

**Mexico City, february 26th, 2019** – Médica Sur, S.A.B. of C.V. (BMV: MEDICA) reports its unaudited results corresponding to the fourth quarter of 2018. This information has been presented based on International Financial Reporting Standards (IFRS).

## 2018 Highlights

- In June, Médica Sur obtained the re-certification of the General Health Board with a validity of 5 years and in October it was the best qualified hospital in Mexico, according to the ranking of clinics and hospitals of the América Economía magazine.
- Médica Sur completed the remodeling and modernization process of five hospital floors that began in 2014, incorporating cutting-edge technologies for patient care and safety, complying with the highest hospital standards in the world, with an accumulated investment of more than 220 million during the 2014 -2018 period.
- At the end of 2018, Médica Sur successfully completed the first stage in the remodeling project of its operating rooms, incorporating state-of-the-art equipment for the benefit of our patients and our physicians, with an investment of more than 30 million pesos. highlighting that the operation was uninterrupted and even increased by 5.4% the volume of surgical activity in the year.
- The group operated 126 laboratory units, 12.5% more compared to the end of 2017, continuing the expansion strategy to other cities of Mexico such as Mérida and Cancún.
- By the end of 2018, the number of hospitalized patients increased by 1.9% compared to the end of 2017; however, derived from the greater efficiency in the functioning of the hospital, the Bed-days indicator was reduced by 1.7% and the Average length of stay by 3.6%.
- During 2018, Médica Sur had an increase in its Surgical Units, while it observed a decrease in the volume of Critical care units, Emergency Department and Diagnostic Units derived from the strong competition with other providers of healthcare services of lower price, but that are not comparable with Médica Sur in terms of quality, certifications and standards for patient safety.
- It should be noted that, in Médica Sur, adherence to hand hygiene exceeds 90%, the general rate of nosocomial infections is less than 1 per 100 hospitalized patients and all medical indicators are at better levels than the international standards
- Médica Sur has incorporated innovative equipment and procedures that have the following main benefits: to be more effective for the patient, to reduce hospital stays, to reduce re-admissions for our patients, and to have a shorter recovery time.
- In addition, during 2018, we carried out new projects to contain prices for patients, including strategies for better purchasing and more efficient use of medicines and materials, as well as a reduction of 4% in the administrative staff. among others.
- As a consequence of the lower volume of sales, in addition to the extraordinary preoperative expenses for the start-up of the new laboratory units, the extraordinary effects of the personnel liquidations and the fixed expenses for the operation of the group; Médica Sur had an unfavorable impact on the Group's annual results compared to the end of 2017.
- During 2019 we will be implementing new strategies that allow us to attract more national and international patients and continue with the high quality, innovation, and medical excellence that distinguish Médica Sur.

## 4Q18 Highlights

- Consolidated revenues in 4Q18 increased 5.1% compared to the same period of 2017, reaching 887.1 million pesos, mainly explained by the grater Surgical activity.
- The volume of sales in the fourth quarter was lower than the same period of 2017 in the Critical Care Units, Emergency Department and Diagnostic Units due to the strong competition mentioned above, mainly from healthcare suppliers of lower quality and lower price.
- During 4Q18, the prices of materials were impacted by a higher exchange rate, there were strong increases in energy and fuels prices, there was a higher expense in consulting, Insurance of major medical expenses and maintenance of medical equipment. Personnel settlements were paid as a continuity to the process of reducing the organizational structure started in 3Q18 in order to reduce administrative expenses and make clinical services more accessible to our patients. Additionally, pre-operative expenses due to the expansion of laboratories in the cities of Cancún and Mérida were recorded.
- EBITDA (Operating Income plus Depreciation and Amortization before leasing) in 4Q18 contracted 68.2 million pesos, going from 225.0 million pesos to 156.8 million pesos, explained by the higher expense and extraordinary effects aforementioned.
- At the end of 4Q18, the company's total debt decreased 18.4% compared to 4Q17, and the fraction of credit contracted a floating rate decreased by 8.3% compared to the same period, due to the fact that, during the year, Médica Sur made three advanced payments for a total of 250 million pesos.  
Advanced payments and the refinanced debt of 550 million pesos made in 2Q18, contributed to reduce the CFC by 8.8% compared to 4Q17.
- The Leverage Ratio (Net Debt/EBITDA) in the fourth quarter of the year was 1.5 times, while the Interest Coverage Ratio (EBITDA/Financial Expense) was 4.5 times at the same period.

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

	4Q17 <sup>1)</sup>	4Q18	Change \$	Change %	2017 <sup>1)</sup>	2018	Change \$	Change %
<b>Revenues</b>	<b>844.0</b>	<b>887.1</b>	<b>43.1</b>	<b>5.1%</b>	<b>3431.4</b>	<b>3608.2</b>	<b>176.7</b>	<b>5.2%</b>
<b>Operating Income</b>	<b>166.7</b>	<b>94.8</b>	<b>-71.9</b>	<b>-43.1%</b>	<b>513.1</b>	<b>406.7</b>	<b>-106.4</b>	<b>-20.7%</b>
Operating Margin	19.7%	10.7%			15.0%	11.3%		
<b>EBITDA <sup>2)</sup></b>	<b>225.0</b>	<b>156.8</b>	<b>-68.2</b>	<b>-30.3%</b>	<b>742.6</b>	<b>655.4</b>	<b>-87.2</b>	<b>-11.7%</b>
EBITDA Margin	26.7%	17.7%			21.6%	18.2%		
<b>Net Consolidated Income</b>	<b>92.0</b>	<b>28.4</b>	<b>-63.6</b>	<b>-69.2%</b>	<b>231.9</b>	<b>178.6</b>	<b>-53.3</b>	<b>-23.0%</b>
Net Margin	10.9%	3.2%			6.8%	5.0%		

Amounts in million of pesos

<sup>1)</sup> During the third quarter of 2017, the company decided to permanently shut down the Médica Sur Lomas Hospital. For purposes of presenting the effects of such operation, the results of this business are presented as a discontinued operation and the income statements and other comprehensive comparative results have been restated in order to present that operation separately from the continuing operations.

All the financial information presented in this report was prepared in accordance with the International Financial Reporting Standards.

<sup>2)</sup> EBITDA - Figures before Medical Equipment leasing to make information comparable.

## 4Q18 Financial Summary

### Revenues

At the end of 4Q18, Médica Sur successfully completed the first stage in the remodeling project of its operating rooms, incorporating state-of-the-art equipment for the benefit of our patients and our physicians, with an investment of more than 30 million pesos. highlighting that the operation was uninterrupted and even increased by 12.1% the volume of surgical activity in the fourth quarter.

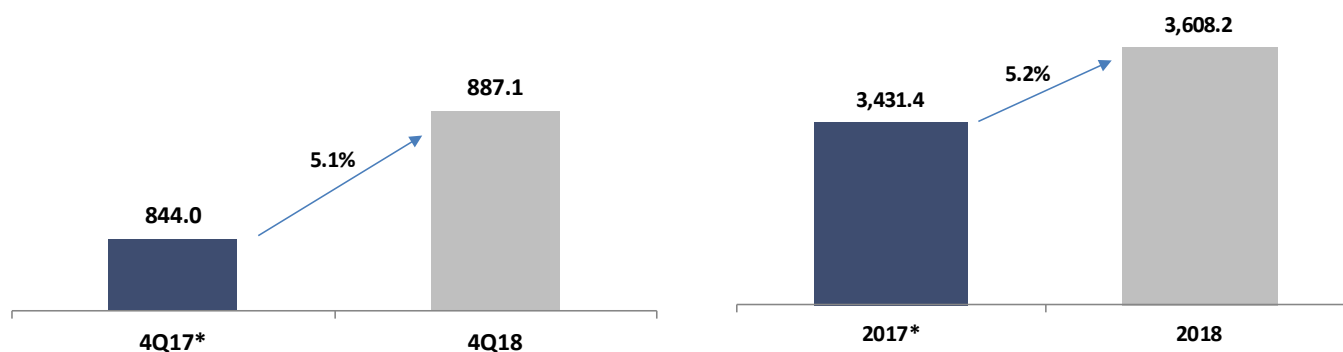
The group operated 126 laboratory units, 12.5% more compared to the end of 2017, continuing the expansion strategy to other cities of Mexico such as Mérida and Cancún.

Revenues in 4Q18 amounted to 887.1 million pesos, a 5.1% increase compared to the 844.0 million pesos observed in the same period of the previous year. The positive behavior of the Revenue was explained mainly by the greater surgical activity.

During 4Q18, Médica Sur observed a decrease in the volume of Critical care units, Emergency Department and Diagnostic Units due to the strong competition mentioned above, mainly from healthcare providers of lower quality and price.

In annual terms, revenues increased 5.2%, going from 3,431.4 million pesos in 2017 \* to 3,608.2 million pesos in 2018, due to the greater activity aforementioned.

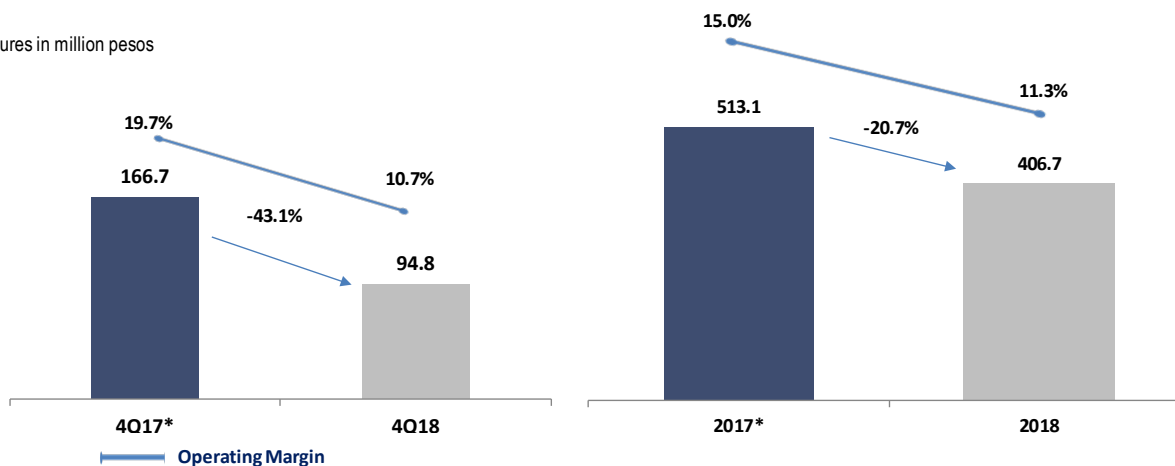
Figures in million pesos



**Operating Income** in 4Q18 was 94.8 million pesos, 43.1% lower compared to 4Q17 \*, mainly explained by the increase in the prices of materials by a higher exchange rate, a significant increase in the price of energy and the fuels; there was a greater expense in consulting, Insurance of major medical expenses and maintenance of medical equipment and pre-operational expenses for the strategy of expansion of the laboratories, as well as the increase of 12.8 million pesos in depreciation, mainly due to the remodeling of the Hospitalization floors, compared to the close of 2017. Meanwhile, the Margin of Operation was 10.7%.

Operating Income for fiscal year 2018 was 406.7 million pesos, a decrease of 20.7% compared to 2017 \*.

Figures in million pesos

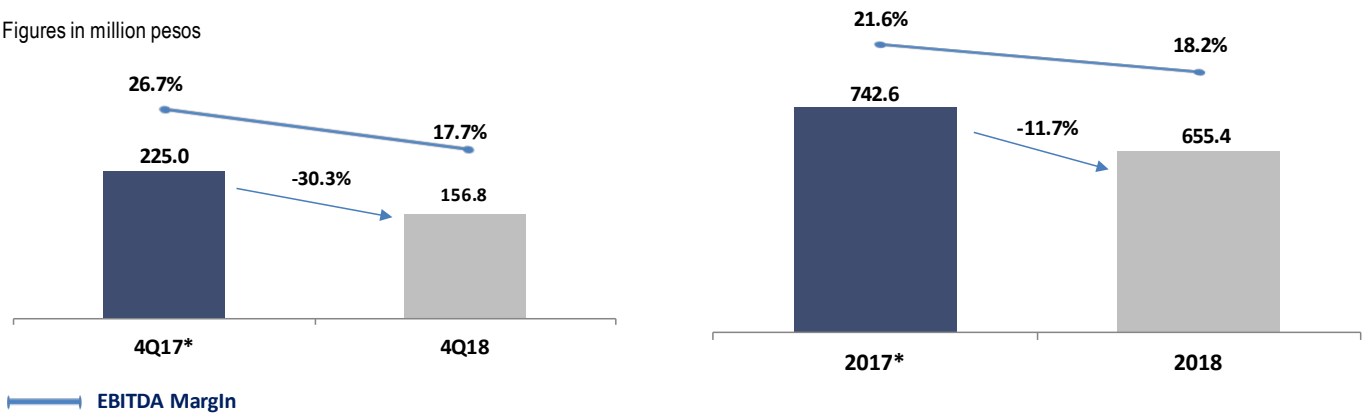


**EBITDA** (Operating Income plus Depreciation and Amortization before leasing) in 4Q18 was 156.8 million pesos, a decrease of 30.3% due to the higher expense explained above.

The EBITDA Margin went from 26.7% in 4Q17 \* to 17.7% in 4Q18.

In the accumulated figure, EBITDA reached 655.4 million at the end of 2018, which represented a decrease of -11.7% compared to the end of 2017 \*. The EBITDA Margin of 2018 was 18.2%.

Figures in million pesos



EBITDA: Figures before Medical Equipment leasing to make information comparable.

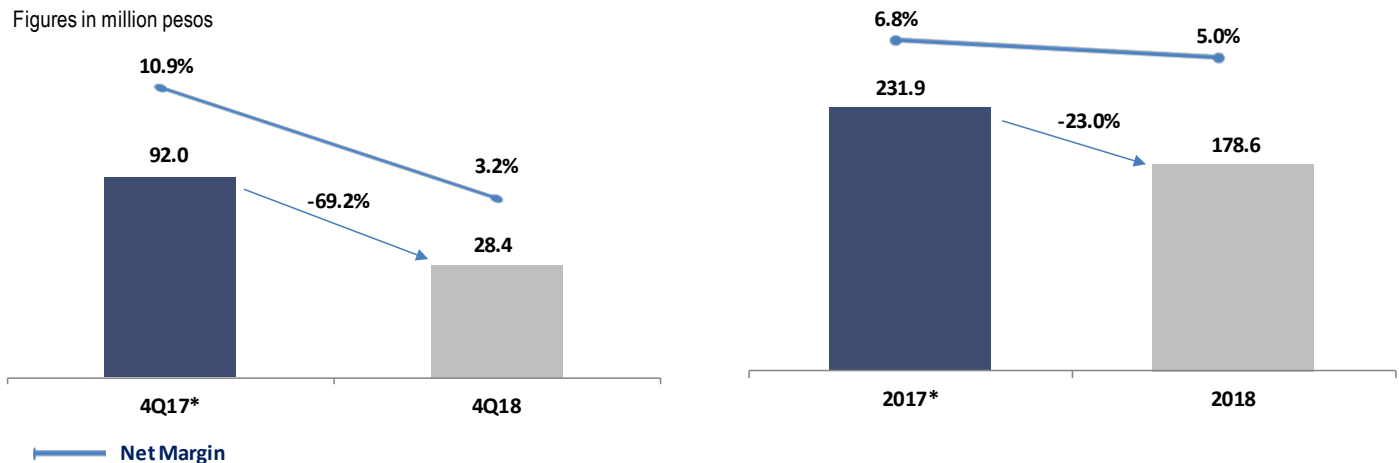
**Comprehensive Financing Cost (CFC)** ended the quarter at 29.3 million pesos, a reduction of 8.8% compared to the same period of 2017 \*, benefited by the three advanced payments made by Médica Sur for a total of 250 million pesos and the better rates in the refinancing of the debt made in the month of May and higher interest earned.

This CFC is mainly associated with the payment of interest on the loan obtained for the acquisition of Laboratorio Médico Polanco (LMP) on October 12, 2016.

**Net Income** in the fourth quarter of 2018 reached 28.4 million pesos, decreased 63.6 million pesos compared to 4Q17 \* due to the higher expense described above. Net Margin was 3.2%.

Net Income for the period January-December 2018 decreased 53.3 million pesos, going from 231.9 million pesos in 2017 \* to 178.6 million pesos in 2018. Net Margin ended at 5.0%.

Figures in million pesos



## Debt

Médica Sur's debt corresponds mainly to the loans contracted for the acquisition of Polanco Medical Laboratory carried out at the end of 2016.

At the end of 4Q18, the debt with cost of the company was 1,125.4 million pesos, a figure lower by 18.4% compared to the same period of 2017.

The reduction was mainly due to three advance payments made in the months of June, October and November for a total of 250 million pesos applied to the portion of the TIIE variable rate credit + 360 basis points.

The advanced payments were made with our own resources from the group's operating cash flow and with the restricted cash that we maintained in our balance as a result of the process of transferring part of the property adjacent to the land that is currently occupied by the Hospital Campus.

The advanced payments contributed to reduce by 8.3% the risk exposure due to volatility in interest rates.

The percentage of debt contracted at a variable rate decreased from 61.6% to 53.3%, compared to 4Q17. While the debt at a fixed rate increased from 38.4% to 46.7%.

In addition, during 2Q18, Médica Sur refinanced 550 million pesos of this debt, significantly improving the conditions, generating savings of approximately 70.0 million pesos during the life of the loan.

Therefore, the Group's debt profile at the end of the year is 525.4 million pesos at a fixed rate and 600 million pesos at a floating rate.

With respect to the obligations of the credits contracted, at the close of 4Q18 Médica Sur they are in full compliance with them.

<i>Financial Ratios</i>	<b>Contracted obligation</b>	<b>4Q17*</b>	<b>4Q18</b>
Total Debt/EBITDA	< 3.5x	1.7x	1.5x
Net Debt/EBITDA	< 3.5x	1.7x	1.5x
Total Liabilities/Stockholders' Equity	0.0x	0.6x	0.5x
Interest Coverage (EBITDA/Financial Expense)	> 4.0x	5.2x	4.5x
Liquidity (Current Assets / Current Liabilities)	0.0x	1.6x	1.4x

EBITDA: Figures before Medical Equipment leasing to make information comparable.

## Financial Annexes (unaudited)

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

Consolidated Statements of Financial Position ended Dec 31<sup>st</sup>, 2018 and Dec 31<sup>st</sup> 2017  
(amount in pesos)

	<u>2018</u>	<u>2017</u>	<u>Change % YoY</u>
<b>Assets</b>	5,463,304,835	5,602,874,052	-2.5%
<b>Current assets</b>	1,050,580,354	1,102,911,915	-4.7%
Cash and Cash Equivalents	171,368,515	116,242,596	47.4%
Restricted Cash	0	100,454,051	-
Accounts Receivable	344,084,900	319,802,622	7.6%
Others Net Account Receivable	102,755,006	102,447,342	0.3%
Inventories	102,238,865	133,832,237	-23.6%
Assets held for sale	330,133,067	330,133,067	-
<b>Long Term</b>	0	0	0.0%
Accounts and Documents Receivable (Net)	0	0	-
Investments in Unconsolidated Subsidiaries and Associated Shares	0	0	-
Other Invesments	0	0	-
<b>Property, Plant and Equipment (Net)</b>	2,782,771,314	2,848,717,644	-2.3%
Property	2,656,286,227	2,527,925,444	5.1%
Industrial Machinery and Equipment	81,107,624	73,413,479	10.5%
Other Equipment	1,967,188,097	2,166,137,351	-9.2%
Accumulated Depreciation	-1,976,462,311	-1,985,191,097	-0.4%
Constructions in Process	54,651,676	66,432,466	-17.7%
<b>Investment properties</b>	82,956,992	89,833,115	-7.7%
Land	52,165,613	52,165,613	0.0%
Buildings	30,791,379	37,667,502	-18.3%
<b>Intangible Assets</b>	1,546,996,175	1,561,411,378	-0.9%
<b>Total Assets</b>	1,912,438,061	2,156,105,106	-11.3%
<b>Current Liabilities</b>	752,002,117	701,305,966	7.2%
Suppliers	231,831,970	261,688,080	-11.4%
Short-term Bank Loans	32,000,878	30,000,000	6.7%
Income tax payable	96,226,846	93,435,670	3.0%
Other Current Liabilities	385,672,570	316,182,216	22.0%
<b>Long-term Liabilities</b>	1,132,797,445	1,384,545,281	-18.2%
Bank Loans	1,087,932,457	1,343,250,000	-19.0%
Accrued Interest	0	7,854,639	-100.0%
Other Credits	44,864,988	33,440,642	34.2%
<b>Deferred Income Taxes</b>	27,638,499	70,253,858	-60.7%
<b>Stockholders Equity</b>	3,550,866,772	3,446,768,947	3.0%
<b>Non-Controlling Interest</b>	944,956	890,219	6.1%
<b>Equity attributable to Equity Holders of the Company</b>	3,549,921,816	3,445,878,728	3.0%
Paid-in Capital Stock Update	517,869,032	517,869,032	0.0%
Premium in Share Placement	121,280,931	121,280,931	0.0%
Contributions for Future Capital Increases	124,628	124,628	0.0%
Retained earnings	2,532,744,451	2,375,948,101	6.6%
Reserve for Share Buyback Program	199,543,300	199,543,300	0.0%
Income of the year	178,477,481	231,798,220	-23.0%
<b>Other Comprehensive Income</b>	<b>-118,007</b>	<b>-685,485</b>	<b>-82.8%</b>
<b>Total Liabilities and Shareholders Equity</b>	5,463,304,833	5,602,874,052	-2.5%

Amounts in accordance with IFRS

## Consolidated Income Statements for the three months from Oct 1<sup>st</sup> to Dec 31<sup>st</sup>, 2018 and 2017\* (amount in pesos)

	<u>4Q18</u>	<u>4Q17*</u>	<u>Change % YoY</u>
<b>Revenues</b>	<b>887,067,126</b>	<b>843,989,317</b>	<b>5.1%</b>
Cost of Sales	-638,282,719	-565,015,184	13.0%
<b>Gross Profit</b>	<b>248,784,407</b>	<b>278,974,134</b>	<b>-10.8%</b>
Selling and Administrative Expenses	-178,634,701	-134,921,661	32.4%
Other Operating Expenses	24,621,025	22,634,544	8.8%
<b>Operating Income</b>	<b>94,770,732</b>	<b>166,687,017</b>	<b>-43.1%</b>
Foreign Exchange Gain (loss)	1,423,507	2,304,903	n.a.
Interest Expense	-33,503,871	-36,179,941	-7.4%
Interest Income	2,829,514	1,815,519	55.9%
<b>Income before Taxes</b>	<b>65,519,881</b>	<b>134,627,497</b>	<b>-51.3%</b>
Income Tax Expense	-37,159,605	-38,891,198	-4.5%
<b>Continuous Operations Profit (loss)</b>	<b>28,360,275</b>	<b>95,736,299</b>	<b>-70.4%</b>
Discontinued Operations Loss	0	-3,766,690	n.a.
<b>Net Income</b>	<b>28,360,275</b>	<b>91,969,609</b>	<b>-69.2%</b>
Non-Controlling Income	24,033	-12,491	-292.4%
<b>Controlling Income</b>	<b>28,384,308</b>	<b>91,957,119</b>	<b>-69.1%</b>

Amounts in accordance with IFRS

\* During the third quarter of 2017, the company decided to permanently shut down the Médica Sur Lomas Hospital. For purposes of presenting the effects of such operation, the results of this business are presented as a discontinued operation and the income statements and other comprehensive comparative results have been restated in order to present that operation separately from the continuing operations.

All the financial information presented in this report was prepared in accordance with the International Financial Reporting Standards.

## Consolidated Income Statements for the twelve months ended December 31<sup>st</sup>, 2018 y 2017\* (amount in pesos)

	<u>2018</u>	<u>2017</u>	<u>Change % YoY</u>
<b>Revenues</b>	<b>3,608,159,624</b>	<b>3,431,445,847</b>	<b>5.1%</b>
Cost of Sales	-2,485,025,277	-2,268,545,024	9.5%
<b>Gross Profit</b>	<b>1,123,134,347</b>	<b>1,162,900,823</b>	<b>-3.4%</b>
Selling and Administrative Expenses	-730,677,617	-663,185,180	10.2%
Other Operating Expenses	14,228,494	13,392,261	6.2%
<b>Operating Income</b>	<b>406,685,224</b>	<b>513,107,904</b>	<b>-20.7%</b>
Foreign Exchange Gain (loss)	3,483,082	-268,560	n.a.
Interest Expense	-144,587,216	-141,851,299	1.9%
Interest Income	12,053,795	5,676,882	112.3%
<b>Income before Taxes</b>	<b>277,634,885</b>	<b>376,664,927</b>	<b>-26.3%</b>
Income Tax Expense	-99,102,668	-120,428,086	-17.7%
<b>Continuous Operations Profit (loss)</b>	<b>178,532,217</b>	<b>256,236,842</b>	<b>-30.3%</b>
Discontinued Operations Loss	0	-24,366,751	n.a.
<b>Net Income</b>	<b>178,532,217</b>	<b>231,870,090</b>	<b>-23.0%</b>
Non-Controlling Income	-54,738	-71,871	-23.8%
<b>Controlling Income</b>	<b>178,477,480</b>	<b>231,798,219</b>	<b>-23.0%</b>

Amounts in accordance with IFRS

\* During the third quarter of 2017, the company decided to permanently shut down the Médica Sur Lomas Hospital. For purposes of presenting the effects of such operation, the results of this business are presented as a discontinued operation and the income statements and other comprehensive comparative results have been restated in order to present that operation separately from the continuing operations.

All the financial information presented in this report was prepared in accordance with the International Financial Reporting Standards.



## Analyst Coverage

In accordance with the provisions of BMV internal regulations in article 4.033.01 fracc. VIII regarding maintenance requirements, we inform that the Brokerage House/Credit Institution that provide analyst coverage to our shares is Grupo Bursátil Mexicano S.A. de C.V., Casa de Bolsa.

## About Médica Sur

Médica Sur, S.A.B. de C.V. (BMV: Medica) is a hospital operator and an integrated provider of health care services and related services. The company provides these services through hospitals and laboratories. In Médica Sur, a group of doctors, medical professionals, nurses, hospital administration and operation meet and aims to offer a medical excellence service with human warmth guided by a strict ethic code and backed by medical equipment and infrastructure with cutting-edge technology.

## EBITDA

EBITDA is an indicator used in the financial analysis of the Company that is not recognized in IFRS but that is calculated based on the figures derived from the Company's financial statements. We calculate the EBITDA as the operating income plus depreciation and amortization before leases of Medical Equipment).

EBITDA is not a financial indicator under IFRS, nor is it an indicator of liquidity or performance, we believe that EBITDA can be useful to facilitate comparisons of operating performance between periods on a combined basis, but other issuers can calculate these metrics differently.

EBITDA should not be interpreted as an alternative to (i) net income as an indicator of the Company's operating performance or (ii) cash flow from operating activities as a measure of the Company's liquidity.

## Forward-Looking Statements

This press release contains certain forward-looking statements about the Company's results and outlook. These statements include, but are not limited to: (i) statements regarding our financial situation and results of operations; (ii) statements regarding our plans, objectives or goals, including statements regarding our activities; and (iii) statements regarding the underlying assumptions on which those statements are based. Statements about the future contain words such as "estimates", "expects", "forecasts", "plans", "predicts", "believe", "could", "should", "possible", "guidance" and other similar words, whether in first or third person, however, are not the only terms used to identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions and we caution you that a number of important factors could cause actual results to differ materially from the objectives, expectations, estimates and intentions expressed in this press release.

That information, as well as future reports issued by the Company or any of its representatives, whether verbally or in writing, may vary materially from actual results. These projections and estimates, which were prepared with reference to a specific date, should not be considered as fact. The Company has no obligation to update or revise any of these projections and estimates, whether as a result of new information, future events, or other associated events.

The information related to the future performance contained in this press release must be read together with the risks included in the section "Risk factors" presented to the CNBV (Comisión Nacional Bancaria y de Valores).



## CONTACT

Investor Relations: **Arely Gutiérrez**

Phone: + 52 55 54247200 Ext 3425 [agutierrezg@medicasur.org.mx](mailto:agutierrezg@medicasur.org.mx)