,528,119	67,149,946	10,852,297	3,789,842	4,401,112	17,302,144
31-12-2016	**105,650,818**	51,570,124	20,935,011	9,521,035	4,219,447	3,250,832	16,154,369

26. OTHER CURRENT DEBTORS

The Other current debtors caption was broken down as follows at 31 December 2017 and 2016:

	31-12-2017	31-12-2016
Loans to related entities (Note 41)	122,780	1,885,798
Bastos Mota Investimentos Imobiliários, Lda.	859,250	-
Advances on financial investments	-	850,000
Hospital projects in progress	799,859	690,891
Personnel	794,132	732,216
Surety bonds	152,630	126,325
Seizures and liens	134,165	134,165
Sale of financial investments	132,000	376,019
Service providers	11,025	7,350
Re-invoicing	5,980	47,895
Other debtors	304,715	237,576
	3,316,536	**5,088,234**

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

27. GOVERNMENT AND OTHER PUBLIC ENTITIES

The balances with these entities at 31 December 2017 and 2016 were as follows:

	31-12-2017	31-12-2016
Debit balances:		
Corporate Income Tax	14,406,170	12,206,210
Value added tax	2,316,597	1,328,603
Personal income tax	425	4,658
Social security contributions	13,191	-
Other	1,409	1,222
	16,737,792	**13,540,692**
Credit balances:		
Corporate income tax	13,282,036	12,280,671
Personal income tax	2,253,285	2,244,520
Social security contributions	4,192,515	3,768,772
Value added tax	2,141,292	904,143
Other	89,438	54,222
	21,958,566	**19,252,327**

28. OTHER FINANCIAL INSTRUMENTS

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

Subsidiary	Issuer	Year of issue	Maturity	31-12-2017	31-12-2016
José de Mello Saúde, S.A.	Farminveste - Investimentos, Participações e Gestão, S.A.	2014	Jun-20	10,000,000	10,000,000
Hospital **CUF** Infante Santo, S.A.	José de Mello Capital, S.A.	2007	Dec-22	10,000,000	10,000,000
Hospital **CUF** Descobertas, S.A.	José de Mello Capital, S.A.	2007	Dec-17	-	10,000,000
Hospital **CUF** Descobertas, S.A.	José de Mello Participações II, SGPS, S.A.	2008	Jun-18	-	10,000,000
José de Mello Saúde, S.A.	José de Mello Capital, S.A.	2008	Dez-22	6,500,000	-
Hospital **CUF** Descobertas, S.A.	Farminveste - Investimentos, Participações e Gestão, S.A.	2010	Dez-20	4,350,000	4,350,000
Hospital **CUF** Descobertas, S.A.	Farminveste - Investimentos, Participações e Gestão, S.A.	2014	Jun-20	4,300,000	4,300,000
				35,150,000	**48,650,000**

These bonds have a put option that gives the Group the right to redeem the amount in question at any time, which is why they are categorised as a current asset. The option of sale was recorded at face value, without any associated derivative. It is our expectation to exercise the sale option within 12 months.

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

29. CASH AND BANK DEPOSITS

On 31 December 2017 and 2016, this caption showed the following breakdown:

	31-12-2017	31-12-2016
Cash and bank deposits		
Cash	1,561,666	1,743,953
Current accounts	46,323,734	14,124,477
Term deposits	6,307	6,307
Other cash investments	2,590	192,657
	47,894,297	**16,067,394**
Cash and cash equivalents		
Bank overdrafts (Note 35)	(10,055)	(252,734)
	47,884,243	**15,814,660**

30. NON-CURRENT ASSETS HELD FOR SALE

On 31 December 2017 and 2016, the “Non-current assets held for sale” caption was broken down as follows:

	31-12-2017				31-12-2016
Associates	Equity holdings	Loans granted	Impairment losses	Balance sheet value	Balance sheet value
Escala Braga - Sociedade Gestora do Edifício, S.A.	1,549,932	1,904,379	-	3,454,311	2,769,106
Escala Parque – Gestão de Estacionamento, S.A.	281,154	-	-	281,154	323,091
Others	-	-	-	-	76,416
	1,831,086	**1,904,379**	**-**	**3,735,465**	**3,168,613**

It is the intention of the JMS Group to transfer its shares in the equity of Escala Braga – Sociedade Gestora do Edifício, S.A. and of Escala Parque – Gestão de Estacionamento, S.A., along with all corresponding rights and obligations.

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 being dependent on the authorisation of the Contracting Public Entity (Regional Health Administration – Administração Regional de Saúde). The Long Stop Date contractually provided to obtain this authorisation was extended. Despite ARS’s authorization not yet having been obtained for the transfer of stock, the involved parties maintain their intent to sell the shares. A gain of around 5.5 million euros is expected from the sale of these shares.

In 2017, 568 thousand euros of income were recorded (2016: 760 thousand euros) concerning received dividends.

31. SHARE CAPITAL

The share capital at 31 December 2017 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 at 31 December 2017:

Entity	Number of shares	Ownership percentage
José de Mello Capital, S.A.	6,980,100	65.85%
Fundação Amélia da Silva de Mello	439,900	4.15%
Farminveste - Investimentos, Participações e Gestão, S.A.	3,180,000	30.00%
	10,600,000	**100.00%**

32. LEGAL RESERVE

According to legislation in force, the Company must reinforce the legal reserve by at least 5% of the annual net profit until this reserve equals at least 20% of the share capital.

The legal reserve is not yet fully established and, as such, in 2017, the minimum stipulated value was allocated. 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

Reserve of fair value

This item includes the variations in the fair value in financial investments and tangible fixed assets that, in accordance with No. 2 of art. 32 of the CSC, will only be available for distribution when the elements or rights giving rise to them are disposed of, exercised, eliminated or settled.

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.

Reserves and Retained earnings

In accordance with Portuguese legislation, the amount of distributable reserves and retained earnings is determined according to the Company's individual financial statements, presented in accordance with the IAS/IFRS.

34. NON-CONTROLLING INTERESTS

The changes occurred in this caption in the financial years ended on 31 December 2017 and 2016 were as follows:

	31-12-2017	31-12-2016
Initial balance at 1 January	**3,960,796**	**3,708,111**
Dividends	(196,400)	(206,278)
Capital increase	-	-
Capital decrease	(10,135)	-
Changes resulting from change of equity in associates	-	175,027
Profit for year attributable to non-controlling interests	474,455	283,937
Final balance at 31 December	**4,228,716**	**3,960,796**

The breakdown of the non-controlling interests caption at 31 December 2017, by company, is as follows:

		31-12-2017		31-12-2016	
		Non-controlling interests		Non-controlling interests	
Company	Percentage not owned	Profit/loss	Total	Profit/loss	Total
VALIR - Sociedade Gestora de Participações Sociais, S.A.	4.00%	(344)	1,218,333	(603)	1,218,677
Vramondi International	0.00%	-	(5)	(1)	(6)
Hospital **CUF** Descobertas, S.A.	0.10%	12,709	23,799	10,622	18,999
Clínica **CUF** Belém, S.A.	37.19%	261,022	1,435,244	152,419	1,330,917
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	66.35%	37,455	1,124,330	96,271	1,086,875
Nova Imagem - Centro Radiodiagnóstico, S.A.	0.00%	2	4	2	3
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	29.50%	91,467	357,093	(1,096)	265,626
HD Medicina Nuclear, S.A.	30.07%	108,256	544,241	66,423	475,601
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	0.02%	241	2,023	197	1,430
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	0.02%	(923)	(11,355)	(577)	7,765
Instituto **CUF** - Diagnóstico e Tratamento, S.A.	4.00%	(35,431)	(464,991)	(39,722)	(429,561)
		474,455	**4,228,716**	**283,937**	**3,960,796**

35. LOANS

Borrowings at 31 December 2017 and 2016 were as follows:

	31-12-2017	31-12-2016
Non-current liabilities:		
Bond loans	149,874,323	99,452,814
Other bank loans	145,640,041	18,532,108
	295,514,364	**117,984,922**
Current liabilities:		
Commercial paper	48,700,000	23,900,000
Other bank loans	6,409,667	3,237,272
Bonded current accounts	1,000,000	4,635,000
Bank overdrafts (Note 29)	10,055	252,734
	56,119,722	**32,025,005**
	351,634,085	**150,009,928**

Commercial paper

The Group has contracted eight commercial paper programmes with a limit of 142,000,000 euros. On 31 December 2017, these liabilities had the following detail:

		Outstanding amount		Amortisation		
Contracting company	Nominal amount hired	Current	Non-current	Maturity	Periodicity	Interest rate
José de Mello Saúde, S.A.	6,000,000	-	-	jan. 2019	Annual	Euribor + 1.75%
José de Mello Saúde, S.A.	10,000,000	-	-	nov. 2019	Annual	Euribor + 2%
José de Mello Saúde, S.A.	10,000,000	9,700,000	-	mar. 2021	Single	1%
José de Mello Saúde, S.A.	10,000,000	5,000,000	-	dez. 2018	Annual	Euribor + 0.85%
Imo health - Investimentos Imobiliários, S.A.	80,000,000	8,000,000	-	jul. 2031	Monthly	Euribor + 2.3%
Hospital **CUF** Descobertas, S.A.	10,000,000	10,000,000	-	nov. 2019	Annual	Euribor + 2%
Hospital **CUF** Descobertas, S.A.	6,000,000	6,000,000	-	jan. 2019	Annual	Euribor + 1.75%
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	10,000,000	10,000,000	-	dez. 2018	Annual	Euribor + 2.75%
	142,000,000	**48,700,000**				

Although there are programmes with maturities exceeding one year, there are annual renewals, leading the Commercial Paper to be categorised as current.

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 values.

On 31 December 2017, the JMS Group met all financial covenants in the commercial paper programmes, except in the Imo Health contract with Caixa de Crédito Agrícola, which is under review.

Debenture loans

Debenture loans concern the following issues:

- "JOSÉ DE MELLO SAÚDE 2014/2019"
    - Total loan amount: 50,000,000 euros
    - Nominal value: 10,000 euros per bond
    - Maturity 9 June 2019
    - Interest rate: Interest rate: 6-month Euribor plus 3.875%
- "JOSÉ DE MELLO SAÚDE 2015/2021"
    - Total loan amount: 50,000,000 euros
    - Nominal value: 10,000 euros per bond
    - Maturity 17 May 2021
    - Interest rate: Interest rate: 6-month Euribor plus 2.95%
- "JOSÉ DE MELLO SAÚDE 2017/2023"
    - Total loan amount: 50,000,000 euros
    - Nominal value: 10,000 euros per bond
    - Maturity 28 September 2023
    - Interest rate: Fixed rate (4%)

These issuances were placed with institutional investors and approved for trading in the regulated market of Euronext Lisbon and Bourse de Luxembourg, except for the last issuance, whose authorization are still pending approval. These contracts include compliance requirements for the "Net Financial Debt / EBITDA" debt ratio. On 31 December 2017, José de Mello Saúde, S.A. met the financial covenants in all debenture loans.

Other bank loans

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

	31-12-2017		31-12-2016	
Type of financing	Current	Non-current	Current	Non-current
Bank loan	121,997	54,006	34,368	88,017
IAPMEI / PME	75,000	179,167	-	-
Loan Agreement	6,212,670	145,406,868	3,202,904	18,444,092
	6,409,667	**145,640,041**	**3,237,272**	**18,532,108**

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 this bank funding. These loans have associated guarantees and collaterals described in Note 45.

Credit lines available but not used

On 31 December 2017 and 2016, the credit lines available and not used amounted to respectively 117,782,000 euros and 29,150,000 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 2017 and 2016, is as follows:

	31-12-2017	31-12-2016
Buildings and other constructions	57,844,161	55,581,261
Basic equipment	24,371,948	24,324,951
Office equipment	438,186	594,185
Other tangible fixed assets	2,898	5,795
Software	41,294	-
	82,698,487	**80,506,192**

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 liabilities for finance lease have the following maturities:

	31-12-2017
Minimum finance leasing instalments:	
Not over one year	9,794,327
Over one year and not exceeding five years	24,531,984
Over five years	35,645,704
	69,972,015

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. The total amounts of future minimum payments are as follows:

	31-12-2017		
	Less than 1 year	Between 1 and 5 years	Over five years
Medical equipment	1,952,950	4,717,822	9,084
Vehicles	967,048	808,772	-
Buildings	18,609,139	82,338,946	204,790,071
	21,529,137	**87,865,540**	**204,799,155**

Costs of 17,181 thousand euros and 16,279 thousand euros were recognised for the financial years ended on 31 December 2017 and 2016, respectively, relative to operating leasing contracts instalments.

In 2016 it was impossible to obtain the detail of the minimum payments of the operating and financial leases. However, the leases concerned these contracts and similar ones, thus the values are similar to those recorded in 2017.

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 Actuariais 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 1,355,000 euros (1,462,000 euros in 2016). The adjusted provision for retirement pensions is reported in Note 38.

The actuarial evaluation of pension plan liabilities was performed according to the Projected Unit Credit method, taking into consideration the following assumptions:

	31-12-2017	31-12-2016
Discount rate (before retirement)	1.30%	1.30%
Discount rate (after retirement)	1.30%	1.30%
Pensions growth rate	0.00%	0.00%
Mortality table:		
For men	TV 73/77	TV 73/77
For women	TV 88/90	TV 88/90
Number of pensioners	54	55
Average age	74	73

38. PROVISIONS, IMPAIRMENT LOSSES, CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

The Group is involved in various legal proceedings during the normal course of its business activities. However, given their nature, the expectation is that the respective outcome will not generate any material effects on the business undertaken, financial situation and results of the operations.

Provisions

The changes occurred in provisions during the financial years ended on 31 December 2017 and 2016 were as follows:

		Provisions				
	Employee benefits (Note 37)	Taxes	Environmental issues ambientais	Other	Total	Total liabilities
Balance at 1 January 2016	**1,762,373**	**390,811**	**5,000**	**12,579,097**	**12,974,908**	**14,737,281**
Increase	-	-	-	1,306,696	1,306,696	1,306,696
Use	-	-	-	(188,821)	(188,821)	(188,821)
Reversal	(300,598)	-	-	(71,550)	(71,550)	(372,147)
Balance at 31 December 2016	**1,461,775**	**390,811**	**5,000**	**13,625,422**	**14,021,234**	**15,483,009**
Increase	-	-	-	799,574	799,574	799,574
Use	-	-	-	(1,741,051)	(1,741,051)	(1,741,051)
Reversal	(106,559)	-	-	(190,159)	(190,159)	(296,718)
Investment plan (Note 17)	-	-	-	(630,125)	(630,125)	(630,125)
Balance at 31 December 2017	**1,355,216**	**390,811**	**5,000**	**11,863,662**	**12,259,474**	**13,614,690**

The Other item mostly includes provisions for contractual penalties and risks, stemming from the activity of providing hospital services, that are considered likely. It also includes a provision intended to address the liability for replacing equipment as established in Annex V of the Management and Operation Contract of Vila Franca Hospital, This provision was set up in the financial year of 2013 against Intangible assets (Note 17) following the transfer to the new facility, which was when new capacity was acquired and an investment plan was prepared, which envisages the recognition of the future liability to replace the referred equipment by the end of the contract. During 2017, the total value of the investments under the defined plan was revised and reduced by 630 thousand euros, with this provision being reduced by the same amount.

Impairment losses

The changes occurred in accumulated impairment losses during the financial years ended on 31 December 2017 and 2016 were as follows:

Current assets

	Impairment losses on current assets		
	Inventories (Note 24)	Trade receivables and advances to suppliers (Note 25)"	Total
Balance at 1 January 2016	**21,523**	**9,637,528**	**9,659,052**
Increase	10,978	1,555,898	1,566,876
Use	-	(615,307)	(615,307)
Reversal	-	(304,878)	(304,878)
Balance at 31 December 2016	**32,501**	**10,273,241**	**10,305,742**
Increase	2,152	1,880,641	1,882,793
Use	-	(1,436,015)	(1,436,015)
Reversal	-	(564,966)	(564,966)
Transfers	(21,523)	-	(21,523)
Balance at 31 December 2017	**13,130**	**10,152,901**	**10,166,031**

Non-current assets

	Impairment losses on non-current assets			
	Goodwill (Note 16)	Associated Companies and Other Investments (Notes 19 and 21)	Non-current assets held for sale	Total
Balance at 1 January 2016	**3,575,232**	**1,859,794**	**97,000**	**4,988,085**
Increases	66,100	-	-	66,100
Transfers	-	(369,593)	369,593	-
Reversal	-	(138,459)	(369,593)	(508,052)
Balance at 31 December 2016	**3,641,332**	**1,351,742**	**97,000**	**4,546,133**
Reversal	-	(35,889)	(97,000)	(132,889)
Balance at 31 December 2017	**3,641,332**	**1,315,853**	**-**	**4,413,244**

During the 2017 and 2016 financial years, the changes occurred in the “Impairment losses” and “Provisions” captions were offset against income:

	31-12-2017			31-12-2016		
	Increases	Reversal	Total	Increases	Reversal	Total
Employee benefits	-	(106,559)	(106,559)	-	(300,598)	(300,598)
Provisions	799,574	(190,159)	609,415	1,306,696	(71,550)	1,235,147
Impairment losses on non-current assets	-	(132,889)	(132,889)	66,100	(508,052)	(441,952)
Impairment losses on current assets	1,882,793	(564,966)	1,317,827	1,566,876	(304,878)	1,261,998
			1,687,795			**1,754,594**

Contingent assets

2017 was the second consecutive year in which Escala Braga presented a negative result of around 4 million euros. This situation results from the Government not reassessing the vertical funding programmes for HIV and Multiple Sclerosis, with an approximate value of 7.5 million euros for 2016 and 7.9 million euros for 2017. It is our strong belief that this behaviour by the state-owned partner contributed mercilessly to the current financial situation and is a very serious situation of contractual non-compliance. This way, a Request for Financial Recovery was lodged as a protection at the end of 2016 for the purposes of clause 127, paragraph 9, subparagraph (b) of the Management Contract, proposing, in a spirit of loyal cooperation and good faith, an already initiated process of arbitration to settle this dispute.

The JMS Group considers the success of this litigation likely and the best estimate of this contingent asset to amount to 15.4 million euros.

This amount’s consideration in the future projection enables ruling out the possibility of the contract being onerous.

This situation naturally deserves the utmost attention by the hospital’s management team, with the firm expectation that it will be reversed by a positive decision of the already formed Arbitration Tribunal in favour of this dispute’s settlement.

39. TRADE PAYABLES AND ADVANCES FROM CLIENTS

On 31 December 2017 and 2016, these captions showed the following breakdown:

	31-12-2017	31-12-2016
Trade payables, current account	80,830,747	74,547,613
Trade payables, invoices pending	9,356,007	9,432,203
Advances from clients	4,355,247	3,555,036
	94,542,001	**87,534,852**

40. OTHER CURRENT AND NON-CURRENT CREDITORS

On 31 December 2017 and 2016, these captions showed the following breakdown:

	31-12-2017		31-12-2016	
	Current	**Non-current**	**Current**	**Non-current**
São Marcos Hospital (a)	3,092,476	-	3,089,531	-
Acquisition of investments (b)	1,016,588	3,358,340	2,674,400	-
Personnel and Trade Unions	775,114	-	724,434	-
Available profits	-	-	525,000	-
Fees	599,524	-	441,311	-
Fixed asset suppliers	555,547	-	125,117	-
Fundo de Apoio à Inovação - Energias Renováveis e Eficiência Energética	286,666	-	344,460	-
Consultants, Advisors and Intermediaries	281,277	-	196,354	-
Base - Serviços Médicos de Imagiologia, SGPS, S.A.	250,000	-	-	-
Reynaldo dos Santos Hospital	57,859	-	57,859	-
Clinical events and conference days	37,073	-	26,589	-
Surety bonds	33,765	-	33,665	-
Other creditors	490,222	-	308,480	-
	7,476,112	**3,358,340**	**8,547,200**	

(a) According to the Management Contract with 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 revenue from clients which had already been invoiced by that date but had not yet been collected.

(b) The “Acquisition of investments” item fundamentally includes the amounts to be paid for the purchase of SIM-X – Serviço de Imagem Médica, Lda., CPIS, CLA and the building of **CUF** Almada Clinic. According to the respective acquisition contracts, the corresponding shares to liquidate after the 2019 financial year were considered as non-current.

The “Other creditors” caption contains several balances payable to different entities for transactions not related to the core activities of the Group.

41. OTHER CURRENT LIABILITIES

On 31 December 2017 and 2016, this caption showed the following breakdown:

	31-12-2017	31-12-2016
Accrued costs:		
Wages payable	31,392,404	26,367,628
Fees (a)	23,970,098	20,387,581
Operating costs (b)	15,236,234	15,039,509
Escala Braga accrued costs	4,498,353	3,190,437
Financial expenses	1,467,165	72,798
	76,564,254	**65,057,952**
Deferred income:		
Financial income	493,957	525,275
Rents and leases	14,141	14,141
Other deferred income	249	814
	508,347	**540,230**
	77,072,601	**65,598,181**

(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.

42. FINANCIAL DERIVATIVE INSTRUMENTS

Within the scope of the financial risk management policy (Note 43), a set of financial instruments intended to minimize the risks of exposure to interest rate variations were contracted in the form of plain-vanilla interest-rate swaps, covering almost the entirety of the bond 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 2017 and 2016, the fair value of the contracted financial derivatives can be presented as follows:

	31-12-2017		31-12-2016	
	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedging				
Interest rate Swaps	-	1,627,604	-	2,301,121
Total derivatives	-	1,627,604	-	2,301,121

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 financial derivative instruments contracted in relation to financing operations on 31 December 2017 and 2016 were as follows:

					Fair value	
Derivatives designated as cash flow hedging	**Notional**	**Currency**	**Economic objective**	**Maturity**	**31-12-2017**	**31-12-2016**
Interest rate Swaps						
13121-001 Swap	25,000,000	Eur	Cash flow hedge of bonds	June 2019	(273,774)	(403,663)
13136-001 Swap	12,500,000	Eur	Cash flow hedge of bonds	June 2019	(130,616)	(191,345)
13121-002 Swap	25,000,000	Eur	Cash flow hedge of bonds	May 2021	(566,865)	(788,611)
13137-001 Swap	12,500,000	Eur	Cash flow hedge of bonds	May 2021	(313,183)	(432,585)
13152-001 Swap	12,500,000	Eur	Cash flow hedge of bonds	May 2021	(237,253)	(334,886)
13153-001 Swap	12,500,000	Eur	Cash flow hedge of bonds	June 2019	(105,913)	(150,031)
	100,000,000				**(1,627,604)**	**(2,301,121)**

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					
	13121-001	13136-001	13121-002	13137-001	13152-001	13153-001
Trade Date	19-may-15	19-may-15	23-jun-15	23-jun-15	30-jul-15	30-jul-15
Effective Date	21-may-15	21-may-15	25-jun-15	25-jun-15	31-jul-15	31-jul-15
Termination Date	9-jun-19	17-may-21	9-jun-19	17-may-21	17-may-21	9-jun-19
Notional Amount	25,000,000	25,000,000	12,500,000	12,500,000	12,500,000	12,500,000

The 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 2017 is -1,627,604 euros.

43. FINANCIAL RISK MANAGEMENT

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.

All financial risk management operations, in particular those involving the use of financial derivative instruments require the prior approval of the Finance Director or the Executive Committee.

The JMS Group'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, the Group identified a set of risks associated with the financial performance of each company included in the consolidation scope 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.

Market risk

JMS Group's market risk is predominantly on the risk of interest-rate variation since the Group has no exposure to variation in exchange rates, prices of raw materials or stock quotes of financial assets.

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.

In order to reduce the risk of exposure to interest rate changes, plain-vanilla interest rate swaps were contracted in 2015, covering 100% of the amounts of the 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 Group 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 2017, José de Mello Saúde held 36% of its financial debt contracted at fixed interest rates (46% in 2016).

The table below provides a sensitivity analysis of the impact of a potential increment of the Euribor rates in José de Mello Saúde Group's financial costs in 2017 and 2016:

	Changes in Euribor rates (pp)	Impact in financial costs (euros)
2017		
Non-current loans	+0.5	+106,586
Current loans	+0.5	+39,258
Current and non-current finance leases	+0.5	+244,137
Total	-	**+389,981**
2016		
Non-current loans	+0.5	+88,136
Current loans	+0.5	+92,598
Current and non-current finance leases	+0.5	+320,432
Total		**+501,116**

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 the JMS Group are supported by the application of a floor of zero if Euribor rates are negative, and given that these, in 2017 and 2016, were always negative, a scenario of rate reduction was not simulated.

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 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 Company's liabilities according to intervals of contractual maturity at the end of 2017 and 2016, respectively. The amounts represent the non-discounted cash flows to be paid in the future:

Financial debt*	< 1 year	1-3 years	3-5 years	> 5 years
2017	17,188,630	180,380,407	84,396,648	95,697,300
2016	15,647,921	81,733,818	59,860,397	37,736,158

* Short-term debt used to support treasury is excluded

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:

	31-12-2017	31-12-2016
Other financial assets	13,357,220	12,877,217
Clients	122,870,558	95,377,577
Other receivable accounts	3,316,536	5,088,234
Other financial instruments	35,150,000	48,650,000
	174,694,315	**161,993,028**

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 clients are normally covered by guarantees;
- The JMS Group has factoring contracts in force, through which it grants credit and transfers the collection risk to the factoring entity.

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

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

It is the understanding of the Board of Directors that, at 31 December 2017, the estimated impairment losses on accounts receivable are adequately reported in the financial statements.

Other financial instruments

Other Financial Instruments include bonds issued by José de Mello Capital, S.A. and Farminveste – Investimentos, Participações e Gestão, S.A. Risk monitoring is carried out periodically by the management via the analysis of the accounts of José de Mello Capital, S.A. and Farminveste – Investimentos, Participações e Gestão, S.A..

44. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities is based on market prices, where available. If these are not available, fair value is estimated using internal models based on discounted cash flow techniques.

The nominal value less estimated credit adjustments of trade receivables and payables is assumed to be close to their fair value. The fair value of financial liabilities is estimated by updating the contracted future cash flows, at the current market interest rate available for similar financial instruments.

There are no significant differences between fair values calculated in this manner and the respective book values.

45. GUARANTEES AND COMMITMENTS

Guarantees

On 31 December 2017, the companies of the Group had provided guarantees to third parties in the amount of 28,182 thousand euros (8,076 thousand euros in 2016), detailed as follows:

	31-12-2017	31-12-2016
Financial guarantees provided:		
Equity funding commitment letter	4,000,000	4,000,000
Contractual obligations compliance	23,640,854	2,636,845
Municipal councils	423,352	1,320,972
Services rendered to National Health Service	116,701	116,701
Supply of electricity, water and gas	1,082	1,082
	28,181,989	**8,075,600**

Some financing contracts and commercial paper programmes have the following associated collaterals:

- Voluntary mortgage of the urban building, Descobertas Hospital's Expansion Building, and of all carried out constructions and improvements;
- Generic mortgage of the urban building, **CUF** Tejo Hospital Building, and corresponding improvements;
- Blank promissory note signed by Imohealth and backed by JMS, Hospital **CUF** Torres Vedras, S.A., Clínica **CUF** Belém, S.A. and Instituto **CUF** – Tratamento e Diagnóstico, S.A.;
- Blank promissory note signed by Imohealth and backed by JMS and Hospital **CUF** Infante Santo, S.A..

Commitments

In the normal course of its business, the Group makes commitments related mainly the acquisition of equipment, under the ongoing investment operations, and the purchase and sale of financial investments.

According to the Portuguese Commercial Companies Code, the parent company, José de Mello Saúde, S.A. is joint and severally liable for the commitments of its associated companies with which it is in a control relationship.

46. EXPLANATORY NOTES OF THE CASH FLOW STATEMENT

46.1 RECEIPTS FROM FINANCIAL INVESTMENTS:

The most significant inflows related to financial investments occurring during the financial years ended on 31 December 2017 and 2016 are:

	31-12-2017	31-12-2016
Escala Braga - Sociedade Gestora do Edifício, S.A.	-	1,211,718
Manuel Guimarães, Lda.	82,976	-
Centro Gamma Knife-Radiocirurgia, S.A.	68,000	68,000
Dr. Campos Costa - Consultório de Tomografia Computorizada, S.A.	44,566	-
	195,542	**1,279,718**

46.2 PAYMENT FROM FINANCIAL INVESTMENTS AND OTHER INVESTMENTS:

The most significant payments related to financial investments occurring during the financial years ended on 31 December 2017 and 2016 are:

	Classificação	31-12-2017	31-12-2016
Hospimob - Imobiliária, S.A.	Asset acquisition	34,387,465	-
CPIS - Clínica Particular de Coimbra, S.A.	Business acquisition	6,790,500	-
CPIS - Clínica Particular de Coimbra, S.A. (P. Suplementares)	Business acquisition	650,000	-
CPIS - Clínica Particular de Coimbra, S.A. (Suprimentos)	Business acquisition	365,000	-
Clínica Dr. Luís Álvares, S.A.	Business acquisition	1,382,780	-
Clínica Dr. Luís Álvares, S.A. (P. Suplementares)	Business acquisition	100,000	-
399 480 468 - Investimentos Imobiliários, S.A.	Asset acquisition	737,293	-
SIMPLYGREEN - Investimentos Imobiliários, S.A. (P. Suplementares)	Asset acquisition	362,440	-
Celso & Santos, S.A.	Business acquisition	159,992	-
SIM-X - Serviço de Imagem Médica, Lda.	Business acquisition	59,280	327,600
		44,994,750	**327,600**

47. RELATED PARTIES

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 associate companies and other related parties are detailed below:

2017

	Debit balances			Credit balances
Related party	Clients	Other debtors	Bonds (Note 28)	Suppliers
Shareholders:				
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	-
Other related entities:				
Grupo MGI Capital	6,131	-	-	1,472,106
Grupo Brisa - Auto-estradas de Portugal	36,344	-	-	(21,522)
Grupo José de Mello Residências e Serviços	36,047	-	-	7,996
Grupo **CUF**	41,481	-	-	-
M Dados – Sistemas de Informação, S.A.	-	-	-	178,078
Grupo José de Mello Imobiliária	284	-	-	-
	121,735	**122,780**	**35,150,000**	**1,641,419**

	Transactions		
Related party	Sales and services rendered	Financial income	External supplies and services
Shareholders:			
José de Mello Capital, S.A.	7,847	214 366	41 314
Farminveste - Investimentos, Participações e Gestão, S.A.	-	162 916	-
Other related entities:			
Grupo MGI Capital	32,241	-	3,415,978
Grupo Brisa - Auto-estradas de Portugal	185,243	-	377,467
Grupo José de Mello Residências e Serviços	92,786	-	61,929
Grupo **CUF**	55,656	-	-
Grupo José de Mello Imobiliária	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
	370,259	**-**	**4,444,428**

2016

Related party	Debit balances Clients	Debit balances Other debtors	Debit balances Bonds (Note 28)	Credit balances Suppliers
Shareholders:				
José de Mello Capital, S.A.	1,248	122,780	20,000,000	7,365
Farminveste - Investimentos, Participações e Gestão, S.A.	-	1,763,018	18,650,000	-
Other related entities:				
José de Mello Participações II, SGPS, SA	-	-	10,000,000	-
Grupo MGI Capital	92,590	-	-	1,713,597
Grupo Brisa - Auto-estradas de Portugal	21,399	-	-	4,182
Grupo José de Mello Residências e Serviços	43,364	-	-	15,450
Grupo **CUF**	821	-	-	-
José de Mello Energi, S.A.	13	-	-	-
M Dados - Sistemas de informação, S.A.	-	-	-	296,895
	159,435	**1,885,798**	**48,650,000**	**2,037,489**

Related party	Transactions Sales and services rendered	Transactions Financial income	Transactions External supplies and services
Shareholders:			
José de Mello, SGPS, S.A.	7,783	195,360	28,383
Farminveste - Investimentos, Participações e Gestão, S.A.	-	-	-
Other related entities:			
Grupo MGI Capital	318,214	-	3,404,798
Grupo Brisa - Auto-estradas de Portugal	182,814	-	87,898
José de Mello Participações II, SGPS, S.A.	-	-	-
Grupo José de Mello Residências e Serviços	66,251	-	47,795
Grupo **CUF**	39,479	-	-
Grupo José de Mello Imobiliária	251	-	-
M Dados – Sistemas de Informação, S.A.	-	-	1,322,201
José de Mello Energia, S.A.	467	-	-
José de Mello Serviços, Lda.	-	-	33,722
	607,476	**-**	**4,896,415**

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

Wages of key management personnel

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

	31-12-2017	31-12-2016
Remuneration	2,275,338	2,265,336
	2,275,338	**2,265,336**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and the publication authorised by the Board of Directors on 22 March 2018, and this will be the object of vote for approval at the General Meeting of Shareholders scheduled for 30 April 2018.

49. SUBSEQUENT EVENTS

Since 31 December 2017 until the date accounts were approved, no relevant facts occurred other than those already adjusted and/or disclosed in these consolidated financial statements.

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

Lisboa, 22 de março de 2018

The Board of Directors

Salvador Maria Guimarães José de Mello

Pedro Maria Guimarães José de Mello

João Gonçalves da Silveira

Rui Alexandre Pires Diniz

Rui Manuel Assoreira Raposo

Vasco Luís José de Mello

Inácio António da Ponte Metello de Almeida e Brito

Guilherme Barata Pereira Dias de Magalhães

Paulo Jorge Cleto Duarte

Luís Eduardo Brito Freixial de Goes

Vera Margarida Alves Pires Coelho

Celine Dora Judith Abecassis-Moedas

Raúl Catarino Galamba de Oliveira

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%
Total	10,600,000	100.00%	100.00%

b) Identification of shareholders with special rights and description of these rights.

There are no special rights granted to any company shareholder.

c) Number of shares and bonds held by members of the 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 2017.

Members of José de Mello Saúde S.A. administrative board 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:

	Balance at 31-12-2016	Subscriptions		Acquisitions		Disposals		Balance in 31-12-2017
	Amount	Amount	Value €	Amount	Value €	Amount	Value €	Amount
Salvador Maria Guimarães José de Mello								
Hospital **CUF** Descobertas, S.A.	236	69	5,00					305
Rui Manuel Assoeira Raposo								
Hospital **CUF** Descobertas, S.A.	100	37	5,00					137
Guilherme Barata Pereira Dias de Magalhães								
Hospital **CUF** Descobertas, S.A.	100	37	5,00					137
Vasco Luís José de Mello								
Hospital **CUF** Descobertas, S.A.	100	16	5,00					116
Inácio António da Ponte Metello de Almeida e Brito								
Hospital **CUF** Descobertas, S.A.	92							92
Rui Alexandre Pires Diniz								
Hospital **CUF** Descobertas, S.A.	200	127	5,00					327

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 7 of the Integrated 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.

i. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Board of Directors during the financial year of 2017

Name	Position	Wage (euros)
Salvador Maria Guimarães José de Mello	Chairman of the Board of Directors and CEO	545,850
Pedro Maria Guimarães José de Mello	Non-Executive Vice-Chairman	-
João Gonçalves Da Silveira	Non-Executive Vice-Chairman	-
Rui Alexandre Pires Diniz	Executive Director	605,750
Rui Manuel Assoeira Raposo	Executive Director	320,100
Vasco Luís José de Mello	Executive Director	292,145
Inácio António P. M. Almeida e Brito	Executive Director	279,500
Guilherme Barata Pereira Dias de Magalhães	Executive Director	326,550
Paulo Jorge Cleto Duarte	Non-Executive Director	-
Luís 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

ii. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Supervisory Board during the financial year of 2017
Members of the Supervisory Board have a gross annual remuneration of 7,500 euros for the Chairman and 6,000 for Members.

iii. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Remuneration Committee during the financial year 2017
The members of the Remuneration Committee have a gross annual remuneration of 9,000 euros for the Chairman and 6,000 for the Members.

iv. Amount of annual remuneration paid by the company and/or by legal persons in control or group relationship to the auditor and to other natural or legal persons and specification of the percentage for each type of service.
The value of the tax consultancy is mostly related to services rendered in 2014 and 2015, which were only billed in 2017.

Description	Amount (euros)
Cost of statutory audit services	215,700
Cost of tax advisory services	185,475
Cost of other non-audit services	19,450
Total	**420,625**

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.

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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, 2017 (which show a total of 745.409.942 euros and a total equity of 92.418.565 euros, including a net profit for the year of 22.820.198 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, 2017, 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 5 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 the activity for the remaining period of the partnership include complex and volatile assumptions, which, for this reason, involve uncertainty, namely the inflow of the amounts claimed from the vertical programs of HIV and Multiple Sclerosis of which management firmly confirms positive outcome. 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	Summary of our approach to the risks of material
Sales and services rendered and Other operational revenues of the group are essentially related to two business segments: ▸ Public health services, that represent 36% of total revenue; and ▸ Private health services, that represent 64% of total revenue. The group manages the services rendered by 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 2.3, 2.5 and 5 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, and that changes occurred in the codification of clinical acts, as mentioned in note 2.3 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 23 of the Notes to the Consolidated Financial Statements. Consequently, the recoverability of the balances related to Braga Hospital (20.554 thousand euros) and Vila Franca de Xira Hospital (13.006 thousand euros) depends 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	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 under discussion; ▸ 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 treatment 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 2.3, 2.5, 5 and 23 of the Notes to the Consolidated Financial Statements to ensure that those notes are in accordance with the

Description of the risks of material misstatement	Summary of our approach to the risks of material
per the above, significant judgement from management as disclosed in note 2.3 of the Notes to the Consolidated Financial Statements, particularly, in what concerns the determination of eligible production and its measurement.	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	Summary of our approach to the risks of material
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 measured.	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; ► Perform the 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, 2017, 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, 2017 to December 31, 2017. Our approach also encompassed the analysis of the disclosures included in notes 2.5, 5 and 23 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	Summary of our approach to the risks of material
The amount of Goodwill as at December 31, 2017 amounts to 43.885 thousand euros and is related to the business combinations disclosed in note 16 of the Notes to the Consolidated Financial Statements. An impairment test should be performed in respect of this asset 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 forecast performance, including perpetual growth, as disclosed in note 16 of the Notes to the Consolidated Financial Statements. 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.	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 16 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 accordance with notes 2.3, 2.4 b) and 16 of the Notes to the Consolidated Financial Statements.

4. Liquidity, refinancing and contractual ratios

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
The Group has contracted external financing presented as current and non-current liabilities, in the amount of 355.692 thousand euros and 65.914 thousand euros, respectively. As part of the Group's investment strategy, significant real estate and other businesses were acquired, as disclosed in notes 4.1, 16, 18 and 46.2 of the Notes to the Consolidated Financial Statements, for which purpose financing was contracted through the issuance of bonds in the amount of 50,000	We have obtained the support agreements of the various debt instruments and the understanding of the contractual ratios computation method. We have tested compliance with the contractual conditions. 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. We have read the minutes of the Board of Directors and other bodies of the Group to understand future plans and identify potential contradictory

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
thousand euros and loans with foreign banks in the amount of 30,000 thousand euros, as disclosed in note 35 of the Notes to the Consolidated Financial Statements The management of cash-flows, refinancing capacity and compliance with the financial ratios are significant matters for our audit. 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. 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.	information. We have discussed with Group's management the projections of debt market conditions and confirmed the group policy of dividend distribution and shareholders financing. 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.

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.

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 provided for in article 66-B of the Commercial Companies Code, and was published 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 April 9, 2018.
- 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 12, 2018

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

(Signed)

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

REPORT AND OPINION OF THE SUPERVISORY BOARD CONCERNING THE CONSOLIDATED ACCOUNTS

Dear Shareholders,

In accordance with legal and statutory terms, the Supervisory Board of José de Mello Saúde S.A., with headquarters at Av. do Forte, 3 – Edifício Suécia III, Piso 2, 2790-073 Carnaxide, presents its supervisory report and provides an opinion on the management report and on the consolidated accounts submitted by the Board concerning the financial year ended on 31 December 2017.

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

- approved the plan of activities for 2018;
- 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 2017;
- evaluated the Management Report issued by the Board and the proposal for the appropriation of profits it introduced;
- evaluated the work carried out by the Statutory Auditor leading to the legal review and additional services;
- verified the terms of the Legal Accounts Certificate, the Audit Report and the Additional Report to the Supervisory Body issued by Ernst & Young Audit & Associados – SROC, S.A., and concluded that its content merits our agreement.

2. From our work, we highlight the following:

- The year 2017 presented a very significant operating and financial performance, although with different trends in private and public provision. Consolidated EBITDA grew 5.3% vis-à-vis the previous year, totalling 72.0 million euros. Whereas in the private area it grew from 56.6 million euros to 61.5 million euros, in the public area it decreased by 1.5 million euros to 7.8 million euros. As mentioned in 2016, 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. Management believes a favourable result for Escala Braga is very likely to come from this arbitration process, with the estimate of this contingent asset's value being 15 million euros.
- We emphasise the growth of the Company's balance sheet by 242.5 million euros, exceeding 745.4 million euros. The continuation of the various expansion works and the acquisition of properties belonging to the ImoSaúde Closed Real Estate Investment Fund and to the ImoSocial Closed Real Estate Investment Fund, namely the buildings operated by **CUF** Porto Hospital, **CUF** Porto Institute, **CUF** Belém Clinic, **CUF** Cascais Hospital and **CUF** Torres Vedras Hospital are the main reasons for the recorded increase. The operation to acquire real estate thus far belonging to the funds involved a set of assets that are strategic to José de Mello Saúde, making the control of its property a relevant factor.
- In comparison with 2016, gross debt increased by 202.0 million euros and net debt increased by 183.7 million euros, which is justified by the acquisition of real estate from the Investment Funds, by the several expansion works and by the policy of investing in

new units. The financial leverage ratio, namely D/EBITDA, increased to 4.7x (2.3x in 2016). Even with a significant increase in equity, the financial autonomy and solvency ratios showed reductions, reflecting the previously mentioned investment effort.

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 2017 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 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.

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

• the consolidated Management Report and the consolidated accounts of the 2017 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, 13 April 2018

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 consolidated annual accounts, the legal accounts certificate and the other accounting documents, i) were prepared in accordance with current accounting standards and give a true and fair view of the assets and liabilities, financial situation and results of JMS and of the companies included in the scope of consolidation; ii) they faithfully describe the development, performance and position of JMS business activity and of the companies included in the scope of consolidation; and iii) they contain a description of the main risks JMS faces in its activity.

Lisbon, 13 April 2018

The Supervisory Board

José Manuel Gonçalves de Morais Cabral

(Chairman)

João Filipe de Moura-Braz Corrêa da Silva

(Member)

José Luís Bonifácio Lopes

(Member)

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