

# The patients, our inspiration

2017 ANNUAL REPORT





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# Company Profile

MÉDICA SUR IS A HEALTH CARE INSTITUTION COMPOSED OF DIAGONISTIC UNITS, MEDICAL CARE, RESEARCH, TEACHING AND COMMUNITY SERVICE. THE INSTITUTION HAS BROUGHT TOGETHER A SELECT GROUP OF MEDICAL, NURSING, ADMINISTRATIVE AND HOSPITAL MANAGEMENT PROFESSIONALS WHO, GUIDED BY A STRICT CODE OF ETHICS AND BACKED BY STATE-OF-THE-ART TECHNOLOGY, STRIVE TO OFFER A SERVICE OF MEDICAL EXCELLENCE WITH HUMAN WARMTH

This project was conceived in 1981 by a group of Mexican doctors and health care professionals in order to create a private high specialty center where medical ethics along with international standards of efficiency, and academic vocation would be practiced while being economically sustainable.

Thus, the Médica Sur Group began with one Specialty Tower and basic diagnostic services. It first evolved into a hospital, then into a High Specialty Center, and finally into a group of companies that covers the three levels of medical care. In this regard, thanks to the efficient integration of Laboratorio Médico Polanco and Laboratorios Clínicos de Puebla, Médica Sur Group became a larger and stronger group, giving the possibility of reaching out people of Mexico City and the Metropolitan Area, State of Mexico, Morelos, Puebla, Querétaro, Quintana Roo and Tlaxcala, with the most modern laboratories in the country.





# Medical excellence, human warmth



## MISSION

Médica Sur's mission is to offer conscientious health care to its patients, satisfaction to its doctors and its employees, and a fair medical alternative to the country.

Patients are the most important reason for the creation of the institution and this principle shall prevail in any relationship or service given to the community.



## VISION

To be the most prestigious Medical Service Group in Mexico in terms of community service, through teaching and biomedical research at the cutting edge of technology.

To be auto-sustainable and profitable at attainable levels for the population.



## ETHICS

It is indisputably our personal commitment to do things well, without any ulterior motive. We practice medicine and related fields always keeping in mind the best interest of the patient, with honesty, with respect for human life, with respect for the dignity of the individual, and without distinction.



## SAFETY

For all patients, in every procedure, at all times. To avoid any harm to the patient that might arise from the procedure intended to treat him or her without harming anyone working at Médica Sur.



## USER

The interest in satisfying the needs and meeting the expectations of the patients, their family members, doctors and companies that engage our services represents a priority.



## OUR PEOPLE

We value our personnel as the organization's most important resource, and seek to secure their satisfaction, development and wellbeing. We encourage the expression of their best qualities through teamwork, motivation, training, communication, recognition and remuneration.



## SUSTAINABILITY

We aim to sustain sound financial management in order to generate a reasonable profit for investors and obtain the resources needed to meet the organization's current and future needs.



## SERVICE

We interact with each other in a caring manner, showing a genuine interest in the person.



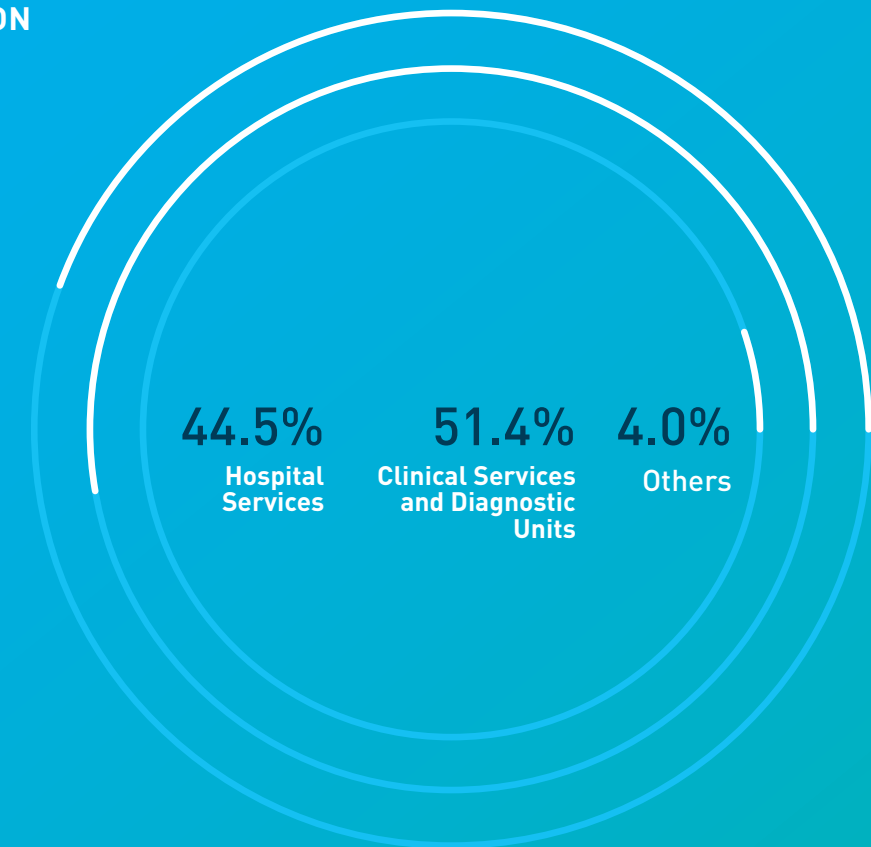
# Outstanding Figures

December 31, 2017 and 2016  
Millions of pesos

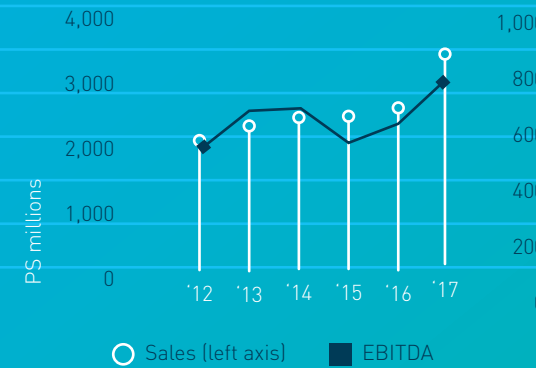
	2017	2016
Income	3,431.4	2,510.4
Gross Profit	1,162.9	776.6
Operating Profit	513.1	215.3
Net Result	231.9	146.2
EBITDA*	733.5	540.5
Total Assets	5,602.9	5,459.1
Current Assets	1,102.9	1,002.4
Non-Current Assets	4,500.0	4,456.7
Total Liabilities	2,156.1	2,151.6
Short-Term Liabilities	716.8	745.2
Long-Term Liabilities	1,439.3	1,406.4
Stockholders' Equity	3,346.8	3,307.5
ROE (Return on Equity)	6.7%	4.4%

\*Operating Income plus Depreciation and Amortization// Earnings before Interest, Taxes, Depreciation and Amortization

## SALES DISTRIBUTION



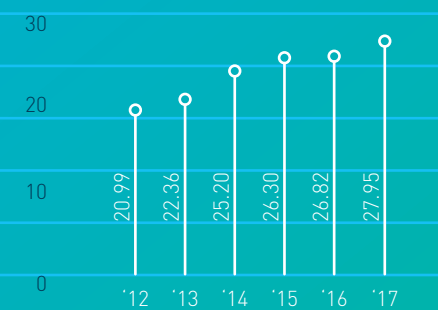
## SALES - EBITDA Consolidated



## FINANCIAL STRUCTURE

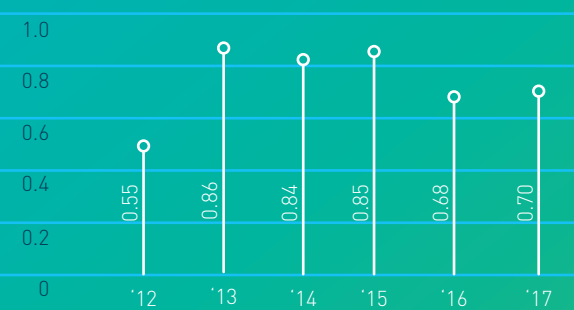


## CARRYING VALUE\*



\* Stockholders' Equity / Shares Outstanding

## DECLARED DIVIDEND PER SHARE





# Corporate Structure

## TLALPAN HOSPITAL

Hospitalization Floors

Surgical Unit:

Short-Stay and Laser Surgery

Gynecology & Obstetrics

Main Operating Room

Critical Units:

Intensive Care

Coronary Care

Intermediate Care

Urgencies (Adults & Pediatrics)

Pediatrics

Neonatology

Blood Bank

Respiratory Care

Pathologic Anatomy

## PHARMACIES

Médica Sur Tower I Pharmacy

Médica Sur Tower II Pharmacy

## CLINICAL SERVICES

Advanced Urology

Rehabilitation Medicine

Radiotherapy

Integral Oncology Center

Neurophysiology

Gamma Knife Radiosurgery

Gastroenterology, Hepatology and endoscopy

Laboratory

MRI Scan

Imaging and Ultrasound

Angiology

Integral Center of Diagnostic and Treatment

Angiography

Nuclear Medicine Unit

PET-CT

Neurology and Neurosurgery Center

## OTHER

Vascular Clinic

Hemodialysis Unit

Parking

Restaurants

Cafeteria Services

Hotel

Banking Services



## Message from the President of the Board of Directors

DEAR SHAREHOLDERS, PARTNERS, PATIENTS AND COLABORATORS: IN THE NAME OF THE MANAGEMENT BOARD AND THE DIRECTIVE TEAM OF MÉRICA SUR GROUP, IT IS MY PLEASURE TO PRESENT THIS REPORT ON THE PERFORMANCE OF THE INSTITUTION, AS WELL AS THE MAIN STRATEGIC AND OPERATIVE ACHIEVEMENTS OF THE YEAR



During 2017 we continued the growth, renovation and improvement of our services path, keeping our goal clear, of being the most prestigious medical services group in Mexico, where the most important value is the health of our patients, striving on a daily basis to fulfill our motto "Medical Excellence with Human Warmth", providing the population the highest quality at a fair price allowing the growth and sustainability of Médica Sur.

### SERVICES QUALITY

We renewed our credentials and certifications nationally and internationally, thus complying with the highest quality and security standards for our patients. We obtained the tri-annual of the "Joint Commission International", highest certifying agency of hospital attention and security, who certified that we incorporate the best international practices of medical quality and security for the benefit of our patients.

Some strict quality indicators that differentiate Médica Sur are the low rate (annual) of nosocomial infections, meaning, infections acquired during hospitalization and the reduced mortality rate, which reached 1.07 and 0.82 patients per 100 discharges respectively. Likewise, the readmission rate was 5.03 per 100 admissions. The previous reflects the outstanding performance of the Institution compares to the national and international standards.

Additionally, in 2017 Médica Sur was the first hospital in the American Continent to receive the "European Award for Best Practices" which recognizes the compromise, dedication and the results in the quality control. In the same way, since 2011 we are the best hospital in Mexico according to the ranking of clinics and hospitals of the prestigious magazine "América Economía".

In the medical branch, along with our excellent group of doctors we continue to offer the highest quality service to around 13,000 hospitalized patients. We performed 8,783 high-complexity surgeries to 17,440 patients in Urgencies and made more than two million diagnostic studies.

Likewise, we continue to support the activities of teaching, research and social assistance, accordant to the Vision of Médica Sur, reason why during the year we destined \$28.4 million pesos toward these end.



#### MEDICA SUR, AN ACADEMIC CENTER

On the teaching branch, we back the formation of 50 resident doctors and 132 residents in the specialties of: Arthroscopy, Echocardiography, Cerebrovascular Disease, Gastrointestinal Endoscopy, Oncologic Pathology, MRI, Gastroenterology, Geriatrics, Critical Medicine, Neonatology, Oncology, Internal Medicine, among others. It is important to mention that since three years ago Médica Sur has received the CONACYT certification and the Quality Postgraduates in the courses of Internal Medicine, Gastroenterology and Oncology, which allows us to have access to scholarships for rotations abroad strengthening the learning of our residents.

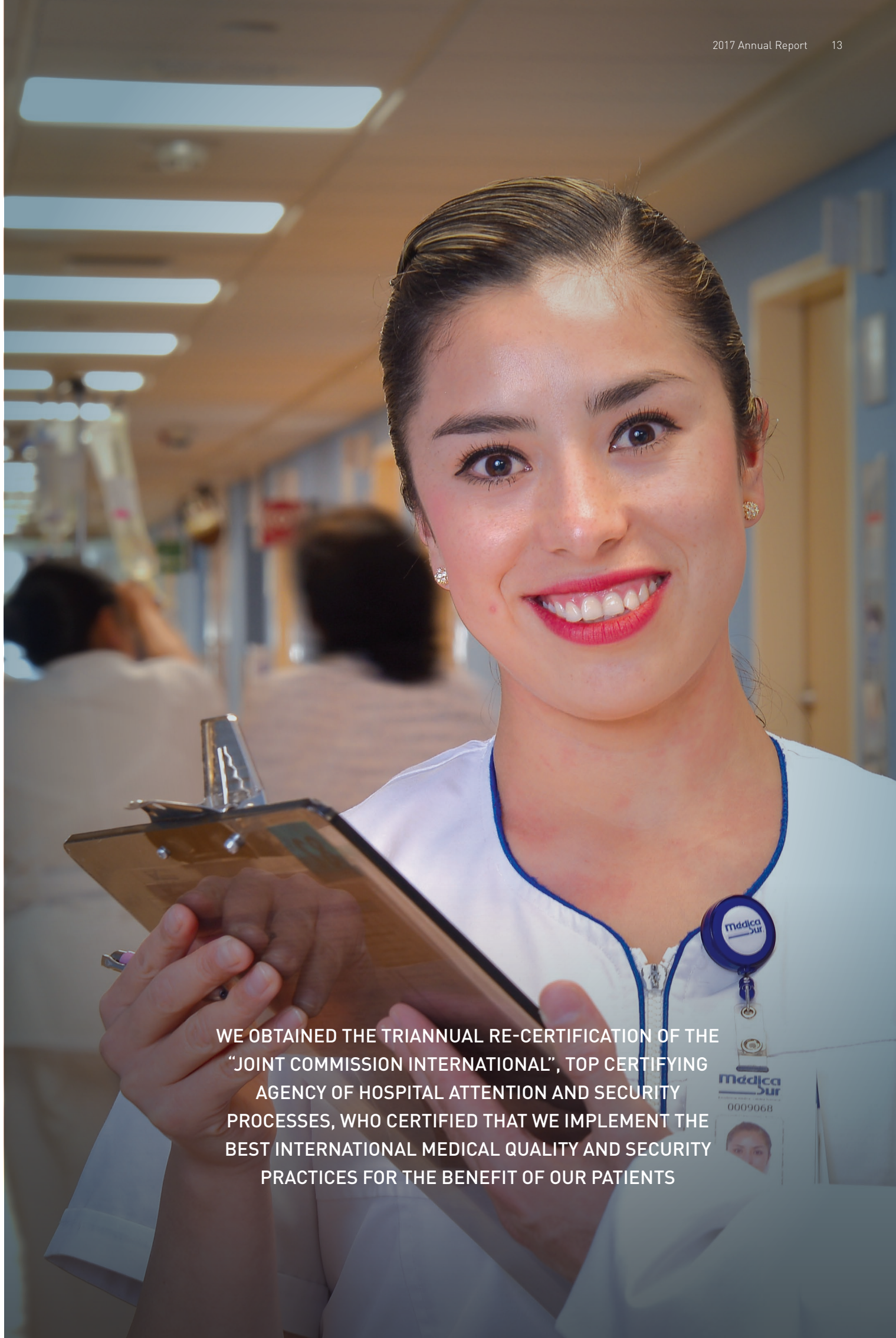
In the Simulation and Medical Skills Center (CESIDEM), 11 courses were given, 2,497 people were trained and 10,000 more in locations supported by the CESIDEM, meaning, with help from trainers from CESIDEM. It is important to mention that the CESIDEM has received the GOLD recognition for four consecutive years (2014-2017) due to the amount of trained people and the quality of the center for the "American Heart Association". Meanwhile, in the Virtual Inter-Institutional Teaching Center (CEVI) 7 courses for general physicians were offered and 15 modules for dentists with a participation of 94 people of different nationalities .

#### MEDICA SUR CONTRIBUTES TO THE BIOMEDICAL RESEARCH

Regarding research activities, during 2017 65 articles were published in international magazines and 8 in national magazines, which appeared in more than 45 high-impact magazine covering a wide range of specialties, being the main ones Gastroenterology, Hepatology, Immunology and microbiology. Added up, the group has published a total of 818 issues. Likewise, three medicine books were published.

Additionally, 74 research studies were registered of different kinds and specialties, thanks to the academic orientation of Medica Sur's doctors in diverse disciplines. In this sense, during 2017 the number of researchers belonging to the National System of Researchers of the The National Council of Science and Technology increased to 12.

In the assistance branch, the sister group with philanthropic ends, Médica Sur Foundation outstands, as it gave medical attention to 1,035 patients through 2,000 medical consultations, 510 laboratory studies made, 1,426 immunotherapy treatments were applied and 44 allergology test were performed. Regarding dental services, 334 patients were treated through 653 consultations totaling 1,278 treatments.



WE OBTAINED THE TRIANNUAL RE-CERTIFICATION OF THE "JOINT COMMISSION INTERNATIONAL", TOP CERTIFYING AGENCY OF HOSPITAL ATTENTION AND SECURITY PROCESSES, WHO CERTIFIED THAT WE IMPLEMENT THE BEST INTERNATIONAL MEDICAL QUALITY AND SECURITY PRACTICES FOR THE BENEFIT OF OUR PATIENTS

### INNOVATION AND RENOVATION OF THE FACILITIES

On the other hand, as center of our growth and infrastructure improvement strategy, during 2017 147.1 million pesos were invested, 92 million pesos were used for the Hospital remodeling, 20.6 million pesos were implemented in informatics improvements, 19.3 million pesos in renovation of medical equipment, 10.2 million pesos in laboratory branches and 5 million pesos in minor assets.

In this sense, the remodeling of floor 5 & 6 was concluded and the remodeling of the 4th floor began, whereby we incorporate the highest standards of quality and hygiene and create a warmer environment for our patients and our families. Likewise, in November the first branch of our new generation of Médica Sur Laboratories was inaugurated in Cuernavaca, Morelos, under a unique service concept and exclusive ambiance, designed for the satisfaction of our patients. This new concept has a wide variety of services and cutting-edge equipment that will have double reading on the imaging studies and will be 100% digital.

During 2017, Médica Sur Group became bigger and stronger thanks to the efficient integration of Laboratorio Médico Polanco and Laboratorios Clínicos de Puebla. This integration positioned us as key player within the diagnosis sector in our country, reason why we will continue growing and differentiating ourselves by being the only contestant in this sector with the medical backing of a hospital as is Médica Sur. Likewise, it gives us the possibility of reaching out people of Mexico City and the Metropolitan Area, State of Mexico, Morelos, Puebla, Querétaro, Quintana Roo and Tlaxcala, with the most modern laboratories of the country, offering more clinical analysis and a wide variety of diagnostic imaging services and other specialties.

Additionally, Médica Sur integrated new partners and advisors with a proven professional trajectory thanks to the incorporation of the private investment fund "ProActive Capital". This will allow continuing to strengthen the growth strategy with the commitment for the excellence in the health service provision, both in the hospital sector as well as in the clinical diagnosis sector and boost the corporate government by sharing the same values and ethical principles.

### FINANCIAL PERFORMANCE

Regarding financial performance, 2017 was a year of moderate economic growth for Mexico, with high volatility associated to the uncertainty regarding the future of the commercial relationship of our country with the USA, paired to political uncertainty among others. With the previous being said, it is important to highlight that in Médica Sur we achieved to increase our Income meaningfully by going from 2,510.40 million pesos in 2016 to 3,431.4 million pesos in 2017, the Operative Profit increased from 513.1 million pesos and there was an Operative Margin of 15.0%, the EBITDA was 733.5 million pesos reaching an EBITDA Margin of 21.4% and the Net Profit increased 85.7 million pesos by going from 146.2 million pesos in 2016 to 231.9 million pesos in 2017. The previous is due to the cost and expenditure control plan, as well as the reengineering of the operative processes and the efficient integration of the laboratories.

Regarding our assets, we have defined a plan for the maximization of the value of real estate assets seeking to develop a medical complex, comparable to the highest-prestige medical destinations in other parts of the world. Thus, based on this target, in November there was an allocation of the adjacent land to the hospital campus to a Guarantee and Administration Trust Fund in order to, subject to a series of conditions, Médica Sur transmitting a 24,000m<sup>2</sup> area in favor to Sordo Madaleno Group, in which this group plans to build a mixed-use real estate development with commercial area.

Médica Sur preserved the ownership of the additional fraction of the real estate (26,704 m<sup>2</sup>), with a construction potential equivalent to 225,000 m<sup>2</sup>, meaning, Médica Sur keeps 73.2% of the density of the construction, while Sordo Madaleno Group acquires the remaining 26.8%.

Finally, we would like to thank the confidence of our patients, the effort of our valuable group of doctors, nurses, administrative and support staff, as well as the backing of who has trusted us with their resources. Likewise, we would like to renew our commitment to continue striving to offer the best alternative of ethical and high-specialty medicine in Mexico with fair profit for shareholders.



Kind Regards,  
**Dr. Misael Uribe Esquivel**  
 Chairman of the Board of Directors



# World-Class Medical Assistance

BECAUSE THE MOST IMPORTANT THING IS THE SECURITY OF OUR PATIENTS, WE IMPROVED THE QUALITY OF OUR SERVICES BY UNDERGOING NATIONAL AND INTERNATIONAL QUALIFICATIONS

## ACKNOWLEDGEMENTS AND ALLIANCES

In Médica Sur we rely on acknowledgements and certifications nationwide and worldwide, thus we comply with the highest quality and security standards in benefit to our patients.

These acknowledgements are given by accredited agencies that certify and accredit the compliance of the norms and established requisites and are the result of the commitment of the institution in the action-taking for the protection of the health of our patients.

Thanks to the effort and participation of each and every one of Médica Sur's employees, the following acknowledgements have been achieved:

**JOINT COMMISSION INTERNATIONAL CERTIFICATION**

It identifies, measures and shares the best practices in matter of quality and security of the patient in the whole world. It provides leadership and innovative solutions to help the health attention organizations improve their performance and results.



**INTERNATIONAL CERTIFICATION OF THE LABORATORY BY THE COLEGE OF AMERICAN PATHOLOGISTS (CAP)**

It is a way to elevate the certainty grade of our results, as it certifies we cover with global quality the following points: capacitation and competence of the staff in the laboratories; the procedures followed in each of the more than 23 thousand tests we performed; the effectiveness and validity of our procedures followed in each one of the more than 23 thousand test we made; the effectiveness and validity of the chemical reagents we use; our facilities, and the fact that we do not give any gratification, payment or compensation to doctors that solicit exams for their patients, only benefiting the interests of the patient in the results.

**QUALITY AWARD BY THE EUROPEAN ASSOCIATION FOR QUALITY REASEARCH**

Promotes the quality culture, recognizes good corporate practices, technology innovation, quality achievements in organizations around the world and spreads successful acting strategies in such organizations.



**CERTIFICATION OF THE GENERAL HEALTH BOARD**

It certifies that we comply with the standards that show the quality of Médica Sur in: the security of the handling of our patients; the quality of the medical attention we provide, and the security of our hospital facilities. This certification is also a test of our commitment of a continuous improvement for the benefit of our patients, their families and Médica Sur staff and the society.

**MAYO CLINIC CARE NETWORK AFFILIATION**

Through this affiliation to the world's most important hospital network, the information exchange on medical advancements that improve our medical practice is simplified.



**CERTIFICATION OF THE MEXICAN BOARD OF THE MEDICAL TOURISM INDUSTRY**

Certifies that the personal attention and follow-up we give to our foreign patients is of excellence.



**CERTIFICATION OF THE AMERICAN HEART ASSOCIATION AS HEADQUARTERS OF INTERNATIONAL TRAINING**

It is an acknowledgement to the Simultaion and Medical Skills Center (CESIDEM) of Médica Sur as headquarters of international training in diverse courses related to the cardiovascular system, for doctors, health staff and the general public.



**"DISTINTIVO H" WAS AWARDED BY THE MINISTRY OF HEALTH AND THE MINISTRY OF TOURISM**

It is the acknowledgement for the high quality and hygiene standards in the food service for our patients.



**NATIONAL AWARD OF QUIALITY GRANTED IN 2013**

The National Quality Award is the top distinction to the organizations that are national quality and competitiveness benchmarks. This award was obtained by being a model company in quality, competitiveness and relationship with our patients, suppliers and shareholders.



**CERTIFICATION FOR CLINICAL LABORATORIES UNDER THE MEXICAN NORM NMX-EC-15189-IMNC-2015/ISO15189:2012**

The norm evaluates the technical competence of all the processes and the staff of the Blood Bank, with the end to eliminate risks associated to the production of supplies for blood transfusion.



Additionally, since 2011 Médica Sur has been listed as the best hospital of Mexico according to the ranking of the prestigious magazine "América Economía". In its 2017 edition, we confirmed it once again, being the number one of our country and twelfth in Latin America.



# Hospital Services

WE COUNT ON A TEAM OF 3,895 COLLABORATORS AND A MEDICAL SOCIETY THAT GROUPS TOGETHER 1,550 MEMBERS OF MORE THAN 75 SPECIALTIES AND SUBSPECIALTIES

WE OFFER THE HIGHEST QUALITY TO OUR PATIENTS, THROUGH OUR HOSPITAL SERVICES

**12,813**  
HOSPITALIZED PATIENTS

**8,783**  
SURGERIES

**17,440**  
PATIENTS SEEN IN URGENCIES

**189**  
HOSPITAL ROOMS

**16**  
OPERATING ROOMS

**15**  
CRITICAL-CARE CUBICLES

**540**  
MEDICAL OFFICES



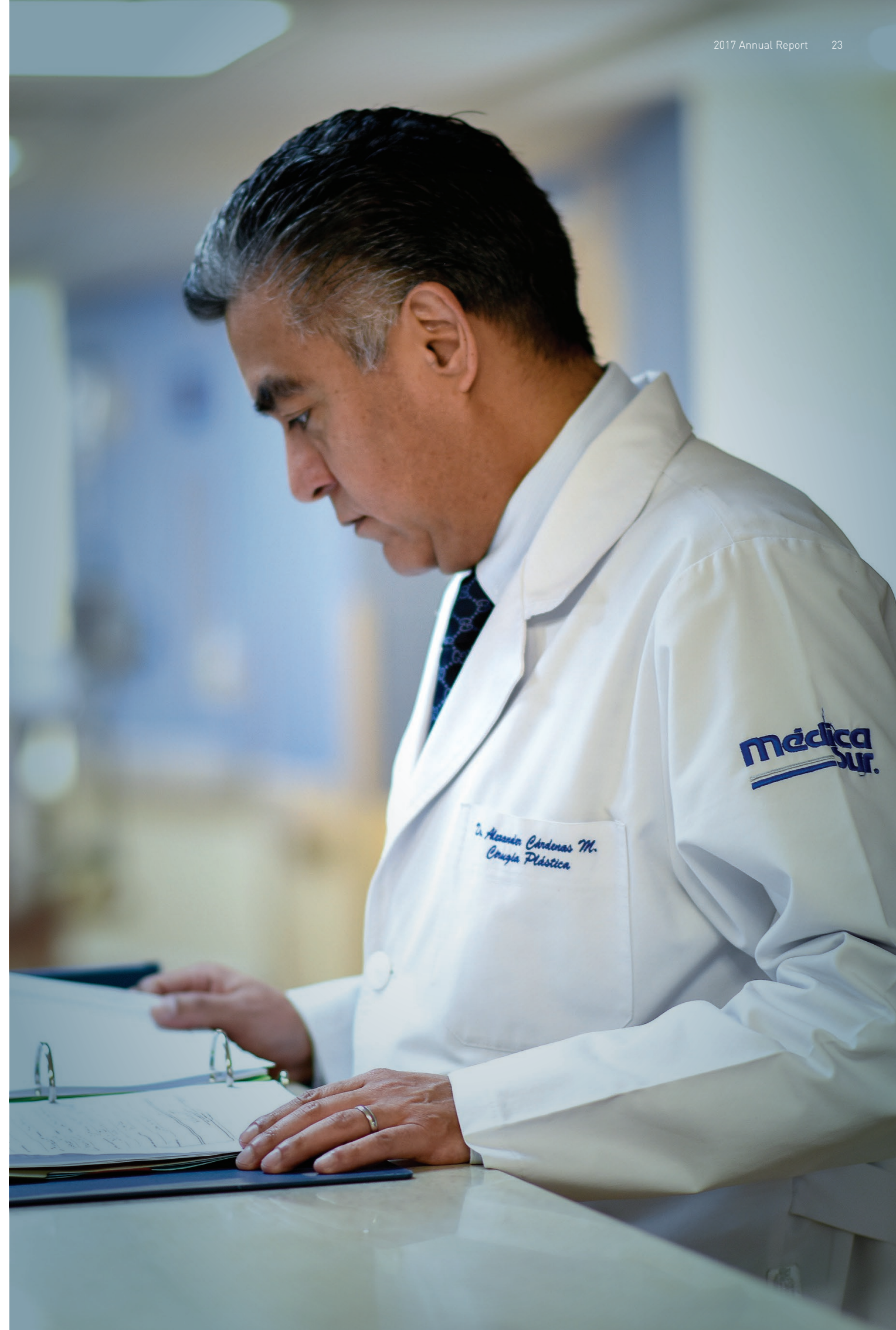
### MÉDICA SUR TLALPAN

Médica Sur Tlalpan is a high-specialty private medical center, with capacity to treat a wide range of illnesses and provide various medical services, from elective surgery, going through intensive care and high-specialty procedures, as organ transplants.

Located south of Mexico City, Médica Sur Tlalpan is one of the biggest and most modern medical private centers in the country, which counts with 189 hospital rooms, 16 operating rooms, 15 intensive-care cubicles and 540 medical offices.

In the medical branch, along with our excellent group of doctors we continue to offer the highest-quality service to 12,813 hospitalized patients. We made 8,783 high-complexity surgeries, treated 17,440 patients in Urgencies and made almost two million diagnostic studies.

Likewise, the facilities count with a wide range of complimentary services, for greater comfort to our patients and their families: restaurants, cafeterias, banking branches and offices of the most important insurance companies.





## Clinical Services and Diagnostic Units

CUTTING-EDGE CLINICS AND DIAGNOSIS UNITS,  
KEY ELEMENTS IN THE MEDICAL ATTENTION OF EXCELLENCE

**1,985,989**  
LABORATORY  
STUDIES\*

**101,004**  
IMAGING STUDIES,  
MRI AND  
NUCLEAR MEDICINE

\*Does not include Laboratorio Médico Polanco

### CLINICAL SERVICES

It consists in high-specialty medical attention units where treatments are given that, because of their nature, do not require hospitalization of the patient. Our ambulatory units provide attention in the following specialties: Oncology, Radiotherapy, Radiosurgery, Gamma Knife Surgery, Neurophysiology, Advanced Urology, Gastroenterology, Endoscopy and Rehab Medicine.

### DIAGNOSTIC UNITS

The Diagnostic Units are essential for our medical team to achieve the correct diagnosis and follow-up of diverse pathologies.

Our units provide attention both to hospitalized patients as well as external patients. The aforementioned due to our extensive network of diagnostic units that reached 105 units at the end of 2017. These units give us the possibility to serve people of Mexico City and the Metropolitan Area, Estate of México, Morelos, Puebla, Querétaro, Quintana Roo and Tlaxcala, with the most modern laboratories of the country, offering in addition to clinical analysis, a wide variety of diagnostic imaging services and other specialties.

Currently, Médica Sur counts with diagnostic units such as: Imaging, Laboratory, Nuclear Medicine, PET-CT, Integral Diagnosis and Treatment Center (CIDyT), Angiology and X-Ray.

**MÉDICA SUR GROUP TURNED INTO A BIGGER AND STRONGER GROUP DUE TO THE EFFICIENT INTEGRATION OF LABORATORIO MÉDICO POLANCO AND LABORATORIOS CLÍNICOS DE PUEBLA. THIS INTEGRATION POSITIONED US AS KEY PLAYERS WITHIN THE DIAGNOSIS SECTOR IN THE COUNTRY, THUS WE WILL CONTINUE GROWING AND DIFFERENTIATING OURSELVES BY BEING THE ONLY CONTESTANT IN THIS SECTOR WITH THE MEDICAL BACKING OF A HOSPITAL SUCH AS IS MÉDICA SUR**





## Technology & Infrastructure

DURING 2017 WE CONTINUED OUR GROWTH, RENOVATION AND IMPROVEMENT OF OUR SERVICES PATH, KEEPING OUR OBJECTIVE CLEAR, OF BEING THE MOST PRESTIGIOUS MEDICAL GROUP IN MEXICO, WHERE THE MOST IMPORTANT VALUE IS THE HEALTH OF OUR PATIENTS

**32,800 m<sup>2</sup>**  
OF HOSPITAL

**27,000 m<sup>2</sup>**  
OF MEDICAL OFFICES

**36,000 m<sup>2</sup>**  
OF PARKING

**50,704 m<sup>2</sup>**  
OF LAND SURROUNDING  
THE HOSPITAL CAMPUS

**7,047 m<sup>2</sup>**  
MÉDICA SUR LOMAS

**105**  
DIAGNOSTICS  
UNITS



As center of our growth and infrastructure improvement strategy, during 2017 147.1 million pesos were invested, 92 million pesos were used for the remodeling of the hospital, 20.6 million pesos were used in matter of informatics improvements, 19.3 million pesos in medical equipment renovation, 10.2 million pesos in laboratory branches and 5 million pesos in minor assets.

The remodeling of floors 5 and 6 concluded and the remodeling of floor 4 began in the hospital tower, thus incorporating the highest standards of quality and hygiene and created a warm ambiance for our patients and their families.

In November, in Cuernavaca, Morelos, the first branch of our new generation of Médica Sur Laboratories was inaugurated, under a unique service concept and exclusive ambiance, designed for the satisfaction of our patients. This new concept counts with a wide variety of services and cutting-edge equipment that will have double-reading in imaging studies and will be 100% digital.

Likewise, we are in constant innovation, as much of the installed equipment has been the first to arrive to Mexico. In this sense, we currently count the cutting-edge technology, among which the following outstand: last generation Truebeam lineal accelerator, Perfexion Gamma Knife Radiosurgery unit, Varian Clinac IX lineal accelerator, Somatom Definition tomograph, Axiom Artis, clinical analysis robotic line, among others.

Additionally, our facilities count with a variety of complimentary services, which improve the experience and attention of our patients and family members, among which the following outstand: 2 restaurants, 3 cafeterias, 2 banking branches.



IN NOVEMBER, THE FIRST BRANCH OF OUR NEW GENERATION OF MÉDICA SUR LABORATORIES WAS INAUGURATED IN CUERNAVACA, MORELOS, UNDER A UNIQUE SERVICE CONCEPT AND EXCLUSIVE AMBIANCE



## Médica Sur Clinic Foundation

THE "FUNDACIÓN MÉDICA SUR, A.C." HAS AS MISION TO CONTRIBUTE TO THE SCIENTIFIC INVESTIGATION, MEDICAL TEACHING AND ASSISTANCE TO VULNERABLE GROUPS FOR THE IMPROVEMENT OF THE HEALTH OF MEXICANS WITH THE VISION OF BEING A NATIONAL BENCHMARK IN SOCIAL SUPPORT ACTIVITIES THAT CONTRIBUTE TO A MORE EQUITABLE HEALTH SYSTEM

Médica Sur has maintained and boosted a policy of social responsibility through the "Fundación Clínica Médica Sur A.C.", a non-profit institution created in 1995 to promote academic activities of research and social assistance. During 2017, Médica Sur, committed with this social responsibility, destined more than 28.4 million pesos for economic and research activities.

In the teaching side, we back the formation of 50 undergraduate doctors and 132 residents in the specialties of Arthroscopy, Echocardiography, Cerebrovascular disease, Gastrointestinal Endoscopy, Oncologic Pathology, MRI, Gastroenterology, Geriatrics, Critical Medicine, Neonatology, Oncology, Internal Medicine, among others. It is important to mention that since 3 years ago Médica Sur has received the certification of the CONACYT and the Quality Postgraduates in the courses of Internal Medicine, Gastroenterology and Oncology, which allows us to access scholarships for rotations abroad strengthening the learning of our residents.

In the Simulation and Medical Skills Center (CESIDEM), 11 courses were given, 2,497 people were trained and 10,000 people more in locations aided by the CESIDEM, meaning, with the help of trainers of the CESIDEM. Meanwhile, in the Inter Institutional Virtual Teaching Center (CEVI) 7 courses were offered for general physicians, 15 modules for dentists with a participation of 94 people of different nationalities.




Regarding research activities, during 2017 65 articles were published in international magazines and 8 in national magazines, which appeared in more than 45 high-impact magazine covering a wide range of specialties, being the main ones Gastroenterology, Hepatology, Immunology and microbiology. Added up, the group has published a total of 818 issues. Likewise, three medicine books were published.

Additionally, 74 research studies were registered of different kinds and specialties, thanks to the academic orientation of Medica Sur's doctors in diverse disciplines. In this sense, during 2017 the number of researchers belonging to the National System of Researchers of The National Council of Science and Technology increased to 12.

In the assistance branch, the sister group with philanthropic ends, Medica Sur Foundation outstands, as it gave medical attention to 1,035 patients through 2,000 medical consultations, 510 laboratory studies made, 1,426 immunotherapy treatments were applied and 44 allergology test were performed. Regarding dental services, 334 patients were treated through 653 consultations totaling 1,278 treatments.

Regarding social assistance project for health, 63 patients with deafness were treated, providing them with devices that help their hearing function. Additionally, in-kind donations were offered such as medicine, medical equipment and instruments, furniture, clothing, bedding and toys to hospitals in the public sector, municipalities and other foundations and institutions, homes, as well as individuals.



IN THE TEACHING SIDE, WE BACK THE FORMATION OF 50 UNDERGRADUATE DOCTORS AND 132 RESIDENTS IN THE SPECIALTIES OF ARTHROSCOPY, ECHOCARDIOGRAPHY, CEREBROVASCULAR DISEASE, GASTROINTESTINAL ENDOSCOPY, ONCOLOGIC PATHOLOGY, MRI, GASTROENTEROLOGY, GERIATRICS, CRITICAL MEDICINE, NEONATOLOGY, ONCOLOGY, INTERNAL MEDICINE, AMONG OTHERS

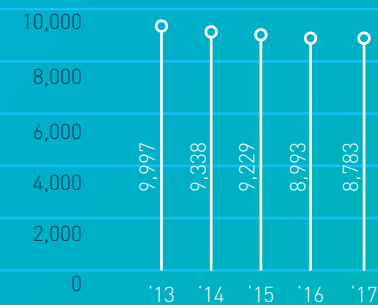


# Hospital Activity Indicators

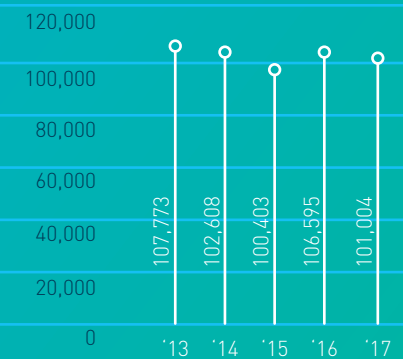
**HOSPITALIZED PATIENTS**



**SURGICAL PROCEDURES (SURGERIES)**

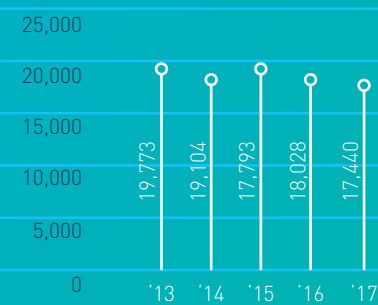


**IMAGING, MRI AND NUCLEAR MEDICINE\***

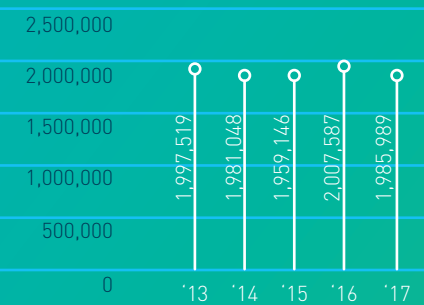


\*Does not include Laboratorio Médico Polanco

**URGENCIAS (PATIENTS)**



**LABORATORY (STUDIES)\***



\*Does not include Laboratorio Médico Polanco

# Board of Directors

## Board Member

Dr. Misael Uribe Esquivel  
(Chairman of the Board of Directors)

Lic. Enrique Castillo Sánchez Mejorada  
Lic. Joaquín Vargas Guajardo  
Dr. Juan Ramón de la Fuente  
Lic. Santiago Garza Borde  
Lic. Luis Javier Solana Morales  
C.P.C. Manuel Augusto Sánchez y Madrid  
Dr. Xavier Soberón Mainero  
Dra. Xóchitl Castañeda  
Dr. Eduardo González Pier  
Lic. Daniel Antonio del Río Loaiza  
Lic. Alejandro Quiroz Pedraza  
Dr. Francisco López Jiménez  
Dra. Martha Helena Ramos Ostos  
Dr. Octavio González Chon  
Lic. Juan Carlos Griera Hernando  
Dr. José Manuel Correa Roveló  
Dr. Fernando Bernardo Gabilondo Navarro  
Ing. Genaro Borrego Estrada  
Ing. Mario Federico Sicilia Benard

## Alternate Member

Dr. Salvador Rivero Boschert  
Lic. Adrián Rodríguez Macedo Rivera  
Dr. Lorenzo de la Garza Villaseñor  
Act. Abraham Hernández Pacheco  
Dr. César Athie Gutiérrez  
Don Enrique Carvajal González  
Dr. José Luis Miguel Gutiérrez  
Dr. Manuel Hugo Ruíz de Chávez  
Dr. Jaime Guadalupe de la Garza Salazar  
C.P.C. J. Vinicio González Castillo  
Dr. Misael Uribe Ramos  
Dra. Sandra María García López  
Lic. José Ignacio Moreno Ortiz  
Dr. Ramiro del Valle Robles  
Ing. José Antonio Fernández Carbajal  
Ing. Jaime Eduardo Alatorre Benard

## Secretary

Lic. Cuauhtémoc Rafael Santa-Ana Otero

## AUDITING COMMITTEE

### Board Member

C.P.C. Manuel Sánchez y Madrid  
Lic. Santiago Garza Borde  
Lic. Daniel Antonio del Río Loaiza  
Dr. Eduardo González Pier

### Alternate Member

C.P.C. J. Vinicio González Castillo  
Act. Abraham Hernández Pacheco

## CORPORATE PRACTICES COMMITTEE

### Board Member

Lic. Daniel Antonio del Río Loaiza  
C.P.C. Manuel Sánchez y Madrid  
Lic. Juan Carlos Griera Hernando  
Dr. Octavio González Chon  
Lic. Alejandro Quiroz Pedraza  
Lic. Santiago Garza Borde  
Ing. Mario Federico Sicilia Benard

### Alternate Member

Dra. Xóchitl Castañeda  
Dr. Misael Uribe Ramos  
C.P.C. J. Vinicio González Castillo  
Ing. Jaime Eduardo Alatorre Benard

# Principal Executive Directors

<b>DR. MISAEL URIBE ESQUIVEL</b>	CHAIRMAN OF THE BOARD
<b>LIC. JUAN CARLOS GRIERA HERNANDO</b>	GENERAL DIRECTOR
<b>DR. OCTAVIO GONZÁLEZ CHON</b>	MEDICAL DIRECTOR
<b>C.P. MARISOL VÁZQUEZ MELLADO MOLLÓN</b>	FINANCE AND ADMINISTRATION DIRECTOR
<b>ACT. OMAR HERRERA GARCÍA</b>	HUMAN RESOURCES DIRECTOR
<b>DR. JOSÉ MANUEL CORREA ROVELO</b>	OPERATIONS DIRECTOR
<b>ING. IÑIGO GUTIÉRREZ GUTIÉRREZ</b>	OPERATIONS MS LABORATORY DIRECTOR
<b>LIC. CONCEPCIÓN GUADALUPE ARRIAGA RUILOBA</b>	MARKETING, COMMUNICATION AND SPECIAL EVENTS DIRECTOR
<b>ING. JORGE AGUSTÍN ARREDONDO REYNA</b>	I.T. AND SYSTEMS DIRECTOR
<b>LIC. CUAUHTÉMOC RAFAEL SANTA-ANA OTERO</b>	LEGAL DIRECTOR
<b>C.P. RUBÉN DÍAZ CRUZ</b>	INTERNAL AUDITING DIRECTOR
<b>LIC. ALFREDO ANTONIO ASSAM KARAM</b>	INFRASTRUCTURE AND PROJECTS DIRECTOR
<b>DR. JAIME JACOBO ARRIAGA GRACIA</b>	STRATEGY, ALLIANCES AND PATIENT-DOCTOR APPROACHMENT DIRECTOR
<b>DRA. MARTHA ELENA RAMOS OSTOS</b>	CLINICAL DIAGNOSIS AND IMAGING DIRECTOR
<b>DRA. SANDRA MARÍA DEL CARMEN GARCÍA LÓPEZ</b>	MEDICINE AND HOSPITALIZATION
<b>DR. RODOLFO BARRAGÁN GARCÍA</b>	SURGERY DIRECTOR
<b>DR. NAHUM MÉNDEZ SÁNCHEZ</b>	BIOMEDICS INVESTIGATION DIRECTOR
<b>DR. JOSÉ PÉREZ JÁUREGUI</b>	MS REFERENCE LABORATORY DIRECTOR
<b>DR. FRANCISCO DE JESÚS SÁNCHEZ GIRÓN</b>	MS LABORATORY PROCESS CENTER DIRECTOR
<b>DR. JAVIER LIZARDI CERVERA</b>	MS MEDICAL NETWORK DIRECTOR
<b>DR. EDUARDO GONZALEZ PIER</b>	MÉDICA SUR FOUNDATION GENERAL DIRECTOR
<b>DR. JORGE HERNÁNDEZ ORTIZ</b>	STRATEGIC ACQUISITIONS COMMITTEE DIRECTOR



# Financial Statements





# Consolidated Financial Situation Statements

Médica Sur, S.A.B. de C.V. and Subsidiaries

December 31st of 2017 and 2016

(Pesos)

Asset	Notes	2017	2016
<b>Floating Asset</b>			
Cash, restricted cash and cash equivalents	9 and 1(a)	\$ 216,696,647	\$ 104,310,067
Accounts receivable, net	10	313,444,417	243,017,165
"Fundación Clínica Médica Sur A.C."		249,330	119,148
Other accounts receivable	11	96,169,069	72,731,964
Inventories, net	12	133,832,237	117,711,083
Insurance paid in advance		12,387,147	13,874,180
Assets available for sale	3 (e)	330,133,067	450,668,542
<b>Total Floating Asset</b>		<b>1,102,911,914</b>	<b>1,002,432,149</b>
Real Estate, furniture, equipment and improvements, to leased office spaces, net	13	2,848,717,649	2,759,658,229
Investment properties, net	14	89,833,115	97,335,224
Commercial credit	15	1,116,737,401	1,120,216,275
Intangible Assets, net	6	425,627,836	447,594,046
Other Services, net		19,046,139	31,873,521
		<b>\$ 5,602,874,054</b>	<b>\$ 5,459,109,444</b>

See notes attached to the consolidated financial statements.

Liabilities and Stockholders' equity	Notes	2017	2016
<b>Current liabilities</b>			
Loan	16	\$ 30,000,000	\$ 30,000,000
Suppliers		261,688,079	343,775,705
Taxes and accumulated expenses		302,175,608	332,391,347
Received deposits	1(a)	100,454,051	-
Direct benefits to employees		6,988,230	7,790,238
Contingent liability provisions	26	15,460,293	31,228,338
<b>Total Current Liabilities</b>		<b>716,766,261</b>	<b>745,185,628</b>
Long-Term debt, net	16	1,351,104,639	1,284,297,760
Employee benefits	17	17,980,349	31,795,545
Differed profit taxes	18	70,253,858	90,326,291
<b>Total Liabilities</b>		<b>2,156,105,107</b>	<b>2,151,605,224</b>
<b>Stockholders' equity</b>			
Share capital	20	517,869,032	517,869,032
Future capital increase contributions		124,628	124,628
Share subscription surplus		121,280,931	121,280,931
Accumulated Profit		2,504,172,475	2,358,953,976
Legal reserve		103,573,805	103,573,805
Share re-purchase reserve		199,543,300	200,000,000
<b>Other integral profit</b>			
Actuary profits (losses), net of profit taxes.	17	(685,486)	1,404,581
<b>Controlled-share stockholders' equity</b>		<b>3,445,878,685</b>	<b>3,303,206,953</b>
<b>Non-controlling share</b>		<b>890,262</b>	<b>4,297,267</b>
<b>Total Stockholders' equity</b>		<b>3,446,768,947</b>	<b>3,307,504,220</b>
Compromises and contingent liabilities	26		
		<b>\$ 5,602,874,054</b>	<b>\$ 5,459,109,444</b>

See notes attached to the consolidated financial statements



# Consolidated Financial Statements and other Integral Results

## Médica Sur, S.A.B. de C.V. and Subsidiaries

Year terms ended on December 31st of 2017 and 2016  
(Pesos)

	Note	2017	2016
<b>Services Income</b>		\$ 3,431,445,846	\$ 2,510,362,515
Services Costs		2,268,545,024	1,733,753,756
<b>Consolidated gross profit</b>		<b>1,162,900,822</b>	<b>776,608,759</b>
<b>Expenses:</b>			
Sales and administration expenses		663,185,180	565,400,468
Other expenses, net	23	(13,392,260)	(4,079,640)
Total of expenses		649,792,920	561,320,828
<b>Consolidated operation profit</b>		<b>513,107,902</b>	<b>215,287,931</b>
<b>Income and financial costs</b>			
(Loss) currency exchange gain, net		(268,560)	614,576
Interest expenses		(141,851,298)	(26,880,855)
Interest income		5,676,881	19,718,382
Financial Costs, net	24	(136,442,977)	(6,547,897)
<b>Consolidated profit before profit taxes, discontinued operations and other integral results</b>		<b>376,664,925</b>	<b>208,740,034</b>
Profit taxes	18	120,428,082	55,491,361
Interrupted operation	25	(24,366,751)	(7,037,751)
<b>Consolidated net profit</b>		<b>231,870,092</b>	<b>146,210,922</b>
<b>Other integral results:</b>			
(Losses) actuary profit, net of profit taxes	17	(2,090,067)	1,936,970
<b>Consolidated Integral Profit</b>		<b>229,780,025</b>	<b>148,147,892</b>
<b>Net consolidated profit imputable to:</b>			
Controlling share		231,798,220	142,634,010
Non-controlling share		71,872	3,576,912
		<b>231,870,092</b>	<b>146,210,922</b>
<b>Integral consolidated profit imputable to:</b>			
Controlling share		229,708,153	144,570,980
Non-controlling share		71,872	3,576,912
		<b>229,780,025</b>	<b>148,147,892</b>
Basic and diluted per share profit		1.88	1.19
Number of average weighted shares	22	\$ 123,281,750	\$ 123,281,750

See notes attached to the consolidated financial statements

# Consolidated Cash Flow Statements

## Médica Sur, S.A.B. de C.V. and Subsidiaries

Year terms ended on December 31st of 2017 and 2016  
(Pesos)

	Notes	2017	2016
<b>Operation activities cash flow:</b>			
Net profit		\$ 231,870,092	\$ 146,210,922
Adjustments by:			
Net cost of the period of employee benefits		(12,759,011)	15,031,944
Depreciation and amortization	13 and 14	220,440,656	325,247,154
Transport equipment and other asset sales loss		(1,758,707)	107,917
Profit taxes		120,428,082	53,519,878
Interest in favor		(5,676,881)	(15,110,169)
Financial activities related item			
Interest expense		141,851,298	26,877,608
<b>Sub total</b>		<b>694,395,529</b>	<b>551,885,254</b>
Accounts receivable, net		(70,427,252)	(4,108,574)
Fundación Clínica Médica Sur, A.C.		(130,182)	95,606
Other accounts receivable		(23,437,105)	(42,821,646)
Inventories, net		(16,121,154)	(24,208,083)
Insurance paid in advance		1,487,033	(10,172,043)
Suppliers		(55,117,703)	(204,087,506)
Taxes and accumulated expenses		(4,707,748)	80,594,487
Contingent liability provisions		(7,484,573)	15,436,374
<b>Net cash flow of operation activities</b>		<b>518,456,845</b>	<b>362,613,869</b>
Taxes expenses		(170,474,322)	(143,192,000)
Interest expenses		(133,996,659)	(20,639,728)
<b>Net cash flow from operating activities</b>		<b>213,985,864</b>	<b>198,782,141</b>
<b>Investment activities:</b>			
Increases in other fixed assets, net		-	4,837,391
Interest received		5,676,881	15,110,169
Resources received in real estate, furniture and equipment sales		75,944,248	-
Received deposits		100,454,051	-
Real estate, furniture, equipment and investment properties acquisitions	13 y 14	(266,079,788)	(230,325,263)
Receivable payments or entity share recovery		(456,700)	-
Business acquisitions	6	-	(1,447,493,000)
<b>Net cash flow used in investment activities</b>		<b>(84,461,308)</b>	<b>(1,657,870,703)</b>
<b>Financing activities:</b>			
Obtained loans	16	65,000,000	1,285,000,000
Paid dividends	20	(82,137,976)	(80,729,079)
<b>Net cash flow (used in) generated by financing activities</b>		<b>(17,137,976)</b>	<b>1,204,270,921</b>
Cash flow net increase (decrease) and cash equivalents		112,386,580	(254,817,641)
<b>Cash and cash equivalents:</b>			
At the beginning of the year		104,310,067	359,127,708
At the end of the year	9	\$ <b>216,696,647</b>	\$ <b>104,310,067</b>

See notes attached to the consolidated financial services

# Consolidated Financial Statements of Changes in the Stockholders' Equity

Médica Sur, S.A.B. de C.V. and their Subsidiaries

Year terms ended on December 31st of 2017 and 2016

(Pesos)

	Note	Share Capital	Contributions for future capital increases	Surplus in the share subscription	Accumulated Profit	Legal reserve	Share buy-back reserves	Net actuarial profits (losses) from income tax	Total	Non-controlling share	Total Stockholders' Equity
<b>Balances at January 1st 2016</b>	20	\$ 517,869,032	\$ 124,628	\$ 121,280,931	\$ 2,300,441,642	\$ 103,573,805	\$ 200,000,000	\$ (532,389)	\$ 3,242,757,649	\$ 720,355	\$ 3,243,478,004
Declared dividends	20	-	-	-	(84,121,676)	-	-	-	(84,121,676)	-	(84,121,676)
Actuary gains	17	-	-	-	-	-	-	1,936,970	1,936,970	-	1,936,970
Net profit		-	-	-	142,634,010	-	-	-	142,634,010	3,576,912	146,210,922
Comprehensive income		-	-	-	-	-	-	1,936,970	144,570,980	3,576,912	148,147,892
<b>Balances at December 31st of 2016</b>	20	517,869,032	124,628	121,280,931	2,358,953,976	103,573,805	200,000,000	1,404,581	3,303,206,953	4,297,267	3,307,504,220
Declared dividends	20	-	-	-	(86,753,785)	-	-	-	(86,753,785)	-	(86,753,785)
Non-controlling share		-	-	-	-	-	-	-	-	(3,478,877)	(3,478,877)
Extraordinary movements		-	-	-	(282,636)	-	-	-	(282,636)	-	(282,636)
Share buy-back reserves		-	-	-	456,700	-	(456,700)	-	-	-	-
Actuary losses		-	-	-	-	-	-	(2,090,067)	(2,090,067)	-	(2,090,067)
Net profit		-	-	-	231,798,220	-	-	-	231,798,220	71,872	231,870,092
Comprehensive income		-	-	-	-	-	-	(2,090,067)	229,708,153	71,872	229,780,025
<b>Balances at December 31st of 2017</b>	20	<b>\$ 517,869,032</b>	<b>\$ 124,628</b>	<b>\$ 121,280,931</b>	<b>\$ 2,504,172,475</b>	<b>\$ 103,573,805</b>	<b>\$ 199,543,300</b>	<b>\$ (685,486)</b>	<b>\$ 3,445,878,685</b>	<b>\$ 890,262</b>	<b>\$ 3,446,768,947</b>

See notes attached to the consolidated financial statements





## Contact Information



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