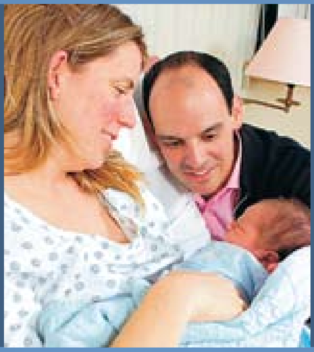
commitment


annual report 2009

Médica Sur

Excelencia médica, calidez humana

Corporate Profile

Médica Sur is a health institution that comprises diagnostic, medical attention, research, teaching and community service units. The institutions has brought together a select group of medical, nursing, administrative and hospital management professionals who -guided by a strict ethical code and backed by cutting edge technology- endeavor to offer medical excellence with human warmth.

This project was conceived in 1982 by a group of Mexican physicians and healthcare professionals. They envisioned a private-sector High Specialty Center where academically significant ethical medicine could be practiced while complying with international efficiency standards and being financially sustainable.

Mission and Vision

Mission: At Médica Sur, we offer medical attention and practices that are ethical and effective with human warmth in state-of-the-art facilities with high-end technology for the maximum benefit and total satisfaction of our users, be they doctors, patients, family members or companies.

Vision: To be the best medical institution in Mexico in the fields of care, teaching and research.

MÉDICA SUR, S. A. B. DE C. V. AND SUBSIDIARIES

Outstanding Figures

Figures in thousands of Pesos

	2009	2008
Income	1,784,449	1,556,155
Gross Profit	640,042	542,826
	35.9%	34.9%
Operating Income	372,573	302,311
	20.9%	19.4%
Consolidated Net Income	236,830	193,732
	13.3%	12.4%
EBITDA	499,781	436,767
	28.0%	28.1%
Weighted average shares outstanding	117,411,190	117,411,190
Basic Earnings Per Common Share	2.02	1.65
Assets	2,813,057	2,431,123
Current	330,205	454,789
Fixed	2,167,549	1,658,612
Diferred	315,304	317,721
Liabilities	1,097,217	889,062
Short-term	390,076	335,424
Long-term	425,201	262,914
Diferred	281,940	290,725
Stockholders' Equity	1,715,840	1,542,060
ROE	15.70%	*14.32%

*ROE estimated based on the accounting rules in force

Corporate Structure Médica Sur

Hospital (1)

Surgery
Ambulatory surgery
Gynecology and obstetrics
Critical care
Pediatrics
Emergency
Neonatology
Pathological anatomy
Endoscopy

Clinics (2)

Diagnosis and treatment
Nephrolithiasis
Physiotherapy
Radiotherapy
Cancer Center
Neurophysiology
Gamma Knife
Inhalation therapy

Diagnostic Units (3)

Imaging
Laboratory
CIF BIOTEC
Nuclear medicine
Angiography
Blood bank
CT-SCAN

Concessions (4)

MRI
Hemodialysis
Central Parking
Meridiem restaurants
Body image

Subsidiaries (4)

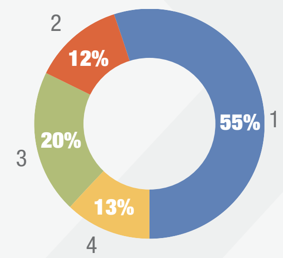
Médica Sur Lomas
Médica Sur Clinics

Drugstore (4)

Médica Sur Torre I drugstore
Médica Sur Torre II drugstore

Hotel (4)

Group Sales



Support units

Chairmanship
Managing director
Medical management
Operation management
Administration and finance management
Commercial management
Infraestructure management

Letter from the Chairman of the Board

Dear Shareholders:

Throughout the first 28 years of our existence, and especially during periods of global crisis as in the case of 2009, we have been able to confirm yet again that striving to do things right reaps great rewards.

Today, we can proudly say that in addition to having fulfilled our primary commitment of creating a genuine alternative for non-governmental academic medicine, we have unfailingly attained outstanding results because of the efforts made by all those who form part of our project, whether they are doctors, nurses, support staff, administrators or shareholders.

The past year has represented great accomplishments that without a doubt will denote a watershed in our Institution's course of action. As duly reported, the process to acquire 5 hectares of land adjoining the Central Complex in Tlalpan was finalized last August. This represents an investment of more than $550 million pesos, which will allow us to build the first multi-use development for healthcare services in Mexico covering a total area of around 10 hectares in southern Mexico City and in the vicinity of the city's Hospital Zone.

Activity

Despite the global crisis, the most important areas of the Group's activities have had favorable results. Some of the areas with outstanding performances include: i) hospitalization units showed a 5.5% growth based on the bed occupancy rates compared to that of 2008; ii) Critical Care Units increased their activity, with a volume increase of 8% increase compared to the previous year, and iii) Diagnostic Units grew by 20% compared to the same period in 2008.

This has had a positive effect on our economic activity indicators: i) income grew 14.6%, ii) operating results increased by 23.2%, iii) Net Profit surpassed that of the previous tax year by 22.2%, and iv) cash flow generation measured by EBITDA grew by 16.7%.

This has allowed us to take the balance sheet value to $14.61 pesos a share at the close of 2009, compared to $13.13 pesos in 2008. By adding the dividends of 53.7 pesos per share awarded in April 2009, the combined profit for our investors came to 15.4%.

It should be noted that the financial results were based on important efforts made to improve management at all levels of the organization –in medical areas and in the operating and administrative units– especially by:

> 2009 was also marked by excellent results in both the volume of activity and the most significant financial indicators. Moreover, there were no staff layoffs at Médica Sur due to the economic crisis that greatly affected the country.

- Reducing administrative processes,
- Reinforcing and reorganizing managerial structures, and
- Relying less on outside contractors.

Social Responsibility

In 2009, Médica Sur allocated close to 12 million pesos to finance teaching and research activities.

With these resources, we sponsored the development of 28 undergraduate medical interns and 85 residents specializing in the fields of internal medicine, radiodiagnosis, critical care medicine, clinical pathology, magnetic resonance, anesthesiology, neonatology and knee arthoscopy.

Because of its academic work, Médica Sur now ranks among the first five top teaching hospitals.

In terms of scientific production, 21 papers were published in international journals and 23 papers were published in national journals. Due to the outstanding work of our Research Department, financial backing was obtained from the CONACYT [Mexico's National Science and Technology Council] to continue publishing in prestigious specialized international journals for the next five years. The second edition of Gastroenterología [Gastroenterology] and a book entitled Pruebas de Laboratorio e Imagen en Gastroenterología y Hepatología [Laboratory and Imaging Tests in Gastroenterology and Hepatology], both coordinated by our Biomedical Research Department, were also published in 2009.

Furthermore, CONACYT funding was obtained for two projects: one project deals with technology transfer model for telemedicine services and the other project focuses on developing non-invasive liver assessment techniques. These projects reassert the Institution's commitment to backing research in the field of healthcare.

Finally, we would like to thank our patients for the confidence they have placed in us; our valuable group of doctors, nurses and support staff for their efforts; and our investors for having entrusted their resources with us. On behalf of the medical group that heads this institution, I would like to reiterate our commitment to continue with our efforts to offer the best alternative for ethical and high specialty medicine in Mexico.

Sincerely,

Dr. Misael Uribe Esquivel
President of the Board

Committed to caring for our patients with sensitivity and the highest level of quality

All our efforts are focused on offering patients **the best experience on receiving healthcare** in any type of specialty and service.

Atención médica de excelencia

For 28 years, Médica Sur has responded to the need for healthcare with medical excellence, always striving for the well-being of each patient.

We are also committed to channeling all of our resources to become the best option in non-governmental academic medicine in Mexico.

Thus, we put the best technology in the hands of the best doctors.

In 2009:

- We received more than 15,000 patients for hospitalization.
- We performed some 10,000 surgical procedures.
- We attended more than 23,000 emergencies.
- We attended close to 2,600 natural births and C-sections.

Within the scope of our hospital activities, our intensive care units received 2,317 patients.

These services, along with those offered by other areas that form part of the hospital, such as gynecology and obstetrics, neonatology, pediatrics and endoscopy, were given to 69,352 patients.

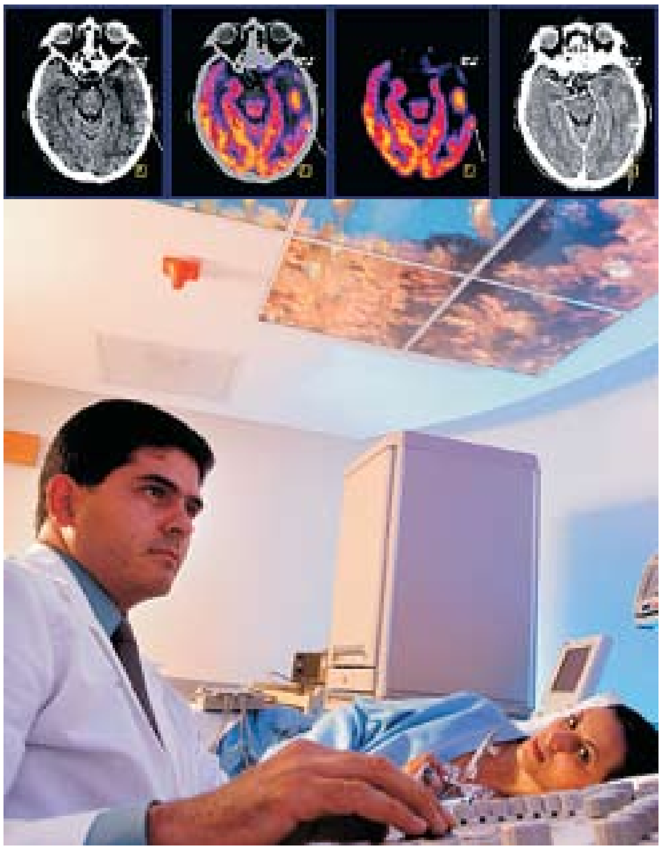
Médica Sur also offers specialized medical services that do not require hospitalization. These services are mainly centered on preventive medicine, early detection, treatment and follow-up of specific illnesses.

In 2009, more than 68,000 patients were attended at these clinics, which include:

- **Comprehensive Diagnosis and Treatment Center (CIDyT)**; this clinic offers the best services available in prevention and diagnosis of illnesses by starting from patients' risk factors so as to extend their lives and improve their quality of life.

- **Comprehensive Cancer Center**; established oias the best specialized center for early detection and treatment of cancer, this clinic has offered multi-disciplinary medical attention for more than 12 years. It has support areas, such as the Pain Management and Palliative Care Clinic, Psycho-Oncology, Liaison Psychiatry, Infusion Therapy or Chemotherapy, Radio-Oncology and cancer surgery, among others

- **Gamma Knife Unit**; We are pioneers in using this technology to treat treating brain lesions and tumors by performing a non-invasive, outpatient procedure in a single session. This safe and precision procedure poses almost no risks due to complications. With 15 years of experience, we have successfully attended more than 1,000 patients.



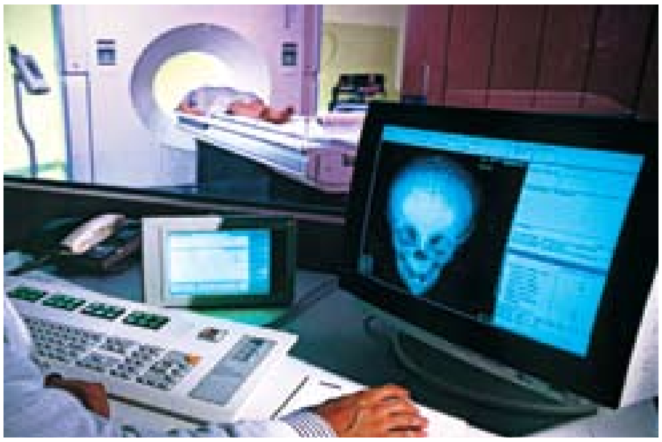
Comprehensive Cancer Center: Established as the best center for the early detection and treatment of cancer.

We have 170 rooms, 15 beds in the critical care area and one of the most advanced emergency rooms in Mexico.

The Professionalism of our Medical Staff: A key factor in a good diagnosis of the more complex illnesses.

"… Concern for patients is the most important aspect of all of Médica Sur's services and this principle will prevail in any relationship or service given…"

Article 1, Médica Sur Code of Ethics, July 1994.



Fibroscan; the only equipment of its kind in Latin America for non-invasive diagnosis of liver diseases.

Neurophysiology Clinic; this clinic performs out tests to identify and diagnose central and peripheral nervous system diseases. Some treatments are also carried out, such as transcranial magnetic stimulation and neurophysiological monitoring of patients with problems like epilepsy, Parkinson's and sleep disorders, among others.

Renal Lithiasis Unit; This unit diagnoses and treats various urinary tract diseases, such as kidney stones, tumors and urinary tract obstruction, among others. Shock wave technology is a non-invasive outpatient procedure that lets patients return to their normal activities almost immediately.

Rehabilitation and Physical Therapy Unit; this unit treats musculoskeletal disorders caused by neurological, motor, posture or orthopedic problems in people suffering from permanent or temporary disabilities by reducing the disability as much as possible so that the patient can gradually return to his normal activities.

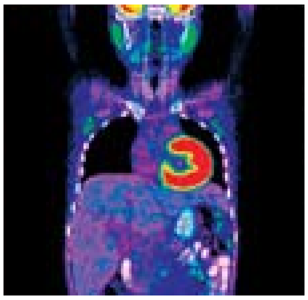
High specialty medical practice is closely linked to imaging and clinical pathology services.

In 2009, we performed more than 1.4 million tests and attended approximately 273,000 patients in various specialties.

Our test catalog includes more than 1,600 tests which are considered indispensable to properly follow up on various treatments, surgeries, etc.

3D and 4D diagnostic images produce real time images from inside the body while ensuring patient comfort and safety.

Instruments like the PET-CT make it possible to detect various conditions at an early stage to give patients a better chance of recovery.



The expertise of our doctors and the technological edge given by magnetic resonance imaging come together to offer patients tests with more efficiency and precision.

- **Clinical Analysis Laboratory**; offering the widest possible range of tests, with a catalog of around 1,600 tests.

- **Diagnostic Imaging**; computerized tomography, mammograms, 3D and 4D ultrasound procedures, as well as different types of radiology tests.

- **CT Scan**; the best of radiologic technology and nuclear medicine fused together to diagnose high risk conditions in fields such as cardiology, oncology and neurology, as well as for testing in preventive medicine.

- **Angiography**; for timely detection, treatment and follow-up of cardiovascular diseases. Among its many benefits, it offers possibilities for cardiac catheterization and coronary angiography.

- **Nuclear Medicine**; for function tests and identifying the specific pathology of the different organs by means of gammagrams, as well as therapies using radioactive materials.

- **Magnetic Resonance Imaging**; for imaging diagnosis using high powered magnets, and non-invasive treatment of uterine fibroids using Focus ExAblate technology (the only one of its kind in Mexico).

Médica Sur has the most advanced diagnostic imaging unit in Mexico.

We have a network of Clinical Analysis Laboratories certified by the CAP (College of American Pathologists) that guarantee the reliability of test results.

Women's Hospital Médica Sur Lomas

Located in west Mexico City, this hospital has 34 rooms and is dedicated to the care of women at all stages of their lives. It offers comprehensive and specialized services for the education, prevention, treatment and follow-up of all the experiences women face as regards their health. A fundamental part of this is obstetric and newborn care.

The latest generation mammograms.

Facilities of the highest level for the comprehensive care of women and newborns.

Médica Sur Clinics.

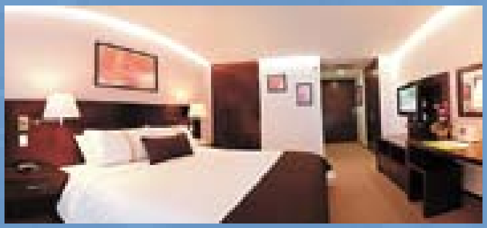
Médica Sur has three primary care centers: two in Mexico City and one in Monterrey. These centers offer medical care services, such as specialty consultation, basic diagnostic services like clinical tests, radiology and imaging, a pharmacy and a minor emergency room open 24 hours a day.

These centers offer first contact care and include all the services needed for the diagnosis and treatment of simple illnesses.

Specialty consultation, basic diagnostic services, clinical tests, radiology and imaging, a pharmacy and a minor emergency room open 24 hours are just some of the benefits patients will find at these Primary Care Centers.

Comfort and security for patients and their loved ones.

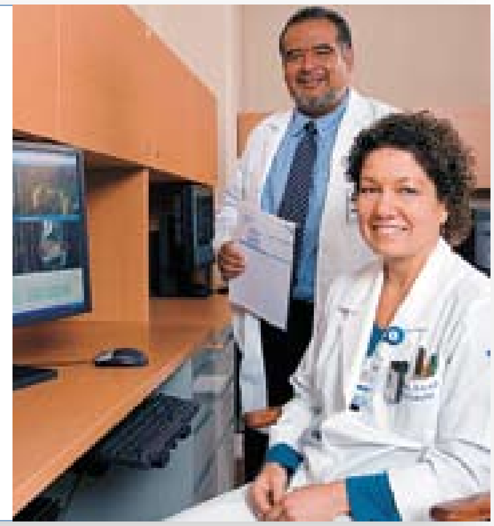
The central Tlalpan complex features a **Holiday Inn** hotel. This service has made it possible for us to provide comfort, attention and security to our long-stay patients, our out of town patients or those who live in outlying areas of Mexico City.

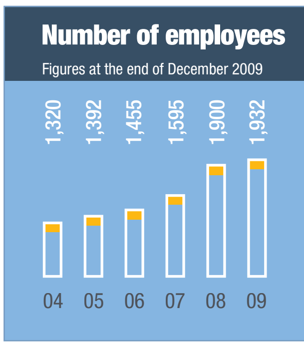


The hotel has 53 rooms with all the services, facilities and amenities so that our visitors can feel at home.

We are committed to our collaborators, offering them opportunities to grow and improve their quality of life.

We have more than 1,000 associate doctors working in more than 50 medical specialties and sub-specialties.





We have experienced sustained growth, which is reflected in the significant increase in the number of employees. From 2007 to date, our staff has grown by 34%.

By the end of the year, our group of collaborators numbered more than 2,000, but the most important thing is that all of them –doctors and support staff— are committed to providing our patients with the best quality care by bringing their individual talents to work as a team while abiding by our principles of honesty and ethical practice.

We believe that the best way of demonstrating our commitment to those who depend on us –whether directly or indirectly— is by striving to improve every day and making our services accessible to more and more people.

Social Commitment

In 2009, Médica Sur allocated close to 12 million pesos to finance teaching and research activities.

With these resources, we sponsored the development of 28 undergraduate medical interns and 85 residents specializing in the fields of internal medicine, radiodiagnosis, critical care medicine, clinical pathology, magnetic resonance, anesthesiology, neonatology and knee arthoscopy.

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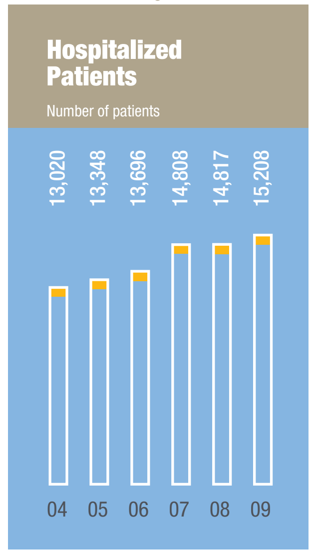
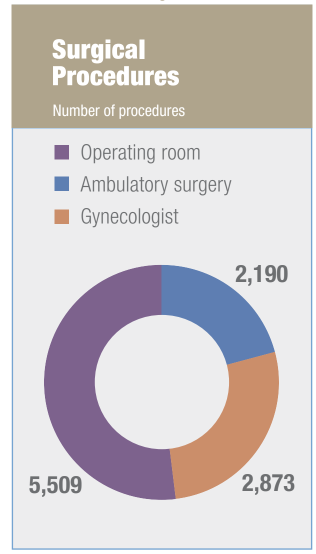
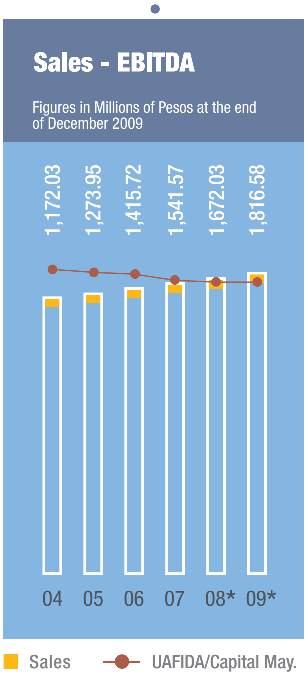
Committed to creating value for our investors: investment, evolution and continuous growth.

Hospital Activity Indicators

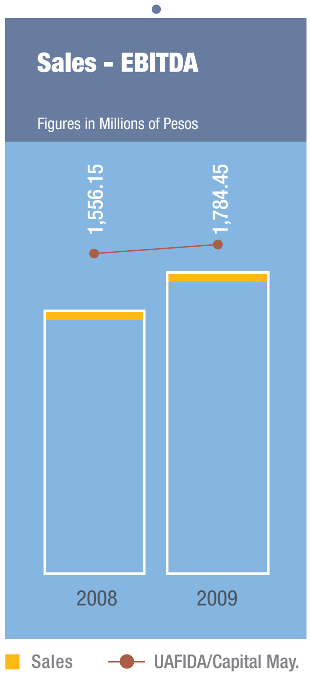




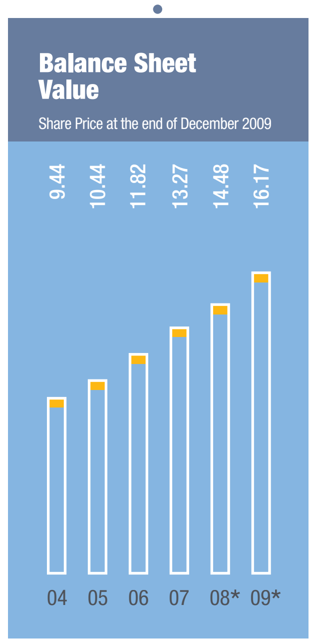
Financial Indicators



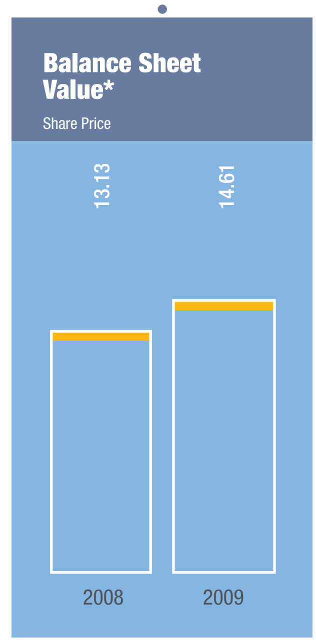
Using the same accounting criteria as the NIF B-10, we have maintained a constant sales growth of 9% since 2004 while the EBITDA has been sustained at levels higher than 26.7%.



Based on the accounting rules in force, sales growth in 2009 was 14.7% and the EBITDA grew to 29.1%.



Our commitment to our investors is reflected in our creating value for the company and awarding dividends every year.

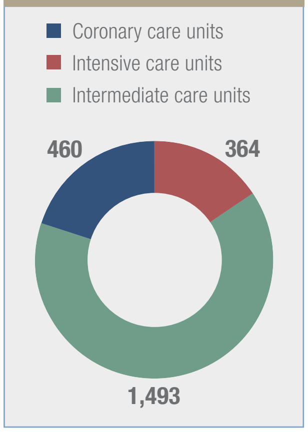


Taking into account the accounting rules in force, the balance sheet value at the close of 2009 reached 14.61 per share, 11.3% higher than that in 2008.

**Figures compared with NIF B-10*

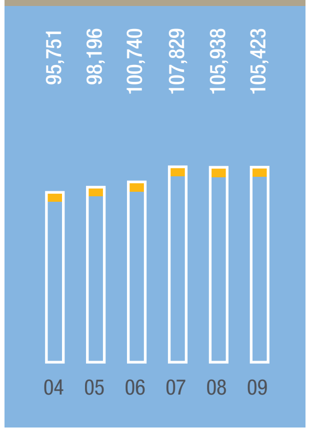
Critical Care Units

Number of patients



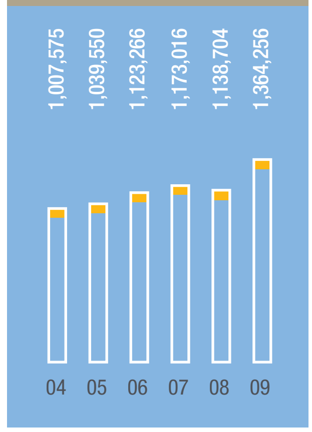
Imaging

Number of Tests Performed



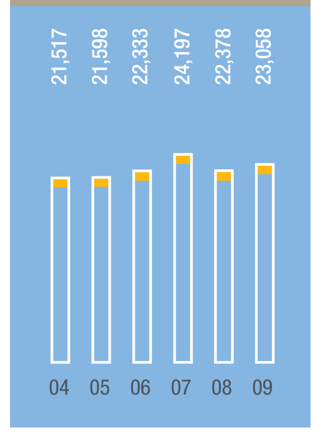
Laboratory

Number of Tests Performed



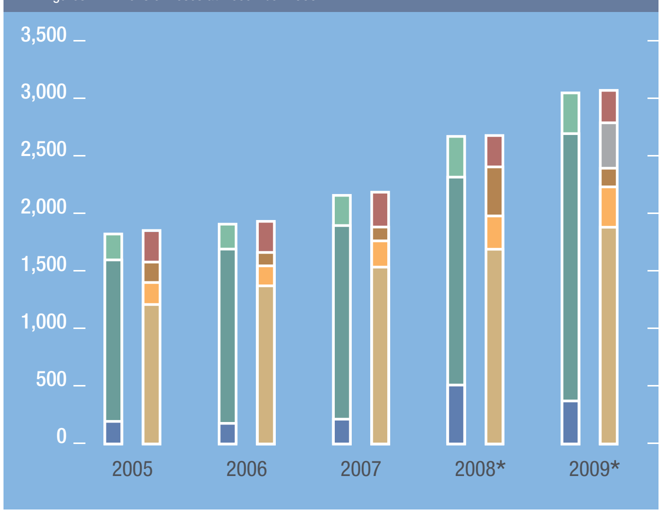
Emergency Rooms

Number of patients



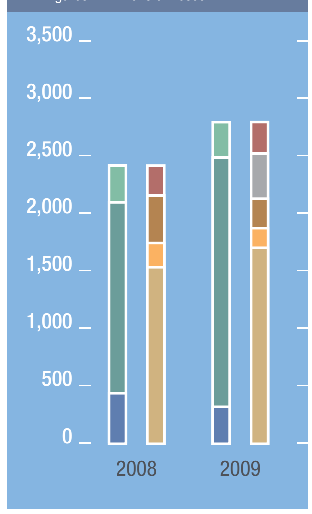
Financial Structure

Figures in Millions of Pesos at December 2009



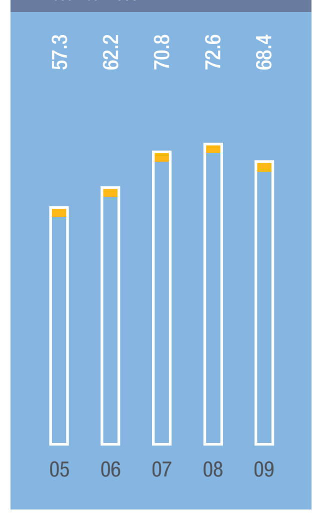
Financial Structure

Figures in Millions of Pesos



Declared Dividend

Figures in Millions of Pesos at December 2009



- *Other Assets*
- *Fixed Assets (net)*
- *Current Assets*
- *Deferred Liabilities*
- *Indexed Liabilities*
- *Interest-Bearing Liabilities*
- *Non-Interest-Bearing Liabilities*
- *Shareholders' Equity*

The present capital structure reflects significant growth potential based on the firm's operating leverage.

The company's operating leverage stands at 64%. It is worth noting that interest-bearing liabilities represent only 23% of total liabilities.

Over the last 4 years, the shareholders' equity has grown consistently at a rate of 11.4% a year. However, if we add the declared dividend, the rate of growth would stand at 14.4% a year.

Board of Directors

NON-EXECUTIVE DIRECTORS
Ing. Alfonso Romo Garza
Lic. Joaquín Vargas Guajardo
Act Mario Vergara Talamantes
Lic. Juan Carlos Griera Hernando
Act. Carlos Miguel Mendoza Valencia
Ing. Héctor Senosiain Aguilar
C.P.C. Manuel Sánchez y Madrid
Dr. Raúl Alfonso Vallarta Rodríguez
Lic. Antonio López de Silanes

EXECUTIVE DIRECTORS
Dr. Misael Uribe Esquivel
Dra. María de los Ángeles Fernández Altuna
Dr. Octavio González Chon
Dr. Jaime Arriaga Gracia
Act. Héctor Antonio Montes Rabell
Dr. Fernando Gabilondo Navarro
Dr. José Manuel Septién Guevara

FUNCTIONARIES
Dr. Misael Uribe Esquivel
Chairman of the Board

Lic. Cuauhtémoc R. Santa-Anna Otero
Secretary

ALTERNATE NON-EXECUTIVE DIRECTORS
Lic. Adrián Rodríguez Macedo Rivera
Lic. Eduardo Robledo Rincón
Lic. Adrian Plata Monroy
Lic. Antonio Ariza Alducín
Act. Alberto Moreno Ruiz Esparza
Dr. Mucio Moreno Portillo
Lic. Luis Javier Solana Morales
Lic. Santiago Garza Borde
Dr. Paris Troyo Barriga

ALTERNATE EXECUTIVE DIRECTORS
Dr. Lorenzo de la Garza Villaseñor
Dr. José Casiano Pérez Jáuregui
Dr. Manuel de Jesús Martínez López
Dr. José Manuel Correa Rovelo
Dr. Jorge Ralf Kunhardt Rasch
Dr. Jorge Hernández Ortiz
C.P. Vinicio González Castillo

COMMITTEES
C.P.C. Manuel Sánchez y Madrid
Audit Committee

Act. Carlos Miguel Mendoza Valencia
Corporate Practices Committee

TOP DIRECTORS

Dr. Misael Uribe Esquivel
Chairman

Act. Héctor A. Montes Rabell
Chief Executive Officer

Dr. Jorge Hernández Ortiz
General Director of Hospital
Dr. José C. Pérez Jauregui
General Director of Diagnostic Services
Dr. Ramiro del Valle Robles
General Director of Clinics
Ing. Teofila Cadena Alfaro
Chief Operating Officer
L.C. Sergio U. Rodríguez R.
Chief Financial Officer

Dr. Jaime Arriaga Gracia
Medical Director
Dr. José M. Correa Rovelo
Surgery Director

Dra. Martha H. Ramos Ostos
Director of Comprehensive Diagnosis and Treatment Centre
Dr. Jorge Kunhardt Rasch
Medical Director of Médica Sur Lomas
Dr. Alfonso Vargas Rodríguez
Medical Director of Médica Sur Clinics
Dr. Nahúm Méndez Sánchez
Foundation of Médica Sur Clinics Director
Dr. Octavio González Chon
Academic Director
Dr. Jorge Luis Poo Ramírez
Alignment Director

Dr. Raúl Carrillo Esper
Head of Intensive Care Units
Dr. Sandra García López
Head of Coronary Care Units
Dr. Juan Manuel Sánchez Sánchez
Head of Imaging
Dr. Esteban Ríos Rodríguez Bueno
Head of CIF Biotec

Dr. Jorge Albores Saavedra
Head of Pathological Anatomy
Dr. Marco Polo Peña Corona Gutiérrez
Head of Respiratory Therapy
Dra. Alicia Graef Sánchez
Head of Nuclear Medicine
Dr. Pedro Yeverino Suárez
Head of Emergency Units
Dr. Adela Pointevin Chacón
Head of Radiotherapy
Dr. Rodolfo Bolaños Reyes
Head of Pediatrics
Enf. Ma.Elena González Sánchez
Head of Nurses
Dr. Guillermo García Ramos
Head of Neurophysiology
Dra. Caridad Sánchez Bahena
Head of Litiasis and Endourology
Dr. José A. Hernández Martínez
Head of Neonatology
Lic Margot Rivera Garduño
Head of Rehabilitation and Physiotherapy

Lic. Ana Lara Pulido
Head of Nutrition
Dr. Ricardo Sosa Sánchez
Head of Oncology
Dr. Héctor Baptista González
Head of Blood Bank
Dr. Angel García Alonso
Head of Gynecology
Dr. Elsa C. Laredo Sánchez
Head of Anesthesia
Dr. Amado de Jesús Athié Athié
Head of Nutritional Assistance
Dr. Luis Enrique Soto Martínez
Head of Epidemiology Surveillance
Dr. Eduardo Sánchez Cortés
Head of Endoscopy

Dra. Ma. de los Ángeles Fernández A.
President of Medical Society

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Colonia Cuauhtémoc
06500 México, D.F.

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www.deloitte.com.mx

Independent Auditors' Report

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF MÉDICA SUR, S. A. B. DE C.V.

We have audited the accompanying consolidated balance sheets of Médica Sur, S. A. B. de C. V. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Médica Sur, S. A. B. de C. V. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations, changes in their stockholders' equity, and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

The accompanying financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu

C. P. C. Rafael García Gómez

February 22, 2010

Consolidated Balance Sheets

As of December 31, 2009 and 2008 (In Mexican pesos)

ASSETS		2009		2008
Current assets:				
Cash and cash equivalents (note 4)	$	113,991,076	$	246,676,357
Accounts receivable – Net (note 5)		155,259,577		157,169,105
Due from related parties (note 14b)		220,571		958,782
Inventories		44,126,734		38,635,112
Prepaid expenses		16,606,687		11,349,757
Total current assets		330,204,645		454,789,113
Property, plant and equipment – Net (note 6)		2,167,548,852		1,658,612,382
Investment in shares of associated company (note 7)		7,959,735		5,381,121
Goodwill (note 8)		290,764,128		293,521,704
Other assets – Net (note 9)		16,580,020		18,818,523
Total	**$**	**2,813,057,380**	**$**	**2,431,122,843**

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt (note 10)	$	128,601,832	$	139,046,286
Accounts payable		106,939,160		90,902,989
Due to related parties (note 14b)		-		148,176
Accrued expenses and taxes other than income taxes		152,209,955		102,857,738
Direct employee benefits		2,325,310		2,468,656
Total current liabilities		390,076,257		335,423,845
Long-term debt (note 10)		425,200,870		262,913,905
Employee benefits (note 11)		25,134,096		23,248,620
Deferred income taxes (note 16)		256,805,706		267,476,113
Total liabilities		1,097,216,929		889,062,483
Stockholders' equity:				
Capital stock (Note 12a)		780,727,537		780,727,537
Contributions for future capital increases		196,748		196,748
Additional paid-in capital		2,015,689		2,015,689
Retained earnings		421,945,545		472,178,154
Legal reserve		73,849,036		64,165,411
Net income for the year		236,759,617		193,672,506
Treasury stock for future issuance		200,000,000		28,828,319
Equity attributable to owners		1,715,494,172		1,541,784,364
Non-controlling interest		346,279		275,996
Total stockholders' equity		1,715,840,451		1,542,060,360
Total	**$**	**2,813,057,380**	**$**	**2,431,122,843**

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008 (In Mexican pesos)

REVENUES		2009		2008
Net sales	$	1,770,932,364	$	1,543,687,257
Other		13,517,047		12,467,498
		1,784,449,411		1,556,154,755
Costs:				
Cost of sales		1,144,407,719		1,013,328,341
Gross profit		640,041,692		542,826,414
Operating expenses:				
Selling, general and administrative expenses		267,469,125		240,515,436
Operating income		372,572,567		302,310,978
Comprehensive financing cost:				
Interest expense		11,265,614		22,421,976
Exchange (gain) loss		(3,390,668)		2,283,295
		7,874,946		24,705,271
Other expense – Net (note 15)		18,831,616		16,110,276
Income before income taxes		345,866,005		261,495,431
Income taxes		111,614,719		68,670,768
Income before equity in income of associated companies		234,251,286		192,824,663
Equity in income of associated companies		2,578,614		907,577
Consolidated net income	**$**	**236,829,900**	**$**	**193,732,240**
Controlling interest	$	236,759,617	$	193,672,506
Non-controlling interest		70,283		59,734
Consolidated net income	**$**	**236,829,900**	**$**	**193,732,240**
Basic earnings per common share		2.02		1.65
Weighted average shares outstanding		117,411,190		117,411,190

See accompanying notes to consolidated financial statements.

MÉDICA SUR, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009 and 2008 (In Mexican pesos)

	CAPITAL STOCK	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balances as of January 1, 2008	$ 780,727,537	$ 196,748	$ 2,015,689	$ 587,389,255
Transfer to retained earnings	-	-	-	216,277,686
Transfer to legal reserve	-	-	-	(10,813,884)
Dividends paid (note 12d)	-	-	-	(63,989,099)
Reclassification of insufficiency in restated stockholders' equity as of January 1, 2008	-	-	-	(178,018,915)
Reclassification of initial cumulative effect of deferred income taxes as of January 1, 2008	-	-	-	(78,666,889)
Comprehensive income	-	-	-	-
Balances as of December 31, 2008	780,727,537	196,748	2,015,689	472,178,154
Transfer to retained earnings	-	-	-	193,672,506
Transfer to legal reserve	-	-	-	(9,683,625)
Dividends paid (note 12c)	-	-	-	(63,049,809)
Transfer to treasury stock for future issuance (note 12b)	-	-	-	(171,171,681)
Comprehensive income	-	-	-	-
Balances as of December 31, 2009	$ 780,727,537	$ 196,748	$ 2,015,689	$ 421,945,545

See accompanying notes to consolidated financial statements.

	LEGAL RESERVE	NET INCOME FOR THE YEAR	TREASURY STOCK FOR FUTURE ISSUANCE	INSUFFICIENCY IN RESTATED STOCKHOLDERS' EQUITY	INITIAL CUMULATIVE EFFECT OF DEFERRED INCOME TAXES	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY (NOTE 12)
	$ 53,351,527	$ 216,277,686	$ 28,828,319	$ (178,018,915)	$ (78,666,889)	$ 216,262	$ 1,412,317,219
	-	(216,277,686)	-	-	-	-	-
	10,813,884	-	-	-	-	-	-
	-	-	-	-	-	-	(63,989,099)
	-	-	-	178,018,915	-	-	-
	-	-	-	-	78,666,889	-	-
	-	193,672,506	-	-	-	59,734	193,732,240
	64,165,411	193,672,506	28,828,319	-	-	275,996	1,542,060,360
	-	(193,672,506)	-	-	-	-	-
	9,683,625	-	-	-	-	-	-
	-	-	-	-	-	-	(63,049,809)
	-	-	171,171,681	-	-	-	-
	-	236,759,617	-	-	-	70,283	236,829,900
	$ 73,849,036	$ 236,759,617	$ 200,000,000	$ -	$ -	$ 346,279	$ 1,715,840,451

MÉDICA SUR, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008 (In Mexican pesos)

OPERATING ACTIVITIES:	2009	2008
Income before income taxes	$ 348,444,619	$ 262,403,008
Items related to investing activities:		
Depreciation and amortization	127,208,134	134,455,929
(Gain) loss on sale of fixed assets	(199,426)	48,851
Equity in income of associated companies	(2,578,614)	(907,577)
Items related to financing activities:		
Interest expense	11,265,614	22,421,976
	484,140,327	418,422,187
(Increase) decrease in:		
Accounts receivable	1,909,528	(14,949,785)
Due to related parties	590,035	(695,845)
Inventories	(5,491,622)	(4,669,632)
Other assets	(301,323)	42,483,703
Increase (decrease) in:		
Trade accounts payable	16,036,171	(22,704,573)
Accrued expenses	51,556,204	(61,288,842)
Income taxes paid	(120,683,995)	(50,406,970)
Net cash provided by operating activities	427,755,325	306,190,243
INVESTING ACTIVITIES:		
Purchase of machinery and equipment	(244,543,263)	(102,764,868)
Proceeds from sale of machinery and equipment	7,224,348	3,081,190
Purchase of subsidiary, net of cash acquired	-	(171,885,795)
Net cash used in investing activities	(237,318,915)	(271,569,473)
Excess cash to be applied to financing activities	190,436,410	34,620,770
FINANCING ACTIVITIES:		
Borrowings	-	347,492,001
Repayment of loans received	(239,758,831)	(61,892,515)
Interest paid	(22,681,717)	(22,119,077)
	(60,681,143)	(61,920,871)
Net cash (used in) provided by financing activities	(323,121,691)	201,559,538
Net (decrease) increase in cash and cash equivalents	(132,685,281)	236,180,308
Cash and cash equivalents at beginning of year (includes restricted cash of $29,121)	246,676,357	10,496,049
Cash and cash equivalents at end of year (includes restricted cash of $603,299)	**$ 113,991,076**	**$ 246,676,357**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2009 and 2008 (In Mexican pesos)

1. NATURE OF BUSINESS

Médica Sur, S. A. B. de C. V. ("Médica Sur") and subsidiaries (together, the "Company") provides health, diagnosis and hospitalization services, and is engaged in other health care related operations. In addition, the Company builds properties related to those activities.

2. BASIS OF PRESENTATION

a. **Explanation for translation into English -** The financial statements and notes as of December 31, 2009 and 2008 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

b. **Consolidation of financial statements -** The consolidated financial statements include the financial statements of Médica Sur and those of its subsidiaries where it holds control. Médica Sur's shareholding percentage in their capital stock is shown below:

GROUP (OR COMPANY)	OWNERSHIP PERCENTAGE	ACTIVITY
Corporación MSB, S. A. de C. V. and subsidiaries ("Corporación MSB")	99%	Corporación MSB holds 99% of the outstanding shares of Servicios MSB, S. A. de C. V. which provides administrative services to Médica Sur and also holds 99% of the outstanding shares of Operadora MSB, S. A. de C. V. which provides laboratory and pathology services.
Inmobiliaria Médica Sur, S. A. de C. V. ("Inmobiliaria MS")	99%	Inmobiliaria MS is engaged in the construction of spaces and physicians' offices to provide health care services. Inmobiliaria MS holds 99% of the outstanding shares of Servicios Hoteleros MS, S. A. de C. V.
Servicios de Administración Hospitalaria, S. A. de C. V. ("SAHO")	99%	SAHO is an administrative services provider for Médica Sur, Telemed and Operadora MSB.
Operadora Médica Sur, S. A. de C. V. ("OM")	99%	OM suspended operations on August 31, 1997.
Telemed S. A. de C. V. ("Telemed")	99%	Telemed is a radiology and imaging services provider.
Servicios Ejecutivos Medica Sur, S. A. de C. V. ("SEMS")	99%	SEMS is an executive administrative services provider for Médica Sur.
Corporación de Atención Médica, S. A. de C. V. ("CAM")	99%	CAM provides health and primary diagnosis services.
Fundaciones Santa Teresa, S. A. de C. V. ("Fundaciones")	99%	Fundaciones holds 99% of the outstanding shares of Santa Teresa Institución Gineco Obstetrica, S.A. de C.V.

Significant intercompany balances and transactions have been eliminated.

On February 29, 2008, the Company acquired 15,845,347 common shares of Fundaciones, which represented 99.999998% ownership of the common stock of Fundaciones. The amount paid for such shares was $210,000,000 pesos. As a result of the purchase, a goodwill was identified in the amount of $91,611,290 (nominal value) as of the date of the transaction.

In addition, the Company has an investment in Imagen por Resonancia Magnética, S. A. de C. V. ("Imagen") with an ownership of 42.0775% of its common stock, which is accounted for by applying the equity method.

c. **Comprehensive income -** Represents changes in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income items of the same period, which are presented directly in stockholders' equity without affecting the statements of income.

d. **Classification of costs and expenses -** Costs and expenses presented in the consolidated statements of income were classified according to their function. Consequently, cost of sales is presented separately from other costs and expenses.

e. **Income from operations -** Income from operations is the result of subtracting cost of sales and general expenses from net sales. While NIF B-3, Statement of Income, does not require inclusion of this line item in the consolidated statements of income, it has been included for a better understanding of the Company's economic and financial performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Company's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Company are as follows:

a. **Reclassifications -** Certain amounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the 2009 financial statements.

b. **Recognition of the effects of inflation -** Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2009 and 2008, was 15.01% and 11.56%, respectively, the economic environment may be considered non-inflationary in both years. Inflation rates for the years ended 2009 and 2008 were 3.57% and 6.53%, respectively.

Beginning on January 1, 2008, the Company discontinued recognition of the effects of inflation in its financial statements. However, assets, liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

On January 1, 2008, the Company reclassified the entire balance of the insufficiency in restated stockholders' equity to retained earnings, and concluded that it is impractical to identify the loss from holding non-monetary assets related to assets not realized as of that date.

c. **Cash and cash equivalents -** Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, which are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing cost of the period. Cash equivalents are represented mainly by investments in money market funds.

d. **Inventories and cost of sales -** Inventories are stated at the lower of cost or realizable value, using the last purchase price or net realizable value.

e. **Property, plant and equipment -** Property, plant and equipment are recorded at acquisition cost. Balances from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date. Depreciation is calculated using the straight-line method based on the average useful lives of the related assets, which in 2009 and 2008, were as follow:

	YEARS
Buildings and physicians' offices	28.7
Machinery and equipment	10
Office furniture and equipment	10
Medical equipment	4
Computers	10
Transportation equipment	4

Comprehensive financing cost incurred during the period of construction and installation of qualifying property, plant and equipment is capitalized and was restated for inflation through December 31, 2007 using the NCPI.

f. **Investment in shares of associated companies -** Beginning in April 2009, permanent investments in entities where significant influence exists, are initially recognized based on the net fair value of the entities' identifiable assets and liabilities as of the date of acquisition. Such value is subsequently adjusted for the portion related both to comprehensive income (loss) of the associated company and the distribution of earnings or capital reimbursements thereof. When the fair value of the consideration paid is greater than the value of the investment in the associated company, the difference represents goodwill, which is presented as part of the same investment. Otherwise, the value of the investment, is adjusted to the fair value of the consideration paid. Through December 31, 2008, investment in shares of associated companies is valued according to the equity method. If impairment indicators are present, investment in shares of associated companies is subject to impairment testing.

g. **Impairment of long-lived assets in use -** The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the services rendered, competition and other legal and economic factors.

h. **Goodwill -** Goodwill represents the excess of cost over the fair value of the subsidiary shares, as of the date of acquisition. Through December 31, 2007, it was restated for the effects of inflation using the NCPI. Goodwill is not amortized and is subject to impairment tests, at least once a year.

The Company has also recognized an intangible asset, included in goodwill, related to its acquisition of Imagen's shares. Imagen operates a concession, which generated an intangible asset at the date of the shares acquisition for the cost of the acquisition over the fair value of the assets received and liabilities assumed. The remaining life of the concession is ten years, and as such, the Company continues to amortize such asset.

Amortization for the intangible asset related to Imagen in 2009 y 2008 was $2,757,576 and $2,757,576, respectively.

i. **Employee benefits from termination, retirement and other -** Liabilities from seniority premiums and severance payments are recognized as they accrue and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

j. **Other assets -** Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized. They were restated through December 31, 2007 for the effects of inflation, and are amortized based on the straight-line method over five years. Disbursements that do not meet such requirements, as well as research costs, are recorded in results of the period in which they are incurred. Intangible assets with indefinite lives, such as trademarks and licenses to transmit via radio, are not amortized because they can be renewed at a reduced cost; however, their value, which includes the effects of inflation through December 31, 2007, is subject to impairment tests. Preoperating costs are recorded directly to results of the period in which they are incurred. Preoperating costs incurred and capitalized up to December 31, 2002, were amortized through December 31, 2008, according to the straight line method over five years

k. **Provisions -** Provisions are recognized for current obligations that arise from a past event, that will probably result in the use of economic resources, and that can be reasonably estimated.

l. **Statutory employee profit sharing -** Statutory employee profit sharing ("PTU") is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law. Deferred PTU derived from temporary differences between the accounting and tax basis of assets and liabilities is recognized only when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

m. **Income taxes -** Income tax ("ISR") and the Business Flat Tax (IETU) are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carry forwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery. According to NIF D-4, Income Taxes, the balance of the initial cumulative effect of deferred income taxes was reclassified to retained earnings as of January 1, 2008.

n. **Foreign currency transactions -** Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost in the consolidated statements of income.

o. **Revenue recognition -** Revenues are recorded during the period the health care services are provided based on the fees associated with those services.

p. **Earnings per share -** Basic earnings per common share are calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated net income and common shares on the assumption that the Company's commitments to issue or exchange its own shares would be realized.

4. CASH AND CASH EQUIVALENTS

	2009	2008
Cash and bank deposits	$ 34,682,370	$ 14,370,633
Cash equivalents:		
Money market funds	79,308,706	232,305,724
	$ 113,991,076	**$ 246,676,357**

Telemed and Médica Sur entered into various agreements with Consejo Nacional de Ciencia y Tecnología ("CONACYT") that require Telemed and Médica Sur to maintain available cash flows to fulfill investment requirements of the projects. Available cash flows in 2009 and 2008 amounted to $519,971 and $29,121, respectively, for Telemed and $83,328 in 2009 for Médica Sur.

5. ACCOUNTS RECEIVABLE

	2009	2008
Accounts receivable	$ 142,182,947	$ 134,541,748
Allowance for doubtful accounts	(34,788,560)	(28,666,165)
	107,394,387	105,875,583
Notes receivable	2,648,568	3,158,254
Officers and employees	514,800	79,905
Recoverable taxes (mainly value added tax)	43,827,082	47,444,153
Other	874,740	611,210
	$ 155,259,577	**$ 157,169,105**

6. PROPERTY, PLANT AND EQUIPMENT

2009	INVESTMENT	ACCUMULATED DEPRECIATION	NET
Buildings	$ 1,315,487,729	$ (315,094,458)	$ 1,000,393,271
Physicians' offices	145,993,301	(37,855,140)	108,138,161
Medical equipment	597,021,053	(406,946,804)	190,074,249
Machinery and equipment	154,069,457	(103,594,957)	50,474,500
Transportation equipment	14,016,083	(9,257,487)	4,758,596
Computers	104,258,795	(81,887,920)	22,370,875
Office furniture and equipment	133,742,628	(77,563,179)	56,179,449
	2,464,589,046	(1,032,199,945)	1,432,389,101
Construction in progress	44,801,591	-	44,801,591
Land	690,358,160	-	690,358,160
	$ 3,199,748,797	**$ (1,032,199,945)**	**$ 2,167,548,852**

2008	INVESTMENT	ACCUMULATED DEPRECIATION	NET
Buildings	$ 1,253,948,767	$ (272,849,342)	$ 981,099,425
Physicians' offices	145,993,301	(31,938,445)	114,054,856
Medical equipment	595,253,199	(401,544,455)	193,708,744
Machinery and equipment	142,429,063	(86,981,119)	55,447,944
Transportation equipment	15,226,389	(9,674,682)	5,551,707
Computers	98,738,863	(70,750,992)	27,987,871
Office furniture and equipment	131,958,719	(75,299,442)	56,659,277
	2,383,548,301	(949,038,477)	1,434,509,824
Construction in progress	28,227,123	-	28,227,123
Land	195,875,435	-	195,875,435
	$ 2,607,650,859	$ (949,038,477)	$ 1,658,612,382

7. INVESTMENT IN SHARES OF ASSOCIATED COMPANIES

On July 26, 2004, the Company acquired 717 common shares of Imagen, which represent a 42.0775% ownership of the common stock of Imagen. The amount paid for such shares was U.S. dollars 2,154,366. As a result of the purchase, an intangible concession asset was identified in the amount of $24,300,959 (nominal pesos) as of the date of the transaction. The investment in shares of Imagen as of December 31, 2009 is as follows:

	OWNERSHIP PERCENTAGE	EQUITY IN STOCKHOLDERS' EQUITY OF ASSOCIATED COMPANY AS OF DECEMBER 31, 2008	EQUITY IN INCOME OF ASSOCIATED COMPANY	PARTICIPACIÓN EN EL CAPITAL CONTABLE DE ASOCIADA AL 31/XII/2009
Imagen por Resonancia Magnética, S. A. de C.V.	42.0775 %	$ 5,381,121	$ 2,578,614	$ 7,959,735

8. GOODWILL

Goodwill as of December 31, 2009 and 2008, resulted from the following investments in shares:

2009

	VALOR	AMORTIZATION	NET
Telemed and Corporación MSB and subsidiaries	$ 182,903,921	$ (70,005,650)	$ 112,898,271
Inmobiliaria MS	29,760,702	(23,817,050)	5,943,652
Farmacia Médica Sur, S. A. de C. V.	62,479,111	(10,991,136)	51,487,975
Concession asset from Imagen	27,575,759	(15,209,649)	12,366,110
CAM	16,456,830	-	16,456,830
Fundaciones	91,611,290	-	91,611,290
Total	**$ 410,787,613**	**$ (120,023,485)**	**$ 290,764,128**

2008

	VALOR	AMORTIZATION	NET
Telemed and Corporación MSB and subsidiaries	$ 182,903,921	$ (70,005,650)	$ 112,898,271
Inmobiliaria MS	29,760,702	(23,817,050)	5,943,652
Farmacia Médica Sur, S. A. de C. V.	62,479,111	(10,991,136)	51,487,975
Imagen	27,575,759	(12,452,073)	15,123,686
CAM	16,456,830	-	16,456,830
Fundaciones	91,611,290	-	91,611,290
Total	**$ 410,787,613**	**$ (117,265,909)**	**$ 293,521,704**

9. OTHER ASSETS

	2009		
	DEFERRED EXPENSES (*)	INSTALLATION EXPENSES, GUARANTEE DEPOSITS AND OTHER	TOTAL
Cost:			
Balances as of January 1, 2009	$ 9,808,047	$ 19,797,304	$ 29,605,351
Additions	293,246	8,077	301,323
Balances as of December 31, 2009	10,101,293	19,805,381	29,906,674
Accumulated amortization:			
Balances as of January 1, 2009	(7,042,871)	(3,743,957)	(10,786,828)
Amortization expense	(941,394)	(1,598,432)	(2,539,826)
Balances as of December 31,2009	(7,984,265)	(5,342,389)	(13,326,654)
Net balances as of December 31, 2009	**$ 2,117,028**	**$ 14,462,992**	**$ 16,580,020**

	2008		
	DEFERRED EXPENSES (*)	INSTALLATION EXPENSES, GUARANTEE DEPOSITS AND OTHER	TOTAL
Cost:			
Balances as of January 1, 2008	$ 9,808,047	$ 28,769,403	$ 38,577,450
Additions	-	(8,972,099)	(8,972,099)
Balances as of December 31, 2008	9,808,047	19,797,304	29,605,351
Accumulated amortization:			
Balances as of January 1, 2008	(6,394,723)	(2,138,445)	(8,533,168)
Amortization expense	(648,148)	(1,605,512)	(2,253,660)
Balances as of December 31,2008	(7,042,871)	(3,743,957)	(10,786,828)
Net balances as of December 31, 2008	**$ 2,765,176**	**$ 16,053,347**	**$ 18,818,523**

(*) Net deferred expenses as of December 31, 2009 and 2008, are comprised of the following:

	2009	2008
"Gamma Knife"		
Import and conditioning expenses, derived from the "Gamma Knife" equipment use contract, which are amortized over a 10-year period.	$ 610,149	$ 942,967
"Image by Magnetic Resonance"		
Expenses and fees paid for negotiating and amending the concession that the Médica Sur Group has with Imagen, for operating the Resonance Unit, which are amortized over a 14-year period.	1,276,071	1,477,967
"Hemodialysis Unit"		
Expenses and fees paid for negotiating and amending the concession granted to Fresenius Medical Care de México, S. A. de C. V. for operating the Hemodialysis Unit, which are amortized over a 10-year period.	230,808	344,242
Total	**$ 2,117,028**	**$ 2,765,176**

10. LONG-TERM DEBT

	2009	2008
Médica Sur:		
Inbursa:		
Home equity divided in two blocks:		
a) Revolving credit facility for an amount of $75,000,000. Quarterly interest installments accrued at the 91-day TIIE plus 1.5%. Final maturity on May 17, 2009. At December 31, 2009 TIIE was 8.7435%	$ -	$ 50,000,000
b) Revolving credit facility for an amount of $225,000,000. Quarterly interest installments accrued at the 91-day TIle plus 2.0%. Final maturity on May 17, 2013. At December 31, 2009 TIIE was 8.7435%	150,056,762	179,528,762
BBVA Bancomer:		
Revolving credit facility for an amount of $100,000,000. Monthly interest installments at the 28-day TIIE plus 0.50 points, due the last day of the month, with a final maturity on October 1, 2010.	-	100,000,000

	2009	2008
Médica Sur:		
Santander Serfin:		
a) Revolving credit facility for an amount of $50,000,000. Monthly interest installments at the 28-day TIIE plus 0.90 points, due the last day of the month. Final maturity on April 23, 2009.	-	49,390,001
b) Revolving credit facility for an amount of $30,000,000. Monthly interest installments at the 28-day TIIE plus 0.90 points, due the last day of the month. Final maturity on April 23, 2009.	-	6,970,000
The Toronto – Dominion Bank		
Promissory note for an amount of U.S$1,626,611. Semiannually installments of principal and accrued interest, bearing interest at LIBOR rate plus 0.5%. Final maturity on March 27, 2014.	12,144,598	16,071,428
Fundación José María Alvarez, A.C.		
Loan agreement for $501,093,000, payable in three installments: ther first installment was made on August 12, 2009, the second and third are due to be paid no later than August 12, 2010 and February 12, 2012, respectively. This loan generates interest over the unpaid balance at a rate equal to the change of the UDI expressed in percentages from August 12, 2009 to the date of each payment. As of December 31, 2009 the value of the UDI was $4.340166	391,601,342	-
Long-term debt	553,802,702	401,960,191
Less - Current portion	(128,601,832)	(139,046,286)
Total long-term debt	**$ 425,200,870**	**$ 262,913,905**

The most restrictive covenants contained in the loan agreements require a written approval from the banks for payment of cash dividends and the insurance over the property pledged as guarantee for the loans, and require the Company to maintain certain minimum financial ratios. The Company complied with such covenants as of December 31, 2009; regarding the payment of dividends, the Company was granted authorization for payment from the banks.

a. As of December 31, 2009, long-term debt is as follows:

2011	$ 48,698,626
2012	350,634,857
2013	25,867,387
	$ 425,200,870

11. EMPLOYEE BENEFITS

In accordance with the Federal Labor Law, the Company is obligated to pay seniority premiums and severance payments upon termination of the labor relationship under certain circumstances.

Seniority premium benefits consist of a lump sum payment of 12 days' wages for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method. The present values of these obligations and the rates used for the calculations are:

	2009	2008
Accumulated benefit obligation	**$ (25,134,096)**	**$ (23,248,620)**
Projected benefit obligation	$ (27,423,280)	$ (25,112,713)
Unrecognized items	2,289,184	1,864,093
Net projected liability	**$ (25,134,096)**	**$ (23,248,620)**
Net period cost	**$ 6,480,501**	**$ 7,152,742**

The rates used in the actuarial calculations, net of effects of inflation, as of December 31, 2009 and 2008 were:

	%
Discount of the projected benefit obligation at present value	4
Salary increase	5

Unrecognized items are charged to results based on the average remaining service lives of employees expected to receive benefits, which is 15 years.

The amortization period for the unamortized items is as follows:

	REMAINING YEARS
Prior service costs resulting from plan amendments	10
Transition (asset) liability	9
Variances in assumptions	12

Net period cost is comprised as follows:

	2009	2008
Service costs	$ 5,351,736	$ 5,045,425
Amortization of the transition liability	1,666,509	2,058,628
Amortization of changes to the plan	1,648,630	(1,780,633)
Amortization of unrecognized items	(2,186,374)	1,829,322
Net period cost	**$ 6,480,501**	**$ 7,152,742**

12. STOCKHOLDERS' EQUITY

a. Stockholders' equity consists of the following as of December 31, 2009 and 2008:

	NUMBER OF SHARES	PAR VALUE	RESTATEMENT EFFECT	TOTAL
Fixed capital Series B, class I	53,530,464	$ 161,076,399	$ 181,525,943	$ 342,602,342
Variable capital Series B, class II	63,880,726	192,220,965	245,904,230	438,125,195
Total shares	117,411,190	$ 353,297,364	$ 427,430,173	$ 780,727,537

Common stock consists of nominative shares. Series B, class I shares represent 46% of common stock and may be owned only by Mexican citizens. Series B, class II shares represent 54% of common stock and have no ownership limitations. Variable capital may be increased without limitation.

b. Pursuant to a resolution of the General Ordinary and Extraordinary Stockholders' Meeting on November 12, 2009, the stockholders authorized the increase of the treasury stock for future issuance to $200,000,000.

c. Pursuant to a resolution of the General Ordinary and Extraordinary Stockholders' Meeting on April 29, 2009, the stockholders authorized dividends for $63,049,809. Dividends were paid on May 21, 2009 out of the net tax income account ("CUFIN").

d. Pursuant to a resolution of the General Ordinary and Extraordinary Stockholders' Meeting on April 30, 2008, the stockholders authorized dividends for $63,989,099. Dividends were paid on May 22, 2008 out of the CUFIN.

e. Stockholders' equity, except for restated paid-in capital and tax retained earnings, will be subject to ISR payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

f. The balances of the stockholders' equity tax accounts as of December 31 are:

	2009	2008
Contributed capital account	$ 1,008,275,002	$ 973,520,327
CUFIN	937,421,001	650,379,135
Total	**$ 1,945,696,003**	**$ 1,623,899,462**

13. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

a. As of December 31, the foreign currency monetary position is as follows:

	2009	2008
U.S. dollars:		
Monetary assets	$ 1,481,573	$ 391,939
Monetary liabilities	2,141,546	1,219,522
Net monetary liability position	**(659,973)**	**(827,583)**
Equivalent in Mexican pesos	**$ (8,623,141)**	**$ (11,447,542)**

b. Transactions denominated in foreign currency were as follows:

	2009	2008
	(IN U.S. DOLLARS)	
Interest expense	27,725	57,395
Royalty expense	376,275	282,851
Import purchases	151,610	265,429

c. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets and at the date of issuance of these financial statements were as follows:

	DECEMBER 31,		FEBRUARY 22,
	2009	2008	2010
U.S. dollar	$ 13.0659	$ 13.8325	$ 12.8017

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2009	2008
Dividends declared	$ 63,049,809	$ 63,989,099
Donations	12,475,409	5,062,015

b. Balances with associated companies are as follows:

	2009	2008
Due from-		
Genoma, S. A. de C. V.	$ 159,536	$ 159,536
Fundación Clínica Médica Sur, A. C.	61,035	799,246
	$ 220,571	$ 958,782
Due to-		
Neuco, S.A. de C.V.	$ -	$ 148,176

c. Employee benefits granted to Company key prominent executives were by $45,040,725 and $32,880,672 at December 31, 2009 and 2008, respectively.

15. OTHER EXPENSES

a. Detail is as follows:

	2009	2008
Goodwill	$ 2,757,576	$ 2,757,576
Amortization of deferred expenses	941,394	648,148
Loss on sale of fixed assets	(199,426)	(231,102)
Other expenses	22,017,858	11,010,903
Current – Profit sharing	2,477,555	2,464,027
Expenses for Tampico's Project	-	(539,276)
Income from CONACYT	(20,478,944)	-
Expenses to CONACYT	11,315,603	-
	$ 18,831,616	**$ 16,110,276**

16. INCOME TAXES

The Company is subject to ISR and IETU.

The ISR rate for 2009 and 2008 was 28%, and will be 30% for 2010 to 2012, 29% for 2013, and 28% for 2014 and thereafter.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate is 17% and 16.5%, in 2009 and 2008, respectively; and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be recovered, according to the terms of the law.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections and according to INIF 8, Effects of the Business Flat Tax, the Company determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

a. Income taxes are as follows:

	2009	2008
ISR:		
Current	$ 137,762,264	$ 96,478,964
Deferred	(33,267,537)	(24,245,109)
Tax incentive for technology, research and development costs incurred	(10,431,142)	(3,563,087)
Effect of prior years	6,279,614	-
Tax effect due to tax rate changes	11,271,520	-
	$ 111,614,719	**$ 68,670,768**

Telemed recognized tax incentives in 2009 and 2008 related to technology, research and development cost incurred with respect to the "Telemedicina" project, which are recognized in results of 2009 and 2008 for $16,712,457 and $476,590, respectively. In addition, Médica Sur recognized tax incentives in 2009 and 2008 for $3,766,487 and $3,086,497, respectively.

b. The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income is:

	2009	2008
	%	%
Statutory rate	28	28
Less:		
Tax incentives for technology, research and development costs incurred	-	(1.4)
Effect due to tax rate changes	2.02	
Other (mainly effects of inflation)	2.37	(0.4)
Effective rate	**32.4**	**26.2**

c. The main items that give rise to the deferred ISR liability are:

	2009	2008
Deferred ISR liabilities:		
Property and equipment	$ (273,608,181)	$ (255,405,206)
Inventories	(7,629,298)	(7,411,841)
Goodwill	(32,070,633)	(27,238,405)
Deferred expenses	(5,340,366)	(3,642,763)
Provisions	25,017,630	13,747,137
Other - net	23,360,611	7,037,400
	(270,270,237)	(272,913,678)
Effect of tax loss carryforwards	13,464,531	5,437,565
Net long-term deferred ISR liability	**$ (256,805,706)**	**$ (267,476,113)**

To determine deferred ISR at December 31, 2009, the Company applied the applicable tax rates to temporary differences based on their estimated reversal dates. The result from applying different rates is presented in the caption tax effect due to tax rate changes.

17. CONTINGENCIES

Neither the Company nor its assets are subject to any legal action other than those that arise in the normal course of business.

18. SUBSEQUENT EVENT

Pursuant to a resolution of General Ordinary and Extraordinary Stockholders' Meeting on November 17, 2009, the stockholders authorized the mergers of the following entities, which had legal effect from January 1, 2010:

Santa Teresa Institución Gineco Obstétrica, S. A. de C. V., as surviving entity, with Fundaciones, as merging entity.

Corporación MSB, as surviving entity, with Operadora MSB, S. A. de C. V., as merging entity.

Médica Sur, as surviving entity, with Corporación MSB, as merging entity.

19. SEGMENT INFORMATION

a. Segment information consists of the following:

	HOSPITAL		REAL ESTATE		IMAGING	
	2009	2008	**2009**	2008	**2009**	2008
Revenues:						
From third parties	$ 1,664,377,805	$ 1,457,905,154	$ 16,347,866	$ 11,439,841	$ -	$ -
Intersegment	65,431,517	46,588,258	6,053,731	8,074,646	149,848,982	133,227,665
	1,729,809,322	1,504,493,412	22,401,597	19,514,487	149,848,982	133,227,665
Operating costs and expenses	1,502,214,706	1,303,818,760	17,419,578	14,717,221	103,576,172	103,328,286
Operating income	$ 227,254,616	$ 200,674,652	$ 4,982,019	$ 4,797,266	$ 46,272,810	$ 29,899,379
Other profit and loss items	-	-	-	-	-	-
Net consolidated income	-	-	-	-	-	-
Total assets	$ 3,134,336,361	$ 2,669,840,754	$ 66,684,367	$ 46,615,156	$ 100,459,811	$ 102,588,620
Total liabilities	$ 1,325,092,521	$ 1,051,671,198	$ 79,680,025	$ 60,518,570	$ 62,356,656	$ 42,582,009
Depreciation and amortization	**$ 102,385,316**	**$ 101,112,498**	**$ 2,060,693**	**$ (1,911,384)**	**$ 15,934,584**	**$ 20,506,002**

20. NEW ACCOUNTING PRINCIPLES

As part of its efforts to converge Mexican standards with international standards, in 2009, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following NIFs, Interpretations to Financial Information Standards ("INIFs") and improvements to NIFs applicable to profitable entities which become effective as follows:

a) For fiscal years that begin on January 1, 2010:

C-1, Cash and Cash equivalents
Improvements to NIFs for 2010
INIF 14, Construction Contracts, Sale of Real Property and Rendering of Related Services
INIF 17, Service Concession Contracts

Some of the most important changes established by these standards are:

NIF C-1, Cash and Cash Equivalents, requires restricted cash and cash equivalents to be included within the cash and cash equivalents caption, as opposed to Bulletin C-1, which required presentation under separate captions; NIF C-1 replaces the caption on-demand temporary investments with the caption on-demand available investments clarifying that this type of investment has a maturity of up to three months from its acquisition date.

Improvements to NIFs for 2010 – The main improvements generating accounting changes that must be recognized retroactively are:

NIF B-1, Accounting Changes and Correction of Errors – Requires further disclosures in case the Company applies a particular Standard for the first time.

ADMINISTRATIVE		LABORATORY		ELIMINATIONS		CONSOLIDATED	
2009	2008	2009	2008	2009	2008	2009	2008
$ -	$ -	$ 110,648,627	$ 86,809,760	$ -	$ -	$ 1,791,374,298	$ 1,556,154,755
524,640,472	447,938,065	65,551,403	54,866,290	(818,450,992)	(690,694,924)	(6,924,887)	-
524,640,472	447,938,065	176,200,030	141,676,050	(818,450,992)	(690,694,924)	1,784,449,411	1,556,154,755
493,373,688	423,753,361	118,705,788	99,455,847	(823,413,088)	(691,229,698)	1,411,876,844	1,253,843,777
$ 31,266,784	$ 24,184,704	$ 57,494,242	$ 42,220,203	$ 4,962,096	$ 534,774	$ 372,572,567	$ 302,310,978
-	-	-	-	-	-	132,956,558	108,578,738
-	-	-	-	-	-	239,960,655	193,732,240
$ 97,704,609	$ 84,732,007	$ 106,049,959	$ 109,169,097	$ (692,177,727)	$ (581,822,791	$ 2,813,057,780	$ 2,431,122,843
$ 75,289,887	$ 61,386,042	$ 15,938,003	$ 20,822,277	$ (461,140,173)	$ (347,917,613)	$ 1,113,771,323	$ 889,062,483
$ 546,042	**$ 456,981**	**$ 2,584,328**	**$ 2,539,059**	**$ -**	**$ -**	**$ 123,510,963**	**$ 122,703,156**

NIF B-2, Statement of Cash Flows – Requires recognition of the effects of fluctuations in exchange rates used for translating cash in foreign currencies, and changes in fair value of cash in the form of precious metal coins, and other cash items, at fair value, in a specific line item.

NIF B-7, Business Acquisitions – Requires recognition of intangible assets or provisions because the acquired business has a contract whose terms and conditions are favorable or unfavorable with respect to market, only when the acquired business is the lessee in an operating lease. This accounting change should be recognized retroactively and not go further than January 1, 2009.

NIF C-7, Investments in Associated Companies and Other Permanent Investments – Modifies how the effects derived from increases in equity percentages in an associated company are determined. It also establishes that the effects due to an increase or decrease in equity percentages in associated companies should be recognized under equity in income (loss) of associated companies, rather than in the non-ordinary line item within the statement of income.

NIF C-13, Related Parties – Requires that, if the direct or ultimate controlling entity of the reporting entity does not issue financial statements available for public use, the reporting entity should disclose the name of the closest, direct / indirect, controlling entity that issues financial statements available for public use.

INIF 14, Construction Contracts, Sale of Real Property and Rendering of Related Services – is a supplement to Bulletin D-7, Construction and Manufacturing Contracts for Certain Capital Assets, and requires segregation of the different components of the contracts in order to define whether the contract refers to construction of real property, sale of real property, or rendering related services, and establishes the rules for recognizing revenue and related costs and expenses, based on the different elements identified in the contract. INIF 14 provides guidance for the appropriate use of the percentage-of-completion method for revenue recognition.

INIF 17, Service Concession Contracts – is a supplement to Bulletin D-7, Construction and Manufacturing Contracts for Certain Capital Assets, and establishes that, when the infrastructure of the service concession contracts falls within the scope of this INIF, it should not be recognized under property, plant and equipment. It also establishes that when the operator renders construction or improvement services, as well as operation services under the same contract, revenues should be recognized for each type of service, based on the fair value of each consideration received at the time the service is rendered. When amounts are clearly identified and, after they are quantified, the applicable revenue recognition criterion should be followed, taking the nature of the service rendered into consideration. Also, INIF 17 establishes that, when the operator renders construction or improvement services, both revenues and the associated costs and expenses should be recognized under the percentage-of-completion method and consideration received, or receivable, should be recognized, initially, at fair value. Revenues from operation services should be recognized as the services are rendered and suppletorily considering IAS 18.

b) For fiscal years that begin on January 1, 2011:

B-5, Financial Segment Information, and
B-9, Interim Financial Information

Some of the most important changes established by these standards are:

NIF B-5, Financial Segment Information – Uses a managerial approach to disclose financial information by segments, as opposed to Bulletin B-5, which also used a managerial approach but required that the financial information be classified by economic segments, geographical areas, or homogenous client groups. NIF B-5 does not require different risks among business areas to separate them. It allows areas in the preoperating stage to be classified as a segment, and requires separate disclosure of interest income, interest expense and liabilities, as well as disclosure of the entity's information as a whole with respect to products, services, geographical areas and major customers and suppliers. Like the preious Bulletin, this Standard is mandatory only for public companies or companies in the process of becoming public.

NIF B-9, Interim Financial Information – As opposed to Bulletin B-9, this Standard requires a condensed presentation of the statement of changes in stockholders' equity and statement of cash flows, as part of the interim financial information. For comparison purposes, it requires that the information presented at the closing of an interim period contain the information of the equivalent interim period of the previous year, and in the case of the balance sheet, presentation of the previous years' annual balance sheet.

At the date of issuance of these consolidated financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information.

21. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2009, the National Banking and Securities Commission published the amendments to its Single Circular for Issuers, which requires companies to file financial statements prepared according to the International Financial Reporting Standards beginning in 2012, and permits their early adoption.

22. FINANCIAL STATEMENTS ISSUANCE AUTHORIZATION

On February 22, 2010, the issuance of the consolidated financial statements was authorized by Actuario Héctor Montes Rabell, General Director of the Company. These consolidated financial statements are subject to the approval at the Board of Directors and the general ordinary stockholders' meeting, where such financial statements may be modified, based on provisions set forth by the General Corporate Law.

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