



Genomma Lab Internacional, S.A.B. de C.V.

130,869,566 Series B Shares

We, Genomma Lab Internacional, S.A.B. de C.V. (Genomma Lab or the Company), a publicly traded variable capital stock corporation (*sociedad anónima bursátil de capital variable*) incorporated with limited liability under the laws of the United Mexican States (or Mexico), are offering 100,638,696 of our Series B Shares, or the Shares, which constitutes our only series of common stock, and the selling shareholders identified in this offering memorandum are offering 30,230,870 Shares in a combined offering consisting of (a) an initial public offering of 34,680,436 Shares in Mexico through the Mexican underwriters identified in this offering memorandum to the general public; and (b) 96,189,130 Shares in the United States to qualified institutional buyers (as defined under Rule 144A under the U.S. Securities Act of 1933, as amended, or the Securities Act) and in other countries outside of Mexico and the United States to non-U.S. persons in reliance on Regulation S under the Securities Act through the initial purchasers identified in this offering memorandum. The Shares being offered in the combined offering may be reallocated among the Mexican offering and the international offering. The international bookrunners for the offering are UBS Investment Bank and Merrill Lynch & Co. The Mexican underwriters are Ixe Casa de Bolsa, S.A. de C.V., Ixe Grupo Financiero, and Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander.

We and the selling shareholders have granted the initial purchasers and the Mexican underwriters an option, exercisable for 30 days from the date of this offering memorandum, to purchase up to an aggregate of 19,630,434 additional Shares. See “Plan of Distribution.”

Currently, no public market exists for the Shares. The Shares have been registered in Mexico in the National Securities Registry (*Registro Nacional de Valores*), or the RNV, maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or the CNBV, and have been approved for listing on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*), or the BMV, under the symbol “LAB.” The Shares will not be listed on any national securities exchange or quoted in any automated interdealer quotation system in the United States or elsewhere outside of Mexico.

Investing in the Shares involves risks. See “Risk Factors” on page 10.

Offering Price: Ps.16.00 per Share

Delivery of the Shares in book-entry form will be made on or about June 23, 2008, through the facilities of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. (or Indeval), in Mexico City, Mexico.

The Shares have not been and will not be registered under the Securities Act. The Shares may not be offered and sold within the United States or to U.S. persons, except to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from registration provided by the Securities Act, and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. See “Transfer Restrictions” for a description of the restrictions regarding the purchase and transfer of the Shares.

Sole Global Coordinator

Joint Bookrunner

UBS Investment Bank

Merrill Lynch & Co.

The date of this confidential offering memorandum is June 17, 2008.



Genomma Lab
Internacional



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You should rely only on the information contained in this offering memorandum or to which we have referred you. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

THIS OFFERING MEMORANDUM IS SOLELY THE RESPONSIBILITY OF GENOMMA LAB AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. OUR SHARES ARE REGISTERED IN MEXICO WITH THE RNV MAINTAINED BY THE CNBV, WHICH IS A REQUIREMENT UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). SUCH REGISTRATION DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT VALUE OF THE SHARES OR THE SOLVENCY OF GENOMMA LAB, OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM, AND DOES NOT VALIDATE ANY ACTION TAKEN IN VIOLATION OF APPLICABLE LAW, IF SUCH IS THE CASE. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN

WHO MAY ACQUIRE SHARES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF GENOMMA LAB.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS

The offering is being made in Mexico by a prospectus in Spanish. The Mexican prospectus, which has been filed with the CNBV, is in a format different from that of this offering memorandum and contains information not generally included in documents such as this one. The offering is made in the United States and elsewhere outside of Mexico solely on the basis of information contained herein. Investors should take this into account when making investment decisions.

You should rely only on the information contained in this document. Neither we, the initial purchasers, the selling shareholders, nor the Mexican underwriters have authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate as of the date of this document.

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to “Genomma Lab,” “the Company,” “the issuer,” “we,” “us” and “our” are references to Genomma Lab Internacional, S.A.B. de C.V. and its subsidiaries.

We are relying upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Shares, you will be deemed to have made the acknowledgements, representations and agreements described under “Transfer Restrictions” in this offering memorandum. We are not, and the initial purchasers are not, making an offer to sell the Shares in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States so that they can consider a purchase of the Shares. We have not authorized the use of this offering memorandum for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum may be distributed and its contents disclosed only to those prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See “Transfer Restrictions.”

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. We and the initial purchasers cannot assure you that such information is accurate or complete. This offering memorandum summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum.

We are not making any representation to any purchaser regarding the legality of an investment in the Shares by such purchaser under any legal investment or similar laws or regulations. You should not consider any information

in this offering memorandum to be legal, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, tax, business and financial advice regarding any investment in the Shares.

We reserve the right to withdraw the offering of the Shares at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the Shares in whole or in part and to allot to any prospective investor less than the full amount of Shares sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the Shares.

You must comply with all applicable laws and regulations in force in your jurisdiction, and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Shares, under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission (or the SEC) nor any other securities commission or other regulatory authority has approved or disapproved the Shares, or determined if this offering memorandum is truthful, accurate, adequate or complete. Any representation to the contrary is a criminal offense.

Notwithstanding anything in this offering memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, “tax structure” is limited to facts relevant to the U.S. federal income tax treatment of the offering.

In any Member State of the European Economic Area (or the EEA) that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the Prospectus Directive), this communication is addressed only to and is directed only at qualified investors in that Member State within the meaning of the Prospectus Directive.

This offering memorandum has been prepared on the basis that all offers for the Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of the Shares. Accordingly, any person making or intending to make any offer of the Shares within the EEA should do so only in circumstances in which no obligation arises for us or the initial purchasers to produce a prospectus for such offer. Neither we, the initial purchasers nor the Mexican underwriters have authorized, nor do we or they authorize, the making of any offer of the Shares through any financial intermediary, other than offers made by the Mexican underwriters and the initial purchasers in the offering of the Shares contemplated in this offering memorandum.

For the purposes of this representation, the expression an “offer” in relation to any Shares in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

This document is being distributed only to and is directed only at (1) persons who are outside the United Kingdom, (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order), (3) high net worth entities and others falling within Article 49(2)(a) to (d) of the Order or (4) persons to whom an invitation or inducement to engage in investment activity may be communicated without a breach of section 21 of the Financial Services and Markets Act 2000 (all such persons together being referred to as relevant persons). The Shares are available only to, and any invitation, offer or agreement to subscribe, purchase or acquire such Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We became a publicly traded variable capital stock corporation (*sociedad anónima bursátil de capital variable*) upon registration of our Shares with the RNV and their listing on the BMV, and we were formerly Producciones Infovisión, S.A. de C.V., which was incorporated in 1996 under the laws of Mexico. Most of our directors, executive officers, controlling persons, and experts named herein are non-residents of the United States, and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside of Mexico upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the civil liability provisions of United States federal and state securities laws. We have been advised by our special Mexican counsel, Forastieri Abogados, S.C., that there is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities arising under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon the United States federal or state securities laws. See “Risk Factors—Risks Relating to the Offering—It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.” We have been advised by such special Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment, in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case.

AVAILABLE INFORMATION

We are not subject to the information requirements of the United States Securities Exchange Act of 1934, as amended (or the Exchange Act). To preserve the exemption for resales and transfers under Rule 144A under the Securities Act, we have agreed that we will promptly provide any holder or any prospective purchaser of the Shares who is designated by that holder and is a “qualified institutional buyer,” as defined under Rule 144A, upon the request of such holder or prospective purchaser, with information meeting the requirements of Rule 144A(d)(4), unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main offices located at Avenida Santa Fé 495, Piso 19, Colonia Santa Fé Cruz Manca, México, Distrito Federal, 05349, Attention: Chief Financial Officer. We will also be required periodically to furnish certain information, including quarterly and annual reports, to the CNBV and to the BMV, which will be available in Spanish for inspection through the BMV’s website at www.bmv.com.mx.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding our future results of operations and financial position; (ii) statements of plans, objectives or goals, including those related to our operations; and (iii) statements of assumptions underlying such statements. Words such as “believe,” “anticipate,” “should,” “estimate,” “seek,” “forecast,” “expect,” “may,” “intend,” “plan” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements, including the following factors:

- competition in our industry and markets;
- shortages of supply of sourced goods or interruptions in the manufacturing of our products;

- increases in supplier prices;
- pricing pressures which may cause us to lower our prices;
- increases and changes in governmental regulation of our products or our advertising;
- our dependence on a few large customers, which include certain national pharmacy chains, national mass merchandisers and drug wholesalers, for a significant portion of our net sales;
- changes or disruptions to our distribution channels;
- increases in prices of television or other media advertising;
- our dependency on the reputation of our brand names;
- product liability claims;
- changing consumer trends;
- dependence on key personnel;
- changes in our senior management team;
- acquisitions or other strategic transactions diverting managerial resources, or incurrence of additional liabilities or integration problems associated with such transactions;
- disruptions in our operations due to unforeseen natural events;
- our ability to protect our intellectual property rights;
- failure to manage our growth effectively;
- our future operating results;
- failure to improve our information systems;
- our ability to realize cost savings and operational improvements;
- delays in introducing new products or failure of consumers to accept new products;
- general economic conditions affecting our products and their respective markets;
- interest rate changes affecting us as well as foreign currency fluctuations affecting results of operations and the value of our foreign assets and liabilities;
- political developments;
- changes to the healthcare system in jurisdictions in which we operate;
- our level of debt; and
- our ability to obtain additional financing.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Prospective investors should read the sections of this offering memorandum entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Our Business” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information or future events or developments.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Financial Information

This offering memorandum includes our audited consolidated financial statements as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007, together with the notes thereto, beginning on page F-1, which we refer to as our consolidated financial statements. As explained below, our consolidated financial statements and other financial information included in this offering memorandum, unless otherwise specified, are restated in Mexican pesos of constant purchasing power as of December 31, 2007.

We have also included certain of our unaudited consolidated financial information as of March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007, which we refer to as unaudited consolidated financial information, and a discussion of our financial results for these periods. This information is set forth in Exhibit I beginning on page E-1.

Our consolidated financial statements have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu. The financial information in this offering memorandum has been prepared in accordance with Mexican Financial Reporting Standards, or MFRS (individually referred to as *Normas de Información Financiera*, or NIFs and Bulletins), which differ in certain significant respects from accounting principles generally accepted in the United States, referred to as U.S. GAAP. See “Significant Differences Between MFRS and U.S. GAAP” for a description of certain principal differences between MFRS and U.S. GAAP as they relate to us. We have made no attempt to quantify the impact of those differences by a reconciliation of our consolidated financial statements or other financial information in this offering memorandum to U.S. GAAP. We cannot assure you that a reconciliation would not identify material quantitative or qualitative differences between our consolidated financial statements or other financial information in this offering memorandum as prepared on the basis of MFRS if such information were prepared on the basis of U.S. GAAP. Unless otherwise specified, our consolidated financial statements and other financial information with respect to Genomma Lab contained in this offering memorandum are presented on a consolidated basis in accordance with MFRS.

Except for the unaudited financial information as of March 31, 2008 and for the three-month period ended March 31, 2008, our consolidated financial statements included in this offering memorandum were prepared giving effect to Bulletin B-10, “Recognition of Effect of Inflation on Financial Information,” as amended, Bulletin B-12, “Statements of Changes in Financial Position,” and Bulletin B-15, “Foreign Currency Transactions and Translation of Financial Statements of Foreign Operations,” issued by the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos*). Generally, Bulletin B-10 provides for the recognition of the effects of inflation by requiring Mexican companies to restate inventories at current replacement cost, to restate all other non-monetary assets and non-monetary liabilities as well as the components of shareholders’ equity using the Mexican consumer price index and to record in the income statement gains and losses in purchasing power from holding monetary liabilities or assets. The Third Amendment to Bulletin B-10 requires restatement of all financial statements to constant Mexican pesos as of the date of the most recent balance sheet presented. Under the Fifth Amendment to Bulletin B-10, Mexican companies are required to restate fixed assets using the Mexican consumer price index or, in the case of fixed assets of foreign origin, have the option of using inflation factors of the country of origin applied to the foreign currency cost of such assets prior to translation to pesos. Bulletin B-12 specifies the appropriate presentation of the statement of changes in financial position when the financial statements have been adjusted for inflation and restated in constant Mexican pesos in accordance with Bulletin B-10. Bulletin B-12 identifies the sources and applications of resources representing differences between beginning and ending financial statement balances in constant Mexican pesos. Bulletin B-15 prescribes the methodology for foreign currency transactions and the recognition of inflation in the financial information of foreign subsidiaries. Unless otherwise noted, all information in the consolidated financial statements included in this offering memorandum and all other financial information included throughout this offering memorandum and relating to dates or periods covered by the consolidated financial statements have been adjusted for inflation and restated in constant Mexican pesos as of December 31, 2007. The economic environment in Mexico during the three-month period ended March 31, 2008 did not qualify as inflationary. Accordingly, we did not use inflation accounting to prepare the unaudited consolidated financial information as of March 31, 2008 and for the three-month period ended March 31, 2008.

We are also required to determine any gain or loss in our respective monetary positions to reflect the effect of inflation on monetary assets and liabilities under MFRS. This calculation is performed by subtracting monetary liabilities from monetary assets and the result represents our monetary position at a certain period of time, which is multiplied by the appropriate inflation rate for the period with the resulting monetary gain or loss reflected in earnings.

We recognize revenues at such time as the risks and rewards of ownership of merchandise in our inventory are transferred to customers, which generally occurs upon the delivery of such merchandise to customers in satisfaction of orders.

Currency and Other Information

Unless stated otherwise, references herein to “pesos,” “Mexican pesos” or “Ps.” are to Mexican pesos, the legal currency of Mexico; references to “U.S. dollars,” “dollars,” “U.S.\$” or “\$” are to United States dollars, the legal currency of the United States.

This offering memorandum contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at any other rate. Unless otherwise indicated, the exchange rate used in translating Mexican pesos into U.S. dollars in calculating the convenience translations included in this offering memorandum is determined by reference to the rate, published by Banco de México in the Federal Official Gazette of Mexico (*Diario Oficial de la Federación*) on December 31, 2007, which was Ps.10.9043 per U.S. dollar.

References to spreads refer to percentage amounts representing the difference between two interest rates or transaction values, as the context requires.

In this offering memorandum, where information is presented in thousands, millions or billions of pesos or thousands, millions or billions of dollars, amounts of less than one thousand, one million, or one billion, as the case may be, have been truncated unless otherwise specified. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, amounts and percentages presented in tables in this offering memorandum may not add up due to such rounding adjustments or truncating.

Unless otherwise specified, all units of area shown in this offering memorandum are expressed in terms of square meters.

Industry and Market Data

Market data and other statistical information used throughout this offering memorandum are based on independent industry publications, government publications, other public independent sources, including among others: (i) the CNBV, (ii) Datamonitor, a web-based provider of online data, analytic and forecasting platforms for key vertical sectors, (iii) Euromonitor, a web-based provider of international market information on industries, countries and consumers, (iv) IMS Health Incorporated, or IMS Health, the leading global provider of market intelligence to the pharmaceutical and health industries, and (v) our internal surveys and analyses. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Some data are also based on our estimates, which are derived from our review of internal surveys and analyses as well as the independent sources. Though we believe these estimates were reasonably derived, you should not place undue reliance on them as estimates are inherently uncertain.

SUMMARY

This summary highlights selected information from this offering memorandum and may not contain all the information that is important to you. For a more complete understanding of us, our business and the offering, you should read this entire offering memorandum, including the “Risk Factors” and the consolidated financial statements appearing elsewhere in this offering memorandum.

Genomma Lab

General

We are one of the fastest growing over-the-counter pharmaceutical (or OTC pharmaceutical) and personal care products companies in Mexico, with a growing international presence. We focus on the development, sale and marketing of a broad range of premium branded products, many of which hold leading positions in the categories in which they compete in terms of sales and market share. Through a combination of a successful new product development process, consumer-oriented marketing, a broad retail distribution network and a low-cost, highly flexible operating model, we have been able to significantly grow our net sales and profitability. During 2007, we had net sales and EBITDA of Ps.1,872.9 million and Ps.460.5 million, respectively. From 2005 to 2007, the compounded annual growth rate of our net sales was 64.4%.

We offer over 90 products in high-growth categories, including anti-acne, sexual protection and enhancement, anti-wrinkle, scar removal ointments, hemorrhoid treatments, anti-acids, anti-ulcer, varicose vein treatments, osteoarthritis and wart removal treatments. Our products, which are sold under 33 different brands, are widely available throughout Mexico and attract consumers across all socio-economic levels. Some of our top selling brands, set forth in the table below, hold leading market positions in their respective product or industry category. A total of 51 products are sold under the brands highlighted below.

<u>Brand</u>	<u>Product Category</u>	<u>% Market Share⁽¹⁾</u>	<u>Market Ranking⁽²⁾</u>	<u>Net Sales Ps. Millions⁽³⁾</u>	<u>% of Total 2007 Net Sales⁽⁴⁾</u>
Asepxia	Anti-acne ⁽⁵⁾	76.4%	1	305.2	17.0%
Línea M	Sexual enhancers and contraceptives	NA*	NA	202.0	11.2%
Cicatricure	Scar removal	57.6%	1	182.8	10.2%
Nikzon	Hemorrhoid treatment	39.7%	2	147.4	8.2%
Genoprazol	Anti-ulcer medication	26.2%	2	145.8	8.1%
Goicoechea	Topical varicose vein treatments	94.2%	1	125.0	7.0%
X-Ray	Joint and muscle pain relief	94.4%	1	109.4	6.1%
Pointts	Wart removal	NA	NA	100.2	5.6%
Complett	Face and body creams	NA	NA	67.9	3.8%
Dalay	Sleeping aids/Relaxers	NA	NA	62.3	3.5%

* NA means that market data was not available from IMS Health.

(1) Percentage of market share in Mexico is in terms of net sales for 2007. Source: IMS Health.

(2) Ranking is based on the brand's corresponding category in Mexico as of December 31, 2007. Source: IMS Health.

(3) These net sales correspond only to our net sales in Mexico, which represented over 95.0% of our total net sales in 2007.

(4) This percentage is calculated by dividing our net sales in Mexico of the corresponding brand by our total net sales in Mexico in 2007.

(5) The anti-acne category used to calculate Asepxia's market share is the sum of the total markets for oral anti-acne and topical anti-acne treatments as reported by IMS Health. The market share calculation is the sum of the net sales of Asepxia in each such category as reported by IMS Health.

We have extensive in-house product and brand development capabilities, which gives us a strong growth profile without necessarily relying on external acquisitions to achieve such growth. One of our core competencies is building the equity of our brands through innovative and highly targeted marketing campaigns, which are developed

in-house and allow us to reach a diverse and increasingly loyal base of consumers. One of our principal marketing strategies is to educate consumers about the medical conditions that our OTC pharmaceutical products treat, and to highlight our products' distinguishing attributes and effectiveness.

We have a nationwide sales presence in Mexico where we distribute our products through a diversified, multi-channel platform that includes drug wholesalers, national pharmacy chains, mass merchandisers, warehouse clubs and department stores. In Mexico, this platform allows us to reach more than 21,000 points-of-sale. We continuously look for opportunities to grow our product distribution network by growing with our current customers and distributors as well as by entering new distribution channels, which we expect to provide additional avenues for future net sales growth.

Our Business Model

We operate a differentiated business model focused on product categories that have attractive growth characteristics, mass market appeal and are responsive to advertising. Key aspects of our business model include:

- extensive in-house product development capabilities coupled with a core competence in creating high-impact, successful brands;
- a highly focused marketing strategy based on consumer and market metrics analysis;
- effective use of television and other media advertising and promotional campaigns to communicate directly with consumers;
- in-house advertising production capabilities that provide us the flexibility to respond rapidly to changes in consumer demand and competitors' strategies, and enable us to achieve time and cost efficiencies;
- nationwide distribution of our products through a diversified, multi-channel platform that includes drug wholesalers, national pharmacy chains, mass merchandisers, warehouse clubs and department stores; and
- outsourced manufacturing for substantially all of our products.

Our Competitive Strengths

We believe that our main competitive strengths include the following:

Diverse and Broad Portfolio of Leading Brands

We have a diverse portfolio of over 90 individual OTC pharmaceutical and personal care products that we sell under 33 brands. Our top selling brands, including Asepxia, Cicatricure, Genoprazol and Nikzon, target a variety of high-growth product categories and hold leading positions in terms of sales and market share in the Mexican marketplace. We believe these are trusted and established brands, with many occupying a "top-of-mind" position for consumers in their respective categories. We believe our leading brands provide us with a competitive advantage in growing our business and promoting both our current and new products.

Proven Ability to Develop Products and Position New Brands

New product development is a fundamental part of our growth strategy. We generally design and develop new brands to launch our new products. We have achieved significant net sales growth through successful new brand launches, product line extensions, new packaging presentations, effective formulations and continuous promotion and advertising. In 2007, we successfully introduced 23 new products under 16 new brands, which represented 15.9% of our net sales. With the exception of six brands acquired from third parties, we have developed all the brands in our portfolio, several of which have reached leading market positions in Mexico. For example, we launched Genoprazol in 2004 using international standards of omeprazol as a treatment for gastritis. By the end of 2007, Genoprazol had achieved the number two position in its category in Mexico with a 26.2% share in terms of sales.

Comprehensive Consumer and Market Research Capability

We assess consumer attitudes and trends to gauge the likelihood of a product's success in the marketplace prior to its introduction. Once we launch a product, we use a proprietary media planning system that correlates our own statistical databases with market data, which allows us to monitor the effectiveness of our marketing campaigns on a weekly, or in some cases daily, basis. Our frequent review, upgrade and adjustment of our marketing strategy, in combination with our rapid response in advertising, creates an effective marketing dynamic that has supported our drive to build brand equity, launch new products and compete successfully against world class competitors.

A Vertically Integrated In-house Marketing Platform

We believe that our ability to quickly detect and effectively respond to changes in the market and consumer behavior reflects the success of our integrated market strategy. Our marketing efforts are focused primarily on high-impact television marketing campaigns, as well as radio, billboard and print advertising and promotional programs. Our internal media production capabilities, which include the development, production and post-production of television commercials, provide us a high level of flexibility, which, combined with our proprietary media planning system, provide us with the tools needed to react quickly to changes in consumer trends. We believe that this approach allows us to differentiate our products, build brand equity, increase market penetration of existing brands, and support the launch of new and acquired brands as well as product line extensions.

Strong National Presence and Distribution Network

We have a broad distribution platform comprised of many of the leading wholesalers, national pharmacy chains and national mass merchandisers that provides us with a strong nationwide sales presence in Mexico. Our distribution network utilizes centralized, direct delivery to large retail chains and leverages distribution through drug wholesalers to reach over 21,000 points-of-sale throughout Mexico. We believe that this customer mix provides a direct distribution network that is difficult to replicate by new competitors entering the Mexican OTC pharmaceutical and personal care markets, and provides us with a strong basis to grow profitably. In addition, our customers have also grown as they have extended their own distribution networks, and we expect to continue to grow with them in the future. There are several distribution channels in Mexico that we have not yet fully penetrated, such as department stores, warehouse clubs and convenience stores, which also provide opportunities to expand our distribution network.

Established Network of Reputable Third Party Manufacturers that Provides Us Flexibility with Minimal Capital Expenditure and Management Resources

We have established a network of reputable third-party manufacturers that produce the majority of our products under negotiated contracts. The use of third-party manufacturers provides us significant flexibility in our operations, while not requiring significant use of capital expenditures or management resources. We work closely with our manufacturers to assure adherence to international standards of quality based on current good manufacturing practices, or GMPs, Mexican regulatory requirements and our own quality specifications.

Experienced Management Team

Our senior management team has significant experience in the pharmaceutical and consumer products industries. Our management team participated in our transformation from an entrepreneurial success story to one of the leading OTC pharmaceutical and personal care companies in Mexico. Over the years, our senior management team has continually demonstrated its ability to find and exploit attractive market opportunities and develop strong brands in an innovative and profitable manner.

Our Growth Strategy

Our objective is to continue to expand our leadership position in the OTC pharmaceutical and personal care industry and grow our net sales at above average industry rates while maintaining our profitability. The key elements of our business strategy are to:

Build Brand Equity Through Targeted Marketing Campaigns

We believe that we are one of the most successful companies in Mexico in developing and growing OTC pharmaceutical and personal care brands. We intend to continue to make significant investments in promotion and advertising to build brand awareness and drive net sales for our leading products, and to improve the performance of those products we believe have the potential to realize significant further net sales growth. Currently, we have six brands that hold the number one or two market positions in terms of sales across their respective categories in Mexico, and several brands that we believe have the potential to also become category leaders. By capitalizing on our extensive in-house advertising capabilities, we believe we can position several more of our brands as market leaders over the medium term.

Expand Our Market Leadership Through the Introduction of Innovative New Products

One of our core priorities is to ensure the continuous development of our product portfolio through both the introduction of new products and development of line extensions of existing brands. To achieve this objective, we engage in continuous evaluation of potential products to add to our product portfolio in our existing and new product categories. As of March 31, 2008, we were engaged in the development of 227 new products: 51 were line extensions of existing products, 71 were new products in our existing categories and 105 were new products in new categories.

Increase the Distribution of Our Products Across Multiple Channels

Our extensive domestic distribution network ensures that our products are well positioned across multiple distribution channels. Our major brands are currently distributed broadly throughout Mexico, and we anticipate that our net sales will grow as our distributors expand their points-of-sale or build new stores. We also foresee significant opportunities to expand the number of brands and products we sell through our current distribution channels, as well as through other channels that we have not yet fully penetrated, including department stores, warehouse clubs and convenience stores. Our distribution network already includes the leading food and non-food retailers, pharmacy chains and drug wholesalers in Mexico, including Wal-Mart de México, S.A.B. de C.V. (or Wal-Mart México), Nadro, S.A. de C.V. (or Nadro), Grupo Casa Saba, S.A.B. de C.V. (or Casa Saba), Organización Soriana, S.A.B. de C.V. (or Soriana) and Controladora Comercial Mexicana, S.A.B. de C.V. (or Comercial Mexicana).

Expand Our Geographic Presence

While our net sales outside of Mexico represented Ps.75.3 million or 4.0% of our 2007 total net sales, we see many attractive opportunities to grow in countries or regions that have similar market dynamics and consumer characteristics to those of Mexico. We believe that various countries in Latin America are natural expansion markets for us because we have the ability to build upon our strength in advertising to focus and capitalize on the language, cultural and socio-economic similarities in the populations, as well as on our existing relationships with television broadcasters in those countries. We have established a presence from which we plan to grow in the near term in Peru, Ecuador, Chile, Central America and Argentina. Over the medium term, we anticipate establishing a base for growth in Brazil and Colombia.

Pursue Strategic Acquisitions

We intend to complement our organic growth by continuing to assess potential acquisition opportunities, including companies, brands and trademarks. We have primarily been focused on the purchase of underperforming brands in which we recognize a compelling opportunity to capitalize quickly upon the brand equity that we believe is not being fully exploited in these products. In each of these cases, we reformulate the product, seeking to improve its functionality, modernize the packaging and presentation and launch the new product with a revitalized marketing

campaign. For example, in 2007, we acquired the Bengué brand after its market share in Mexico in terms of sales had deteriorated to 2.9% by the end of 2006. Within six months of the product's re-launch, its market share in Mexico in terms of sales reached 14.2% in December 2007. In addition, we intend to consider the acquisition of products, brands and business platforms that fit our business model objectives in order to enter new product markets or consolidate our position in the markets in which we compete.

Our History

Genomma Lab (formerly known as Producciones Infovisión, S.A. de C.V.) was created in 1996 as a direct to consumer marketing company with in-house television infomercial production capabilities. In 1997, we reorganized our operations to focus our marketing efforts on beauty care products and began developing our own products.

In 1999, we began our shift away from infomercials towards a vertically integrated product development and marketing platform and began building a network of distributors and mass merchandisers to place our products at the point of sale. We also expanded our product categories to include consumer OTC pharmaceuticals. As part of our strategy to expand our distribution network, we began selling our products in 2003 to drug wholesalers. In 2004, ZN Mexico II, L.P., an investment fund managed by Nexxus Capital, S.A. (or Nexxus), a Mexican private equity firm, acquired a 30.0% equity interest in our company. As a result of our strategic relationship with Nexxus, we revised our organizational structure in 2006 and expanded our management team by hiring seasoned managers from other pharmaceutical and personal care products companies.

In order to strengthen our operations, in 2006, we merged with Distribuidora Ybarra, S.A. de C.V., a food marketing company, and assumed all of the rights and obligations of the merged company. See Note 1 to our consolidated financial statements included elsewhere in this offering memorandum.

During 2007, we acquired six new brands (Bengué, Dermoprada, Herprada, Skin Spa, Tío Nacho and MaEvans), which represent an expansion of our product portfolio into areas we perceive to be growth opportunities.

Our principal executive offices are located at Avenida Santa Fe No. 495, 19th floor, Cruz Manca Santa Fe, 05349, México, Distrito Federal. Our telephone number is +52 (55) 5081-0000. Our website address is www.genommalab.com. None of the information available on our website or elsewhere will be deemed to be included or incorporated by reference into this offering memorandum. We utilize the name "Genomma Lab" as a means of identifying ourselves in the industry.

The Offering

Issuer	Genomma Lab Internacional, S.A.B. de C.V. (or Genomma Lab).
Securities offered	<p>The offering consists of a primary and secondary offering of:</p> <ul style="list-style-type: none"> • Shares to the general public in Mexico pursuant to a public offering registered in Mexico, which we refer to as the Mexican offering; • Shares to qualified institutional buyers (as defined in Rule 144A) in the United States, in transactions exempt from registration under the Securities Act and the rules thereunder; and • Shares to institutional and other investors outside the United States and Mexico that are not U.S. persons (as defined in Regulation S promulgated under the Securities Act), in transactions exempt from registration under the Securities Act and the rules thereunder, which we refer to, together with the offering in the United States to qualified institutional buyers, as the international offering. <p>The number of Shares offered pursuant to the international offering and the Mexican offering is subject to reallocation among the initial purchasers and the Mexican underwriters.</p> <p>See “Transfer Restrictions” for a description of restrictions on purchases and subsequent transfers of our Shares.</p>
Selling shareholders.....	Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario, solely in its capacity as trustee of an irrevocable shareholder administration trust, and ZN Mexico II, L.P. are offering and selling 30,230,870 Shares in the combined offering. It is expected that following the combined offering (and assuming the exercise of the over-allotment option), the selling shareholders will continue owning 381,651,913 Shares, which represent 71.72% of our capital stock after giving pro forma effect to the combined offering.
Shares offered	Up to 130,869,566 Shares, representing ordinary capital stock of the issuer.
Over-allotment option	The initial purchasers and the Mexican underwriters each have an option from the issuer and the selling shareholders to purchase up to an aggregate of 19,630,434 additional Shares to cover over-allotments, if any.
Offering price per Share	Ps.16.00 per Share.
Listing	The Shares have been registered in the RNV maintained by the CNBV and approved for listing on the BMV. Prior to the offering, there has been no trading market for the Shares in Mexico, the United States or elsewhere. The Shares will not be listed on any national securities exchange or quoted in any automated interdealer quotation system in the United States and elsewhere outside of Mexico.
Mexican Stock Exchange symbol for the Shares.....	“LAB”.
Payment, Settlement and Delivery	The initial purchasers have informed us that payment for Shares must be made to them in Mexican pesos through the facilities of Indeval in Mexico, no later than June 23, 2008. Settlement of the Shares will be made on June 23, 2008, through the book-entry, settlement and

custody system of Indeval. The initial purchasers will deliver the Shares in book-entry form only through the facilities of Indeval, in Mexico City, Mexico, on or about June 23, 2008.

Use of proceeds.	The net proceeds from the offering will be applied as further described in “Use of Proceeds.”
Voting rights of the Shares.	All of the Shares have voting rights in our general shareholders’ meetings. Each Share grants to its holder the right to one vote. See “Description of Our Share Capital and By-laws.”
Lock-up agreements	We and the selling shareholders have agreed, subject to certain exceptions, not to offer, sell, or dispose of any shares of the issuer’s share capital or securities convertible into or exchangeable or exercisable for any shares of the share capital during the 180-day period following the date of this offering memorandum.
Dividends	We intend to devote a substantial portion of our future cash flows to fund our future expansion and working capital requirements and we do not currently expect to pay dividends in the foreseeable future. We may consider adopting a dividend policy in the future based on a number of factors. See “Dividend Policy” for further information.
Risk factors.	See “Risk Factors” on page 10 and the other information included in this offering memorandum for a discussion of factors you should consider before deciding to invest in the Shares.

Unless otherwise indicated, all information contained in this offering memorandum assumes no exercise by the initial purchasers and the Mexican underwriters of the over-allotment option for the Shares.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present our summary consolidated financial information on the basis of MFRS as of and for each of the periods indicated. This data has been derived from our audited consolidated financial statements, including the consolidated balance sheets as of December 31, 2007 and 2006 and the related consolidated statements of operations and changes in financial position for each of the three years in the period ended December 31, 2007, and the accompanying notes appearing elsewhere in this offering memorandum. This information should be read in conjunction with, and is qualified in its entirety by reference to, “Presentation of Certain Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements included elsewhere in this offering memorandum.

The exchange rate used in translating pesos into U.S. dollars in calculating the convenience translations included in the following tables is determined by reference to the rate, published by Banco de México in the Federal Official Gazette of Mexico on December 31, 2007, which was Ps.10.9043 per U.S. dollar. The exchange rate translations contained in this offering memorandum should not be construed as representations that the peso amounts actually represent the U.S. dollar amounts presented or could be converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at any other rate.

For our unaudited consolidated financial information as of March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007, see Exhibit I included elsewhere in this offering memorandum.

	Years Ended December 31,			
	2007 (In thousands of U.S. dollars)	2007 (In thousands of constant pesos, except share and per share data)	2006	2005
Statement of Operations Data:				
Net sales	U.S.\$171,755	Ps.1,872,863	Ps. 1,429,448	Ps. 692,666
Cost of sales	45,728	498,628	346,749	152,034
Selling, general and administrative expenses	84,481	921,207	803,583	666,250
Income (loss) from operations	41,546	453,028	279,116	(125,618)
Comprehensive financing income (cost) and other expenses	(2,391)	(26,069)	(19,954)	(28,182)
Income (loss) before income taxes	39,155	426,959	259,162	(153,800)
Income tax expense (benefit)	11,186	121,974	76,463	(37,510)
Consolidated net income (loss)	<u>U.S.\$ 27,969</u>	<u>Ps. 304,985</u>	<u>Ps. 182,699</u>	<u>Ps. (116,290)</u>
Net income (loss) of minority stockholders	U.S.\$ 54	Ps. 586	Ps. 2,398	Ps. (1,946)
Net income (loss) of majority stockholders	U.S.\$ 27,915	Ps. 304,399	Ps. 180,301	Ps. (114,344)
Weighted average number of shares outstanding	140,566	140,566	140,566	140,566
Net earnings (loss) per share	U.S.\$ 198.98	Ps. 2,169.69	Ps. 1,299.74	Ps. (827.30)
Basic earnings (loss) per share ⁽¹⁾	U.S.\$ 198.59	Ps. 2,165.52	Ps. 1,282.68	Ps. (813.45)

	As of December 31,		
	2007 (In thousands of U.S. dollars)	2007 (In thousands of constant pesos)	2006
Balance Sheet Data:			
Cash and cash equivalents	U.S.\$ 5,729	Ps. 62,469	Ps. 46,135
Working capital ⁽²⁾	45,528	496,451	330,617
Total assets	109,501	1,194,030	734,614
Loans with financial institutions	23,546	256,750	111,457
Stockholders’ equity	53,872	587,440	346,072

	Years Ended December 31,			
	2007	2007	2006	2005
	(In thousands of U.S. dollars)	(In thousands of constant pesos, except percentages)		
Other Financial Data:				
EBITDA⁽³⁾				
Consolidated net income (loss)	U.S.\$27,969	Ps.304,985	Ps.182,699	Ps.(116,290)
Income tax expense (benefit)	11,186	121,974	76,463	(37,510)
Comprehensive financing income (cost) and other expenses	(2,391)	(26,069)	(19,954)	(28,182)
Depreciation and amortization	684	7,463	8,514	9,565
EBITDA	<u>U.S.\$42,230</u>	<u>Ps.460,491</u>	<u>Ps.287,630</u>	<u>Ps.(116,053)</u>
EBITDA margin	24.59%	24.59%	20.12%	(16.75)%

(1) Basic earnings (loss) per share are calculated by dividing net income (loss) of majority stockholders by the weighted average number of shares outstanding. The number of Shares outstanding included in this calculation does not reflect the 3,000-for-1 stock split approved by our shareholders on May 21, 2008, to take effect upon the closing of the offering of the Shares. The stock split will result in an increase in the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

(2) Working capital consists of current assets less current liabilities.

(3) Earnings before interest, taxes, depreciation and amortization (EBITDA) represents consolidated net income (loss) plus or minus the effects of income tax expense (benefit), comprehensive financing income (cost), other expenses and depreciation and amortization. EBITDA margin represents EBITDA divided by net sales. EBITDA should not be considered as an alternative to net income, as an indicator of our operating performance, or as an alternative to cash flows from operating activities as an indicator of liquidity. Our management believes that EBITDA provides a useful measure of our performance that is widely used by investors and analysts to evaluate our performance and compare it with other companies. In making such comparisons, however, you should bear in mind that EBITDA is not defined and is not a recognized financial measure under MFRS or U.S. GAAP and that it may be calculated differently by different companies.

RISK FACTORS

An investment in our Shares involves risks. You should consider carefully the following factors, as well as all other information in this offering memorandum, before deciding to invest in our Shares. Any of the following risks could materially affect our business, financial condition or results of operations. In such case, you may lose all or part of your investment. The risks described below are those that we currently believe may adversely affect us. Additional risks and uncertainties not currently known to us may also materially and adversely affect our operations.

For the purposes of this section, the indication that a risk may or will have “an adverse effect on us” or some other variation means that the risk could have an adverse effect on our business, financial condition, liquidity, results of operations or the value of the Shares.

Risks Relating to Our Business

We face significant competition in the OTC pharmaceutical and personal care markets.

The OTC pharmaceutical and personal care markets are highly competitive and are characterized by the frequent introduction of new products, including the re-classification of prescription drugs to OTC pharmaceuticals, often accompanied by major advertising and promotional support. These introductions may adversely affect our business, especially because we compete in categories in which product sales are highly influenced by advertising and promotions. Our competitors include large companies with OTC pharmaceutical products such as Pfizer, Inc., Johnson & Johnson, Bayer AG, AstraZeneca plc, Wyeth, Boehringer Ingelheim International GmbH, GlaxoSmithKline Capital Inc., Novartis AG, and Sanofi-Aventis S.A., as well as consumer products companies such as The L’Oreal Group, Reckitt Benckiser, Mentholatum, Unilever plc, Procter & Gamble Co. and Colgate Palmolive Co., among others, many of which have considerably greater financial and other resources than we do. These competitors may be in a better position to spend more on research and development and advertising, employ more aggressive pricing strategies, utilize greater purchasing power, build stronger vendor relationships and develop broader distribution channels than we do. In addition, our competitors have often been willing to use aggressive spending on trade promotions and advertising as a strategy for building market share, at the expense of their competitors, including us. The private label or generic category has also become increasingly competitive in certain of our product markets. If we are unable to continue to introduce new and innovative products that are attractive to consumers, or are unable to allocate sufficient resources to effectively advertise and promote our products so that they achieve widespread market acceptance, we may not be able to compete effectively, and our operating results and financial condition may be adversely affected.

Further, consumer loyalty is relatively high with respect to OTC pharmaceutical and personal care products, and consequently, our new products might not have a positive response if they lack differentiation in their therapeutic functionalities from their competitors. Even though we invest heavily in strategies to differentiate our products from those of our competitors (such as through packaging and advertising), there is a possibility that consumers will continue using our competitors’ products over ours, even when we consider our products to be superior.

Substantially all of our products are manufactured by a limited number of third party suppliers, which limits our control of the manufacturing process and may cause variations in quality or delays in our ability to fill orders, and may result in product liability or regulatory enforcement actions against us or our suppliers, or the recall of our products.

Substantially all of our products are manufactured for us by a limited number of third party suppliers. We depend on these suppliers to deliver high quality products, comply with our specifications and all applicable regulatory requirements, meet our delivery requirements and are competitive in cost. If our suppliers deliver products with defects or that otherwise do not meet our quality control specifications or applicable regulatory requirements, our product failure and return rates may increase, we and our suppliers may be exposed to product liability or regulatory enforcement actions and the reliability and reputation of our products may suffer.

Additionally, it is likely that we may begin to source certain products from a limited number of suppliers located in the People's Republic of China (or China) and India. Imported products, including especially those from China, have recently been a particular focus of regulatory concern. If imported products do not meet or do not appear to meet Mexican regulatory requirements, they may be refused admission to Mexico, and, if already in Mexico, may be subject to recall and may expose manufacturers and distributors to enforcement action.

In addition, if our suppliers do not meet our delivery requirements or cease doing business with us for any reason (including, for example, because of a supplier's financial failure or bankruptcy), we might miss our customers' delivery requirements, which could in turn cause our customers to cancel orders, refuse to accept deliveries, demand reduced prices or reduce future orders. Without adequate merchandise supply to sell to our customers, sales would decrease materially and our business would suffer. In the event that manufacturers are unable or unwilling to ship products to us in a timely manner or continue to manufacture products for us, we would have to rely on other current manufacturing sources or identify and qualify new manufacturers. We might not be able to identify or qualify such manufacturers for existing or new products in a timely manner and such manufacturers might not allocate sufficient capacity to us in order to meet our requirements. In addition, identifying alternative manufacturers without adequate lead times can compromise required production targets which may involve additional manufacturing expenses, delay in production, the production of poor quality products or loss of competitive advantage or market position in the marketplace. The consequences of not securing adequate and timely supplies of merchandise would negatively impact inventory levels, sales and gross margin rates, and ultimately our results of operations. See "—Our business is regulated by numerous Mexican federal, state and foreign governmental authorities, which subjects us to elevated compliance costs as well as the risk of non-compliance."

Further, our current manufacturers may also increase the cost of the products we purchase from them. If our manufacturers increase their prices, our cost of sales would increase and our margins would be adversely affected if we cannot pass along these increased costs to our customers.

Our business is regulated by numerous Mexican federal, state and foreign governmental authorities, which subjects us to elevated compliance costs as well as the risk of non-compliance.

The manufacturing, distribution, processing, formulation, packaging and advertising of our products is subject to numerous and complex Mexican federal, state and foreign governmental regulations. Compliance with these regulations is burdensome and expensive. The competent regulatory authorities have broad powers to adapt regulations and other requirements affecting or restricting our business. Laws and regulations affecting our business are subject to continuing review and changes, and any such changes in the future may have an adverse impact on our profitability. Compliance with such laws and regulations may become even more burdensome or expensive and, consequently, negatively affect our business and overall financial performance.

In particular, the Federal Commission for the Protection against Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios*), or the COFEPRIS, regulates the safety, manufacturing, labeling and distribution of our OTC pharmaceutical and personal care products. The COFEPRIS also has primary jurisdiction to regulate any advertising (including printed materials, televised broadcasts and billboards) that we might use for any of our OTC pharmaceutical products. The COFEPRIS monitors all disclosed information to assure that it is accurate, not misleading and easy to understand, and in the case of OTC pharmaceutical products, consistent with information approved by the Mexican Ministry of Health (*Secretaría de Salud*) with respect to the corresponding category of such product. All marketing campaigns for our OTC pharmaceutical and personal care products require authorization from the COFEPRIS. Authorizations issued by the COFEPRIS in connection with marketing campaigns are effective for 180 days. Additionally, OTC pharmaceutical and personal care products must comply with the provisions set forth in the Mexican Official Standards (*Normas Oficiales Mexicanas*), or NOMs.

We also have to comply with regulations issued by the Federal Agency for the Protection of Consumers (*Procuraduría Federal del Consumidor*), or the PROFECO, which in many cases differ from those of the COFEPRIS, thus creating uncertainty regarding compliance.

In accordance with COFEPRIS regulations, our manufacturing processes must also comply with current good manufacturing practices, or GMPs. The COFEPRIS inspects our facilities and those of our suppliers periodically to determine if we are in compliance with GMPs.

If we fail to comply with Mexican federal, state or foreign laws or regulations, we could be required to:

- suspend manufacturing operations;
- change product formulations;
- suspend the sale of products with non-complying specifications;
- prepare and submit a new drug application; or
- change product labeling, packaging or advertising or take other corrective action.

In certain cases, failure to comply with applicable regulations could result in the assessment of monetary penalties against us, or cause us to lose the sanitary license of our licensed laboratory, which would hinder us in producing our registered products until recovering such license. Any of these consequences could materially and adversely affect our financial results. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005 “ for description of a change in Mexican regulations that took place in 2005 that affected our results of operations.

Given that the COFEPRIS must authorize our media campaigns, any delay in obtaining COFEPRIS approval for our media campaigns could result in inadequate promotion of our products and lower than expected net sales since our ability to react to consumer trends would be affected.

Changes in legislation and regulation may cause disruption to our key products and in the marketplace.

Pursuant to the amendments to the Mexican Healthcare Regulations (*Reglamento de Insumos para la Salud*), issued by the Mexican Ministry of Health, which became effective in 2005, the registration of all prescription and OTC pharmaceutical products in Mexico must be renewed with the COFEPRIS by February 2010 and subsequently renewed every five years. If the registration of any of our key products is not renewed, our net sales and profitability could be adversely affected.

Additionally, any change to the advertising regulations related to OTC pharmaceutical and personal care products could adversely affect our results of operations and, in addition, could delay the launch of new products.

We cannot accurately estimate the required time frame for our products’ authorizations by any government body.

We cannot estimate the time required for any approval or authorization by any government body concerning changes in our products’ registrations. Delays in obtaining approval or authorization of new or existing products may adversely impact our net sales, marketing, brand reputation and market share, while allowing our competitors to meet unsatisfied needs of customers.

We are subject to the risk of doing business internationally.

In 2007, approximately 4.0% of our net sales were attributable to our international business and we hope to grow our international sales in the future. We currently operate and expect to operate in the future in regions and countries where we have little or no experience and we may not be able to market our products or develop new products successfully for these markets. We may also encounter other risks of doing business internationally, including:

- unexpected changes in legislative or regulatory requirements;
- onerous legislative or regulatory requirements;
- fluctuations in foreign exchange rates, which may cause fluctuations in the price of our products in foreign markets or cause fluctuations in the cost of raw materials purchased by us;

- delays resulting from difficulty in obtaining export licenses and other barriers and restrictions to doing business internationally;
- tariffs, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;
- potential trade restrictions; and
- difficulties in enforcing our intellectual property rights.

In addition, we will be increasingly subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships, which may affect our customers' inventory levels and consumer purchasing, and which in turn, may cause our results to fluctuate and our stock price to decline.

Due to the limited nature of our international operations, we have not in the past engaged in foreign exchange hedging transactions to manage the risk of fluctuations in foreign exchange rates and we do not anticipate that we will do so for the foreseeable future.

Our products may not comply with the regulations that apply in the countries to which we currently export our products.

We currently have operations in eight countries and export our products to 17 countries (including our international operations), each of which regulates our products differently. Changes in laws, regulations and interpretations of such laws and regulations may alter the environment in which we do business in these countries. These include changes to, among others, healthcare, pharmaceutical and consumer protection laws and regulations, as well as changes in accounting standards and taxation requirements. If we are unable to comply with applicable law or regulations, we could face extensive regulatory action, including fines and other penalties that could negatively affect our international results of operations. Our ability to manage legal, regulatory and tax matters (including product liability, patent and intellectual property matters) and to resolve pending matters, primarily relating to the registration of our products with applicable government agencies as required for their sale, within current estimates could significantly affect our international business.

We rely on a few large customers for a significant portion of our net sales and do not have long-term purchase commitments from our significant customers.

We sell our products primarily to five customers, two of which are wholesalers that distribute our products nationwide. Sales to these five customers represented 58.0%, 57.1% and 41.8% of our consolidated net sales in 2007, 2006 and 2005, respectively. Similarly, these customers represented 66.4% and 56.7% of our accounts receivable balance in 2007 and 2006, respectively. We periodically assess the financial positions of these customers, although specific guarantees are not required. Consistent with industry practice, we do not operate under a long-term written supply contract with any of our customers, but rather through purchase orders. Our business would materially suffer if we lost any of our major customers or if our business with any of these customers significantly decreases, and we were not able to find adequate comparable replacements. None of our major customers represented more than 20.0% of our net sales in 2007.

Our advertising expenditures might not result in increased net sales or generate the levels of product and brand name awareness we desire, and we might not be able to increase our net sales at the same rate as we increase our advertising expenditures.

Our future growth and profitability will depend in part on the effectiveness and efficiency of our advertising expenditures, including our ability to:

- create greater awareness of our products and brand name;
- determine the appropriate creative message and media mix for future advertising expenditures, react swiftly to consumer trends; and

- effectively manage advertising costs, including creative and media costs, to maintain acceptable costs per sale and operating margins.

We depend on our media strategy to drive our net sales, and if we failed to launch creative campaigns that incentivize consumers to buy our products, our net sales could significantly fall and our margins could suffer.

The inability to renew our existing advertising agreements could adversely impact our results of operations and financial condition.

Our media strategy is heavily dependent on television advertising in Mexico. Currently, Mexico's television stations are dominated by two broadcasters, Grupo Televisa, S.A.B. and TV Azteca, S.A. de C.V. Our advertising agreements with these broadcasters are renewed annually. If we were unable to purchase television advertising time from these broadcasters or their affiliates on terms and rates at least as favorable to us as are currently available, our ability to successfully market the products we sell could be affected, which, in turn, could adversely impact our results of operations and financial condition.

If the reputation of one or more of our leading brands erodes significantly, it could have a material impact on our financial results.

Our financial success is directly dependent on the success of our brands. The success of these brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Further, our results could be impacted if one of our leading brands suffers a substantial impediment to its reputation due to real or perceived quality issues.

Additionally, OTC pharmaceutical products can develop unexpected safety or efficacy concerns, whether or not scientifically justified, leading to increased regulations, product recalls, withdrawals or declining sales, as well as product liability claims, any of which could have an adverse effect on our business and results of operations. Products found to be defective or not to specification may expose us or our customers to regulatory action. See “—Our business is regulated by numerous Mexican federal, state and foreign governmental authorities, which subjects us to elevated compliance costs as well as the risk of non-compliance.”

A significant or prolonged erosion of consumer confidence in the reputation, safety or efficacy of any of our major brands or products could have a material impact on our results of operations or financial condition.

Product liability claims or claims made by consumers to the PROFECO could hurt our business.

The marketing, promotional, and pricing practices relating to the sale of our products are subject to extensive regulation. Claims against us arising under these regulations could result in substantial expense to us. In addition, we may be required to pay for losses or injuries purportedly caused by our products. We have been, and may in the future be, subject to product liability claims. Claims could be based on allegations that, among other things, our products contain contaminants, involve false or misleading product labeling or advertising, or include inadequate instructions or provide inadequate warnings concerning side effects or interactions with other substances. In addition, product liability claims could result in negative publicity that could materially adversely affect our net sales. Also, if one of our products is found to be defective, we could be required to recall it, which could result in substantial expense and adverse publicity and materially adversely affect our net sales and profitability. Potential product liability claims could exceed the amount of our insurance coverage or potential product liability claims could be excluded under the terms of our policy, which could adversely affect our financial condition.

In addition, we have been, and may in the future be, subject to complaints made by consumers of our products to the PROFECO alleging that, among other things, our products have not produced the desired results. While we attempt to amicably resolve any complaints made by consumers to the PROFECO, we cannot provide assurance that the PROFECO will not increasingly scrutinize our products or that any future complaints against our products will not result in negative publicity and lower sales.

Further, as a result of the risk of such claims, we could be required to pay higher insurance premiums and accept higher deductibles in order to secure an adequate level of coverage in the future.

Our success largely depends on our ability to anticipate and respond in a timely manner to changing consumer demands.

Our success largely depends on our products' appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. If our current products do not meet existing consumer demands, our net sales may decline. In addition, our growth depends upon our ability to develop new products through product line extensions and product modifications, which involve numerous risks. We may not be able to accurately identify consumer preferences and translate our knowledge into consumer-accepted products or successfully integrate these products with our existing product platform or operations. We may also experience increased expenses incurred in connection with product development, marketing and advertising that are not subsequently supported by a sufficient level of sales, which would negatively affect our margins. Furthermore, product development may divert management's attention from other business concerns, which could cause sales of our existing products to suffer. In addition, even if developed in a timely manner, newly developed products may not contribute favorably to our operating results.

If we are unable to retain key executives and other personnel and recruit additional executives and personnel, we may not be able to execute our business strategy and our growth may be hindered.

Our success largely depends on the performance of our management team and other key personnel and our ability to continue to recruit qualified senior executives and other key personnel. Our future operations could be harmed if any of our senior executives or other key personnel ceased working for us. Competition for senior management personnel is intense and there can be no assurance that we will be able to retain our personnel or attract additional qualified personnel. The loss of a member of senior management may require the remaining executive officers to divert immediate and substantial attention to fulfilling his or her duties and to seeking a replacement. Any inability to fill vacancies in our senior executive positions on a timely basis could harm our ability to implement our business strategy, which would harm our business and results of operations.

Due to our centralized distribution, any disruption in our distribution center may prevent us from meeting customer demand, and our net sales and profitability may suffer as a result.

We manage our product distribution in Mexico through one distribution center in Lerma, State of Mexico. This distribution center and warehouse is our only distribution facility. A natural disaster or other catastrophic event, such as a fire, flood, severe storm, break-in, terrorist attack or other comparable event could cause interruptions or delays in our business and loss of inventory and could render us unable to accept or fulfill customer orders in a timely manner, or at all. In the event that an earthquake, fire, natural disaster or other catastrophic event were to destroy a significant part of our Lerma facility or interrupt our operations for an extended period of time, our net sales would be reduced and our results of operations would be harmed.

We plan to relocate our distribution center and warehouse to a larger facility, in accordance with the needs of our business but can provide no assurance that such relocation will take place on a schedule or at the cost that we anticipate. In addition, such new distribution center will be subject to the same risks associated with our current distribution center. See "Our Business—Properties" for information regarding our relocation in June 2008.

Substantially all of our business is carried out in leased properties, and we can make no assurance that the same will continue to be available to us on the current terms.

We do not own any real property and conduct substantially all of our operations in leased properties, including our warehousing and distribution operations, our in-house television commercial studios and our in-house product development facilities. We can make no assurance that one or more of these lease agreements will not be prematurely terminated, whether as a result of casualty or other act of God or event of force majeure, a dispute between a third party and the corresponding lessor in connection with the title to the property, the breach by us or by the corresponding lessor of the terms and conditions of the respective agreement or any other circumstance that hinders or prevents the undisturbed occupation of the property. In the event that one or more of our lease agreements is terminated in advance and such termination was unforeseen, our operations may be disrupted, which could prevent us from delivering products to our customers, producing marketing campaigns through our in-house

production facilities and/or result in a material adverse effect on our results of operations. We can also not ensure that, in the event of termination of one or more lease agreements, we will be able to find an equivalent location for immediate occupation at a price and conditions similar to those of the terminated agreement.

Our acquisition strategy is subject to risk and may not be successful.

Part of our growth strategy will depend on our ability to successfully execute acquisitions, which involves numerous risks, including:

- failing to accurately identify suitable companies, products or brands for acquisition;
- experiencing difficulties in integrating the management, operations, technologies and manufacturing processes of the acquired companies or products;
- diverting of management's attention from other business concerns; and
- incurring substantial additional indebtedness.

Any future acquisitions, or potential acquisitions, may result in substantial costs, disrupt our operations, or materially adversely affect our operating results.

If we are unable to protect our intellectual property rights, our ability to compete effectively in the market could be negatively impacted.

Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations or financial condition. In addition, there can be no assurance that our intellectual property rights will receive the same degree of protection in Mexico and in foreign countries as they would in the United States.

The market for our products depends to a significant extent upon the goodwill associated with our trademarks and trade names. The trademarks and trade names on our products are how we convey that the products we sell are "brand name" products, and we believe consumers ascribe value to our brands. We own the material trademark and trade name rights used in connection with the packaging, marketing and sale of all our products. This ownership is what prevents our competitors or new entrants to the market from using our valuable brand names. Therefore, trademark and trade name protection is critical to our business. Although most of our material trademarks are registered in Mexico and in applicable foreign countries, we may not be successful in asserting trademark or trade name protection. Other parties may infringe on our intellectual property rights and may thereby dilute the value of our brands in the marketplace. If we were to lose the exclusive right to use our brand names or our brands become diluted, or if our competitors are able to introduce brands that cause confusion with our brands in the marketplace, the value that our customers associate with our brands could be adversely affected and thereby our net sales and operating results could be materially and adversely affected. Any such infringement of our intellectual property rights would also likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could have a material adverse effect on our business, results of operations or financial condition. There can be no assurance provided that we will have the resources to enforce our intellectual property rights, or that we will be successful in doing so.

We face the risk of claims that we have infringed third parties' intellectual property rights. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend; cause us to cease making, licensing or using products that incorporate the challenged intellectual property; require us to redesign, reengineer or rebrand our products or packaging, if feasible; divert management's attention and resources; or require us, if possible, to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property. Our inability to use the brand names that were the subject of these claims could have a material adverse impact on our net sales and operating results.

We may be unable to manage our growth effectively, which could cause our liquidity and profitability to suffer.

We have grown rapidly, with our net sales increasing from approximately Ps.1,429.4 million for the year ended December 31, 2006 to approximately Ps.1,872.9 million for the year ended December 31, 2007. Our growth has placed, and is expected to continue to place, a strain on our management team, information systems and other resources. To manage growth effectively, we must:

- continue to enhance our operational, financial and management systems, including our warehouse management and inventory control systems. See “— We are planning a replacement of our information technology that might disrupt our operations;”
- maintain and improve our internal controls and disclosure controls and procedures; and
- expand, train and manage our employee base.

We may not be able to manage this expansion effectively in any one or more of these areas, and any failure to do so could significantly harm our business, prospects, financial condition or results of operations. Our rapid growth also makes it difficult for us to predict adequately the expenditures we will need to make in the future. If we do not make the necessary overhead expenditures to accommodate our future growth, we may not be successful in executing our growth strategy, and our prospects and results of operations would suffer.

Our information systems could be outpaced by our growth and therefore become inefficient if required to support a bigger organization with larger scale operations. This could greatly affect our operation’s metrics and key indicators, and thereby our operations and strategic decisions made by our management.

We may be unable to sustain our growth or profitability, which could impair our future success and ability to make investments in our business.

Our ability to succeed depends, to a significant extent, on our ability to grow our business while maintaining profitability. We may not be able to sustain our growth or profitability on a quarterly or annual basis in future periods. Our future growth and profitability will depend upon a number of factors, including:

- the level of competition in the OTC pharmaceutical and personal care industries;
- our ability to continue to execute successfully our strategic initiatives and growth strategy;
- our ability to sell our products effectively through our various distribution channels in volumes sufficient to drive growth and build upon our cost structure and media spending;
- our ability to improve our products continuously in order to offer new and enhanced benefits to consumers and better quality and more effective products;
- our ability to maintain efficient, timely and cost-effective production and delivery of our products;
- the efficiency and effectiveness of our sales and marketing efforts in building product and brand awareness, driving traffic to our various distribution channels and increasing net sales;
- our ability to identify and respond successfully to emerging trends and consumer demands in the markets in which we participate;
- our ability to maintain and intensify our consumers’ emotional connection with our umbrella Genomma Lab brand as well as our other brands, including through friendly and effective customer service and contacts;
- the level and stringency of applicable laws and regulations and related compliance costs;
- the level of consumer acceptance of our products; and
- general economic conditions and consumer confidence.

We may not be successful in executing our growth strategy, and even if we achieve our strategic plan, we may not be able to sustain profitability. Failure to execute any material part of our strategic plan or growth strategy successfully could significantly affect our results of operations and our ability to make investments in our business.

There has been an absence of profitable operations in recent years.

We had a net loss of Ps.116.3 million in 2005 due to material legislative amendments approved by the Mexican government, which established new limits and controls on the registration and classification of “OTC pharmaceutical products,” as well as controls on the advertising of products categorized under such classification, which were not previously regulated. Additionally, the Mexican government, through the COFEPRIS, established other advertising requirements that materially affected our net sales in 2005.

In 2006 and 2007, we had net profits. Our long-term profits depend on our ability to maintain a high level of sales and profits for our base products, while continuing the development of products and trademarks. In addition, long-term profits will depend on the continued development of product launches through effective advertising campaigns, as well as on external factors, such as the existence of a stable regulatory framework. We cannot assure you that we will maintain or increase our profitability at levels demonstrated in the last two years.

We seek to expand our product portfolio through internal development or through brand acquisitions. There can be no assurance that we will be successful in marketing and selling any products that we develop or acquire.

Our business strategy contemplates the continued expansion of our portfolio of brands through internal product development or brand acquisitions. However, we may not be successful in internally developing new products or find adequate targets for acquisitions. Even if we are able to develop new products or find and acquire brands, we might not be successful in marketing and selling these products.

We are planning a replacement of our information technology systems that might disrupt our operations.

We are in the process of substantially modifying the information technology systems that support our financial management and reporting, inventory and purchasing management, order management, warehouse management and forecasting. Modifications will involve replacing legacy systems with successor systems during the course of 2008 and 2009. There are inherent risks associated with replacing our information technology, including supply chain disruptions that may affect our ability to deliver products to our customers. Other companies have experienced significant delays and cost overruns in implementing similar systems changes, and we may encounter similar problems. We may not be able to implement these new systems successfully or to implement them without supply chain or control disruptions in the future. We do not believe our existing systems are adequate to support our growth. Thus, if we experience any resulting supply chain or control disruptions, or if we are not able to implement these new systems successfully, our business, prospects, financial condition and results of operations may suffer.

Risks Relating to Mexico

Adverse economic conditions in Mexico may adversely affect our financial position and results of operations.

We are a Mexican company, and substantially all of our operations are conducted in Mexico and are dependent upon the performance of the Mexican economy. As a result, our business, financial position and results of operations may be affected by the general condition of the Mexican economy, the devaluation of the Mexican peso compared to the U.S. dollar, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on us. We cannot assume that such conditions will not return or that such conditions will not have a material and adverse effect on our business, financial position or results of operations.

Our business may be significantly affected by the general condition of the Mexican economy, by the rate of inflation in Mexico, interest rates in Mexico and exchange rates for the Mexican peso or by changes in oil prices.

Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our services and products, lower real pricing of our products or a shift to lower margin products. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, and our profit margins may suffer as a result.

Severe devaluation or depreciation of the Mexican peso may adversely affect our financial position and results of operations.

Banco de México from time to time intervenes in the foreign exchange market to minimize volatility and support an orderly market. Banco de México and the Mexican government have also promoted market-based mechanisms for stabilizing the foreign exchange rate and to provide liquidity to the exchange market, such as using OTC derivatives contracts and publicly traded futures contracts on the Chicago Mercantile Exchange. However, the Mexican peso has been subject to significant fluctuations against the U.S. dollar in the past and may be subject to such fluctuations in the future.

Severe devaluation or depreciation of the Mexican peso may result in disruption of the international foreign exchange markets. This may limit the ability of our subsidiaries to transfer or to convert pesos into U.S. dollars and other currencies and may have an adverse effect on our financial position, results of operations and cash flows in future periods by, for example, increasing in Mexican peso terms the amount of its foreign currency-denominated liabilities and the rate of default among our borrowers.

Severe devaluation or depreciation of the Mexican peso may also result in governmental intervention, as has occurred before in Mexico and other countries. While the Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies outside of Mexico, the Mexican government could institute restrictive exchange control policies in the future. Accordingly, fluctuations in the value of the Mexican peso against the U.S. dollar may have an adverse effect on our financial position.

Political conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations.

The Mexican government exercises significant influence over many aspects of the Mexican economy. The actions of the Mexican government concerning the economy and regulating certain industries could have a significant effect on Mexican private sector entities, including us, and on market conditions, prices and returns on Mexican securities.

On July 2, 2006, Mexico held presidential and federal congressional elections, and Felipe Calderón Hinojosa, the candidate of the *Partido Acción Nacional*, or the PAN, won the presidency by a very narrow margin over Andrés Manuel López Obrador, presidential candidate of the *Alianza por el Bien de Todos*, or the ABT. According to the Federal Electoral Institute (*Instituto Federal Electoral*), Mexican congressional elections resulted in a divided Mexican Congress with the PAN representing the largest group but failing to obtain majority control. The ABT, as the leading opposition party in the presidential elections, contested the results of the presidential election, and Mr. López Obrador and other members of the ABT led a number of protests and civil disobedience actions. On September 6, 2006, the Federal Electoral Tribunal (*Tribunal Electoral del Poder Judicial de la Federación*) declared Mr. Calderón the definitive winner of the presidential election. Mr. Calderón assumed office on December 1, 2006, and his term as president will run until November 30, 2012. Support for the claims made by Mr. López Obrador has decreased since Mr. Calderón took office.

As a result of Mexican federal elections held on July 2, 2006, no political party has a number of legislators sufficient to control any of the chambers of the Mexican Congress. This situation will continue, at least, until the next election of federal representatives in 2009 and may hinder the adoption of any significant legal reforms that are needed in Mexico. We cannot assure you that Mexican political events, over which we have no control, will not have an adverse effect over our financial conditions, results of operations or the market price of our securities.

Developments in other countries could adversely affect the Mexican economy and our results of operations.

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of developments in Russia, Asia, and Brazil. Most recently, credit issues in the United States related principally to the sale of sub-prime mortgages have resulted in significant fluctuations in the financial markets.

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. Therefore, adverse economic conditions in the United States, the termination of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial position and results of operations.

Corporate disclosure in Mexico may differ from disclosure regularly published by or about issuers of securities in other countries, including the United States.

A principal objective of the securities laws of the United States, Mexico, and other countries is to promote full and fair disclosure of all material corporate information, including accounting information. However, there may be less publicly available information about issuers of securities in Mexico than is regularly made available by public companies in countries with highly developed capital markets, including the United States.

In addition, accounting standards and disclosure requirements for publicly traded companies in Mexico differ from those of the United States. In particular, our consolidated financial statements are prepared in accordance with MFRS, and the financial results reported using MFRS will differ in certain material respects from those results that would have been obtained using other principles and standards, such as U.S. GAAP. See "Significant Differences Between MFRS and U.S. GAAP."

Minority shareholders may have difficulty enforcing their rights against us, our directors, or our controlling shareholders in Mexico.

Under Mexican law, the protections afforded to minority shareholders are different from those afforded to minority shareholders in the United States. For example, because provisions concerning fiduciary duties of directors have only recently been incorporated into the Mexican Securities Market Law, it may be difficult for minority shareholders to bring an action against directors for breach of this duty and achieve the same results as in most jurisdictions in the United States. The grounds for shareholder derivative actions in connection with publicly listed corporations under Mexican law are extremely limited, which effectively bars most of these kinds of suits in Mexico. Procedures for class action lawsuits do not exist under the applicable Mexican law. Therefore, it may be more difficult for minority shareholders to enforce their rights against us, our directors, or our controlling shareholders than it would be for minority shareholders of a U.S. company.

Risks Relating to the Offering

The Shares have never been publicly traded, and an active market for such Shares may not develop and the market price for our Shares may decline following the offering.

Prior to the offering, there has been no public market for our Shares. Although our Shares have been approved for listing on the BMV, an active trading market may not develop or, if developed, may not be maintained. The Mexican securities markets are substantially smaller, less liquid, more volatile and more concentrated than major international securities markets, such as those of the United States. For example, the BMV had an exchange capitalization of approximately U.S.\$399.5 billion (or Ps.4,340.0 billion) on December 31, 2007, and an average daily trading volume of Ps.5.6 billion in 2007. The top ten stocks in terms of trading volume accounted for

approximately 63.7% of all shares traded on the BMV in 2007. Such market characteristics may substantially limit the capacity of holders of our Shares to sell them at the price and time which such holders want to sell them, and this may negatively affect the market price of our Shares. If an active trading market is not developed or maintained, the market price of our Shares could suffer.

Furthermore, the initial purchasers and the Mexican underwriters have informed us that while they intend to facilitate secondary market trading by making a market in our Shares, they are not obligated to make a market in our Shares and may discontinue market-making activities at any time.

Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to underwriting discounts and related offering expenses. The possibility that our Shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per Share may decline. We cannot predict whether our Shares will trade above, at or below net asset value.

The market price of our Shares may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our Shares may prevent you from being able to sell your Shares at or above the price you paid for your Shares. The market price and liquidity of the market for our Shares may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- significant volatility in the market price and trading volume of securities of companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in net sales or net income or any increase in losses from levels expected by investors or securities analysts;
- operating performance of companies comparable to us;
- loss of key personnel;
- new laws or regulations or new interpretations of laws and regulations, including tax guidelines, applicable to our businesses;
- general economic trends in the Mexican, U.S. or global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events; and
- political conditions or events.

New investors in our Shares will experience immediate book value dilution after the combined offering, and, should we be liquidated at our book value, investors would not receive the full amount of their investment.

The initial public offering price of our Shares is higher than the net tangible book value per share of the issued and outstanding Shares immediately after the combined offering. Net tangible book value (shareholders' equity less the value of intangible trademark assets) per Share represents our net tangible book value divided by the total number of our Shares. After giving effect to the sale of Shares at the initial public offering price of Ps.16.00 per Share and after deducting underwriting discounts, commissions and estimated expenses payable by us in connection with the offering, our net tangible book value as of March 31, 2008 would have been Ps.1,702.2 million, or Ps.3.26 per Share. This represents an immediate dilution in net tangible book value per Share of Ps.12.74 to new investors purchasing Shares in the offering at the initial public offering price. As a result of this dilution, investors purchasing Shares in the offering may receive significantly less than the full purchase price that they paid for the Shares purchased in the offering in the event of a liquidation. See "Dilution."

We may need additional funds in the future and may issue additional shares in lieu of incurring indebtedness, which may result in a dilution of your interest in our shares.

We may need additional funds, and, in the event public or private financing is unavailable or if our shareholders decide, we may issue additional shares. Additional funds obtained by such a capital increase may dilute your interest in us.

Our current principal shareholders will continue to have significant influence over us after the combined offering, and they could delay, deter, or prevent a change of control or other business combination or otherwise cause us to take action with which you might not agree.

Upon the closing of the combined offering, the original shareholders and the affiliates of ZN Mexico II, L.P. will beneficially own approximately 52.46% and 22.49% of our outstanding common stock, respectively, or approximately 50.20% and 21.52%, respectively, if the underwriters exercise their over-allotment option in full. If the principal shareholders agree on how to manage or vote on decisions, we would be controlled by a few shareholders with a risk of majority holders preference over minority stockholders.

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

We are a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) incorporated with limited liability under the laws of Mexico. Most of our directors, executive officers, controlling persons and experts named in this offering memorandum are non-residents of the United States, and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside of Mexico upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the civil liability provisions of United States federal and state securities laws. We have been advised by our special Mexican counsel, Forastieri Abogados, S.C., that there is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities arising under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon the United States federal or state securities laws. We have been advised by such special Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment, in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case. See “Service of Process and Enforcement of Civil Liabilities.”

In the event proceedings are brought in Mexico, the currency of payment for judgments will be the Mexican currency.

Under Article 8 of the *Ley Monetaria de los Estados Unidos Mexicanos* (or the Mexican Monetary Law), in the event that proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Shares, we would not be required to discharge such obligations in Mexico in a currency other than the Mexican currency. Pursuant to Article 8 of the Mexican Monetary Law, an obligation which is payable in Mexico in a currency other than the Mexican currency may be satisfied in Mexican currency at the rate of exchange in effect on the date when payment is made. Such exchange rate currently is determined by Banco de México every business banking day in Mexico and published the following business banking day in the Federal Official Gazette of Mexico.

Under the *Ley de Concursos Mercantiles* (or the Mexican Bankruptcy Law), in the case of our bankruptcy, foreign currency-denominated liabilities would be converted into Mexican pesos at the prevailing rate of exchange on the date the declaration of bankruptcy is rendered, and the resulting amount, in turn, would be converted into inflation indexed monetary units (*Unidades de Inversión*), or UDIs, at the conversion rate determined by Banco de México for such date.

We do not anticipate paying dividends on our capital stock in the foreseeable future.

We do not anticipate paying any dividends in the foreseeable future. We currently intend to retain our future earnings, if any to fund the development and growth of our business. In addition, the terms of our senior secured credit facilities currently, and any future debt or credit facility may, restrict our ability to pay any dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain from your purchase of our common stock for the foreseeable future.

Our by-laws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders.

As required by Mexican law, our by-laws provide that non-Mexican shareholders shall be considered Mexican in respect of their ownership interests in our Company and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in us. If you invoke such governmental protection in violation of this provision, your Shares could be forfeited to the Mexican government.

USE OF PROCEEDS

Assuming no exercise of the over-allotment option, we estimate that the net proceeds from the issuance and sale of the Shares being offered by us in the combined offering will be approximately Ps.1,491.6 million, after deducting the underwriters' discounts, commissions and estimated offering expenses payable by us.

We intend to use the net proceeds to repay approximately Ps.150.0 million of short-term debt and apply the balance to general corporate purposes, including working capital requirements and product development. See "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We will not receive any proceeds from the sale of Shares by the selling shareholders.

EXCHANGE RATES AND CURRENCY

On December 21, 1994, Banco de México implemented a floating foreign exchange rate regime under which the Mexican peso is allowed to float freely against the U.S. dollar and other foreign currencies. Banco de México will intervene directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. Since late 2003, Banco de México has been conducting auctions of U.S. dollars in an attempt to reduce the levels of its foreign reserves. Banco de México conducts open market operations on a regular basis to determine the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. Banco de México may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions will be required to allocate more funds to their reserves, which will reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds to increase. The opposite happens if reserve requirements are lowered. This mechanism, known as "*corto*" or "*largo*," as the case may be, or more formally "the daily settlement balance target," represents a device used by Banco de México to adjust the level of interest and foreign exchange rates.

Volatility in the exchange rate market has gradually declined from the high levels observed during 1995, when the exchange rate fluctuated between Ps.5.00 and Ps.8.14 per U.S. dollar. During 2003, 2004, 2005 and 2006 and 2007, the exchange rate was less volatile, fluctuating between Ps.10.11 and Ps.11.40, Ps.10.82 and Ps.11.63, Ps.10.41 and Ps.11.40, Ps.10.43 and Ps.11.48, and Ps.10.66 and Ps.11.27, respectively.

There can be no assurance, however, that Banco de México and the Mexican government will maintain its current policies with respect to the Mexican peso or that the Mexican peso will not depreciate significantly in the future.

Banco de México has provided for risk management and hedging mechanisms against fluctuations in the peso/dollar exchange rate. Banco de México allows Mexican banks and brokerage houses to participate in futures markets for the Mexican peso. In April 1995, the Chicago Mercantile Exchange introduced Mexican peso futures contracts and options on Mexican peso futures contracts and started trading these options and futures. On December 18, 1998, trading started at the Mexican Derivatives Exchange, or MexDer, including Mexican peso futures contracts.

The following table sets forth, for the periods indicated, the period-end, average, high and low Banco de México Exchange Rate expressed in pesos per U.S. dollar. The rates shown below are in nominal pesos that have not been restated in constant currency units. No representation is made that the peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all. Unless otherwise indicated, U.S. dollar amounts that have been translated from pesos have been so translated at an exchange rate of Ps.10.90 to U.S.\$1.00, the Banco de México Exchange Rate on December 31, 2007.

<u>Year Ended December 31,</u>	<u>Banco de México Exchange Rate⁽¹⁾</u>			
	<u>Period-End</u>	<u>Average⁽²⁾</u>	<u>High</u>	<u>Low</u>
2003	11.24	10.79	11.40	10.11
2004	11.22	11.29	11.63	10.82
2005	10.71	10.89	11.40	10.41
2006	10.88	10.90	11.48	10.43
2007	10.90	10.93	11.27	10.66

<u>Month Ended</u>	<u>Banco de México Exchange Rate⁽¹⁾</u>			
	<u>Period-End</u>	<u>Average⁽²⁾</u>	<u>High</u>	<u>Low</u>
January 31, 2008	10.84	10.91	10.98	10.84
February 28, 2008	10.68	10.77	10.83	10.68
March 31, 2008	10.70	10.74	10.85	10.67
April 30, 2008	10.53	10.52	10.65	10.45
May 31, 2008	10.31	10.44	10.57	10.31
June 30, 2008 (through June 17)	10.34	10.35	10.43	10.30

(1) Source: Banco de México—Federal Official Gazette of Mexico.

(2) Average of daily rates.

In the event of shortages of foreign currency, there can be no assurance that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations would continue to be available without substantial additional cost.

THE MEXICAN SECURITIES MARKET

The information concerning the Mexican securities market set forth below has been prepared based on materials obtained from public sources, including the CNBV, the BMV, Banco de México and publications by market participants. The following is a summary of the matters covered hereunder but it does not purport to be a comprehensive description of all of the material provisions related to the Mexican Securities Market.

Prior to the offering, there has been no trading market for any of our outstanding capital stock in Mexico, the United States or elsewhere. Our Shares will be registered in the RNV maintained by the CNBV and we have applied for listing on the BMV under the symbol “LAB”.

We cannot predict the extent to which a trading market in Mexico, the United States or elsewhere will develop with respect to our Shares. We also cannot predict the liquidity of any trading market for our Shares, should any develop. If the trading volume of our Shares on the BMV falls below certain levels, our Shares may be delisted or deregistered in that market.

Trading on the BMV

The BMV, located in Mexico City, is the only stock exchange in Mexico. Operating continuously since 1907, the BMV is organized as variable capital stock corporation, or *sociedad anónima de capital variable*. Securities trading on the BMV occurs each business day from 8:30 a.m. to 3:00 p.m., Mexico City time, subject to adjustments.

Since January 1999, all trading on the BMV has been electronic. The BMV may impose a number of measures to promote an orderly and transparent trading price of securities, including the operation of a system of automatic suspension of trading in shares of a particular issuer when price fluctuations exceed certain limits. The BMV may also suspend trading in shares of a particular issuer as a result of non-disclosure of material events or changes in the offer or demand, volume traded or prevailing share price that are inconsistent with the shares’ historical performance and cannot be explained through publicly available information.

The BMV may reinstate trading in suspended shares when it deems that the material events (*eventos relevantes*) have been adequately disclosed to public investors or when it deems that the issuer has adequately explained the reasons for the changes in offer and demand, volume traded, or prevailing share price. Under current regulations, the BMV may consider the measures adopted by other stock exchanges in order to suspend and/or resume trading in an issuer’s shares in cases where the relevant securities are simultaneously traded on a stock exchange outside of Mexico.

Settlement on the BMV is effected three business days after a share transaction. Deferred settlement is not permitted without the approval of the CNBV, even where mutually agreed. Most securities traded on the BMV, including our Shares, are on deposit with Indeval, a privately owned securities depositary that acts as a clearinghouse, depositary and custodian, as well as a settlement, transfer and registration agent for BMV transactions, eliminating the need for physical transfer of securities.

Although the Mexican Securities Market Law (*Ley del Mercado de Valores*) provides for the existence of an over-the-counter market, no such market for securities in Mexico has developed.

Market Regulation and Registration Standards

In 1925, the Mexican Banking Commission (*Comisión Nacional Bancaria*) was established to regulate banking activity and in 1946, the Mexican Securities Commission (*Comisión Nacional de Valores*) was established to regulate stock market activity. In 1995, these two entities were merged to form the CNBV.

Among other things, the CNBV regulates the public offering and trading of securities and imposes sanctions for the illegal use of insider information and other violations of the Mexican Securities Market Law. The CNBV regulates the Mexican securities market, the BMV, and brokerage firms through a board of governors composed of thirteen members.

Mexican Securities Market Law

On December 30, 2005, the current Mexican Securities Market Law was enacted and published in the Federal Official Gazette of Mexico, which became effective on June 28, 2006; however, an additional period of 180 days was granted to issuers to incorporate to their by-laws the new corporate governance provisions. This Mexican Securities Market Law changed the Mexican securities regulation in various material respects. The reforms introduced by this law were intended to update the Mexican regulatory framework applicable to the securities market and publicly traded companies in accordance with international standards. Publicly traded companies are regulated by the Mexican Securities Market Law and, secondarily, by the Mexican General Law of Commercial Companies (*Ley General de Sociedades Mercantiles*).

The Mexican Securities Market Law (i) establishes that public entities and the entities controlled by them are considered a single economic unit (*e.g.*, holding companies and wholly owned subsidiaries), (ii) clarifies the rules for tender offers, dividing them into voluntary and mandatory categories, (iii) clarifies standards for disclosure of holdings of shareholders of public companies, (iv) expands and strengthens the role of the board of directors of public companies, (v) defines the standards applicable to the board of directors and the duties of the board, each director, its secretary, the chief executive officer and other executive officers (introducing concepts such as the duty of care, duty of loyalty and safe harbors), (vi) replaces the statutory auditor (*comisario*) and its duties with an audit committee, a corporate practices committee and external auditors, (vii) defines the roles and responsibilities of executive officers, (viii) improves the rights of minority shareholders relating to legal remedies and access to company information, (ix) introduces concepts such as consortiums, groups of related persons or entities, control, related parties and decision-making power, and (x) expands the definition of applicable sanctions for violations of the Mexican Securities Market Law, including the punitive damages and criminal penalties.

Under the Mexican Securities Market Law public companies must have a board of directors comprised of no more than 21 members, of which at least 25.0% must be independent. Independent members must be selected based on their experience, ability and reputation at the issuer's general ordinary shareholders' meeting; the conclusion as to whether a director is independent must be determined by the issuer's shareholders, and such determination may be challenged by the CNBV. As a departure from legislative precedents, the Mexican Securities Market Law permits then-acting members of the board of directors, under certain circumstances, to appoint, on a temporary basis, new members of the board of directors.

The board of directors of a public company is required to meet at least four times during each calendar year. Its principal duties are (a) the determination of the issuer's general business strategies, (b) the approval of guidelines for the use of corporate assets, (c) the approval, on an individual basis, of transactions with related parties, subject to certain limited exceptions, (d) the approval of unusual or nonrecurring transactions and any transaction related to the acquisition or sale of assets with a value equal to or exceeding 5.0% of the issuer's consolidated assets, or the granting of collateral or guarantees, or the assumption of liabilities equal to or exceeding 5.0% of the issuer's consolidated assets, (e) the appointment or removal of the chief executive officer, (f) the approval of accounting and internal control policies, and (g) the approval of policies for disclosure of information. Directors are required to promote the best interests of the issuer, and may not favor any shareholder or group of shareholders.

The Mexican Securities Market Law requires the creation of one or more committees in charge of the audit and corporate practices functions of the company. These committees must consist of at least three members appointed by the board of directors, and each member must be independent (except for corporations controlled by a person or group holding 50.0% or more of the outstanding capital stock, in which case the majority of the members of the committee in charge of the corporate practice functions must be independent). The audit activities of the committees (coupled with certain obligations now entrusted to the board of directors) replace the statutory auditor (*comisario*) that had been previously required by Mexico's General Law of Commercial Companies.

The committee in charge of the corporate practice functions is required to provide opinions to the board of directors, to request and obtain opinions from independent third-party experts, to call shareholders' meetings, to provide assistance to the board in the preparation of annual reports and to provide an annual report to the board of directors.

The principal activity of the committee entrusted with the audit function is to supervise the outside auditors of the issuer, to analyze the outside auditors' reports, to inform the board of directors with respect to existing internal controls, to supervise related party transactions, to require the issuer's executives to prepare reports when deemed necessary, to inform the board of any irregularities that it encounters, to supervise the activities of the issuer's executives and to provide an annual report to the board of directors.

The Mexican Securities Market Law imposes duties of care and loyalty on directors.

The duty of care demands that directors obtain sufficient information to support their decisions and sufficiently inform themselves to act in the best interests of the issuer. The duty of care is principally discharged by a director by attending board meetings and disclosing material information in possession of such director. Failure of directors to act with due care makes the relevant directors jointly liable for damages and losses caused to the issuer and its subsidiaries, which may be limited in the company's by-laws or by resolution of the shareholders' meeting, except in the case of bad faith, willful misconduct or illegal acts. Liability for breach of the duty of care may also be covered by indemnification provisions and director and officer insurance policies.

The duty of loyalty primarily consists of maintaining the confidentiality of information received in connection with the performance of the director's duties and abstaining from discussing or voting on matters, where the director has a conflict of interest. In addition, the duty of loyalty is violated if a shareholder or group of shareholders is knowingly favored or if, without the express approval of the board of directors, a director takes advantage of a corporate opportunity. The duty of loyalty also implies not disclosing information that is false or misleading, or omitting to register any such information in the issuer's minute books and other corporate records. The violation of the duty of loyalty makes the relevant directors jointly liable for damages and losses caused to the issuer and its subsidiaries. This liability also arises if damages and losses are sustained as a result of benefits wrongfully obtained by the director or directors or third parties as a result of activities carried out by such directors. Liability for breach of the duty of loyalty may not be limited by the company's by-laws, by resolution of the shareholders' meeting or otherwise.

Liability for breach of the duty of care or the duty of loyalty may be exercised solely for the benefit of the issuer (as a derivative suit) and may only be exercised by the issuer or by shareholders, holding shares of any class, representing at least 5.0% of any outstanding shares.

As a safe-harbor for directors, the liability discussed above does not attach if the director acted in good faith and (i) complied with applicable law and the by-laws of the issuer, (ii) the decision was taken based upon information provided by officers or third party experts, the capacity and credibility of which were not the subject of reasonable doubt, (iii) the director selected the chosen alternative in good faith and any negative effects of such decision were not foreseeable, and (iv) actions were taken in compliance with resolutions adopted at the shareholders' meeting.

The issuer's principal executives are also required, under the Mexican Securities Market Law, to act for the benefit of the issuer and not for the benefit of any shareholder or group of shareholders. These executives are required to submit the major business strategies to the board of directors for approval, to submit proposals for internal controls to the audit committee, to disclose all material information to the public, and to maintain adequate accounting and registration systems and mechanisms for internal control.

The Mexican Securities Market Law also requires that any transaction or series of transactions which represent 20.0% or more of the consolidated assets of a public issuer during any fiscal year be approved at a shareholders' meeting.

In addition to the right granted to minority shareholders representing 5.0% or more of the outstanding shares of a public company to initiate a shareholder derivative suit against directors for a breach of the duties of care or loyalty, the Mexican Securities Market Law sets forth the right of shareholders representing 10.0% of the outstanding voting shares to appoint a director and call a shareholders' meeting, and the right of 20.0% of the outstanding voting shares to judicially oppose resolutions that were passed by a shareholders' meeting and that contravene Mexican law or the company's by-laws.

The Mexican Securities Market Law does not permit issuers to implement mechanisms for common shares and limited or non-voting shares to be jointly traded or offered to public investors, unless the limited or non-voting shares are convertible into common shares within a term of up to five years, or when as a result of the nationality of the holder, the shares or the securities representing the shares limit the right to vote to comply with foreign investment laws. In addition, the aggregate amount of shares with limited or non-voting rights may not exceed 25.0% of the aggregate amount of publicly held shares. The CNBV may increase this 25.0% limit, provided that the limited or non-voting shares exceeding 25.0% of the aggregate amount of publicly held shares are convertible into common shares within five years of their issuance. These provisions are ratified by the Mexican Securities Market Law.

Regulations Applicable to Issuers, Brokerage Firms and Other Market Participants

In March 2003, the CNBV issued certain general regulations applicable to issuers and other securities market participants. The general regulations, which repealed several previously enacted CNBV regulations (*circulares*), now provide a single set of rules governing issuers and issuer activity, among other things. In September 2006, these general regulations were amended to give effect to the provisions of the new Mexican Securities Market Law, which was enacted on December 30, 2005.

In addition, in September 2004, the CNBV issued general rules applicable to brokerage firms, Rules for Brokerage Firms (*circulares aplicables a casas de bolsa*). The Rules for Brokerage Firms now provide a single set of rules governing participation of Mexican underwriters in public offerings, among other things.

Registration and Listing Standards

To offer securities to the public in Mexico, an issuer must meet specific qualitative and quantitative requirements. In addition, only securities that have been registered with the RNV pursuant to the CNBV's approval may be listed on the BMV.

The CNBV's approval for registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV. The general regulations state that the BMV must adopt minimum requirements for issuers to list their securities in Mexico. These requirements relate to matters such as operating history, financial and capital structure, minimum trading volumes and minimum public floats, among others. The general regulations also state that the BMV must implement minimum requirements for issuers to maintain their listing in Mexico. These requirements relate to matters such as financial condition, trading minimums, capital structure and minimum public floats, among others. The CNBV may waive some of these requirements in certain circumstances. In addition, some of the requirements are applicable to each series of shares of the relevant issuer.

The BMV will review compliance with the foregoing requirements and other requirements on an annual, semi-annual and quarterly basis, and may also do it at any other time.

The BMV must inform the CNBV of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the foregoing requirements, the BMV will request that the issuer propose a plan to cure the violation. If the issuer fails to propose a plan, if the plan is not satisfactory to the BMV or if an issuer does not make substantial progress with respect to the corrective measures, trading of the relevant series of shares on the BMV will be temporarily suspended. In addition, if an issuer fails to propose a plan or ceases to follow the plan once proposed, the CNBV may suspend or cancel the registration of the shares, in which case the majority shareholder or any controlling group must carry out a tender offer to acquire 100.0% of the outstanding shares of the issuer in accordance with the tender offer rules discussed below.

Reporting Obligations

Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements as well as various periodic reports with the CNBV and the BMV. Mexican issuers of listed securities must file the following reports with the CNBV:

- an annual report prepared in accordance with the CNBV general regulations by no later than June 30 of each year;
- quarterly reports, within 20 days following the end of each of the first three quarters and 40 days following the end of the fourth quarter; and
- reports disclosing material events promptly upon their occurrence.

Pursuant to the CNBV's general regulations, the internal rules of the BMV were amended to implement an automated electronic information transfer system, or SEDI (*Sistema Electrónico de Envío y Difusión de Información*), for information required to be filed with the BMV. Issuers of listed securities must prepare and disclose their financial information via a BMV-approved electronic financial information system, or SIFIC (*Sistema de Información Financiera y Contable de las Emisoras*). Immediately upon its receipt, the BMV makes the financial information submitted via SIFIC available to the public.

The CNBV's general regulations and the rules of the BMV require issuers of listed securities to file information through SEDI that relates to any act, event or circumstance that could influence an issuer's share price. If listed securities experience unusual price volatility, the BMV will immediately request that the issuer inform the public as to the causes of the volatility or, if the issuer is unaware of the causes, that the issuer make a statement to that effect. In addition, the BMV will immediately request that the issuer disclose any information relating to relevant material events, when it deems the information currently disclosed to be insufficient, as well as instruct the issuer to clarify the information when necessary. The BMV may request that issuers confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The BMV must immediately inform the CNBV of any such requests.

In addition, the CNBV may also make any of these requests directly to issuers. An issuer may defer the disclosure of material events under some circumstances, as long as:

- the issuer implements adequate confidentiality measures (including maintaining records of persons or entities in possession of confidential information);
- the information is related to incomplete transactions;
- there is no misleading public information relating to the material event; and
- no unusual price or volume fluctuation occurs.

Similarly, if an issuer's securities are traded on both the BMV and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the CNBV and the BMV.

The Mexican Securities Market Law has not substantially modified the reporting obligations of issuers of equity securities listed on the BMV.

Suspension of Trading

In addition to the authority of the BMV under its internal regulations as described above, pursuant to the rules of the CNBV, the CNBV and the BMV may suspend trading in an issuer's securities:

- if the issuer does not disclose a material event; or
- upon price or volume volatility or changes in the offer or demand in respect of the relevant securities that are not consistent with the historic performance of the securities and cannot be explained solely through information made publicly available pursuant to the CNBV's general regulations.

The BMV must immediately inform the CNBV and the general public of any such suspension. An issuer may request that the CNBV or the BMV resume trading, provided that the issuer demonstrates that the causes triggering the suspension have been resolved and that it is in full compliance with the periodic reporting requirements under applicable law. If an issuer's request has been granted, the BMV will determine the appropriate mechanism to resume trading. If trading in an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose via SEDI a description of the causes that resulted in the suspension and reasons why it is now authorized to resume trading before trading may resume.

Insider Trading, Trading Restrictions and Disclosure Requirements

The Mexican Securities Market Law contains specific regulations regarding insider trading, including (i) the requirement that persons in possession of information deemed privileged abstain (x) from trading in the relevant issuer's securities, (y) from making recommendations to third parties to trade in such securities and (z) from trading in options and derivatives of the underlying security issued by such entity, and (ii) providing a counterparty not privy to insider information with a right of indemnification from the party possessing privileged information.

In addition, if an issuer's securities are traded on both the BMV and a foreign securities exchange, the issuer must simultaneously file with the CNBV the information that it is required to file pursuant to the rules and regulations of the foreign securities exchange.

Pursuant to the Mexican Securities Market Law, the following persons must notify the CNBV of any transactions undertaken by a listed issuer:

- members of a listed issuer's board of directors;
- shareholders controlling 10.0% or more of a listed issuer's outstanding share capital;
- advisors;
- groups controlling 25.0% or more of a listed issuer's outstanding share capital; and
- other insiders.

In addition, under the Mexican Securities Market Law insiders must abstain from purchasing or selling securities of the issuer within 90 days from the last sale or purchase, respectively. Shareholders of issuers listed on the BMV must notify the CNBV before effecting transactions outside of the BMV that result in a transfer of 10.0% or more of an issuer's share capital. Transferring shareholders must also inform the CNBV of the effect of the transactions within three days following their completion, or, alternatively, that the transactions have not been consummated.

The CNBV will notify the BMV of these transactions on a no-name basis.

The Mexican Securities Market Law also provides that, for purposes of determining any of the foregoing percentages, convertible securities, warrants and derivatives must be taken into account.

Subject to certain exceptions, any acquisition of a public company's shares that results in the acquirer owning 10.0% or more, but less than 30.0%, of an issuer's outstanding share capital must be publicly disclosed to the CNBV and the BMV by no later than one business day following the acquisition.

Any acquisition by an insider that results in the insider holding an additional 5.0% or more of a public company's outstanding share capital must also be publicly disclosed to the CNBV and the BMV no later than one business day following the acquisition. Some insiders must also notify the CNBV of share purchases or sales that occur within a three-month or five-day term and that exceed certain value thresholds. The Mexican Securities Market Law requires that convertible securities, warrants and derivatives to be settled in kind be taken into account in the calculation of share ownership percentages.

Tender Offers

The Mexican Securities Market Law contains provisions relating to public tender offers in Mexico. According to the Mexican Securities Market Law, tender offers may be voluntary or mandatory. Both are subject to the prior approval of the CNBV and must comply with a number of legal and regulatory requirements. Any intended acquisition of a public company's shares that results in the buyer owning 30% or more, but less than a percentage that would result in the buyer acquiring control of a company's voting shares, requires the buyer to make a mandatory tender offer for the greater of (a) the percentage of the share capital intended to be acquired or (b) 10% of the company's outstanding capital stock. Finally, any acquisition of a public company's shares that is intended to obtain voting control requires the potential buyer to make a mandatory tender offer for 100% of the company's outstanding capital stock (however, under certain circumstances the CNBV may permit an offer for less than 100%). Any tender offer must be made at the same price to all shareholders and classes of shares. The board of directors, with the advice of the audit committee, must issue its opinion of any tender offer resulting in a change of control, which opinion must take minority shareholder rights into account and which may be accompanied by an independent fairness opinion.

Under the Mexican Securities Market Law, all tender offers must be open for at least 20 business days and purchases thereunder are required to be made pro rata to all tendering shareholders. The Mexican Securities Market Law also permits the payment of certain amounts to controlling shareholders over and above the offering price if these amounts are fully disclosed, approved by the board of directors and paid in connection with non-compete or similar obligations. The law also provides exceptions to the mandatory tender offer requirements and specifically sets forth remedies for non-compliance with these tender offer rules (*e.g.*, suspension of voting rights, possible annulment of purchases, among others) and other rights available to former shareholders of the issuer.

Anti-Takeover Protections

The Mexican Securities Market Law provides that public companies may include anti-takeover provisions in their by-laws if such provisions (i) are approved by a majority of the shareholders, without shareholders representing 5% or more of the capital stock present at the meeting voting against such provision, (ii) do not exclude any shareholders or group of shareholders, (iii) do not restrict, in an absolute manner, a change of control, and (iv) do not contravene legal provisions related to tender offers or have the effect of disregarding the economic rights related to the shares held by the acquiring party.

DIVIDEND POLICY

We intend to devote a substantial portion of our future cash flows to fund our expansion plan and working capital requirements and we do not currently expect to pay dividends in the foreseeable future. We may consider adopting a dividend policy in the future based on a number of factors, including our results of operations, financial condition, cash requirements, tax considerations, future prospects and other factors that our board of directors and our shareholders may deem relevant. The terms and conditions of our debt instruments may limit our ability to pay dividends. In addition, the declaration and payment of dividends may be subject to limitations under Mexican law. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Subsequent Events—Global and Depilite” and “Related Party Transactions—Global and Depilite” for further information regarding the declaration of a cash dividend in the amount of Ps.96.0 million at our shareholders’ meeting held on March 20, 2008.

CAPITALIZATION

The following table sets forth, as of March 31, 2008, our consolidated capitalization (i) on a historical, actual basis and (ii) as adjusted to reflect the issuance of the Shares and the application of an estimated amount of Ps.1,491.6 million in net proceeds (assuming no exercise of the over-allotment option), after deducting the underwriting discounts, commissions and the estimated expenses associated with the offering. See “Use of Proceeds.” This table should be read together with our consolidated financial statements and the notes thereto included elsewhere in this offering memorandum.

Solely for the convenience of the reader, peso amounts appearing in the table below have been translated to U.S. dollar amounts at the exchange rate published by Banco de México in the Federal Official Gazette of Mexico on March 31, 2008, which was Ps.10.6482 per U.S. dollar. The exchange rate translations contained in this offering memorandum should not be construed as representations that the peso amounts actually represent the U.S. dollar amounts presented or could be converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at any other rate.

We will not receive any proceeds from the sale of Shares by the selling shareholders.

	As of March 31, 2008 ⁽¹⁾			
	Actual		As Adjusted ⁽²⁾	
	(In thousands of pesos)	(In thousands of U.S.\$)	(In thousands of pesos)	(In thousands of U.S.\$)
Capital stock (no par value; 140,566 Shares outstanding as of March 31, 2008; 421,698,000 Shares outstanding as adjusted for the stock split) ⁽³⁾	Ps. 221,002	U.S.\$20,755	Ps. 1,712,591	U.S.\$160,834
Retained earnings.	55,166	5,181	55,166	5,181
Cumulative translation effects on foreign subsidiaries	(2,562)	(241)	(2,562)	(241)
Majority stockholders’ equity	273,606	25,695	1,765,195	165,774
Minority interest in consolidated subsidiaries	2,557	240	2,557	240
Total stockholders’ equity.	<u>Ps. 276,163</u>	<u>U.S.\$25,935</u>	<u>Ps. 1,767,752</u>	<u>U.S.\$166,014</u>
Total capitalization.	<u>Ps. 276,163</u>	<u>U.S.\$25,935</u>	<u>Ps. 1,767,752</u>	<u>U.S.\$166,014</u>

(1) Columns may not add due to rounding.

(2) Assumes no exercise of the over-allotment option.

(3) On May 21, 2008, our shareholders approved a 3,000-for-1 stock split to take effect upon the closing of the offering of the Shares. The stock split will result in an increase in the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

DILUTION

If you purchase Shares in the offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per Share and the net tangible book value per Share upon the completion of the offering. Dilution results from the fact that the per Share offering price of Shares in the offering is substantially in excess of the book value per Share attributable to the Shares. Net tangible book value per Share represents our net tangible book value (defined as shareholders' equity less the value of intangible trademark assets) divided by the total number of our Shares. Net tangible book value as of March 31, 2008, was Ps.210.6 million, or Ps.0.50 per Share.

After giving effect to the issue of 100,638,696 Shares in the offering, assuming no exercise of the over-allotment option and after deducting underwriting discounts, commissions and estimated offering expenses payable by us, the adjusted net tangible book value as of March 31, 2008, would be approximately Ps.1,702.2 million, or Ps.3.26 per Share issued by us. This amount represents to existing shareholders an immediate increase in the net tangible book value per Share of Ps.2.76, whereas to new investors purchasing Shares in the offering, it would represent an immediate dilution in the net tangible book value as of March 31, 2008, of Ps.12.74 per Share. Dilution for this purpose represents the difference between the price per Share paid by investors in the offering and the net tangible book value per Share immediately after completion of the offering.

This dilution discussion assumes the effect of the 3,000-for-1 stock split approved by our shareholders on May 21, 2008, to take effect upon the closing of the offering of the Shares. The stock split will result in an increase in the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

The following table is for illustrative purposes only.

	<u>As of March 31, 2008</u> (Pesos, except where indicated)
Offering price per Share	16.00
Net tangible book value per Share prior to the offering	0.50
Increase in net tangible book value per Share attributable to existing shareholders	2.76
Net tangible book value per Share after the offering.	3.26
Dilution per Share to new investors	12.74

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our summary consolidated financial information on the basis of MFRS as of and for each of the periods indicated. This data has been derived from our audited consolidated financial statements, including the consolidated balance sheets as of December 31, 2007 and 2006 and the related consolidated statements of operations and changes in financial position for each of the three years in the period ended December 31, 2007, and the accompanying notes appearing elsewhere in this offering memorandum. This information should be read in conjunction with, and is qualified in its entirety by reference to, “Presentation of Certain Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements included elsewhere in this offering memorandum.

The exchange rate used in translating pesos into U.S. dollars in calculating the convenience translations included in the following tables is determined by reference to the rate, published by Banco de México in the Federal Official Gazette of Mexico on December 31, 2007, which was Ps.10.9043 per U.S. dollar. The exchange rate translations contained in this offering memorandum should not be construed as representations that the peso amounts actually represent the U.S. dollar amounts presented or could be converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at any other rate.

For our unaudited consolidated financial information as of March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007, see Exhibit I included elsewhere in this offering memorandum.

	Years Ended December 31,			
	2007	2007	2006	2005
	(In thousands of U.S. dollars)	(In thousands of constant pesos, except share and per share data)		
Statement of Operations Data:				
Net sales	U.S.\$171,755	Ps.1,872,863	Ps. 1,429,448	Ps. 692,666
Cost of sales	45,728	498,628	346,749	152,034
Selling, general and administrative expenses	84,481	921,207	803,583	666,250
Income (loss) from operations	41,546	453,028	279,116	(125,618)
Comprehensive financing income (cost) and other expenses	(2,391)	(26,069)	(19,954)	(28,182)
Income (loss) before income taxes	39,155	426,959	259,162	(153,800)
Income tax expense (benefit)	11,186	121,974	76,463	(37,510)
Consolidated net income (loss)	<u>U.S.\$ 27,969</u>	<u>Ps. 304,985</u>	<u>Ps. 182,699</u>	<u>Ps. (116,290)</u>
Net income (loss) of minority stockholders	U.S.\$ 54	Ps. 586	Ps. 2,398	Ps. (1,946)
Net income (loss) of majority stockholders	U.S.\$ 27,915	Ps. 304,399	Ps. 180,301	Ps. (114,344)
Weighted average number of shares outstanding	140,566	140,566	140,566	140,566
Net earnings (loss) per share	U.S.\$ 198.98	Ps. 2,169.69	Ps. 1,299.74	Ps. (827.30)
Basic earnings (loss) per share ⁽¹⁾	U.S.\$ 198.59	Ps. 2,165.52	Ps. 1,282.68	Ps. (813.45)

	As of December 31,				
	2007		2007		2006
	(In thousands of U.S. dollars)		(In thousands of constant pesos)		
Balance Sheet Data:					
Cash and cash equivalents.	U.S.\$	5,729	Ps.	62,469	Ps. 46,135
Working capital ⁽²⁾		45,528		496,451	330,617
Total assets		109,501		1,194,030	734,614
Loans with financial institutions		23,546		256,750	111,457
Stockholders' equity		53,872		587,440	346,072

	Years Ended December 31,			
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands of U.S. dollars)	(In thousands of constant pesos, except percentages)		
Other Financial Data:				
EBITDA⁽³⁾				
Consolidated net income (loss)	U.S.\$27,969	Ps.304,985	Ps.182,699	Ps.(116,290)
Income tax expense (benefit)	11,186	121,974	76,463	(37,510)
Comprehensive financing income (cost) and other expenses	(2,391)	(26,069)	(19,954)	(28,182)
Depreciation and amortization	<u>684</u>	<u>7,463</u>	<u>8,514</u>	<u>9,565</u>
EBITDA	<u>U.S.\$42,230</u>	<u>Ps.460,491</u>	<u>Ps.287,630</u>	<u>Ps.(116,053)</u>
EBITDA margin	24.59%	24.59%	20.12%	(16.75)%

(1) Basic earnings (loss) per share are calculated by dividing net income (loss) of majority stockholders by the weighted average number of shares outstanding. The number of Shares outstanding included in this calculation does not reflect the 3,000-for-1 stock split approved by our shareholders on May 21, 2008, to take effect upon the closing of the offering of the Shares. The stock split will result in an increase in the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

(2) Working capital consists of current assets less current liabilities.

(3) Earnings before interest, taxes, depreciation and amortization (EBITDA) represents consolidated net income (loss) plus or minus the effects of income tax expense (benefit), comprehensive financing income (cost), other expenses and depreciation and amortization. EBITDA margin represents EBITDA divided by net sales. EBITDA should not be considered as an alternative to net income, as an indicator of our operating performance, or as an alternative to cash flows from operating activities as an indicator of liquidity. Our management believes that EBITDA provides a useful measure of our performance that is widely used by investors and analysts to evaluate our performance and compare it with other companies. In making such comparisons, however, you should bear in mind that EBITDA is not defined and is not a recognized financial measure under MFRS or U.S. GAAP and that it may be calculated differently by different companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements, together with the notes thereto, included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared in accordance with MFRS, which differ in certain significant respects from U.S. GAAP. See "Significant Differences Between MFRS and U.S. GAAP" for a description of certain principal differences between MFRS and U.S. GAAP as they relate to us. No reconciliation of any of our consolidated financial statements to U.S. GAAP has been performed. Any such reconciliation would likely result in material quantitative differences. Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein. See "Presentation of Certain Financial and Other Information."

Overview

We are one of the fastest growing OTC pharmaceutical and personal care products companies in Mexico, with a growing international presence. We focus on the development, sales and marketing of a broad range of premium branded products, many of which hold leading positions in the categories in which they compete in terms of sales and market share. Through a combination of a successful new product development process, consumer-oriented marketing, a broad retail distribution network and a low-cost, highly flexible operating model, we have been able to significantly grow our net sales and profitability. During 2007, we had net sales and income from operations of Ps.1,872.9 million and Ps.453.0 million, respectively. From 2005 to 2007, the compounded annual growth rate of our net sales was 64.4%.

As of March 31, 2008, we offered over 90 products in high growth categories, including anti-acne, sexual protection and enhancement, anti-wrinkle, scar removal ointments, hemorrhoid treatments, anti-acids, anti-ulcer, varicose vein treatments, osteoarthritis and wart removal treatments. Our products, which are sold under 33 different brands, are widely available throughout Mexico and attract consumers across all socio-economic levels. Some of our key brands hold leading market positions in their respective product or industry category.

One of our core competencies is building the brand equity of our products through innovative and highly targeted marketing campaigns, primarily through the use of television. We build brand awareness and drive net sales performance by developing tailored marketing campaigns through our in-house advertising production facilities. One of our principal marketing strategies is to educate consumers about the medical conditions that our pharmaceutical products treat, and to highlight our products' distinguishing attributes and effectiveness, which has enabled us to reach a diverse and increasingly loyal base of consumers.

We have a nationwide sales presence in Mexico where we distribute our products through a diversified, multi-channel platform that includes drug wholesalers, national pharmacy chains, mass merchandisers, and to a lesser extent, warehouse clubs and department stores. In Mexico, this platform allows us to reach more than 21,000 points-of-sale. We continuously look for opportunities to grow our product distribution network by growing with our current customers and distributors as well as by increasing our penetration of new distribution channels, which we expect to provide additional avenues for future net sales growth.

Results of Operations

The following table sets forth our results of operations in thousands of Mexican pesos of constant purchasing power as of December 31, 2007, except per share amounts.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net sales	Ps.1,872,863	Ps.1,429,448	Ps. 692,666
Costs and expenses:			
Cost of sales	498,628	346,749	152,034
Selling, general and administrative expenses	<u>921,207</u>	<u>803,583</u>	<u>666,250</u>
	<u>1,419,835</u>	<u>1,150,332</u>	<u>818,284</u>
Income (loss) from operations	453,028	279,116	(125,618)
Other expense—net	<u>(3,314)</u>	<u>(1,134)</u>	<u>(6,232)</u>
Comprehensive financing income (cost):			
Interest expense	(15,628)	(17,239)	(14,652)
Interest income	6,197	7,852	3,971
Exchange gain (loss)	(1,611)	3,614	(11,622)
Monetary position gain (loss)	(12,872)	(13,422)	844
Effects of exchange rate changes on foreign operations	<u>1,159</u>	<u>375</u>	<u>(491)</u>
	<u>(22,755)</u>	<u>(18,820)</u>	<u>(21,950)</u>
Income (loss) before income taxes	426,959	259,162	(153,800)
Income tax expense (benefit)	<u>121,974</u>	<u>76,463</u>	<u>(37,510)</u>
Consolidated net income (loss)	<u>Ps. 304,985</u>	<u>Ps. 182,699</u>	<u>Ps.(116,290)</u>
Net income (loss) of majority stockholders	Ps. 304,399	Ps. 180,301	Ps.(114,344)
Net income (loss) of minority stockholders	<u>586</u>	<u>2,398</u>	<u>(1,946)</u>
Consolidated net income (loss)	<u>Ps. 304,985</u>	<u>Ps. 182,699</u>	<u>Ps.(116,290)</u>
Basic earnings (loss) per majority common share	<u>Ps. 2,165.52</u>	<u>Ps. 1,282.68</u>	<u>Ps. (813.45)</u>

Critical Accounting Policies

Our consolidated financial statements included elsewhere in this offering memorandum are prepared in accordance with MFRS, which require certain estimations and application of judgment by our management. Management uses its judgment and bases its estimates on historical experience and current trends, as well as other factors that it considers necessary at the time such estimates are made. Estimates are reviewed on a regular basis and revised based on changes in trends in our business, in the industry and in the economy as a whole.

We believe that the estimates used and assumptions considered were appropriate given the circumstances in existence at the time such estimates were prepared. However, actual results could differ from the estimates included in our consolidated financial information.

Certain of our most critical accounting policies are described as follows. See Note 3 to our consolidated financial statements included elsewhere in this offering memorandum for a further description of our significant accounting policies.

Allowance for Estimated Returns

An allowance for estimated returns is based on anticipated returns at the end of the accounting period. We base our analysis on existing customer inventories and historical experience of returns as a percentage of net sales. Our returns policy was changed in 2008 when we adopted the policy to not accept returns on products that were not recently launched. Prior period results recognize a higher probability of product returns.

Allowance for Doubtful Accounts Receivable

We maintain allowances for doubtful accounts based on an amount our management considers sufficient to cover losses from customer accounts receivable that may not be collected in the period. Our allowance for doubtful accounts accounting policy is based on analysis of past losses and current portfolio risks.

Investments in Securities

We classify investments as either trading, held-to-maturity or available-for-sale, according to our intent, from the date of acquisition, with respect to the acquired securities. Trading and available-for-sale securities are recognized at fair value while held-to-maturity securities are recognized at amortized cost. Fair value is determined using prices quoted on recognized markets. If such securities are not traded, fair value is determined by applying recognized technical valuation models. Fair value can also be determined based on any outstanding offers to acquire the available-for-sale securities that are under negotiation.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Net Sales

Our net sales increased by 31.0% to Ps.1,872.9 million in 2007 from Ps.1,429.4 million in 2006. This increase of Ps.443.5 million in sales from our diversified product base was attributable to an increase of Ps.144.8 million in sales from our existing product base and our product line extensions, and an increase of Ps.298.7 million in sales from our new products.

Cost of Sales

Our cost of sales, which primarily includes the cost of products purchased from third parties, raw materials and packaging, increased by 43.8% to Ps.498.6 million in 2007 from Ps.346.7 million in 2006. As a percentage of our net sales, cost of sales increased to 26.6% in 2007 as compared to 24.3% in 2006. The increase was primarily as a result of the introduction of certain new products during 2007 with a lower margin as compared to our existing product base.

Our gross profit increased by 26.9% to Ps.1,374.2 million in 2007 from Ps.1,082.7 million in 2006.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses (or SG&A) increased by 14.6% to Ps.921.2 million in 2007 from Ps.803.6 million in 2006. SG&A increased primarily as a result of higher selling expenses due to our increased volume of sales. However, as a percentage of our net sales, SG&A decreased to 49.2% in 2007 from 56.2% in 2006 as a result of a smaller increase in our advertising expenditures relative to our net sales growth. Our selling expenses include principally advertising and promotion, including television advertising, as well as sales-force related expenses.

Net Comprehensive Financing Cost

Our net comprehensive financing cost increased by 20.9% to Ps.22.8 million in 2007 from Ps.18.8 million in 2006. The increase was as a result of a foreign exchange loss of Ps.1.6 million in 2007 as compared to a foreign exchange gain of Ps. 3.6 million in 2006, resulting from an increase in our net foreign currency denominated trade payables.

Provision for Income Taxes

Our provision for income taxes increased by 59.5% to Ps.122.0 million in 2007 from Ps.76.5 million in 2006, which represents an effective rate of 28.6% in 2007 compared to 29.5% in 2006. The increased provision was primarily as a result of an increase in taxable income, resulting from an increase in sales volume. The statutory income tax rate in Mexico decreased to 28.0% in 2007 from 29.0% in 2006, as a result of a change in the Mexican government's tax policies, which accounts for the decrease in the effective rate.

Net Income

Our net income increased by 66.9% to Ps.305.0 million in 2007 as compared to Ps.182.7 million in 2006 as a result of the foregoing factors.

Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Net Sales

Our net sales increased by 106.4% to Ps.1,429.4 million in 2006 from Ps.692.7 million in 2005. This increase of Ps.736.7 million in sales from our diversified product base was attributable to an increase of Ps.636.2 million in sales from our existing product base and our product line extensions, and an increase of Ps.100.5 million in sales from our new products.

Our net sales recovered in 2006 from a decline in 2005. The decline in 2005 was primarily as a result of a significant change in Mexican government regulations imposing new registration requirements on OTC pharmaceutical products and related restrictions on advertising that significantly impacted our net sales in that year. During the process of registering certain of our OTC pharmaceutical products to comply with the new requirements, we were not able to air advertising campaigns related to these products. The new requirements also caused delays in our planned new product launches during 2005. The result was lower net sales than expected in 2005 as compared to our committed advertising and increased commercial production expenses that were incurred in that year.

Cost of Sales

Our cost of sales, which primarily includes the cost of products purchased from third parties, raw materials and packaging, increased by 128.1% to Ps.346.7 million in 2006 from Ps.152.0 million in 2005. As a percentage of our net sales, cost of sales increased to 24.3% in 2006 as compared to 21.9% in 2005. The increase was primarily as a result of line extensions and new products that were launched in 2006 with higher costs than our then existing product base.

Our gross profit increased by 100.3% to Ps.1,082.7 million in 2006 from Ps.540.6 million in 2005.

Selling, General and Administrative Expenses

Our SG&A increased by 20.6% to Ps.803.6 million in 2006 from Ps.666.3 million in 2005. However, as a percentage of our net sales, SG&A expenses decreased to 56.2% in 2006 from 96.2% in 2005. This decrease was primarily attributable to the regulatory changes in 2005 discussed above, which significantly impacted our net sales and profits in that year. In particular, our net sales were lower than expected in 2005 as compared to our committed advertising and increased commercial production expenses that were incurred in that year. In 2006, the situation returned to normal and net sales recovered. Our selling expenses include principally advertising and promotion, including television advertising, as well as sales-force related expenses.

Net Comprehensive Financing Cost

Our net comprehensive financing cost decreased by 14.3% to Ps.18.8 million in 2006 from Ps.21.9 million in 2005. The decrease was as a result of the net effect of the following factors: (i) a foreign exchange gain of Ps.3.6 million as compared to a foreign exchange loss of Ps.11.6 million in 2005, resulting from a change to a net foreign currency denominated trade payable position; and (ii) a change to a net monetary position loss of Ps.13.4 million in 2006 as compared to a net monetary position gain of Ps.0.8 million in 2005, resulting from an increase in our net monetary asset position.

Provision for Income Taxes

Our provision for income taxes increased to Ps.76.5 million in 2006, which represents an effective rate of 29.5%, as compared to a benefit in the amount of Ps.37.5 million in 2005, which represents an effective rate of 24.4% as a result of a pre-tax loss in that year. The increase in the effective rate in 2006 represents the net effect of a

decrease in the statutory income tax rate in Mexico to 29.0% in 2006 from 30% in 2005, as a result of a change in the Mexican government's tax policies, and significantly greater non-deductible expenses in 2005.

Net Income (Loss)

Our net income (loss) increased to a net income of Ps.182.7 million in 2006 as compared to a net loss of Ps.116.3 million in 2005 as a result of the foregoing factors.

Subsequent Events

Name Changed to Genomma Lab Internacional, S.A. de C.V.

Effective March 31, 2008, we changed our name from Producciones Infovisión, S.A. de C.V. to Genomma Lab Internacional, S.A. de C.V. As discussed under "Description of Our Share Capital and By-laws," we became a S.A.B. de C.V. or *sociedad anónima bursátil de capital variable* upon the registration of our Shares with the RNV of the CNBV and the approval of the listing of our Shares by the BMV.

Global and Depilè

As discussed in Note 1 to our consolidated financial statements appearing elsewhere in this offering memorandum, in September 2007, we acquired a 60.0% equity interest in Global Administrator, S.A. de C.V., or Global, which in turn through a subsidiary, acquired certain net assets of a group of companies operating under the brand name Depilè. Also as discussed in that Note 1, during 2007 our management entered into an active plan to divest our interest in Global. As part of this divestment, on March 27, 2008, our interest in the international operating companies in the Depilè group were transferred to the minority shareholder of Global in exchange for the remaining 40.0% equity interest in Global. On March 27, 2008, our equity interest in Global was sold to Tecnologías de Primer Nivel, S.A. de C.V., an affiliate of ours, in exchange for an account receivable of Ps.81.3 million. On March 31, 2008, this account receivable, together with our accounts receivable due from Global and its subsidiaries in the aggregate amount Ps.267.8 million (including an account receivable of Ps.53.0 million for marketing and advertising services expected to be delivered by us to Global and its subsidiaries in the short term), were distributed to our shareholders as a dividend in-kind. In addition to the foregoing distribution, a cash dividend in the amount of Ps.96.0 million was declared at our shareholders' meeting, held on March 20, 2008. We anticipate paying this cash dividend prior to the closing of the offering of the Shares. See "Related Party Transactions."

Borrowings

On March 28, 2008, we borrowed Ps.60.0 million under a credit facility with BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (or Bancomer), which we entered into on March 11, 2008. The loan accrues monthly interest at a rate equivalent to *Tasa de Interés Interbancaria de Equilibrio* (the Mexican Interbank Equilibrium Rate), or TIIE, plus 1.25%. Any disbursement greater than Ps.20.0 million is secured by a pledge on our accounts receivable with certain clients. This credit facility matures on March 11, 2010 and each borrowing is due 90 days from disbursement. Our restrictions under this loan include: (i) a restriction against incurring financial liabilities that could affect the payment obligations established by the terms of the loan, and (ii) a restriction against providing loans and guarantees to third parties or affiliated businesses that could affect the payment obligations established by the terms of the loan.

On March 31, 2008, we borrowed Ps.66.0 million under the renewed credit facility with IXE Banco S.A., Institución de Banca Múltiple, IXE Grupo Financiero (or IXE) described in "—Contractual Obligations and Lease Commitments—IXE Loan" and Note 9 to our consolidated financial statements appearing elsewhere in this offering memorandum. See also "—Liquidity and Capital Resources—Financing Activities."

First Quarter 2008 Results

For our unaudited consolidated financial information as of March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007, see Exhibit I included elsewhere in this offering memorandum.

Liquidity and Capital Resources

We have historically financed our operations and brand acquisitions with a combination of internally generated funds and borrowings. Our principal uses of cash have been working capital, distributions in respect of common stock, investments, capital expenditures and dividends. We believe that our cash flow generation is sufficient to support our currently anticipated working capital needs during 2008.

Operating Activities

2007 compared to 2006. Net resources generated by operating activities were Ps.106.1 million in 2007 as compared to net resources used of Ps.95.0 million in 2006. The increase in resources generated in 2007 was primarily as a result of net income of Ps.305.0 million in 2007, adjusted for non-cash items (specifically, depreciation and amortization, employee retirement obligations net, and deferred income taxes) of Ps.14.6 million, as compared to net income of Ps.182.7 million in 2006, adjusted for the same non-cash items of Ps.22.3 million. Working capital requirements increased in 2007 by Ps.213.5 million to Ps.609.5 million from Ps.395.9 million in 2006 primarily as a result of growth in sales and amounts extended to related parties.

2006 compared to 2005. Net resources used in operating activities were Ps.95.0 million in 2006 as compared to net resources generated of Ps.18.2 million in 2005. The increase in resources used in 2006 was primarily as a result of increased working capital requirements in 2006 of Ps.300.0 million to Ps.395.9 million from Ps.95.9 million in 2005, primarily as a result of growth in sales and repayments to related parties.

Financing Activities

2007 compared to 2006. Net resources generated by financing activities were Ps.82.9 million in 2007 as compared to Ps.65.5 million in 2006. The increase in 2007 was primarily as a result of an increase in loans from financial institutions. At the end of 2007, we had an outstanding balance of Ps.106.8 million with Banco Santander, S.A., Institución de Banca Múltiple, Grupo Financiero Santander (or Santander) at an interest rate of TIIE plus 1.25% and an outstanding balance of Ps.150.0 million with IXE at an interest rate of TIIE plus 1.50% for a total of Ps.256.8 million. See “—Contractual Obligations and Lease Commitments.” This increase was slightly offset by the payment of dividends to our shareholders in the amount of Ps.61.7 million.

2006 compared to 2005. Net resources generated by financing activities were Ps.65.5 million in 2006 as compared to net resources used in financing activities of Ps.167.7 million in 2005. Resources generated by financing activities in 2006 resulted from a net increase of loans with financial institutions of Ps.67.1 million. In 2005, Ps.177.8 million were used for the payment of a common stock reimbursement (a cash distribution in respect of the common stock).

Investing Activities

2007 compared to 2006. Net resources used in investing activities were Ps.172.6 million in 2007 and Ps.6.0 million in 2006. The increase in 2007 was primarily as a result of investments in securities available-for-sale and other assets (including trademarks), and the acquisition of equipment for our laboratory, warehouses and offices.

2006 compared to 2005. Net resources used in investing activities were Ps.6.0 million in 2006 as compared to net resources generated by investing activities of Ps.13.5 million in 2005. In 2006, resources were primarily invested in the acquisition of equipment for our warehouses and offices. In 2005, we cancelled certain leasehold improvements and certain other development expenses for which we would no longer receive a future benefit.

Contractual Obligations and Lease Commitments

The table below summarizes information regarding our contractual obligations and lease commitments as of March 31, 2008.

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>Less Than 1 Year</u>	<u>1 - 3 Years</u>	<u>3 - 5 Years</u>	<u>More Than 5 Years</u>
Debt ⁽¹⁾	Ps.235,199	Ps.235,199	Ps. —	Ps. —	Ps. —
Operating and financial leases . . .	75,681	17,049	41,700	16,932	—
Total	<u>Ps.310,880</u>	<u>Ps.252,248</u>	<u>Ps.41,700</u>	<u>Ps.16,932</u>	<u>Ps. —</u>

(1) Debt consists of borrowing under our credit facilities with IXE and Santander (see description below) and Bancomer (see “—Subsequent Events—Borrowings”).

IXE Loan

The loan under the IXE credit facility accrues monthly interest at an interest rate equivalent to TIIE plus 1.5%, and is secured by a pledge on our accounts receivable. This loan matures on September 19, 2008, and its terms establish, as grounds for acceleration, the incurring of certain financial liabilities without the prior consent of IXE. Our obligations under the terms of the loan include the following: (i) delivery of financial statements, (ii) refraining from actions that would bring about any dissolution, liquidation, transformation, merger or spin-off, (iii) refraining from modifying our capital structure without the prior consent of IXE, and (iv) refraining from the declaration or payment of dividends during the term of the credit facility without the prior consent of IXE. We have obtained the necessary approval from IXE to proceed with the offering of the Shares. See “—Subsequent Events—Borrowings.”

Santander Loan

The loan under the Santander credit facility accrues interest at an interest rate of TIIE plus 1.25% under an unsecured credit facility entered into on November 5, 2007, which matures on November 5, 2008. We have obtained the necessary approval from Santander under the agreement to proceed with the offering of the Shares. See Note 9 to our consolidated financial statements appearing elsewhere in this offering memorandum.

Foreign Operations

We have foreign operations in Peru, Ecuador, Chile, Argentina, Costa Rica and Spain. Our net sales attributable to international operations in 2007 were approximately Ps.75.3 million, and represented approximately 4.0% of our total net sales in 2007. We initiated our operations in Argentina and Costa Rica in 2007, and have representative offices in China and India. See Notes 2(a) and (b) to our consolidated financial statements appearing elsewhere in this offering memorandum for further information regarding our foreign operations and the consolidation of the operations of our foreign subsidiaries.

Recently Issued Accounting Pronouncements

See Note 18 to our consolidated financial statements appearing elsewhere in this offering memorandum for a summary of recently issued accounting pronouncements that may be applicable to us.

INDUSTRY OVERVIEW

Over-the-Counter (or OTC) Industry Overview

The OTC pharmaceutical market is comprised of analgesics, cough and cold preparations, indigestion preparations, medicated skin products, traditional medicines, vitamins and minerals and other OTC pharmaceutical products. According to Datamonitor, in 2006, the global OTC pharmaceutical industry had an estimated value of over U.S.\$81.5 billion. The United States was the largest market for OTC pharmaceuticals with an estimated value of U.S.\$21.3 billion, or 26.1% of the global market in 2006. With an estimated value of Ps.20.2 billion (U.S.\$1.9 billion), Mexico had the largest OTC pharmaceutical market in Latin America in 2006 and represented 18.5% of the Latin American market, or 2.3% of the global market.

The largest sector in OTC pharmaceuticals is cough, cold and allergy remedies, which accounted for 24.1% of total sales in Mexico in 2006, followed by vitamins and dietary supplements with 19.4% of the total. Medicated skin care and analgesics totaled an estimated 15.3% and 14.3%, respectively, of total OTC pharmaceuticals sales in Mexico in 2006.

Mexican OTC Pharmaceutical Sales by Category

	<u>2006 Sales</u> <u>(In millions of</u> <u>U.S. dollars)</u>	<u>Percent of</u> <u>Total</u>
Cough and cold preparations	U.S.\$ 447	24.1%
Vitamins and minerals	359	19.4%
Medicated skin products.	283	15.3%
Analgesics	265	14.3%
Traditional medicines	220	11.9%
Other.	<u>278</u>	<u>15.0%</u>
Total OTC pharmaceuticals	<u>U.S.\$1,853</u>	<u>100.0%</u>

Source: Datamonitor

Mexico's OTC pharmaceutical market, as well as the OTC pharmaceutical markets in several developing countries, is projected to grow faster than the global OTC pharmaceuticals market. According to Datamonitor, Mexico's OTC pharmaceuticals market is projected to grow from Ps.20.2 billion in 2006 to Ps.28.6 billion in 2011, representing a compounded annual growth rate of 7.2%. The size of the Mexican market is likely understated because a large proportion of pharmaceutical sales in pharmacies and drugstores take place without a prescription.

We believe the primary trends that are driving the growth of the OTC pharmaceuticals sector in Mexico are the following:

- *A stable domestic economy with a growing middle class population.* According to The Economic Intelligence Unit's forecasts, Mexico's gross domestic product (or GDP) is projected to grow from U.S.\$840 billion in 2006 to U.S.\$1,121 billion in 2012. In addition, there has been significant improvement in average income levels. Per capita GDP grew from U.S.\$6,162 in 2003 to U.S.\$7,818 in 2006. The improvement in the average income level of the Mexican population can directly influence the increase in drug consumption, particularly within the lower income classes where greater disposable income can be directed to pharmaceutical expenses.
- *Increasing expenditures on pharmaceuticals as a percentage of GDP.* The Economic Intelligence Unit estimates that in 2007, the United States, with a population of approximately 300 million people, had pharmaceutical expenditures representing 2.6% of its GDP, compared to just 1.7% of GDP in Mexico, with a population of approximately 109 million. Mexico's pharmaceutical expenditures remained stable at 1.6% of

GDP from 2004 to 2006. During the same period, U.S. pharmaceutical expenditures grew from 2.3% to 2.4%, representing a growth rate of 7.0%.

- *Aging of the Mexican population.* While Mexico's social services and medical insurance coverage are not on the same scale and breadth as those of the United States, improved medical conditions in Mexico have been responsible for a continued decrease in the mortality rate and a rise in average life expectancy from 74.2 years to 75.4 years over the past five years. An aging population is associated with increased drug consumption and at a greater frequency.
- *Mexico's focus on broadening access to pharmaceutical services and reducing overall pharmaceutical costs.* As evidenced by the "Seguro Popular" pharmaceutical insurance program, the Mexican government is investing substantial effort to provide the Mexican population with better access to pharmaceutical services. Additionally, the government is encouraging use of less expensive OTC pharmaceutical alternatives in order to reduce the pharmaceutical cost burden on national insurance agencies.
- *Greater self-medication for minor and chronic illness.* Market research has found that the Mexican population tends to self-medicate based on family recommendations or past visits to the doctor. Mass media and OTC pharmaceutical companies looking to educate the consumer about their products have raised awareness and confidence in the consumer's ability to self-diagnose and administer OTC pharmaceutical remedies. In addition, changes in lifestyle derived from continued urbanization involving more pollution and longer working hours, among other factors, are generating demand for new products that improve quality of life. Lifestyle products include weight control drugs, food supplements and digestive aids, among others, and represent new and/or rapidly growing categories of the OTC pharmaceuticals market.

Manufacturing

A principal component of the pharmaceutical supply chain is the sourcing of active pharmaceutical ingredients (or API). Smaller pharmaceutical companies generally do not operate facilities to manufacture APIs, but instead secure access through contractual arrangements. Many Mexican pharmaceutical manufacturers source their API from off-shore manufacturers located in India and China. According to the Mexican Economic Census, there were 480 OTC pharmaceutical manufacturers in Mexico at the end of 2004.

Distribution

In Mexico, pharmaceutical products are available to the public through both private and government distribution channels. Approximately 90.0% of private sector pharmaceutical sales are placed through wholesalers, which in turn sell primarily to retail pharmacies or mass merchandisers. The remaining 10.0% of private sector pharmaceutical sales are placed directly by manufacturers to a few large pharmaceutical retail chains that purchase sufficiently, large volumes to have direct access to the laboratories.

OTC pharmaceutical products are distributed to the end user through the traditional retail channels. Mexico had some 25,000 pharmacies operating at the end of 2005, including the in-store pharmacies in supermarkets and hypermarkets, pharmacy chain stores and local pharmacies. Convenience stores, street kiosks, and other smaller retail outlets, also sell basic OTC pharmaceutical products, such as analgesics and indigestion and heartburn remedies. Pharmacies within hypermarkets are gaining market share as consumers increasingly enjoy the convenience of one-stop shopping trips.

Regulation

The Mexican General Law of Health (*Ley General de Salud*) is the law that controls medicines in Mexico. The Mexican Ministry of Health controls the registration and classification of OTC pharmaceutical products. This entity is, among other things, responsible for regulations involving the manufacturing, registration, sales and advertising of pharmaceutical products in Mexico. According to the General Health Law, OTC pharmaceuticals may be sold in pharmacies as well as other retail outlets. Self-service is permitted for all OTC pharmaceuticals.

All advertisements of OTC pharmaceutical products must be registered and approved by the Mexican Ministry of Health based on the type of advertisement, the product and whether these meet the guidelines required by health

regulations prior to their release. Applications for marketing authorization of non-prescription medicines, vitamins and minerals, homeopathic medicinal products and herbal medicinal products should include technical and scientific information that demonstrate the identity and purity of their components, as well as safety and efficacy information, and a labeling draft. See “Our Business—Regulatory Affairs.”

Personal Care (or PC) Industry Overview

The personal care industry is comprised of skin care, hair care, sun care, bath and shower products, deodorants, color cosmetics, oral hygiene, fragrances and depilatories. According to Euromonitor, in 2006, the global personal care industry generated an estimated value of U.S.\$269.6 billion. In 2006, the personal care sales in Mexico had an estimated value of U.S.\$6.9 billion, and represented 2.7% of the global market. The Mexican personal care market has increased at a compound annual growth rate of 6.6% from 2001 to 2006 and, according to Euromonitor, the market is projected to grow from U.S.\$6.9 billion in 2006 to U.S.\$7.6 billion in 2011, representing a compound annual growth rate of 1.8%.

Within the Mexican personal care industry, the largest sub-categories were hair care (U.S.\$1.5 billion), skincare (U.S.\$1.1 billion) and fragrances (U.S.\$1.0 billion). As in the case of OTC pharmaceutical products, the growth in the personal care market has been driven by a stable and growing economy and increased demand for products that improve quality of life in Mexico.

Mexican Personal Care Sales Growth by Category

	2006 Sales (In millions of U.S. dollars)	Compound Annual Growth Rate 2001-2006
Depilatories	U.S.\$ 42.0	17.8%
Sun care	66.1	13.2%
Oral hygiene	845.4	9.1%
Skin care ⁽¹⁾	1,128.5	9.1%
Hair care ⁽¹⁾	1,517.4	7.0%
Men’s grooming products	592.5	6.8%
Fragrances	1,022.1	6.8%
Premium cosmetics	575.0	6.8%
Color cosmetics	859.5	6.0%
Deodorants ⁽¹⁾	470.4	5.1%
Baby care	145.3	2.1%
Bath and shower products ⁽¹⁾	558.5	1.6%
Total cosmetics and toiletries	<u>U.S.\$6,928.7</u>	<u>6.6%</u>

Source: Euromonitor.

(1) Includes amounts that are also included in the men’s grooming products sector. Such amounts have not been included in the “Total cosmetics and toiletries” line.

We expect the growth of the Mexican personal care market to be primarily driven by the following key trends and developments:

- *Rising disposable income and broadening access to credit in Mexico.* According to Euromonitor, the number of middle-income families with incomes of Ps.9,000 to Ps.20,000 a month has doubled since the mid-1990s. This increase in disposable income has directly translated to greater consumption of personal care products and retail products in general, with middle-income consumers expanding their purchases of

premium personal care products. Furthermore, Mexican consumption growth is expected to be bolstered by the continuing increase in access to consumer credit.

- *Growth of the modern retail trade.* Over the last two decades, the Mexican retail market has evolved as retailers extended modern retail concepts to more cities and towns, and larger retailers and discounters, such as Wal-Mart México began to emerge. Future retailer penetration is expected to continue as large retailers open new stores in small cities and large rural areas.
- *Aging population likely to fuel skin care trends.* According to Mexican government sources, women between the ages of 15 and 64 accounted for 64.0% of the total female population in 2005. This share is expected to increase to 66.0% by 2010, which could increase demand for nourishing/anti-aging and firming/anti-cellulite body care products in the coming years. In addition, products for older women are capturing more shelf space in retail outlets. There is also increased advertising for skin care products aimed at women in their thirties, with the aim of encouraging them to prepare their skin for the process of aging.
- *Natural and organic health trends represent a growing niche market opportunity.* Retailers are expanding their natural and organic beauty product offerings, increasing their accessibility and creating higher levels of competition as well as consumer demand. Natural and organic ingredients are set to expand in new sectors, such as in hair coloring and depilatories. In addition, Mexican women, as well as an increasing number of men, are using more skin care products reflecting a focus on aging, fashion trends and skin cancer prevention. For instance, sun care products sales are increasing as an increased number of campaigns against skin cancer are launched in Mexico.

Distribution

Mexican personal care manufacturers distribute their products through both retail and direct channels. The retail channel represented 76.5% of sales in 2006, while the direct channel represented 23.5% of sales. Within the retail channel, personal care products are sold across a broad spectrum of retailers, with the majority of sales within the supermarket/hypermarket channel. The five largest retail outlets by rank in 2006 were: supermarkets/hypermarkets (representing 49.2% of retail sales), pharmacies/drugstores (representing 12.4% of retail sales), discounters (representing 11.5% of retail sales), department stores (representing 9.5% of retail sales) and convenience stores (representing 5.1% of retail sales). Private label personal care products have a limited presence within the retail channel, and Euromonitor estimates total personal care private label penetration of 0.7% in 2006, down from 0.8% in 2002.

OUR BUSINESS

General

We are one of the fastest growing over-the-counter pharmaceutical (or OTC pharmaceutical) and personal care products companies in Mexico, with a growing international presence. We focus on the development, sale and marketing of a broad range of premium branded products, many of which hold leading positions in the categories in which they compete in terms of sales and market share. Through a combination of a successful new product development process, consumer-oriented marketing, a broad retail distribution network and a low-cost, highly flexible operating model, we have been able to significantly grow our net sales and profitability. During 2007, we had net sales and EBITDA of Ps.1,872.9 million and Ps.460.5 million, respectively. From 2005 to 2007, the compounded annual growth rate of our net sales was 64.4%.

We offer over 90 products in high-growth categories, including anti-acne, sexual protection and enhancement, anti-wrinkle, scar removal ointments, hemorrhoid treatments, anti-acids, anti-ulcer, varicose vein treatments, osteoarthritis and wart removal treatments. Our products, which are sold under 33 different brands, are widely available throughout Mexico and attract consumers across all socio-economic levels. Some of our top selling brands, set forth in the table below, hold leading market positions in their respective product or industry category. A total of 51 products are sold under the brands highlighted below.

Brand	Product Category	% Market Share⁽¹⁾	Market Ranking⁽²⁾	Net Sales Ps. Millions⁽³⁾	% of Total 2007 Net Sales⁽⁴⁾
Asepxia	Anti-acne ⁽⁵⁾	76.4%	1	305.2	17.0%
Línea M	Sexual enhancers and contraceptives	NA*	NA	202.0	11.2%
Cicatricure	Scar removal	57.6%	1	182.8	10.2%
Nikzon	Hemorrhoid treatment	39.7%	2	147.4	8.2%
Genoprazol	Anti-ulcer medication	26.2%	2	145.8	8.1%
Goicoechea	Topical varicose vein treatments	94.2%	1	125.0	7.0%
X-Ray	Joint and muscle pain relief	94.4%	1	109.4	6.1%
Pointts	Wart removal	NA	NA	100.2	5.6%
Complett	Face and body creams	NA	NA	67.9	3.8%
Dalay	Sleeping aids/Relaxers	NA	NA	62.3	3.5%

* NA means that market data was not available from IMS Health.

(1) Percentage of market share in Mexico is in terms of net sales for 2007. Source: IMS Health.

(2) Ranking is based on the brand's corresponding category in Mexico as of December 31, 2007. Source: IMS Health.

(3) These net sales correspond only to our net sales in Mexico, which represented over 95.0% of our total net sales in 2007.

(4) This percentage is calculated by dividing our net sales in Mexico of the corresponding brand by our total net sales in Mexico in 2007.

(5) The anti-acne category used to calculate Asepxia's market share is the sum of the total markets for oral anti-acne and topical anti-acne treatments as reported by IMS Health. The market share calculation is the sum of the net sales of Asepxia in each such category as reported by IMS Health.

We have extensive in-house product and brand development capabilities, which gives us a strong growth profile without necessarily relying on external acquisitions to achieve such growth.

The manufacturing of our products is performed by reputable manufacturers that specialize in the production of OTC pharmaceutical and consumer products. We do not buy directly the raw materials for the production of our products, but we do buy the materials needed for the packaging of our products, which we provide to our manufacturers. The development and manufacturing of our products does not depend on a particular supplier and we have not observed any significant volatility in the prices of the raw materials used by the manufacturers for the production of our products. Some of our principal manufacturers include Olnatura, S.A. de C.V., Francobel Comercializadora, S.A. de C.V., Protein, S.A. de C.V., Albek de Mexico, S.A. de C.V. and Importadora Comercial del Norte, S.A. de C.V., among others.

One of our core competencies is building the equity of our brands through innovative and highly targeted marketing campaigns, which are developed in-house and allow us to reach a diverse and increasingly loyal base of consumers. One of our principal marketing strategies is to educate consumers about the medical conditions that our OTC pharmaceutical products treat, and to highlight our products' distinguishing attributes and effectiveness.

We have a nationwide sales presence in Mexico where we distribute our products through a diversified, multi-channel platform that includes drug wholesalers, national pharmacy chains, mass merchandisers, warehouse clubs and department stores. In Mexico, this platform allows us to reach more than 21,000 points-of-sale. We continuously look for opportunities to grow our product distribution network by growing with our current customers and distributors as well as by entering new distribution channels, which we expect to provide additional avenues for future net sales growth.

Our Business Model

We operate a differentiated business model focused on product categories that have attractive growth characteristics, mass market appeal and are responsive to advertising. Key aspects of our business model include:

- extensive in-house product development capabilities coupled with a core competence in creating high-impact, successful brands;
- a highly focused marketing strategy based on consumer and market metrics analysis;
- effective use of television and other media advertising and promotional campaigns to communicate directly with consumers;
- in-house advertising production capabilities that provide us the flexibility to respond rapidly to changes in consumer demand and competitors' strategies, and enable us to achieve time and cost efficiencies;
- nationwide distribution of our products through a diversified, multi-channel platform that includes drug wholesalers, national pharmacy chains, mass merchandisers, warehouse clubs and department stores; and
- outsourced manufacturing for substantially all of our products.

Our Competitive Strengths

We believe that our main competitive strengths include the following:

Diverse and Broad Portfolio of Leading Brands

We have a diverse portfolio of over 90 individual OTC pharmaceutical and personal care products that we sell under 33 brands. Our top selling brands, including Asepxia, Cicatricure, Genoprazol and Nikzon, target a variety of high-growth product categories and hold leading positions in terms of sales and market share in the Mexican marketplace. We believe these are trusted and established brands, with many occupying a "top-of-mind" position for consumers in their respective categories. We believe our leading brands provide us with a competitive advantage in growing our business and promoting both our current and new products.

Proven Ability to Develop Products and Position New Brands

New product development is a fundamental part of our growth strategy. We generally design and develop new brands to launch our new products. We have achieved significant net sales growth through successful new brand launches, product line extensions, new packaging presentations, effective formulations and continuous promotion and advertising. In 2007, we successfully introduced 23 new products under 16 new brands, which represented 15.9% of our net sales. With the exception of six brands acquired from third parties, we have developed all the brands in our portfolio, several of which have reached leading market positions in Mexico. For example, we launched Genoprazol in 2004 using international standards of omeprazol as a treatment for gastritis. By the end of 2007, Genoprazol had achieved the number two position in its category in Mexico with a 26.2% share in terms of sales.

Comprehensive Consumer and Market Research Capability

We assess consumer attitudes and trends to gauge the likelihood of a product's success in the marketplace prior to its introduction. Once we launch a product, we use a proprietary media planning system that correlates our own statistical databases with market data, which allows us to monitor the effectiveness of our marketing campaigns on a weekly, or in some cases daily, basis. Our frequent review, upgrade and adjustment of our marketing strategy, in combination with our rapid response in advertising, creates an effective marketing dynamic that has supported our drive to build brand equity, launch new products and compete successfully against world class competitors.

A Vertically Integrated In-house Marketing Platform

We believe that our ability to quickly detect and effectively respond to changes in the market and consumer behavior reflects the success of our integrated market strategy. Our marketing efforts are focused primarily on high-impact television marketing campaigns, as well as radio, billboard and print advertising and promotional programs. Our internal media production capabilities, which include the development, production and post-production of television commercials, provide us a high level of flexibility, which, combined with our proprietary media planning system, provide us with the tools needed to react quickly to changes in consumer trends. We believe that this approach allows us to differentiate our products, build brand equity, increase market penetration of existing brands, and support the launch of new and acquired brands as well as product line extensions.

Strong National Presence and Distribution Network

We have a broad distribution platform comprised of many of the leading wholesalers, national pharmacy chains and national mass merchandisers that provides us with a strong nationwide sales presence in Mexico. Our distribution network utilizes centralized, direct delivery to large retail chains and leverages distribution through drug wholesalers to reach over 21,000 points-of-sale throughout Mexico. We believe that this customer mix provides a direct distribution network that is difficult to replicate by new competitors entering the Mexican OTC pharmaceutical and personal care markets, and provides us with a strong basis to grow profitably. In addition, our customers have also grown as they have extended their own distribution networks, and we expect to continue to grow with them in the future. There are several distribution channels in Mexico that we have not yet fully penetrated, such as department stores, warehouse clubs and convenience stores, which also provide opportunities to expand our distribution network.

Established Network of Reputable Third-Party Manufacturers that Provides Us Flexibility with Minimal Capital Expenditure and Management Resources

We have established a network of reputable third-party manufacturers that produce the majority of our products under negotiated contracts. The use of third-party manufacturers provides us significant flexibility in our operations, while not requiring significant use of capital expenditures or management resources. We work closely with our manufacturers to assure adherence to international standards of quality based on current good manufacturing practices, or GMPs, Mexican regulatory requirements and our own quality specifications.

Experienced Management Team

Our senior management team has significant experience in the pharmaceutical and consumer products industries. Our management team participated in our transformation from an entrepreneurial success story to one of the leading OTC pharmaceutical and personal care companies in Mexico. Over the years, our senior management team has continually demonstrated its ability to find and exploit attractive market opportunities and develop strong brands in an innovative and profitable manner.

Our Growth Strategy

Our objective is to continue to expand our leadership position in the OTC pharmaceutical and personal care industry and grow our net sales at above average industry rates while maintaining our profitability. The key elements of our business strategy are to:

Build Brand Equity Through Targeted Marketing Campaigns

We believe that we are one of the most successful companies in Mexico in developing and growing OTC pharmaceutical and personal care brands. We intend to continue to make significant investments in promotion and advertising to build brand awareness and drive net sales for our leading products, and to improve the performance of those products we believe have the potential to realize significant further net sales growth. Currently, we have six brands that hold the number one or two market positions in terms of sales across their respective categories in Mexico, and several brands that we believe have the potential to also become category leaders. By capitalizing on our extensive in-house advertising capabilities, we believe we can position several more of our brands as market leaders over the medium term.

Expand Our Market Leadership Through the Introduction of Innovative New Products

One of our core priorities is to ensure the continuous development of our product portfolio through both the introduction of new products and development of line extensions of existing brands. To achieve this objective, we engage in continuous evaluation of potential products to add to our product portfolio in our existing and new product categories. As of March 31, 2008, we were engaged in the development of 227 new products: 51 were line extensions of existing products, 71 were new products in our existing categories and 105 were new products in new categories. For example, we launched Silka Medic, our dermatological antifungal treatment product in April 2007. Dermatologic antifungal is one of the most competitive therapeutic categories in Mexico in terms of advertising activity, and both leading brands, Ting and Lotrimin, were endorsed by the recognized and well-positioned laboratories Schering Plough and Sanofi Aventis. From its launch in April 2007 to December 2007, Silka Medic achieved 4.2% of the market share of its category in Mexico in terms of sales.

Increase the Distribution of Our Products Across Multiple Channels

Our extensive domestic distribution network ensures that our products are well positioned across multiple distribution channels. Our major brands are currently distributed broadly throughout Mexico, and we anticipate that our net sales will grow as our distributors expand their points-of-sale or build new stores. We also foresee significant opportunities to expand the number of brands and products we sell through our current distribution channels, as well as through other channels that we have not yet fully penetrated, including department stores, warehouse clubs and convenience stores. Our distribution network already includes the leading food and non-food retailers, pharmacy chains and drug wholesalers in Mexico, including Wal-Mart México, Nadro, Casa Saba, Soriana and Comercial Mexicana.

Expand Our Geographic Presence

While our net sales outside of Mexico represented Ps.75.3 million or 4.0% of our 2007 total net sales, we see many attractive opportunities to grow in countries or regions that have similar market dynamics and consumer characteristics to those of Mexico. We believe that various countries in Latin America are natural expansion markets for us because we have the ability to build upon our strength in advertising to focus and capitalize on the language, cultural and socio-economic similarities in the populations, as well as on our existing relationships with television broadcasters in those countries. We have established a presence from which we plan to grow in the near term in Peru, Ecuador, Chile, Central America and Argentina. Over the medium term, we anticipate establishing a base for growth in Brazil and Colombia.

Pursue Strategic Acquisitions

We intend to complement our organic growth by continuing to assess potential acquisition opportunities, including companies, brands and trademarks. We have primarily been focused on the purchase of underperforming

brands in which we recognize a compelling opportunity to capitalize quickly upon the brand equity that we believe is not being fully exploited in these products. In each of these cases, we reformulate the product, seeking to improve its functionality, modernize the packaging and presentation and launch the new product with a revitalized marketing campaign. For example, in 2007, we acquired the Bengué brand after its market share in Mexico in terms of sales had deteriorated to 2.9% by the end of 2006. Within six months of the product's re-launch, its market share in Mexico in terms of sales reached 14.2% in December 2007. In addition, we intend to consider the acquisition of products, brands and business platforms that fit our business model objectives in order to enter new product markets or consolidate our position in the markets in which we compete.

Our Products

We have a diverse portfolio of over 90 individual OTC pharmaceutical and personal care products that we sell under 33 brands.

Top Selling Brands

Our ten top selling brands target a variety of high-growth product categories and hold leading positions in terms of sales and market share in the Mexican marketplace. We believe these are trusted and established brands, with many occupying a "top-of-mind" position for consumers in their respective categories. Our ten top selling brands together represented approximately 80.6% of our total domestic net sales in 2007.

We intend to continue developing and launching new products for these top selling brands in the future as we believe there are still opportunities to complement our existing line of products. Also, we plan to continue supporting these brands in order to attract new consumers with regularly updated advertising and promotion campaigns. Additionally, we believe that there is attractive sales potential for these brands in the international markets.

Asepxia

This brand consists of 18 different products for the treatment of acne in different presentations including capsules, soaps, shower gels, medicated towels and topical ointments. These products target primarily younger consumers and are positioned within the premium price segment of their category.

Since the introduction of Asepxia Caps acne treatment product in 2002, Asepxia has developed into an industry leader in acne treatments by providing a wide variety of effective treatments. Over the past three years, we have built upon our core Asepxia brand franchise by expanding the line of products to new topical personal care products. The Asepxia brand is built on the foundation of providing consumers with problem-solving OTC pharmaceutical and personal care products that combine treatment and cosmetic benefits. As of December 31, 2007, our Asepxia brand was the leading brand in Mexico in the category of acne treatments in terms of market share based on sales.

Línea M

This brand consists of 11 products that include sexual enhancement capsules, condoms and sexual lubricants, among others. These products target a broad and diverse population and are positioned within the premium price segment of their category. This brand is comprised of two large sub-brands which are M-Force and Multi-O, targeted to the male and female populations, respectively.

We launched the M-Force brand in July 2002 as sexual enhancement capsules for men and built on the brand equity derived from its success to create different products under that brand. Subsequently, we identified the opportunity to launch a similar brand, Multi-O, to target the female population. Since Multi-O's launch in 2003, we have extended its product line significantly. We believe that our Línea M brand is one of the most recognized brands in Mexico in the sexual related categories, and it has become one of our most important brands in terms of sales.

Cicatricure

This brand consists of four different products for reducing the appearance of scars and wrinkles in different presentations including creams and gels. These products target a broad and diverse population and are positioned within the premium price segment of their category.

We launched Cicatricure in November 2003 as a treatment for the reduction of scars resulting from accidents or clinical surgeries. A few months after the product's launch, we discovered that consumers were also using this product for the elimination of wrinkles with positive results, and almost immediately, we began conducting clinical tests and studies to confirm this additional functionality. Since the success of our first product under this brand, we have launched various product line extensions to serve different consumer needs related to the treatment of scars and wrinkles. As of December 31, 2007, the Cicatricure brand was the leading brand in Mexico in the category of scar removal treatments in terms of market share based on sales.

Nikzon

This brand consists of a single product for the treatment of hemorrhoids in an oral presentation. This product targets a broad and diverse population and is positioned within the premium price segment of its category.

We launched Nikzon in June 2002 as a treatment for hemorrhoids. After conducting extensive market research of products available in the Mexican market in this category, we recognized the opportunity to dominate this category with an innovative formulation in an oral presentation. At the time, the market offered only topical ointments, medicated towels and suppositories, all of which were associated with some degree of discomfort for the consumer in their application. Nikzon offered a unique approach to the treatment of hemorrhoids and quickly gained a significant market share. As of December 31, 2007, the Nikzon brand was the leading brand in Mexico in the category of anti-hemorrhoid treatments in terms of market share based on sales.

Genoprazol

This brand consists of a single product for the treatment of gastritis in an oral presentation. This product targets a broad and diverse population and is positioned within the premium price segment of its category.

We launched Genoprazol in October 2004 as a treatment for the symptoms produced by gastritis. After conducting extensive market research of the products available in the Mexican market and understanding the intense competition in this category, we recognized an opportunity to enter the category with the latest and most efficient active ingredient available, omeoprazol, which functions as a proton pump inhibitor. At the end of 2007, our Genoprazol brand was the second largest selling brand in Mexico in the category of anti-ulcer medication treatments.

Goicoechea and Goicotabs

This brand consists of seven products for the prevention of varicose veins in a variety of cream presentations. These products target the mature female population and are positioned within the premium price segment of its category.

We launched Goicoechea in 1999 as a product for the prevention of varicose veins and also as an auxiliary for the relaxation of tired legs for women. We developed this line of products after detecting an unfulfilled need in the Mexican market for products specially formulated for women's legs. Since 2003, we have developed product line extensions under the Goicoechea brand to fulfill other related consumer needs including anti-cellulite and anti-itch products. Additionally, we have extended this line of products by launching Goicotabs I in February 2004, the first treatment for varicose veins in an oral presentation in Mexico. As of December 31, of 2007, Goicoechea was the leading brand in Mexico in the category of varicose veins treatment in terms of market share based on sales.

X-Ray

This brand consists of two products for the treatment of osteoarthritis as well as a joint and muscle pain reliever in different presentations including capsules and cream. These products target the mature population and are positioned within the premium price segment of its category.

We launched X-Ray in May 2003 as a product for the prevention of osteoarthritis as well as a joint and muscle pain reliever. After determining that the size and growth rate of this product category was attractive, we analyzed the feasibility of participating in this product category and developed an innovative formulation supported by a highly attractive marketing campaign. As of December 31, 2007, our X-Ray brand was the leading brand in Mexico in the category of arthritis treatments and joint and muscle pain relief products in terms of market share based on sales.

Pointts

This brand consists of a single product, a device for the removal of warts. This product targets a broad and diverse population and is positioned within the premium price segment of its category.

We launched Pointts in March 2007 after conducting extensive market research of products available in the Mexican market in this category. We recognized the opportunity to dominate this category with an innovative solution for the removal of warts. When we launched the Pointts brand, there were only topical ointments available in the Mexican market, all of which provided limited functionality in the treatment of warts and skin abnormalities. Pointts, manufactured by Orasure International, offered a unique approach to the removal of warts and rapidly gained a significant market share. As of December 31, 2007, the Pointts brand was the leading brand in Mexico in its category in terms of market share based on sales.

Complett

This brand consists of five facial and body cream products. These products target middle-income, young adult women.

We launched Complett in September 2006 as a facial and body cream. After conducting extensive market research of the products available in the Mexican market and understanding the intense competition in this category, we recognized an opportunity to provide middle-income consumers with a combined facial and body cream. By the end of 2007, our Complett brand had gained a significant market share based on sales in a highly competitive category.

Dalay

This brand consists of one product that helps reduce stress and irritability and acts as a sleeping aid. This product targets a broad and diverse population and is positioned within the premium price segment of its category.

We launched Dalay in August 2006 after conducting extensive market research of similar products available in the Mexican market and we determined that there was a strong demand for these products. By the end of 2007, the Dalay brand had gained a significant market share based on sales in its category.

Brand and Product Portfolio

Our top selling brands are supported by a broad portfolio of products, many of which target large, high-growth OTC pharmaceutical and personal care markets such as medicated shampoo, muscle pain and cosmetic creams, among others. We believe that many of these products have the potential to continue to be or become category leaders.

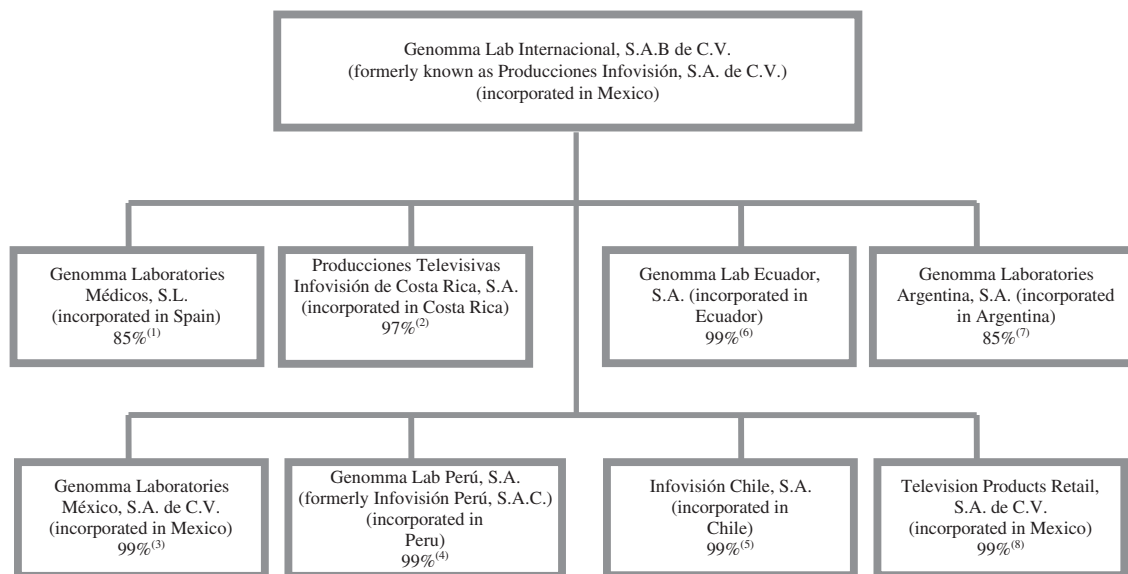
The table below sets forth the 33 brands in our brand portfolio as of March 31, 2008, through which we market more than 90 products:

<u>Brand Name</u>	<u>Description</u>	<u>Category</u>
Asepxia	OTC pharmaceutical and personal care products for the treatment of acne	Anti-acne treatment
Bengué	OTC medicated gels and OTC hygienic products to alleviate muscle pain	Topical muscle and joint soreness relief
Bio Electro	OTC oral medication for headaches and migraines	Oral pain reliever
Cicatricure	Gels and creams for scars, wrinkles and skin spots	Scar removal
Complett	Body and facial cream	Body creams
Dalay	OTC oral medication to alleviate insomnia and stress	Sleeping aid / Relaxers
Dermoprada	OTC medicated solution for warts	Wart removal treatment
Elixir 9	Cosmetic line for men including shaving gels, aftershave balm and exfoliating and hydrating cream	Male personal care and grooming products
Fat Away	Fiber in powder form	Weight control
Excelsus	OTC chewing gum containing Vitamin C	Vitamin supplement
Firmezza	Body cream to improve skin tone and firmness	Body creams
Gargax	OTC hygienic product (antiseptic mouthwash to treat sore throat)	Sore throat treatment
Genomicot	OTC medicated products for the treatment of athlete's foot	Dermatological antifungal
Genoprazol	OTC proton pump inhibitor	Oral heartburn/anti-ulcer medication
Goicoechea	Cosmetic creams for varicose veins	Topical varicose vein treatment
Goicotabs	OTC oral medication to treat varicose veins	Oral varicose vein treatment
Línea M	OTC oral medication, medicated lubricants, energizing beverages and condoms designed to improve sexual performance for men and women	Sexual performance aid
Lozla	OTC anti-acid chewing gum	Anti-acid
Medicasp	Dandruff shampoo	Dandruff shampoo
Metabol Tonics	OTC oral tablet to help control weight	Weight control
Next	OTC oral medication to alleviate cold and flu symptoms	Cold and flu treatment
Nikzon	OTC oral medication to treat hemorrhoids	Anti-hemorrhoid
Pantalla 100	Anti-aging cream with sunscreen	Anti-aging cream
Pointts	Medical device to eliminate warts by using cryogenics	Wart removal treatment
Resphry	OTC oral medication to alleviate cold and flu symptoms	Cold & flu treatment
Safetox	Medical electric device to remove wrinkles	Anti-wrinkle
Shot B	OTC multi-vitamin product	Vitamin supplement
Silka	Exfoliating cream	Body creams
Silka Medic	OTC medicated products for the treatment of athlete's foot	Dermatological antifungal
Siluet 40	Body sculpting soaps	Soaps
Touch Me	Hair removal cream and soaps	Hair removal creams
White Secret	Skin-whitening creams	Body creams
X-Ray	OTC oral medication and OTC medicated creams to treat joint pain caused by osteoarthritis	Oral/Topical arthritis/joint & muscle pain relief

Our Corporate Structure

We were incorporated in 1996 and will become a publicly traded company in Mexico upon registration of our Shares with the RNV and their listing on the BMV.

The following diagram illustrates our current organizational structure:



- (1) The shareholder of the remaining 15.0% of the stock of Genomma Laboratorios Médicos, S.L. is Mr. Ernesto José Serrano Garrido, who is a senior officer of this subsidiary.
- (2) The shareholder of the remaining 3.0% of the stock of Producciones Televisivas Infovisión de Costa Rica, S.A. is Mr. Pablo José Monroy Cazorla, who is member of our board of directors.
- (3) The shareholder of the remaining 1.0% of the stock of Genomma Laboratories México, S.A. de C.V. is Televisión Productos Retail, S.A. de C.V.
- (4) The shareholder of the remaining 1.0% of the stock of Genomma Lab Perú, S.A.C. is Genomma Laboratories México, S.A. de C.V.
- (5) The shareholder of the remaining 1.0% of the stock of Infovisión Chile, S.A. is Mr. Pablo José Monroy Cazorla.
- (6) The shareholder of the remaining 1.0% of the stock of Genomma Lab Ecuador, S.A. is Genomma Laboratories México, S.A. de C.V.
- (7) The shareholder of the remaining 15.0% of the stock of Genomma Laboratories Argentina, S.A. is Mr. Máximo Juda, who is the chief executive officer of this subsidiary.
- (8) The shareholder of the remaining 1.0% of the stock of Television Products Retail, S.A. de C.V. is Genomma Laboratories México, S.A. de C.V.

Product Development

New product development is a key element of our business model, one of our core strengths and a strong basis for our future growth. We have achieved significant net sales growth through successful new brand launches, product line extensions, new presentations and continuous promotion and advertising. We study, design and formulate products to meet our specifications, working closely with carefully chosen manufacturers to ensure that our production standards are maintained. We constantly aim to introduce innovative products in categories with growth potential and to develop product formulations and packaging presentations differentiated from those available in the market in a way that we believe our potential consumers will value. We divide our product development process into three stages:

- product, consumer and market research;
- formulation and packaging design; and
- compliance and new product launch.

Product, Consumer and Market Research

We introduce new products to the market after an extensive research and evaluation process, which includes focus groups, customer surveys of the market and our competitors, and product innovation. We also stay abreast of new trends in our industries by attending more than 20 international trade shows each year and sending our research teams to major cities throughout Europe, the United States and Asia to identify new product opportunities, market trends and product and packaging innovations, as well as the newest active ingredients for OTC pharmaceuticals. We combine our understanding of our target consumer with our knowledge of market trends and analysis of competitors' strategies. In addition, we routinely track the performance of our competitors and competing products in the OTC pharmaceutical and personal care industries to identify categories with an attractive size and the potential for high growth.

Formulation and Packaging Design

Our research team analyzes existing OTC pharmaceutical and personal care products in the marketplace to identify opportunities for new formulations that we can develop further. For example, Genoprazol, our OTC anti-ulcer treatment, was launched in October 2004 using omeprazol, which was considered to be the best active ingredient to treat gastritis.

Additionally, the packaging design and visual presentation of our products is an integral part of our business strategy and a key distinguishing feature of the products we sell. Our design and marketing departments identify packaging design alternatives for our products based on prevailing customer needs, the latest trends in packaging design and technology, and a review of the product packaging of our competitors. By analyzing the visual effect of our products from the point of view of the consumer, we are able to develop attractive packaging that enhances the shelf appeal of our products and distinguishes them from those of our competitors.

Compliance and New Product Launch

Innovation is a fundamental element of our corporate culture and business strategy. We continuously aim to introduce new products in categories with growth potential and develop value-added product presentations to differentiate our products from those of our competitors.

The consumer is the core of our marketing and development process. Our approach is to actively involve consumers in the creation of new products and concepts by exploring their needs and preferences through extensive market research. Our market research involves the use of qualitative and quantitative research surveys such as focus groups, workshops and idea laboratories. As part of this process, we obtain research from leading market research agencies in Mexico, Latin America and Europe, such as Pearson plc, Buró de Investigación de Mercados, S.A. de C.V., Research International, S.A. de C.V., W.M.C y Asociados, S.A. de C.V., Estrategias Euro RSCG, S.A. de C.V. and A.C. Nielsen, S.A. de C.V., to ensure that we obtain reliable results. In 2007, we carried out approximately 90 qualitative and 20 quantitative consumer surveys.

Our media planning process for a launch is preceded by thorough research of the market, our potential consumers, and the perceived advantages of our products. Following the research stage, we create a media plan based on our previous experience and econometric modeling that involves the analysis of competing products, competing media strategies and establishment of target market share and net sales.

We work closely with third party laboratories and manufacturers, that have been approved by our quality control team, to refine and finalize our products and packaging. The majority of our new products are first released in Mexico, and their net sales performance is a key factor that we consider in making our decision as to whether or not to sell the product internationally.

Our regulatory affairs department ensures our compliance with all laws and regulations (including COFEPRIS and PROFECO regulations) applicable to a product's registration, manufacture, packaging, advertising and export. See "—Regulatory Affairs."

Our quality control department ensures that all of our products satisfy applicable legal and regulatory requirements, and monitors our warehouses regularly and third party laboratories and manufacturers to ensure their

compliance with all applicable legal and regulatory requirements. We launch our new products after our regulatory and quality control requirements have been satisfied.

After a new product is launched, we monitor consumer purchasing, as we do with all of our existing products, in order to adjust our media plan to maximize the effectiveness of our marketing campaign during the initial stages of a new product's introduction. If a new product launch fails to meet our pre-determined market share and net sales targets within a certain period of time, we will remove the product from the market.

During the past three years, we have successfully developed and launched 51 new products under 32 new brands which represented accumulated net sales of Ps.452.7 million (the foregoing excludes product line extensions of our existing brands).

As of March 31, 2008, we were engaged in the development of 227 new products: 51 were product line extensions of our existing brands; 71 were new products in our existing categories; and 105 were new products in new categories.

Sales and Distribution Channels

Sales Strategy

Our sales strategy consists of the following:

- increase sales volume of existing products in existing domestic markets;
- launch new products in existing domestic markets;
- launch new products in new domestic markets;
- re-launch enhanced or re-designed existing products acquired from third parties in existing markets; and
- increase sales volume of existing products in existing and new international markets.

In addition to strong and innovative marketing campaigns supporting our products, the success of our sales strategy also depends largely on the extensive distribution capabilities and wide geographical presence of our customers in Mexico. Through our large multi-channel distribution platform, we quickly and efficiently reach our various target consumers. We maintain close relationships with our customers, with whom we continuously explore new and existing market opportunities.

An integral component of our net sales growth is our pricing strategy, which sets similar retail prices for our products across all of our distribution channels. The principal objectives of our "similar price" strategy are (i) to avoid price wars among our customers that may erode our brands and margins, (ii) to increase the number of potential consumers in each different store format by giving them the opportunity to buy our products in a variety of locations and (iii) to maintain the attractiveness of selling our products for the mass merchandisers and other retailers and drugstores by mitigating their risk of reducing their profit margins as a result of discounts or promotional activities. Additionally, by eliminating erratic fluctuations in the prices of products, our marketing department is free to focus strictly on increasing the exposure of our products and exploiting their therapeutic or cosmetic benefits. We believe our pricing and marketing strategies have made us an attractive and profitable supplier to our customers.

Additionally, because our marketing efforts are focused on the use of television advertising to inform and make our consumers aware of the conditions our products treat, we do not need to maintain a large force of sales representatives or store promoters inside our customers' facilities to keep our consumers informed about our products. As a result, we have been able to operate with a "lean" sales structure. Nonetheless, we foresee an opportunity to improve our sales volume through trade marketing activities that complement our marketing campaigns.

Customers

Our customers primarily consist of domestic drug wholesalers, large pharmacy chains and mass merchandisers in Mexico, and include, among others, Wal-Mart de México, Soriana (including the recently acquired Gigante

stores), Comercial Mexicana, Comercializadora Farmacéutica de Chiapas, S.A. de C.V. (or Farmacias del Ahorro), Farmacias Benavides, S.A. de C.V. (or Farmacias Benavides) Nadro, Casa Marzam, S.A. de C.V. (or Marzam), Fármacos Nacionales, S.A. de C.V. (or Fármacos Nacionales), Corporativo Fragua, S.A.B. de C.V. (or Fragua), Grupo Comercial Chedraui, S.A. de C.V. (or Chedraui) and Casa Saba.

In 2007, our top ten customers in Mexico were responsible for approximately 80.8% of our domestic net sales and no individual customer accounted for more than 20.0% of our net sales. By selling most of our products to these ten key customers, we have developed more focused and individually tailored sales strategies, which we believe further strengthens our relationships with these customers. We estimate that the large commercial infrastructure and distribution network of our key customers allow us to maintain a nationwide market presence for many of our products. We intend to continue using this large commercial infrastructure and distribution network in the future to sell our existing product lines as well as to introduce and sell new products.

Domestic Distribution Channels

We estimate our top five selling brands, which accounted for approximately 54.7% of our 2007 domestic net sales, have been able to reach a substantial percentage of the Mexican population. Moreover, we believe that these brands are not yet fully mature and that they still have a strong net sales growth potential. Our strategy to capitalize on this growth potential includes the following:

- the continuous expansion of our distribution channels;
- increasing market share of many of these brands by launching new marketing campaigns;
- launching line extensions under some of these brands; and
- being in a position to capitalize on increased consumption by our target consumers when their purchasing power strengthens.

Additionally, we believe that the rest of our brands also have extensive net sales growth opportunities that we may promote by increasing penetration across the different distribution channels in Mexico, as we build their brand recognition and market presence.

As of December 31, 2007, our main domestic distribution channels were as follows:

<u>Channel</u>	<u>Distribution</u>	<u>% of 2007 Net Sales</u>
Independent pharmacies and small pharmacy chains (through wholesalers)	18,000 small local drug stores and retailers ⁽¹⁾	35.3%
Mass merchandisers	1,226 stores	31.4%
Pharmacy chains	1,815 pharmacies	23.5%
Other	136 points of sale	9.8%
Total	21,177 points of sale	100.0%

(1) Estimates based on information provided by our key customers in this channel.

We believe we have diverse and effective distribution channels, as more than 60.0% of our net sales are made through distribution channels that reach the consumer directly.

Independent pharmacies and small pharmacy chains

Independent pharmacies and small pharmacy chains, which we reach using domestic wholesalers, are one of our primary distribution channels. These pharmacies are located throughout Mexico and typically are family owned businesses. This distribution channel is characterized by low purchasing power, limited cash flow, lack of information systems, weak merchandising efforts and limited pricing power relative to major retailers. Consumers who purchase our products through this distribution channel typically have very limited disposable income.

In recent years, this distribution channel has seen its share of the market erode as national pharmacy chains and large retailers have expanded their retail scope in Mexico. Market dynamics in this channel have been affected by the aggressive price reduction policies of self-service stores and larger pharmacy chains. Although independent pharmacies are experiencing difficulties in Mexico, this distribution channel remains an important element of our distribution network, which in 2007 accounted for approximately 35.3% of our domestic net sales.

According to data provided by drug wholesalers, our products reach more than 18,000 small local drug stores and retailers, through the following drug wholesalers: Nadro, Casa Saba, Marzam, Drogueros, Fármacos Nacionales, and Super Santander, S.A. de C.V., which together account for the majority of industry sales through this distribution channel.

Mass Merchandisers

Mass merchandisers are our second largest distribution channel and accounted for approximately 31.4% of our net sales in 2007. This channel reaches Mexican consumers at all socio-economic levels through different store formats and has experienced strong growth rate in Mexico as a result of the aggressive expansion plans of many mass merchandisers.

Pharmacy Chains

Pharmacy chains represented approximately 23.5% of our net sales in 2007. Additionally, our net sales through this distribution channel in 2007 grew by approximately 26.8% as compared to net sales in 2006. Although there are many pharmacy chains in Mexico, the three leading pharmacy chains with national distribution are Farmacias del Ahorro, Farmacias Benavides and Fragua.

Our strategy for all the above distribution channels is based on customer research and involves designing business plans with each customer in order to take advantage of our product initiatives and marketing campaigns that have positioned us as a value-added vendor.

Other Distribution Channels

Other distribution channels accounted for approximately 9.8% of our domestic net sales in 2007. These channels include department stores, warehouse clubs, convenience stores and general store wholesalers.

We believe these other distribution channels provide us an important avenue for organic growth. We intend to increase our presence in these channels in the future by adapting some of our products and packaging designs to the consumer preferences of their clients, in addition to launching tailor-made products supported by marketing campaigns specifically designed to address the needs and behavior of potential new customers.

International Presence

While our net sales from sales outside of Mexico represented Ps.75.3 million or 4.0% of our 2007 net sales, we see many attractive opportunities to grow in countries or regions that have similar market dynamics and consumer characteristics to those of Mexico. We believe that various countries in Latin America are natural expansion markets for us because we have the ability to build upon our strength in advertising to focus and capitalize on the language, cultural and socio-economic similarities in the populations as well as on our existing relationships with television broadcasters in those countries. We have established a presence from which we plan to grow in the near term in Peru, Ecuador, Chile, Central America and Argentina. Over the medium term, we anticipate establishing a base for growth in Brazil and Colombia. We also have an established presence in Spain.

Latin America

We have a regional office in Lima, Peru which serves Ecuador, Chile and Peru. The Peruvian office also supports our local office in San José, Costa Rica, where our Central American operations are overseen. We believe that we have significant opportunities for growth through increased distribution channels and product offerings in these countries.

We also have a presence in Argentina, which, due to the potential size of the Argentinean market, will initially be managed separately from the regional office in Lima, Peru. Our Argentine operations began in November 2007 with the sale of two personal care products, Silka and Goicoechea. We are in the process of obtaining the required authorizations to introduce selected OTC pharmaceutical products into the Argentinean market.

The table set forth below describes the products sold in each of the Latin American countries or regions and the date on which we commenced selling such products in such area:

<u>Country</u>	<u>Commenced Operations</u>	<u>Brands Sold in 2007⁽¹⁾</u>
Argentina	November, 2007	Goicoechea and Silk
Central America. .	January, 2007	Asepxia, Cicatricure, Dalay, Goicoechea, Goicotabs, Nikzon, Silka, Siluet 40 and Touch me
Chile	March, 2006	Goicoechea, Nikzon, Silka and Touch me
Ecuador	November, 2005	Asepxia, Cicatricure, Goicoechea, Silka, Siluet 40 and Touch me
Perú	September, 2004	Asepxia, Cicatricure, Complett, Dalay, Goicoechea, Goicotabs, Silka, Nikzon, Siluet 40 and Touch me
Bolivia	September, 2007	Asepxia, Goicoechea, Silka, Touch me

(1) Some of the brands used in our international operations are registered under a brand name which is spelled differently than the brand name in Mexico as a result of conflicts in the trademark registration or to accelerate registration processes.

Europe

Spain was our first expansion into the international market. We opened our regional office in Spain in the first half of 2002. During late 2003, we commenced the sale of some products in Spain through the retail distribution channel. Today we are selling our products in Spain through pharmacies and mass merchandisers. Our strategy is to sell different products to each distribution channel as pharmacies in Spain are the only authorized channel for drugs in any form. During 2007, we sold the Silka brands through mass merchandisers and the Fat Away brand and Cicatrikur brand (in Spain, the brand Cicatricure was registered as Cicatrikur) through pharmacies.

Our strategy is to continue introducing the products in our portfolio that have proven to be successful in Mexico once we obtain all the necessary registrations and permits from the corresponding international authorities.

The authorizations needed to sell our OTC pharmaceuticals and personal care products in Spain are valid for the entire European Union, which we believe provides us with an additional growth opportunity throughout Europe. We are in the process of obtaining authorizations to enter into exclusive manufacturing agreements with a number of pharmaceutical manufacturers in Spain which would put us in position to distribute such products throughout the European Union.

Marketing

Media Strategy and Planning

Our marketing strategy is to deliver a consistent message directly to the consumer through our media communications and visual merchandising. Our product marketing campaigns are created internally and executed by our marketing, merchandising and in-house production teams. Our strategy relies primarily on extensive consumer research, strong television advertising and sophisticated media planning.

We listen to our consumers through rigorous consumer research and monitoring of consumer reaction to the products we sell, which helps us assess consumer attitudes and trends, and gauge the likelihood of a product's success in the marketplace prior to its introduction. We believe our emphasis on strong television advertising, guided by our sophisticated consumer research, gives our brands and products a constant and effective on-air presence. Additionally, we vary our commercials frequently to adjust for seasonality, product characteristics and changing consumer preferences.

We believe one of our core strengths is our proprietary weekly media planning system, which measures the effectiveness of our marketing campaigns based on various parameters that we monitor on a daily basis. As a result, we are able to gauge direct consumer response to our advertising messages and make adjustments to our media strategy on a daily basis. Our experience has demonstrated that changes in advertising messages can impact sales trends in as little as one week through the use of more aggressive marketing strategies. These strategies include, among others, the use of dramatic illustrations of the ailments our products relieve as well as celebrity spokesperson endorsements.

We believe that our media strategy and in-house production capabilities distinguish us from our competitors and give us the flexibility to respond quickly and effectively to changes in the market, competing product strategies and consumer behavior.

Communications Strategy

A core element of our communications strategy is to educate the consumer and raise awareness of the ailments and symptoms that our products treat and relieve. Our communications also typically employ medical endorsements, consumer testimonials, reality, extreme reality, celebrity endorsements and high-tech images and animation formats as part of the overall strategy. Historically, these techniques have spurred demand in the markets in which we have participated, which, in turn, has facilitated our ability to penetrate and grow our products' share of those markets.

Advertising Production

Our in-house production department is one of the largest producers of television advertising in Mexico. Our high-quality television commercials and marketing campaigns are the result of a close collaboration between our marketing department, which establishes the objectives and strategy for our advertising, and our production department, which generates the creative content.

We film, animate, edit and post-produce all of our own television commercials, which we produce in our own recording and film studio facilities in and near our headquarters in Mexico City. We established our production and post-production departments in 1996 to integrate film making, editing, audio and visual effects. We have since expanded our production department to integrate advanced recording and editing equipment and new technologies. Our production facilities include eight off-line editing stations, two on-line editing stations, two- and three-dimensional animation stations and a sound and editing studio.

We create our commercials using a number of different communication formats, which we update and improve on a regular basis. Our television commercial formats include a variety of formats that emphasize the scientific or beauty-enhancing aspects of our products. Regardless of the format, our television commercials focus on detailing the specific benefits that each product delivers and educating the consumer about the symptoms and effects of specific health issues in a clear, concise way. The goal of our production department is to develop television commercials with creative formats that highlight our products and enhance their brand recognition.

Our production department constantly seeks to reduce the cost and improve the quality of our television commercials through the use of new technology. For example, in 2001, we were the first company in Mexico to film television commercials in both digital video (or DV) and high-definition (or HD) video formats. We have also taken advantage of film industry green screen technology to shoot our television commercials. In addition to improving the overall production values of our television commercials, we estimate that our use of DV, HD and green screen technology has reduced our production costs significantly.

Owning and operating our own recording and filming studio allows us to quickly develop new commercials in response to new market conditions and the marketing campaigns of our competitors, thereby minimizing any negative effect on our net sales.

Sourcing

Manufacturers

In order to maximize our competitiveness and most efficiently allocate our resources we utilize third-party contract manufacturers to produce substantially all of our products. We believe that using contract manufacturing maximizes our flexibility and responsiveness to industry and consumer trends while minimizing the need for capital expenditures. All of our contract manufacturers have passed a rigorous selection process, which includes a quality inspection process, production capability analysis and analysis of compliance capabilities with best practices standards when applicable. When the contract manufacturer is approved, a contract is signed in which price and delivery conditions are determined. Currently, we work with 31 approved contract manufacturers for finished products. We analyze on a regular basis our contract manufacturers' production capacity and prices in order to assure that we can meet our net sales objectives as well as our profit margins. Also, in most cases we provide our contract manufacturers with labels and packaging materials, which leads to more successful price negotiations and better quality control of such materials. In 2007, we worked with 79 non-contract manufacturers of packaging materials and 38 non-contract manufacturers of finished products. Since August 2007, most of the paper used in our operations for prints, copies and business cards (excluding special orders for the design department) is 100.0% recycled. We operate a manufacturing facility through a long-term lease agreement that expires in December 2009. This facility produces only a small portion of our X-Ray products.

Based on the high sales volumes of our products and our suppliers' interest in maintaining a long-term business relationship with us, many of our suppliers have created exclusive areas or built new areas in their facilities dedicated to satisfying our required production capacity.

In 2006, we implemented a methodology to evaluate the quality standards and the production capacity of our suppliers. We use this methodology to make observations and request corrections or improvements in their production facilities if necessary in order to ensure compliance with applicable national and international regulations. All of our suppliers are approved by our quality control department, which also offers our suppliers technical support and advisory services.

During 2007, approximately 11.8% of the products we purchased were from third party manufacturers outside of Mexico. We have two purchasing offices abroad, one in each of China and India, where we search for new OTC pharmaceutical products and new formula mixtures, together with world class laboratories. We also search for competitive prices for either finished products or raw materials related to our current product portfolio.

Fulfillment

We conduct our fulfillment operations in a distribution center located in Lerma, State of Mexico, which is approximately 34 miles outside of Mexico City. We lease this distribution facility, which is comprised of five warehouses that represent approximately 12,500 square meters of commercial space, pursuant to two lease agreements, one for two warehouses, which expires in 2009 and one for the other three warehouses, which expires in 2011. As of March 31, 2008, we also operate a fleet of 32 trucks that delivered approximately 92.3% of our products to our clients while the remaining deliveries were made by third parties under contract by us. We believe our logistics process is very efficient and flexible when responding to changes in demand.

The majority of our customers manage deliveries with pre-scheduled appointments; these deliveries can be made only after we have invoiced the customer's order. We distribute over 147 finished product SKUs and 307 packaging and labeling SKUs to more than 421 shipping points.

Insurance

We have insurance policies to cover damages to our merchandise in inventory and other assets. These policies include coverage for the following events: (i) fire, natural disasters and earthquakes; (ii) electrical damage; (iii) theft and robbery of merchandise; (iv) losses and damage to certain equipment and assets arising from external factors; and (v) third-party liabilities. In addition to these insurance policies, we maintain product liability insurance and insurance policies covering losses or damages in connection with the transportation of merchandise by third parties.

We believe that the scope and terms of our policies, which have been obtained from reputable insurance companies, are consistent with industry practice and are adequate to meet our needs.

Competition

We operate within the large and highly competitive OTC pharmaceutical and personal care industries. Within these industries, many of the categories are subject to rapidly changing consumer preferences and industry trends. Competition is generally a function of brand strength, assortment and continuity of merchandise selection, reliable order fulfillment and delivery, and level of brand support and customer support.

Sales and market share in many of these categories that have mass market appeal are highly sensitive to advertising, and thus fit within our strategic objectives.

We have succeeded in gaining market share while competing against some of the largest competitors in the OTC pharmaceutical and personal care industries. We have done so by following our business model of market analysis, new product development, brand creation and aggressive advertising, followed by wide distribution. See “Risk Factors—We face significant competition in the OTC pharmaceutical and personal care markets.”

For example, in the OTC pharmaceutical market, the dermatologic antifungal category is highly competitive in Mexico in terms of advertising activity. We compete with well-established brands, including Ting and Lotrimin, that are promoted by the international laboratories Schering Plough and Sanofi Aventis, respectively. In less than ten months after product launch, through a combination of a very successful marketing campaign and efficient product placement, our Silka Medic brand was able to achieve a 4.2% market share in its category in terms of sales and we expect to continue to gain market share in the future.

In addition, in the OTC pharmaceutical market, we launched Genoprazol, an anti-ulcer, in 2004, implementing recently developed international standards with respect to omeprazol as a treatment for gastritis. In the following year, we aggressively promoted this product through a series of television advertising campaigns, which we believe contributed significantly to brand growth, and in 2007, Genoprazol reached the number two position in the Mexican market in terms of market share based on sales, with a 26.2% share of the anti-acid product category according to IMS Health.

Regulatory Affairs

Our Regulatory Affairs Division is in charge of overseeing compliance with all applicable regulations regarding product registration, packaging and advertising. All regulatory affairs are handled internally by a group of five persons dedicated to compliance with Mexican regulatory matters. Compliance with international regulatory matters is also handled by these five persons, together with an individual fully dedicated to international compliance. The Regulatory Affairs Division is in charge of:

- creating product dossiers and keeping them updated;
- governmental filings for new product registrations;
- governmental filings and following up registration renewals;
- governmental filings of marketing campaigns for television, press and other media;
- filing required notices with the Mexican Ministry of Health regarding the operation of our facilities;
- filing required notices with the Mexican Ministry of Health regarding the designation of individuals responsible for the operation of our facilities;
- maintaining updated sanitary product registrations;
- supervising compliance of packaging and label norms applicable to medicines;
- responding to any legal communications by the COFEPRIS, the Mexican Ministry of Health and any other government agency regarding any of the Company’s products;

- processing selling certificates and maintaining GMPs for all of the Company's products that will be exported;
- changing product tagging for exported products for compliance with other countries' regulations;
- processing importing permits for our products;
- governmental filings of clinical studies' protocols for authorization; and
- any other administrative formalities required for the operation of our businesses.

Overview

The operations of our Company are subject to different statutes, regulations and norms, such as the Mexican Health Law, the Mexican Regulations for Healthcare Substances and Products, the Mexican Regulations for the Control of Products and Services (*Reglamento de Control Sanitario de Productos y Servicios*), the Mexican Regulations of the Health Law regarding Advertisement (*Reglamento de la Ley General de Salud en Materia de Publicidad*), the Pharmacopoeia of the United Mexican States (*Farmacopea de los Estados Unidos Mexicanos*), the Herbal Pharmacopoeia of the United Mexican States (*Farmacopea Herbolaria de los Estados Unidos Mexicanos*), the Mexican Federal Law for Consumers Protection (*Ley Federal de Protección al Consumidor*) and different Mexican Official Standards (*Normas Oficiales Mexicanas*), or NOMs. In addition, our facilities and the operations that take place therein are subject to other federal, state and municipal statutes and regulations, including environmental statutes and regulations.

The principal regulator of our operations in Mexico is the COFEPRIS, which is an administrative entity under the Mexican Ministry of Health with technical, administrative and operational autonomy. The principal objective of the COFEPRIS is to protect the Mexican population from sanitary risks. We are also subject to regulatory oversight by other governmental authorities in Mexico, as well as in the other jurisdictions in which we operate.

Pharmaceutical Regulation

We are required to provide evidence to validate the efficacy of any medicine for a specific therapeutic indication through medical and scientific research, including clinical studies of the main ingredients or of the complete product, depending on the specific case. Some of our medicines do not require clinical studies since their active ingredients have proven to be effective worldwide.

As is required by Mexican General Health Law and the Mexican Regulations for Healthcare Substances and Products, all of our medicines are registered with the Mexican Ministry of Health. Pursuant to certain amendments to the Mexican General Health Law that became effective in 2005, COFEPRIS registration of all of our pharmaceutical products must be renewed by February 2010, and then renewed every five years thereafter.

In accordance with COFEPRIS regulations, our manufacturing processes must also comply with current GMPs. The COFEPRIS inspects our facilities and those of our suppliers periodically to determine if we are in compliance with GMPs. Additionally, under applicable law, the Mexican Ministry of Health and the local authorities with jurisdiction over our facilities are entitled to conduct inspections of our facilities to confirm that all applicable statutes and regulations are complied with.

After obtaining our Sanitary License (*Licencia Sanitaria*) to operate our facilities, we were authorized to import pharmaceutical products. For purposes of importing specific pharmaceutical products, we must obtain from the COFEPRIS a Sanitary Import Permit for Medicines (*Permiso Sanitario de Importación de Medicamentos con Registro Sanitario*). In addition, for any product that is sold abroad we need to also obtain from the COFEPRIS a Selling Certificate (*Certificado de Libre Venta*) and must comply with the statutes and regulations of each jurisdiction to which we export our products.

Personal Care Regulation

Personal care products are not as regulated as medicines, although personal care products may use specific regulated active ingredients. In such cases, the product must maintain the authorized proportion of active

ingredients in the formula. The COFEPRIS is the entity that regulates active ingredients. In Mexico, if an active ingredient is not regulated, then it may be used at will in any given formula.

Product registrations with the COFEPRIS are not required for personal care products, however we must file a notice with the Mexican Ministry of Health regarding the operation of our facilities that produce and/or store personal care products.

Environmental Regulation

In addition to observing regulatory requirements for our products, we continuously assess the compliance of our operations with applicable federal, state and local environmental laws and regulations. Our manufacturing site in Lerma utilizes chemicals and other potentially hazardous materials and generates both hazardous and non-hazardous waste, the transportation, treatment, storage and disposal of which are regulated by various governmental agencies. We have engaged environmental consultants on a regular basis to assist with our compliance efforts. We believe we are currently in compliance with all applicable environmental permits and are aware of our responsibilities under applicable environmental laws.

Consumer Protection Regulation

The sale of our products to consumers is subject to the provisions of the Mexican Federal Law for Consumer Protection (*Ley Federal de Protección al Consumidor*), with respect to, among other matters: (i) potential health and safety risks posed by our products; (ii) the clarity and adequacy of the information pertaining to our products that is made available to consumers; (iii) the effective prevention of individual or collective damages and the enforcement of damage repair; (iv) potentially abusive or misleading advertisement; and (v) the effectiveness of our products.

In many cases, the regulations and policies of PROFECO differ from those of the COFEPRIS, which creates uncertainty regarding our compliance with both regulations. In order to deal with such uncertainty, our department of regulatory affairs monitors our compliance with consumer protection and prevention of sanitary risks regulations, including the filing of authorization requests before both regulatory entities.

Intellectual Property

The success of our business model depends to a large extent on the effective registration and protection of our trademarks and other intellectual property rights in terms of the Mexican Law of Industrial Property (*Ley de la Propiedad Industrial*) and other applicable laws and regulations.

In general, trademarks are valid as long as they are in use and/or their registrations are properly maintained. Trademark registrations can generally be renewed indefinitely every ten years so long as they are in use. We consider the protection and enforcement of our trademark rights to be paramount to our business and we have an in-house legal team devoted to these matters. See “—Intellectual Property.”

Advertisement

The COFEPRIS has primary jurisdiction to regulate any advertising (including printed materials, televised broadcasts and billboards) that we might use for any of our OTC pharmaceutical products. The COFEPRIS monitors all disclosed information to assure that it is accurate, not misleading and easy to understand, and in the case of OTC pharmaceutical products, consistent with information approved by the Ministry of Health with respect to the corresponding category of product. All advertising campaigns for our OTC pharmaceutical or personal care products require authorization from the COFEPRIS. Authorizations issued by COFEPRIS in connection with advertising campaigns are effective for 180 days. In addition, the COFEPRIS must authorize all marketing campaigns related to personal care products.

OTC pharmaceutical products and personal care products must comply with labeling requirements issued by the COFEPRIS, as well as certain other labeling requirements contained in NOMs.

Information Technology

In 2007, we embarked on a comprehensive strategy to replace our legacy information technology systems infrastructure. Our new systems will include core functions such as purchasing, merchandising, finance and accounting, inventory and order management and warehousing and distribution. We do not expect this process to be substantially completed before the end of 2008. In connection with this process, we hired a new Vice President of Information Technology who will oversee our systems infrastructure upgrade.

We currently use Atlas Pro enterprise resource planning, or ERP, software to manage our order management, inventory management, finance and accounting systems. In 2005, 2006 and 2007, we had information technology (or IT) related capital expenditures of approximately Ps.703,877, Ps.1.9 million and Ps.5.0 million, respectively. For 2008, we expect to make IT-related capital expenditures of approximately Ps.42.5 million; of this amount, we expect to use up to Ps.32.0 million to replace our existing ERP software with an ERP platform that adds business process support and intelligence capacities across our operations. We are in the final stages of selecting an ERP platform and expect to begin implementation of our new ERP software in the second and third quarters of 2008.

Intellectual Property

We own or have rights to use the trademarks necessary for manufacturing, marketing, distributing and selling our OTC, cosmetics, fragrances and skin care brands. These trademarks include brand names for products as well as product categories and slogans when applicable. In Mexico, we own 689 trademarks and we have registered 189 trademarks in other countries, in particular in the United States, Spain, certain countries in Central America and South America, China, India and Russia. Additionally, we have 105 trademark applications pending approval in Mexico and 15 pending in Spain and other countries.

We do not own the trademarks “Pointts” and “Safetox”, but we have the right to use them under a license agreement. Our trademarks “Lines Off,” “Siluet 40,” “Quit,” “Skinny Fruit” and “Quimi,” will expire in 2008; however, we expect to obtain from the Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial*) on a timely basis the corresponding renewals for an additional period of ten years.

Properties

Our corporate headquarters are located in Mexico City. Primary functions undertaken at our headquarters include senior management, product development, marketing, advertising, television post-production facilities, sales, operations and finance. The lease on our Mexico City headquarters expires in October 31, 2010. We also have a television production studio in Cuajimalpa, in the western outskirts of Mexico City. We use the Cuajimalpa studio to film most of our television commercials. The lease on our Cuajimalpa studio expires on April 16, 2009. We also lease three facilities in Lerma comprising a distribution center and two warehouses that are located approximately 34 miles outside of Mexico City. Primary functions undertaken at the Lerma facilities include back office functions such as quality control, invoicing, returns, and customer service, as well as warehousing of our packaging, labels and closures. The lease on three warehouses that form part of our distribution center expires on March 1, 2011 and the lease on the other two Lerma warehouses expire on August 23, 2009 and each is renewable for subsequent periods.

Under the Cuajimalpa studio lease agreement, we have the option to purchase such facility. We have not yet determined whether or not we are going to exercise this option at a price to be negotiated. We may exercise this option once we complete our analysis and if we believe it is commercially beneficial to do so.

Consistent with our plan to relocate our distribution center and warehouse, in June 2008, we relocated our distribution center and warehouse to a larger facility located in Parque Industrial O’Donnell, in Toluca, State of Mexico.

Employees

As of March 31, 2008, we had approximately 395 employees in Mexico. In addition, as of the same date, we had 52 employees in our foreign operations. Our employees are not represented by any organized labor union, and we consider our labor relations to be good.

Legal Proceedings

We are subject to various claims and legal actions arising in connection with the ordinary course of our business. There are currently no claims or legal actions that could reasonably be anticipated to have a material adverse effect on our financial position or results of operations.

Community Service

We are committed to operating a sustainable and socially responsible business and the environment is a strong component of our sustainability and corporate responsibility activities. We are a signatory to the United Nations Global Compact, which is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. The Global Compact, which is purely voluntary, is the world's largest, global corporate citizenship initiative and is concerned with exhibiting and building the social legitimacy of business and markets. In addition, we have been recognized as a Socially Responsible Company by the Mexican Center for Philanthropy, or CEMEFI, which is an institution that promotes philanthropy and the organized participation of society in the solution of humanitarian problems.

We also have participated and continue to participate in various initiatives designed to support the communities in which we operate and to protect the environment.

MANAGEMENT

Board of Directors

Management of our business is vested in our board of directors, which is composed of nine regular members elected for a term of one year at our annual ordinary general meeting of shareholders. All of our current directors and alternate directors were elected or ratified at a general ordinary and extraordinary shareholders' meeting held on May 21, 2008. The authority and operation requirements of the board of directors are described under "Description of Our Share Capital and By-Laws—Board of Directors."

The following table lists the current members of our board of directors, their titles and their ages:

<u>Name</u>	<u>Title</u>	<u>Age</u>
Rodrigo Alonso Herrera Aspra	Chairman	39
Arturo Iván Gamboa Rullán	Director	47
Pablo José Monroy Cazorla	Director	48
Arturo José Saval Pérez	Director	49
Luis Alberto Harvey Mac Kissack	Director	47
Fernando Paiz Andrade	Independent director	57
Luis Gerardo de Nicolás Gutiérrez	Independent director	39
Juan Alonso	Independent director	44
Pedro Solís Cámara	Independent director	48

Set forth below is the biographical information for each member of our board.

Rodrigo Alonso Herrera Aspra, Chairman. Mr. Herrera has over 15 years of experience in marketing and branding techniques. Mr. Herrera personally supervises our advertising campaigns, the marketing of our products and the production of all advertising material produced in-house by Genomma Lab. Mr. Herrera studied business administration in the Universidad Anáhuac in Mexico City and received a masters degree in business administration from the Colegio de Graduados en Alta Dirección.

Arturo Iván Gamboa Rullán, Director. Mr. Gamboa has over 15 years of experience in the pharmaceutical, specialty retail and biotechnology industries. Mr. Gamboa was the managing principal of laboratorios IFUSA S.A., prior to which, he was the pro-treasurer of the Asociación Nacional de Fabricantes de Medicamentos (ANAFAM) (National Association of Medicine Manufacturers). Mr. Gamboa is the founder of the biotechnology company Bioingeniería Avanzada, S.A. Since 1994, and prior to joining Genomma Lab, Mr. Gamboa was the executive vice president of CIDCO. Mr. Gamboa studied industrial and systems engineering at the Instituto Tecnológico de Estudios Superiores de Monterrey, or ITESM and received an M.B.A. from Duke University in North Carolina.

Pablo José Monroy Cazorla, Director. Mr. Monroy has over 15 years of experience in the commercial and construction industries, where he has been chief executive officer of several different companies in Mexico. Mr. Monroy is founder of "Reducir y Marcar," and participated in the launch of the first ever infomercial in Spanish. Mr. Monroy worked for the Cámara Nacional de Propietarios de Inmuebles (National Chamber of Building Owners) as the public relations and due portfolio recovery director. Mr. Monroy was a founding partner of the law firm Richer y Monroy, S.C. He received a law degree from the Universidad Panamericana, Mexico.

Arturo José Saval Pérez, Director. Mr. Saval is senior managing director of Nexxus Capital, S.A. and has approximately 24 years of experience in private equity, investment and commercial banking and has participated in numerous debt, private and public equity transactions, as well as multiple financial advisory assignments. Before joining ZN Mexico Funds, Mr. Saval held various senior positions at Grupo Financiero Santander México. Previously, he held senior positions in the international, corporate, commercial and investment banking departments at Grupo Financiero GBM-Atlántico, Interacciones and Grupo Serfin, where he served as a member of the board of directors and investment committees of several financial entities and investment funds. Mr. Saval sits on the board of directors of Nexxus Capital, S.A., Desarrolladora Homex, S.A.B. de C.V., Industrias Innopack, S.A. de C.V., Aerobal, S.A. de C.V., Grupo Sports World, S.A. de C.V., Grupo Mágico Internacional, S.A. de C.V., Crédito Real S.A. de C.V. S.O.F.O.M. E.N.R. and Harmon Hall Holding, S. de R.L. Mr. Saval is a member of the

investment committee of ZN Mexico Trust, ZN Mexico II L.P. and Nexxus Capital Private Equity Fund III, L.P. Mr. Saval received a B.S. in industrial engineering from the Universidad Iberoamericana, a degree in financial analysis from the University of Michigan, and a certificate from ITESM.

Luis Alberto Harvey Mac Kissack, Director. Mr. Harvey is a co-founding partner and senior managing director of Nexxus Capital, S.A. and co-founder of Nexxus Capital. Mr. Harvey has approximately 19 years of experience in investment banking and private equity. Before founding Nexxus Capital, Mr. Harvey held positions at Grupo Bursatil Mexicano, Fonlyser, Operadora de Bolsa and Servicios Industriales Peñoles, S.A. de C.V. His experience includes several private and public equity transactions and also the initial public offerings of several major Mexican corporations on the Mexican Stock Exchange and the international capital markets. Mr. Harvey sits on the board of directors of Nexxus Capital, S.A., Desarrolladora Homex, S.A.B. de C.V., Industrias Innopack, S.A. de C.V., Aerobal, S.A. de C.V., Grupo Sports World S.A. de C.V., Grupo Mágico Internacional, S.A. de C.V., Crédito Real, S.A. de C.V. S.O.F.O.M. E.N.R. and Harmon Hall Holding, S. de R.L. and is a member of the investment committee of ZN Mexico Trust, ZN Mexico II L.P. and Nexxus Capital Private Equity Fund III, L.P. Mr. Harvey received a B.S. in economics from the Instituto Tecnológico Autónomo de México, or ITAM, and an M.B.A. with a concentration in finance from the University of Texas at Austin.

Fernando Paiz Andrade, Independent Director. Mr. Paiz is the chairman of Wal-Mart Central America. In 2006, Mr. Paiz was the vice chairman of Wal-Mart Central America and prior to that, held the vice chairman position at CARHCO, when he was promoted to chairman of La Fragua. Mr. Paiz has been an entrepreneur in many fields and was the founding chairman of Interforest Ltd., Petco International, Asesoría y Consultoría Técnica, Factorent, Mangosa, and Convergence Communications. Mr. Paiz is also active in community-based organizations, including the Paiz Foundation, where he served as chairman of the board, American Friends of Guatemala, where he served as chairman and founder, Universidad Zamorano, where he served as director, Maya Route Foundation, where he served as chairman, Utz Kapeh Foundation, where he served as member of the board and most recently, Fundación Patrimonio Cultural y Natural Maya (or PACUNAM), where he served as chairman and founder. Mr. Paiz graduated with high honors from Northeastern University with a B.S. in industrial engineering and received an M.S. in management from M.I.T.

Luis Gerardo de Nicolás Gutiérrez, Independent Director. Since June 2007, Mr. de Nicolás has served as chief executive officer and chairman of the executive committee of the board of directors of Desarrolladora Homex, S.A.B. de C.V. (Homex), position that he also held from 1997 to 2006. From October 2006 to June 2007, Mr. de Nicolás was the managing director of strategic planning of Homex. Before becoming chief executive officer for the first time, Mr. de Nicolás was a construction manager and systems manager at Homex. Currently, Mr. de Nicolás is also chairman of the board of trustees of the International Marathon of Culiacán, a member of the board of directors of the Universidad Católica de Culiacán and secretary of Cáritas Culiacán. He was the chairman of the committee of issuers of the Mexican Stock Exchange from 2005 to 2007. Mr. de Nicolás received a B.S. in industrial engineering from the Universidad Panamericana and a master's degree from ITESM.

Juan Alonso, Independent Director. Mr. Alonso is currently the chief executive officer of ZAO Future Technologies (ЗАОНПФ "Технологии будущего"), one of the largest luxury home builders in the Russian Federation. The company is known in Russia as Sun City Developments. In March 2007, Mr. Alonso signed a joint venture agreement with BSG Investments of Israel, the largest real estate developer in Russia and CIS to develop over one million square meters of residential and commercial real estate in Russia. Mr. Alonso is also a majority shareholder in ZAO SILVER Nizhny Novgorod, the national water bottler for Nestle in the Russian federation. Mr. Alonso currently holds the master license for the development of Venture Studios USA, an affiliate of Venture Studios UK. Previously, Mr. Alonso was the President of Dominos Pizza Jalisco, S.A. de C.V., the master licensee for Dominos Pizza in Central Mexico, as well as the majority shareholder of Baskin Robbins DF. Mr. Alonso is active in the development of health care programs for children. Currently, Mr. Alonso is bringing a team of doctors to perform complicated surgical procedures for children in orphanages and state hospitals, together with the Ministry of Health of the Russian Federation and the Mayo Clinic in Rochester, Minnesota.

Pedro Solís Cámara, Independent Director. From 1981 to 1986, Mr. Solís held various positions in the audit and tax departments of Galaz, Carstens, Chavero, Yamazaki (today Deloitte) and Grupo SARE. Since 1986, Mr. Solís has been an independent public accountant. Mr. Solís is a member of the Mexican Bar of Public

Accountants (*Colegio de Contadores Públicos de México*), for which, since 1995, he has been a member of the Fiscal Commission, as well as having been appointed to its Board of Governors for the 2008-2009 term. Mr. Solís is member of the International Fiscal Association Group Mexico. From 1985 to 2005, Mr. Solís was a part time professor at the law school of ITAM, in the tax department for both the undergraduate and graduate degree programs. Mr. Solís has been advisor and counsel for many companies over the last 20 years and has also has been a tax lecturer at different institutions and universities in Mexico. Mr. Solís was member of the advisory board for the real estate tax of Mexico City in 1994 and 1995. Mr. Solís is a public accountant and a graduate of ITAM. Mr. Solís also received a law degree from the Universidad Nacional Autónoma de México, or UNAM, and a graduate degree in tax law from ITAM.

Election of Directors

Our current directors were appointed by the unanimous resolution of the general ordinary and extraordinary shareholders' meeting held on May 21, 2008. Our directors are appointed to serve during a term of one year, and they will continue to serve as directors even after expiration of such one-year period or after the delivery of their resignation to the Company, during a term of up to 30 calendar days, in the event that successor directors have not been appointed or when such successor directors, after being appointed, fail to take office and in such case are not subject to the provisions of Article 154 of the Mexican General Law of Business Companies.

Our board of directors is required to meet at least quarterly and at any time when called by the chairman of the board of directors, the secretary, the chairman of the audit committee, the chairman of the corporate practices committee, or by 25.0% or more of the directors.

Alternate Directors

Alternate directors were appointed at our general ordinary and extraordinary shareholders' meeting held on May 21, 2008 to substitute for directors in their permanent or temporary absences. An alternate director attends meetings of our board of directors when called to substitute for a director, with the understanding that an alternate director may only serve in place of an independent director if such alternate director is also an independent director within the scope of the definition of independent director as set forth in the Mexican Securities Market Law.

Actions of the Board

The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law and our by-laws, our board of directors must approve, among other things, all transactions that deviate from the ordinary course of business, and that involve, among other things; (i) a related party, (ii) any purchase or sale of assets in an amount equal to 5.0% or more of our consolidated assets and (iii) the grant by us of guarantees or incurrence of debt in an amount equal to 5.0% or more of our consolidated assets.

Our by-laws provide that the board of directors will be assisted by an audit committee, an executive committee and a corporate practices committee.

Secretary

As of the date of this offering memorandum, the secretary of the board of directors is Mr. Marco Francisco Forastieri Muñoz. He is not a member of the board of directors.

Committees

Audit Committee

The purpose, composition, authority and responsibilities of our audit committee are set forth in the Mexican Securities Market Law and our by-laws. The audit committee's primary purpose is to assist the board of directors in defining, verifying and assessing the effectiveness of our internal control system, in overseeing the management and conduct of our business, and in fulfilling shareholder resolutions. The audit committee is responsible for (i) appointing and removing our external auditor, (ii) supervising our external auditors and analyzing their reports,

(iii) analyzing and supervising the preparation of our financial statements, (iv) informing the board of our internal controls and their adequacy, (v) requesting reports from our board of directors and executive officers whenever it deems appropriate, (vi) informing the board of any irregularities that it may encounter, (vii) receiving and analyzing recommendations and observations made by the shareholders, members of the board, executive officers, our external auditors or any third party and taking the necessary actions, (viii) calling shareholders' meetings, (ix) supervising the activities of our chief executive officer (*director general*), (x) evaluating the performance of and the documentation prepared by the external auditor and (xi) providing an annual report to the board.

The chairman of the audit committee is required to prepare an annual report to our board of directors with respect to the findings of the audit committee, which report shall include (i) the status of the internal controls and internal audits and any deviations and deficiencies thereof, taking into consideration the reports of external auditors and independent experts, (ii) the results of any preventive and corrective measures taken based on results of investigations in respect of non-compliance of operating and accounting policies, (iii) the evaluation of external auditors, (iv) the results from the review of our financial statements and those of our subsidiaries, (v) the description and effects of changes to accounting policies, (vi) the measures adopted as a result of observations of shareholders, directors, executive officers and third parties relating to accounting, internal controls, and internal or external audits, and (vii) compliance with shareholders' and directors' resolutions.

In accordance with the provisions of the Mexican Securities Market Law, all of the members of the audit committee are independent directors and at least one qualifies as a financial expert. The chairman of the audit committee is Pedro Solís Cámara, and current members of the audit committee are Luis Gerardo de Nicolás Gutiérrez and Fernando Paiz Andrade. The members of the audit committee are appointed by the board of directors. The chairman of the audit committee is elected at our annual shareholders' meeting.

The meetings of the audit committee are also attended, without the right to vote, by the secretary of the board and a partner of the firm of our independent auditors.

Corporate Practices Committee

The purposes, composition, authority and responsibilities of our corporate practices committee are set forth in the Mexican Securities Market Law and our by-laws. The corporate practices committee is responsible for rendering its opinion to the board of directors in connection with the performance of our key officers, transactions with related parties and the compensation of the members of our management. Moreover, the corporate practices committee is responsible for requesting fairness or other opinions from independent experts, calling shareholders' meetings, and assisting the board of directors in the preparation of the reports that the board of directors needs to deliver to our annual shareholders' meeting.

In accordance with the provisions of the Mexican Securities Market Law, the majority of the members of the corporate practices committee are independent. The current members of the corporate practices committee are Luis Gerardo de Nicolás Gutiérrez, Juan Alonso and Arturo J. Saval Pérez. The members of the corporate practices committee are appointed by the board of directors. The chairman of the corporate practices committee is elected at our shareholders' meeting. The meetings of the corporate practices committee are also attended, without the right to vote, by the secretary of Genomma Lab.

Executive Committee

According to our by-laws, our board of directors may delegate to an executive committee the management of those issues and business functions which, under applicable law, are not exclusive to the board of directors. The executive committee is composed of five members elected at a general shareholders' meeting or designated by the board of directors. The executive committee has the functions granted to it at the shareholders' meeting or delegated by the board directors. The executive committee must meet at least once a month. The current members of the executive committee are Rodrigo Alonso Herrera Aspra, Arturo Iván Gamboa Rullán, Pablo José Monroy Cazorla, Luis Alberto Harvey Mac Kissack and Arturo José Saval Pérez.

Pursuant to the functions granted to the executive committee at the general ordinary and extraordinary shareholders' meeting held on May 21, 2008, the executive committee is responsible for, among other things,

supervising financial and general planning issues not reserved for shareholders, the board of directors, the audit committee and the corporate practices committee, including the appointment, removal and compensation of our executive officers and employees, the execution of financing agreements and calling our general shareholders' meetings.

Family Relationships Among Directors, Executive Officers, Audit and Corporate Practices Committee Members and any of those and our Principal Shareholders

There are no family relationships among our directors, executive officers, audit and corporate practices committee members or any such person and our principal shareholders, other than Rodrigo Alonso Herrera Aspra and Renata Herrera Aspra, identified in the table below, who are siblings.

Senior Management

The following table sets forth our executive officers, their current position and their ages:

<u>Name</u>	<u>Current position</u>	<u>Age</u>
Rodrigo Alonso Herrera Aspra	Chief Executive Officer	39
Arturo Iván Gamboa Rullán	Executive Vice President	47
Octavio Aguilar Valenzuela	New Business Development Vice President	50
Kristi King Etchberger	Chief Financial Officer	49
Ramón Neme Sastre.	Chairman of Genomma Lab Foundation	47
Luis Gerardo Cortés Moreno	Chief Operations Officer	45
Claudia Georgina Ortega Vettoretti	Chief Marketing Officer	43
Marisol González Lozano	Chief Information Officer	37
Francisco J. Ortiz Ortiz	Chief International Officer	48
Renata Herrera Aspra.	Product Development and Purchasing Manager	43
Elías Sidaoui Silva.	Human Resources Manager	52
Francisco Lizardi Calderón.	Chief Administrative Officer	49

For a description of the experience of Rodrigo Alonso Herrera Aspra and Arturo Iván Gamboa Rullán, see “—Board of Directors.”

Octavio Aguilar Valenzuela, New Business Development Vice President. Prior to his current position, Mr. Aguilar was chief executive officer of Genomma Lab. Mr. Aguilar is a senior management executive with over 29 years of experience in private companies, government based companies and consulting firms as well as academia. Prior to joining Genomma Lab, Mr. Aguilar held top management positions in Petroleos Mexicanos and the Secretaría de Desarrollo Social during Mexican President Vicente Fox's administration (2000—2006). Mr. Aguilar received a B.A. in industrial relations from the Universidad Iberoamericana, and completed post graduate studies in business administration at the University of California, Berkley and in advanced human resources management from Cornell University.

Kristi King Etchberger, Chief Financial Officer. Ms. Etchberger is responsible for our finance, treasury, financial, planning and acquisition department. Her experience in financial planning and financial markets provides support for our continued expansion. Prior to joining Genomma Lab in 2007, Ms. Etchberger was the chief financial officer of Productos Rich, a food manufacturing company in Mexico. Previously, she had been instrumental in the debt renegotiations at Satélites Mexicanos, S.A. de C.V. Ms. Etchberger began her career in the financial markets, working in Latin American Corporate Finance at The Chase Manhattan Bank and later as an equity analyst specializing in the Latin American food and beverage sector for D.A. Campbell Company and ABN AMRO. Ms. Etchberger received her B.A. in economics from Pitzer College in Claremont, California, and her M.B.A., with a focus in finance, from The Wharton School at the University of Pennsylvania. Ms. Etchberger received the chartered financial analyst designation from the CFA Institute.

Ramón Neme Sastre, Chairman of Genomma Lab Foundation. Prior to joining Genomma Lab, Mr. Neme occupied various positions in both the public and private sectors. In the private sector, Mr. Neme has held the positions of vice president of corporative relations for Grupo ICA, S.A.B. de C.V., consultant and developer of projects for Enron Corp., and chief executive officer of Corporativo de Asesoría y Promoción Jurídica, S.C. In the public sector, Mr. Neme has held the positions of chief executive officer of the retail and drugstores of Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, assistant to the administrative director of the Ministry of Energy and copyright deputy director for the Ministry of Education. Mr. Neme is also a member of the Barra Mexicana, Colegio de Abogados and the Instituto Mexicano de Derechos de Autor. Mr. Neme has also served as the Mexican delegate to various international copyright protection meetings. Mr. Neme holds a law degree from UNAM, has attended the instructional program for lawyers at Harvard University and holds a degree granted by the World Intellectual Property Organization in Geneva, Switzerland.

Luis Gerardo Cortés Moreno, Chief Operations Officer. Mr. Cortés joined Genomma Lab in January 2006 as commercial director and is also responsible for Latin American operations. In December 2007, Mr. Cortés was appointed general manager of sales, research and development, logistics and distribution and purchasing, within the operating areas. Mr. Cortés has experience in both the pharmaceutical and consumer goods industries. Over the past 17 years, Mr. Cortés has occupied important positions in the pharmaceutical industry, such as consumer health general manager for Novartis Pharmaceutical Mexico, OTC business unit director for Bristol-Myers Squibb and commercial director for Pharma. Mr. Cortés also served as the vice president of marketing at Casa Autrey, at which time was the largest drug wholesaler in Mexico. Prior to that, Mr. Cortés spent 10 years in the consumer goods industry occupying various positions in the commercial and marketing areas of companies including Colgate Palmolive and Kimberly Clark. Mr. Cortés received a degree in business administration from the Universidad Iberoamericana. Mr. Cortés also received an M.B.A. from Insead University in Fountainebleau, France.

Claudia Georgina Ortega Vettoretti, Chief Marketing Officer. Mrs. Ortega is responsible for media investment, development of integrated marketing plans and identification and introduction of new products into the market. Through these actions she has helped to position Genomma Lab as one of the most recognized companies by consumers in the pharmaceutical field in Mexico. Mrs. Ortega has held the position of director in various companies throughout Latin America, including Latinstocks.com and the Pepsico Group (Pepsi and KFC Brands), where she occupied both marketing and sales positions, managed operations and directed relationships with key customers of the group. Mrs. Ortega began her professional career at Procter & Gamble, where she worked in the shampoo division. Mrs. Ortega holds a bachelor's degree from ITESM.

Marisol González, Chief Information Officer. Ms. González recently joined Genomma Lab in the first quarter of 2008 and brings with her more than 15 years of experience in computer science, process development and project management in a variety of sectors. Prior to joining Genomma Lab, Ms. González was the director of business development at Visionaria, a consulting group focused on strategic information technology, or IT, projects. Ms. González began her career in 1993 in the education department at ITAM, where she worked as a full-time professor and IT consultant, and later she was named general manager of the e-learning center. In 1999, Ms. González was named director of special projects and was responsible for managing the areas of technological development and the IT consulting teams. From 2000 until 2003, she was the senior manager in charge of the industry sector at DMR Consulting Mexico, where she was responsible for managing commercial efforts and controlling all IT projects. Ms. González graduated from ITAM with a degree in computer science and a masters degree in information and business technology. She also received a masters degree in networks and information systems from the National University of Telecommunications in France.

Francisco J. Ortíz Ortíz, Chief International Operation Officer. Mr. Ortíz joined Genomma Lab in the first quarter of 2008 and is in charge of the existing international operations and expanding our product line into new markets. Mr. Ortíz worked for eleven years at Procter & Gamble, where he was in charge of the marketing of multiple brands. Afterwards, Mr. Ortíz joined Grupo Televisa, S.A.B., the largest Spanish speaking media company in Mexico, where he was in charge of the international editorial business, among other responsibilities. In 1999, Mr. Ortíz was appointed marketing coordinator of former Mexican President Vicente Fox's presidential campaign. After winning the campaign, Mr. Ortíz occupied various high level positions during five years of President Fox's administration, the last of which was chief executive officer of the Mexican Tourism Board.

Renata Herrera Aspra, Product Development and Purchasing Manager. Ms. Herrera is responsible for new product development of both OTC pharmaceutical and personal care products. She is also in charge of the packaging, design, regulatory affairs, quality assurance and the purchase of new products. Prior to joining Genomma Lab, Ms. Herrera designed custom software for the medical insurance subsidiary of Seguros la Comercial and also worked for a number of years with cancer patients for the government of the State of Querétaro. Ms. Herrera was a professor at the Universidad Autónoma de Querétaro for three years. At Genomma Lab, in addition to the research and development department, she has also been in charge of special launches, human resources and production. Ms. Herrera received a B.A. in informatics from Universidad Anáhuac del Norte.

Elías Sidaoui, Managing Director of Human Resources. Mr. Sidaoui is in charge of various human resources issues, such as talent attraction, compensations and benefits systems, labor relationship, internal communication and organizational development. Prior to joining Genomma Lab, Mr. Sidaoui participated in the joint venture of TEVA/SICOR and TEVA/IVAX, providing full support in all areas involving top management in Mexico, Miami and Israel. He also has taken part in institutionalization processes in various companies in the automotive, textile, garment, confection and pharmaceutical industries. Mr. Sidaoui began his career with the companies Pliana, Novum (Desc), Industrias Resistol and Teva Mexico. He is co-author of the book *La Salud en el Trabajo*. Mr. Sidaoui received a business administration degree with a focus on public administration from the Universidad of Puebla in Mexico and obtained a certificate from the Instituto Panamericano de Alta Dirección de Empresa. Mr. Sidaoui has participated as a speaker at several human resource forums in Mexico and abroad.

Francisco Lizardi Calderón, Chief Administrative Officer. Mr. Lizardi joined Genomma Lab in April 2008 and is in charge of accounting, internal controls and risk management, and our legal department. Mr. Lizardi worked for 13 years as chief financial officer at Aspel de Mexico, a Mexican software development company, and later he joined CIE Amusement Parks, a subsidiary of Corporación Interamericana de Entretenimiento, the largest outdoor entertainment company in Latin America, as the chief executive officer. Mr. Lizardi studied Business Administration at the ITAM and has an advanced management diploma from the Instituto Panamericano para la Alta Dirección de Empresa.

Compensation of Directors and Senior Management

The corporate practices committee recommends to the shareholders the aggregate compensation to be paid to the members of the board of directors. The corporate practices committee also recommends to the board of directors the aggregate compensation to be paid to the chief executive officer and establishes the compensation to be paid to the rest of the executive officers.

For 2007, the aggregate amount of compensation paid to our directors and senior management was approximately Ps.45.4 million, including both fixed and variable compensation.

None of our directors or executive officers is entitled to benefits upon termination under their service contracts with us, except for what is owed to them in accordance with the Federal Labor Law (*Ley Federal del Trabajo*).

We intend to offer a bonus plan to our directors and senior management that is based on individual performance and on our results of operations. This variable compensation may range from 0% to 100% of annual base compensation, depending upon the employee's level.

PRINCIPAL AND SELLING SHAREHOLDERS

The table below sets forth certain information regarding pre- and post-offering ownership of our capital stock (and assuming no exercise of the over-allotment option):

<u>Name of Shareholder</u>	<u>Number of Shares Owned Prior to the Combined Offering⁽¹⁾</u>	<u>Percentage Share Ownership Prior to the Combined Offering</u>	<u>Shares Being Offered</u>	<u>Number of Shares Owned After the Combined Offering</u>	<u>Percentage Share Ownership After the Combined Offering</u>
Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario, solely in its capacity as trustee of irrevocable shareholder trust No. 414 ⁽²⁾	295,188,000	70%	21,161,609	274,026,391	52.46%
ZN Mexico II, L.P.	<u>126,510,000</u>	<u>30%</u>	<u>9,069,261</u>	<u>117,440,739</u>	<u>22.49%</u>
Total	<u><u>421,698,000</u></u>	<u><u>100%</u></u>	<u><u>30,230,870</u></u>	<u><u>391,467,130</u></u>	<u><u>74.95%</u></u>

(1) On May 21, 2008, our shareholders approved a 3,000-for-1 stock split, to take effect upon the closing of the offering of the Shares. The stock split will result in an increase in the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

(2) Held by Banco Invex, S.A., as trustee of Trust No. 414, for the benefit of Rodrigo Alonso Herrera Aspra, Arturo Iván Gamboa Rullán and Pablo José Monroy Cazorla. Voting and dispositive control of these Shares is directed by a technical committee comprised of the individuals mentioned above.

RELATED PARTY TRANSACTIONS

We have engaged, and in the future may engage, in transactions with our shareholders and companies affiliated with our shareholders. We believe that these transactions have been made on an arms-length basis and terms that are no less favorable to us than those that could be obtained from unrelated third parties. As required by the Mexican Securities Market Act, we require that transactions with related parties including our shareholders and companies affiliated with our shareholders be approved by our board of directors after considering the recommendation of our audit committee and, in certain cases, after obtaining an independent fairness opinion.

Administrative and Marketing Services

We made payments to certain companies owned by members of our senior management and directors for professional services in connection with our administration. In 2007, 2006, and 2005, the amounts paid were Ps.25.0 million, Ps.14.7 million, and Ps.3.0 million, respectively. We intend to terminate such services prior to the offering of the Shares.

We provided administrative services to Global following our equity interest acquisition as part of the transition of this company for which we charged Ps.4.7 million in 2007. We intend to terminate such services prior to the offering of the Shares.

We made payments to certain companies owned by members of our senior management and directors for administrative and marketing services. In 2007, 2006 and 2005, the amounts paid were Ps.9.6 million, Ps.55.6 million, and Ps.9.8 million, respectively. We intend to terminate such services prior to the offering of the Shares.

We provided marketing services to Business Aliance, S.A. de C.V. (or Business Aliance) for the promotion and development of the Depilite trademark for which we charged Ps.6.5 million in 2007.

In 2008, we executed a service agreement with Business Aliance under which we provide production, recording and marketing services in Mexico. Business Aliance will pay us Ps. 53 million for such services, including taxes. This agreement is effective for a term of 12 months following its execution.

Contract Manufacturer Purchases

Aerobal, S.A. de C.V., or Aerobal, is one of our contract manufacturers of personal care products and with which we have a continuing service agreement. Aerobal is owned by ZN Mexico II, L.P., a selling shareholder in the offering, and ZN Mexico Trust, an affiliate of ZN Mexico II, L.P. Amounts paid to Aerobal in 2007, 2006 and 2005 were Ps.13.8 million, Ps.1.0 million, and Ps.5.1 million, respectively.

Global and Depilite

As discussed in Note 1 to our consolidated financial statements appearing elsewhere in this offering memorandum, in September 2007, we acquired a 60.0% equity interest in Global, which in turn through a subsidiary, acquired certain net assets of a group of companies operating under the brand name Depilite. Also as discussed in that Note 1, during 2007 our management entered into an active plan to divest our interest in Global. As part of this divestment, on March 27, 2008, our interest in the international operating companies in the Depilite group were transferred to the minority shareholder of Global in exchange for the remaining 40.0% equity interest in Global. On March 27, 2008, our equity interest in Global was sold to Tecnologías de Primer Nivel, S. A. de C.V., an affiliate of ours, in exchange for an account receivable of Ps.81.3 million. On March 31, 2008, this account receivable, together with our accounts receivable due from Global and its subsidiaries in the aggregate amount Ps.267.8 million (including an account receivable of Ps.53.0 million for marketing and advertising services expected to be delivered by us to Global and its subsidiaries in the short term), were distributed to our shareholders as a dividend in-kind. In addition to the foregoing distribution, a cash dividend in the amount of Ps.96.0 million was declared at our shareholders' meeting, held on March 20, 2008. We anticipate paying this cash dividend prior to the closing of the offering of the Shares.

DESCRIPTION OF OUR SHARE CAPITAL AND BY-LAWS

The description summarizes certain principal provisions of our by-laws and certain provisions of Mexican law. The summary below should not be considered to be exhaustive on the matters covered hereunder.

Changes Upon Closing of this Offering

On May 21, 2008, our shareholders approved the following, to take effect upon the closing of the offering of the Shares:

- the amendments to our by-laws as described in this offering memorandum;
- ratification and appointment of our board of directors described in this offering memorandum;
- establishment of our audit committee and corporate practices committee, and appointment of the members of our executive committee as described in this offering memorandum; and
- our 3,000-for-1 stock split increasing the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

The above changes are subject to the approval of the registration of the Shares with the RNV and approval of the listing of the Shares by the BMV.

Board of Directors

Information about our share capital and by-laws is set forth below. The description summarizes certain principal provisions of our by-laws, which were restated by resolution of our general ordinary and extraordinary shareholders' meeting held on May 21, 2008, and certain provisions of Mexican law, including the Mexican General Law of Business Companies (*Ley General de Sociedades Mercantiles*) and the Mexican Securities Market Law. The description does not purport to be complete and is qualified in its entirety by reference to our by-laws and Mexican law. Unless otherwise indicated, this description gives effect to our capitalization after the offering and the aforementioned restatement of our by-laws.

General

We were incorporated under the name Producciones Infovisión, S.A. de C.V., under the laws of Mexico in October 30, 1996. Our corporate domicile is in Mexico City, Federal District, Mexico. Copies of our by-laws in effect have been filed with the CNBV and with the BMV and are available in Spanish for inspection at the BMV and at the BMV's website: www.bmv.com.mx.

Outstanding Capital Stock and Voting Rights

As of the date of this offering memorandum, our capital stock was Ps.211.4 million (approximately U.S.\$19.4 million) and, as a result of the stock split approved by the shareholders, our capital stock will be represented by 421,698,000 shares. All of our shares are issued, paid-up and outstanding and have no expression of par value. We may issue additional capital represented by shares. As of the date of this offering memorandum, no preferred, limited voting or non-voting Shares had been issued and none were outstanding. Any person or corporation (except foreign governments or governmental agencies) may acquire our shares.

Redemption of shares

We may use our retained earnings for the redemption of our outstanding shares without reducing the capital stock. In order to perform such redemption of shares, it must be approved through a general extraordinary shareholders' meeting, which must comply with the provisions of article 136 of the Mexican General Law of Business Companies and the specific rules set forth in our by-laws.

Shareholders' Meetings and Quorum

We may hold ordinary or extraordinary shareholders' meetings. Ordinary shareholders' meetings are called to discuss any issue not reserved for an extraordinary shareholders' meeting. An annual general ordinary meeting of

our shareholders must be convened and held within the first four months following the end of each fiscal year to discuss, among other things, the board of directors' report on our financial statements, the appointment of members of the board of directors, the declaration of dividends and the determination of compensation for members of the board of directors. Extraordinary shareholders' meetings may be called to discuss any of the matters provided for in Article 182 of the Mexican General Law of Business Companies, such as change of corporate purpose, mergers, spin-offs, transformation, dissolution or liquidation, amendments to our by-laws and any other matters for which applicable laws require an extraordinary meeting. In addition, special shareholders' meetings may be held by shareholders of the same series or class to consider any matter specifically affecting the relevant series or class of shares.

On first call, the quorum required for an ordinary shareholders' meeting is 50.0% of our outstanding shares and resolutions are valid when adopted by the holders of the majority of the shares represented in the relevant ordinary meeting; on second or subsequent calls, the quorum required is any number of our outstanding shares represented at the relevant meeting and resolutions are valid when adopted by the holders of the majority of such represented shares. The quorum required for an extraordinary shareholders' meeting on first call is 75.0% of our outstanding shares and resolutions are valid when adopted by holders of 50.0% of our capital; on second and subsequent calls, the quorum required is at least 50.0% of our capital and resolutions are valid when adopted by at least 50.0% of such capital.

Prior to a shareholders' meeting, all information relating to the matters to be discussed at such meeting must be made available to shareholders at least 15 days in advance of such meeting.

To be admitted to any shareholders' meeting, shareholders must be registered in our share registry or present a deposit certificate of the relevant stock certificates issued by a securities deposit institution (Indeval), together with the depositor's list issued by a bank or securities dealer (Indeval's depositor) in accordance with the Mexican Securities Market Law. Shareholders may be represented at any shareholders' meeting by one or more attorneys-in-fact who may not be one of our directors. Representation at shareholders' meetings may be documented by a general or special power of attorney or by a letter proxy executed before two witnesses.

Separation Right

Any shareholder having voted against a shareholders' resolution with respect to (i) a change in the corporate purpose or nationality of the issuer, (ii) a change of corporate form, or (iii) a spin-off, may request redemption of its shares, provided that the relevant request is filed with the issuer within fifteen days following the date of the relevant shareholders' meeting.

Appointment of Directors

Our board of directors consists of a minimum of 5 and a maximum of 21 directors, who are appointed by the general shareholders' meeting, provided that at least 25.0% of the board shall be comprised of independent directors pursuant to the independency requirements provided by the LMV. An alternate may be appointed for each member of the board and in the case of independent directors, their alternates must also qualify as independent.

As long as our shares are listed on the BMV, any shareholders owning 10.0% or more of our paid-in ordinary capital stock is entitled to appoint a director. The appointment of a minority shareholder director may only be revoked upon revocation of the appointment of all other members of the board.

The board of directors must meet at least quarterly and at any time when called by the chairman of the board of directors, the secretary, the chairman of the audit committee, the chairman of the corporate practices committee, 25.0% or more of the directors.

The quorum required for a meeting of the board is at least a majority of the directors, and its resolutions are valid when adopted by a majority of the directors present at the meeting.

Authority of the Board of Directors

Our board of directors is vested with broad powers to the power to represent us before any authority, including in connection with administrative or judicial proceedings, and is vested with powers of attorney for lawsuits, collections, labor disputes and arbitration proceedings on our behalf and for executing negotiable instruments and granting guaranties, among other matters provided in the Mexican Securities Market Law and our by-laws. Furthermore, the board has the power to determine our business strategies and approve related party loans and to determine the policies for the appointment and compensation of the chief executive officer and the other executive officers.

Duty of Care and Duty of Loyalty

The Mexican Securities Market Law imposes a duty of care and a duty of loyalty on directors. See “The Mexican Securities Market—Mexican Securities Market Law.”

Registration and Transfer

We have filed an application to have our shares registered with the National Securities Registry, as required under the Mexican Securities Market Law and regulations issued by the CNBV. Shares are evidenced by certificates in registered form, and registered dividend coupons may be attached thereto. Such certificates are to be deposited with Indeval at all times.

The shareholders may either hold their shares directly, in the form of physical certificates, or, upon registration, indirectly, in book-entry form through institutions that have deposit accounts with Indeval. Indeval is the holder of record in respect of all such shares held in book-entry form. Indeval will issue ownership certificates on behalf of our shareholders upon request. Accounts may be maintained at Indeval by the following “Indeval participants”: brokers, banks, other financial entities or other entities approved by the CNBV. The issuer maintains a stock registry, and only those persons listed in such stock registry, and those holding certificates issued by Indeval indicating ownership and any relevant Indeval participants, will be recognized as shareholders. The transfers of shares must be registered in the issuer’s stock registry.

Anti-Takeover Provisions

As provided in article 130 of the Mexican General Law of Business Companies and article 48 of the Mexican Securities Market Law, our by-laws include anti-takeover provisions that restrict the ability of third parties to acquire more than 5.0% of our capital stock without obtaining approval from our board of directors.

Any person or group of persons interested in acquiring 5.0% or more of our capital stock must provide a written authorization request addressed to the chairman and secretary of our board of directors, specifying at a minimum: (i) the number and class of shares issued by us that are owned by the person or group of persons that intend to acquire the shares, or if it is a third party that, prior to that date, it was not a shareholder of Genomma Lab; (ii) the number and class of shares that the person or group of persons intend to acquire; (iii) the nationality and general information of each of the prospective purchasers; and (iv) a representation regarding the intention to acquire a “significant influence” or “control” of Genomma Lab as stipulated by the Mexican Securities Market Law.

Our board of directors must provide a resolution during a period of three months following the presentation of the written authorization request or the date on which our board of directors received the additional information that was necessary, as the case may be. For such resolution, the board must consider: (i) whether the intended acquisition is in our and our subsidiaries’ best interests and whether the intended acquisition is in accordance with our board of directors’ long-term goals; (ii) whether any of our shareholders, different from the person or group of persons that intend to acquire the shares, are excluded from the economic benefits that may arise from the passing of such resolution; and (iii) whether the possibility of acquiring control of Genomma Lab is not restricted.

Changes in Our Capital Stock and Preemptive Rights

Any increase or reduction in our capital stock must be approved by a resolution of our shareholders’ meeting. Subject to the individual ownership limitations set forth in applicable laws and our by-laws, in the event of an

increase in our capital stock (other than in certain cases such as public offerings of shares or the resale of shares maintained in our treasury as a result of repurchases of shares conducted on the BMV), our shareholders will have a preemptive right to subscribe and pay for new stock issued as a result of such increase in proportion to their shareholding interest at that time.

Share Repurchases

Pursuant to the Mexican Securities Market Law, publicly-traded companies are entitled to repurchase shares representing the company's capital stock, provided that while such shares are owned by the corresponding company, no voting or other rights appertaining thereto may be exercised at a shareholders' meeting or otherwise. We have not repurchased our own shares in the past. Our shareholders' meeting is the organ that will authorize, for each fiscal year, the maximum amount of funds that may be used to repurchase our own shares.

Delisting

Under the Mexican Securities Market Law, the CNBV may cancel the registration of an issuer's shares in the RNV if such issuer materially or frequently violates the provisions of such statute, or if the relevant securities no longer satisfy the listing requirements of the BMV. In any of these cases the issuer must undertake a mandatory tender within 180 days after receiving notice to that effect from the CNBV.

Additionally, an issuer may request authorization from CNBV to conduct a voluntary delisting of its securities upon approval by at least 95.0% of its capital stock of the relevant resolutions in a general extraordinary shareholders' meeting.

Minority Protections

In general, shareholders with voting rights, even limited or restricted voting rights, who jointly or individually hold at least 10.0% of our capital stock are entitled to appoint and remove a member of the board of directors, require the chairman of the board or the audit committee to call a general shareholders' meeting, and request on a one-time basis the postponement, for three calendar days and without the need for another call, voting on any matter on the agenda being discussed by the shareholders' meeting if there is insufficient information available to enable voting on such matter.

In general, shareholders with voting rights, even limited or restricted voting rights, who jointly or individually hold at least 20.0% of our capital stock may judicially challenge resolutions adopted at a shareholders' meeting provided that they were entitled to vote on such resolutions.

Information to Shareholders

The board of directors, the audit committee and the independent auditors must present to the general annual ordinary shareholders' meeting annual reports, containing a general description of our operations, annual audited financial information and notes thereto and a description of our accounting policies.

Our annual audited financial statements and our unaudited quarterly financial statements must be published pursuant to the guidelines and conditions set forth by the CNBV and are available to the public on the BMV's website. We are also required to file an annual report with the BMV, which is also available on the BMV's website.

The Mexican Securities Market Law establishes that the board of directors of a publicly traded company must annually present, among other information, the following to the shareholders' meeting:

- the reports prepared by the audit committee and the corporate practices and nominating committee regarding their operation and policies during the preceding year;
- the report prepared by the chief executive officer (*director general*) that includes:
 - a report on the operations of the company during the preceding year, as well as on the policies followed and the principal existing projects,

- a statement showing the financial position as of the end of the most recent fiscal year, the results of the operations of the company during the preceding year, as well as changes in the company's financial condition and capital stock during the preceding year,
- the notes which are required to complete or clarify the above-mentioned information, and
- the report prepared by the audit committee with respect to the accuracy and reasonableness of the above-mentioned information presented by the chief executive officer (*director general*);
- a report explaining the principal accounting and information policies and criteria followed in the preparation of the financial information; and
- a report on the company's operations and activities pursuant to the Mexican Securities Market Law.

Duration

Under our by-laws, Genomma Lab was incorporated with an indefinite duration.

Conflicts of Interest

Shareholders, directors and members of any committees must refrain from participating in discussions at the relevant shareholders', board or committee meeting and from voting on matters as to which they may have a conflict of interest. A director that votes on a transaction in which its interest conflicts with ours may be liable for damages in the event the relevant transaction would not have been approved without such director's vote.

Furthermore, our directors, chief executive officer and senior management are subject to the duties of care and loyalty. See "The Mexican Securities Market—Trading on the BMV—Market Regulation and Registration Standards."

Forfeiture of Shares

Non-Mexican shareholders shall be considered Mexican in respect of their ownership interests in our company and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in our company. If you invoke such governmental protection in violation of this provision, your Shares could be forfeited to the Mexican government.

Dividends and Distributions

At the annual ordinary general shareholders' meeting, the board of directors will submit to the shareholders for their approval our financial statements for the preceding fiscal year. Five percent of our net income (after profit sharing and other deductions required by Mexican law) must be allocated to a legal reserve fund until the legal reserve fund reaches an amount equal to at least 20% of our capital stock (without adjustment for inflation). Additional amounts may be allocated to other reserve funds as the shareholders may from time to time determine, including a reserve to repurchase shares. The remaining balance, if any, of net earnings may be distributed as dividends on the shares of common stock.

Liquidation

Upon dissolution of the issuer, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up the issuer's affairs. All fully paid and outstanding shares will be entitled to participate equally in any distribution upon liquidation. Partially paid shares shall participate in any distribution in the same proportion that such shares have been paid at the time of the distribution.

TAXATION

This discussion does not constitute, and should not be considered as, legal or tax advice to prospective holders of our Shares. This discussion is for general information purposes only and is based upon the federal tax laws of Mexico (including the Mexican Income Tax Law and the Mexican Federal Tax Code) and the United States as in effect on the date of this registration statement (including the Tax Treaty), which are subject to change, and such changes may have retroactive effect. Holders of our Shares should consult their own tax advisers as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of our Shares, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Federal Income Taxation

The following summary contains a description of the material anticipated Mexican federal income tax consequences of the purchase, ownership and disposition of the Shares by non-resident holders, or beneficial owners of the Shares that

- are not residents of Mexico for tax purposes; and
- will not hold the Shares or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment, for tax purposes, in Mexico.

For purposes of Mexican taxation:

- An individual is generally a resident of Mexico if it has established its place of residence in Mexico. However, if such individual has established a place of residence outside Mexico, he or she will be considered a resident of Mexico if his or her core of vital interests (*centro de intereses vitales*) is located in Mexico. An individual's core of vital interests will be deemed to be located in Mexico if, among other things,
 - at least 50% of the individual's aggregate annual income derives from Mexican sources; or
 - the individual's principal center of professional activities is located in Mexico.

Unless otherwise proven, a Mexican national individual is deemed to be a resident of Mexico for tax purposes.

Mexican nationals who file a change of tax residence in a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico in which his or her income is subject to a preferential tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years.

- individuals are residents of Mexico if they are state employees, regardless of the location of their core of vital interests; and
- legal entities are residents of Mexico if they maintain their principal place of business or their place of effective management in Mexico.

If non-residents of Mexico are deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to the permanent establishment will be subject to Mexican taxes, in accordance with applicable Mexican tax law.

The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Shares. This summary does not address any Mexican state or local tax considerations that may be relevant to non-resident holders.

This summary is based upon the federal income tax laws of Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico and protocols thereto, or, collectively, the Tax Treaty, all of which are subject to change. However, this summary does not address all aspects of the federal income tax laws of Mexico. Prospective investors in the Shares should consult their own tax advisors as to the Mexican or other tax consequences of the purchase, ownership, and disposition of

the Shares, including, in particular, the effect of any non-Mexican, state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

This summary does not address all of the Mexican tax consequences that may be applicable to specific holders of the Shares (including a holder that controls or is deemed to control the Company, an investor that holds, directly or indirectly, 10% or more of the Shares or holders that constitute a group of persons for purposes of Mexican law).

Taxation of Dividends

Under the provisions of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*), dividends paid to holders who are non-residents of Mexico for tax purposes with respect to the Shares will not be subject to Mexican withholding tax.

Dividends paid from distributable earnings that have not been subject to corporate income tax are subject to a corporate-level dividend tax. The corporate-level dividend tax on the distribution of earnings is not final and may be credited by us against income tax payable during the fiscal year in which the dividend tax was paid and against the Mexican corporate income tax of the two fiscal years following the date on which the dividend was paid, or against the anticipated monthly income tax payments of the referred years. Dividends paid from distributable earnings, after corporate income tax has been paid with respect to these earnings, are not subject to this corporate-level tax.

Distributions made by a company to its shareholders other than as dividends, including capital reductions, amortization of shares or otherwise, could be subject to taxation in Mexico and the tax would have to be paid by the company which made the distribution. The method of assessing and paying taxes applicable to any such non-dividend distributions will vary depending on the nature of the distributions.

Taxation of Dispositions of Common Shares

Gain on the sale of the Shares by a non-resident holder of Mexico for tax purposes will generally not be subject to any Mexican tax if the transaction is carried out through the BMV or other stock exchange or securities market approved by the Mexican Ministry of Finance and Public Credit. However, this exemption on the sale or disposition of Shares through public markets has been substantially limited, and is not applicable for an individual or group of individuals who own, directly or indirectly, 10% or more of our share capital, when they sell during a 24-month period, through one or more transactions, whether simultaneous or consecutive, 10% or more of our share capital.

Proceeds received by a non-resident holder on sales or other dispositions of Shares not carried out through the BMV, are deemed as income arising from Mexican sources of wealth; therefore, subject to Mexican tax. These transfers are generally subject to a 25% income tax rate in Mexico, which is applicable to the aggregate sales proceeds. Should the buyer in any such transactions be a Mexican resident for tax purposes, or a non-resident with a permanent establishment in Mexico for tax purposes, the applicable tax should be withheld by such buyer from the acquisition price; otherwise, the respective tax is required to be paid through tax return to be filed by the seller within 15 business days following the acquisition.

Alternatively, subject to certain requirements applicable to the seller, it may opt to pay taxes in Mexico on the gains realized from the sale of Shares on a net basis at a rate of 28%, regardless of the nationality or residence of the transferor, provided that the transferor is not a resident of a country with a preferential tax regime as defined in Mexican tax laws.

Under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of the Shares, in a transaction that is not carried out through BMV or other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our share capital during the twelve-month period preceding the sale or other disposition.

Other Mexican Taxes

There are no Mexican inheritance, gift, succession or value-added taxes applicable to the purchase, ownership or disposition of the Shares by non-resident holders of Mexico for tax purposes. However, gratuitous transfers of the Shares may result in a Mexican federal tax obligation for the recipient in certain circumstances. There are no

Mexican stamp, issue, registration, or similar taxes or duties payable by non-resident holders of Mexico for tax purposes of the common shares.

The Single Rate Corporate Tax (*Impuesto Empresarial a Tasa Única*, or IETU) was recently enacted by the Mexican Congress and was published in the Official Gazette on October 1, 2007. The IETU, came into effect on January 1, 2008, and is a form of alternative minimum tax that replaced the asset tax that applied to corporations and other taxpayers in Mexico.

Generally, Mexican entities, individuals and permanent establishments in Mexico will be subject to this tax on income arising from (i) the sale or disposition of goods, (ii) the leasing of goods and (iii) the rendering of independent services. However, the sale or disposition of shares, among other goods, is exempt from this tax; therefore, Mexican entities and individuals holding Shares will not be taxed for IETU purposes in Mexico on the sale or disposition of the Shares.

Taxation on the disposition of common shares owned by resident or non-resident individuals or entities in Mexico is governed by articles 24, 25, 60, 109 section XXVI, 154 and 190 of the Mexican Income Tax Law and the related articles of the Rules under the Mexican Income Tax Law.

U.S. Federal Income Taxation

Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, U.S. HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY U.S. HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON U.S. HOLDERS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) U.S. HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary contains a description of the material anticipated U.S. federal income tax consequences of the purchase, ownership, and disposition of the Shares by U.S. holders (as defined below), but does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Shares, and does not address any U.S. state or local tax considerations that may be relevant to U.S. holders. This summary is based upon the federal income tax laws of the United States as in effect on the date of this offering memorandum, including the provisions of the Tax Treaty, all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of the federal income tax laws of the United States. In particular, the summary deals only with U.S. holders that will hold the Shares as capital assets and does not address the tax treatment of U.S. holders subject to special tax rules, such as insurance companies, financial institutions, dealers in securities or currencies or traders in securities or currencies, electing to mark their positions to market for tax purposes, tax-exempt investors, persons whose functional currency is not the U.S. Dollar, persons holding the Shares as a position in a “straddle”, as part of a short sale, or as part of a hedging or conversion transaction, or that own or are treated as owning 10% or more (by vote or value) of our outstanding Shares. The discussion below assumes that we are not a passive foreign investment company, or PFIC. We are not and do not expect to become a PFIC, but this determination is made annually and it is possible that our status could change.

For purposes of this discussion, U.S. holders are beneficial owners of Shares that, for U.S. federal income tax purposes,

- are citizens or residents of the United States,
- are corporations, or other entities treated as corporations for such purposes, created or organized in or under the laws of the United States or any State thereof, or the District of Columbia,
- are estates the income of which is subject to U.S. federal income tax without regard to its source, or

- are trusts if (a) a court within the United States is able to exercise primary supervision over the administration of the trusts and one or more U.S. persons have the authority to control all substantial decisions of the trusts or (b) they have valid elections in effect under applicable Treasury regulations to be treated as U.S. persons for such purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Shares, the U.S. federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Shares.

Prospective investors in the Shares should consult their own tax advisors as to the U.S. or other tax consequences of the purchase, ownership, and disposition of the Shares, including, in particular, the effect of any non-U.S., state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

Taxation of Dividends

The gross amount of any distributions (before reduction for Mexican withholding tax, if any) paid with respect to the Shares, to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, generally will be includible in the gross income of a U.S. holder as ordinary income on the date on which the distributions are actually or constructively received by the U.S. holder. To the extent that the amount of a distribution exceeds our current and accumulated earnings and profits, such distribution will be treated first as a non-taxable return of (and will reduce) the U.S. holder's tax basis in the Shares to the extent thereof, and thereafter will be treated as capital gain from the sale of the Shares. Corporate U.S. holders will not be entitled to a dividends received deduction with respect to distributions on the Shares. We do not currently maintain, and do not intend to maintain, calculations of our earnings and profits under U.S. federal income tax principles and, consequently, U.S. holders will likely be required to treat the full amount of distributions on the Shares as taxable dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term and hedged positions, dividends included in income by a noncorporate U.S. holder are subject to preferential tax rates (which rates are currently scheduled to increase on January 1, 2011) if the dividends are paid by a domestic corporation or "qualified foreign corporation." A qualified foreign corporation generally includes a foreign corporation if (i) its shares are readily tradeable on an established securities market in the U.S. or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty, provided that the corporation is not a PFIC. We believe that we currently are, and we expect to remain, a qualified foreign corporation with respect to dividend payments to U.S. holders of the Shares and, therefore, dividends paid to an individual U.S. holder of the Shares through December 31, 2010 will be taxed at a maximum rate of 15%. However, no assurance can be given that a change in circumstances will not affect our treatment as a qualified foreign corporation in any taxable year. U.S. holders should consult their own tax advisors regarding whether any dividends received by them qualify for a reduced rate of U.S. federal income taxation.

Distributions, which will be made in pesos, will be includible in the income of a U.S. holder in a U.S. Dollar amount calculated by reference to the exchange rate in effect on the date they are actually or constructively received by the U.S. holder (in both cases, whether or not they are converted into U.S. Dollars). U.S. holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss (which will be treated as U.S. source ordinary income or Loss) on any pesos that are converted into U.S. Dollars (or otherwise disposed of) on a date subsequent to their actual or constructive receipt by the U.S. holder.

Distributions of additional shares to U.S. holders of Shares with respect to their Shares that are made as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax.

Taxation of Dispositions of Common Shares

Upon the sale or other disposition of the Shares, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition (determined in U.S. Dollars in the case of Shares sold or otherwise disposed of for currencies other than U.S. Dollars by reference to the spot exchange rate in effect on the date of the sale or other disposition or, if the Shares sold or otherwise disposed

of are traded on an established securities market and the U.S. holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and such U.S. holder's adjusted tax basis in the common shares. In the case of a U.S. holder that purchases Shares, the U.S. holder's initial tax basis in the Shares will be the U.S. holder's U.S. Dollar purchase price for the Shares (determined by reference to the spot exchange rate in effect on the date of the purchase or, if the Shares purchased are traded on an established securities market and the U.S. holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date). U.S. holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss (which will be treated as U.S. source ordinary income or loss) on any foreign currency received in a sale or other disposition of the Shares that is converted into U.S. Dollars (or otherwise disposed of) on a date subsequent to receipt. Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Shares have been held for more than one year. Certain U.S. holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains, which rates are currently scheduled to increase on January 1, 2011. The deduction of a capital loss is subject to limitations for U.S. federal income tax purposes. Gain or loss on the sale or other disposition of Shares generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes. A U.S. holder may be unable to credit any Mexican taxes imposed on these gains unless it has certain other income from foreign sources.

U.S. Backup Withholding Tax and Information Reporting Requirements

A U.S. holder may, under certain circumstances, be subject to "backup withholding" with respect to some payments to the U.S. holder, such as dividends or the proceeds of a sale or other disposition of the Shares, unless the U.S. holder:

- is a corporation or falls within certain exempt categories, and demonstrates this fact when so required;
- provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

The backup withholding tax rate is currently 28% and is currently scheduled to increase to 31% for taxable years beginning on or after January 1, 2011. Backup withholding is not an additional tax. Any amount withheld under these rules will be creditable against the U.S. holder's federal income tax liability, provided that the required information is timely furnished to the United States Internal Revenue Service.

Information reporting generally will apply to payments of any dividends on, and proceeds from the sale or other disposition of, the Shares made within the United States or by a U.S. payor or U.S. middleman to a non-corporate U.S. holder.

PLAN OF DISTRIBUTION

With respect to the international offering, the initial purchasers named in the table below, for whom UBS Securities LLC is acting as Sole Global Coordinator and, together with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives and international bookrunners, have, pursuant to an international purchase agreement dated June 17, 2008 (or the International Purchase Agreement), severally and not jointly, agreed with us and the selling shareholders to purchase from us and the selling shareholders, at a purchase price equal to the offering price per Share set forth on the cover page of this offering memorandum, less a discount of Ps.0.827 per Share, the number of Shares set forth opposite their respective names below:

<u>Names of the Initial Purchasers</u>	<u>Number of Shares</u>
UBS Securities LLC	57,713,478
Merrill Lynch, Pierce, Fenner & Smith Incorporated	<u>38,475,652</u>
Total	<u>96,189,130</u>

With respect to the Mexican offering, the Mexican underwriters, Ixe Casa de Bolsa, S.A. de C.V., Ixe Grupo Financiero and Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander, have, pursuant to a Mexican underwriting agreement, dated June 17, 2008 (or the Mexican Underwriting Agreement), agreed with us and the selling shareholders to purchase from the us and the selling shareholders, at a purchase price of Ps.16.00 per Share, less a discount of Ps.0.815 per Share, an aggregate of 34,680,436 Shares.

A prospectus in Spanish pursuant to Mexican law and practice has been prepared and will be used in connection with the Mexican offering in accordance with applicable law.

We and the selling shareholders have granted to the initial purchasers and the Mexican underwriters the option, exercisable within 30 days after the date of this offering memorandum, to purchase up to an aggregate of 19,630,434 additional Shares, at the price per Share set forth on the cover page hereof, less the discount per Share referred to above. The initial purchasers may direct the exercise of such option only to cover over-allotments, if any, in the sale of the Shares by the initial purchasers and the Mexican underwriters. To the extent that the initial purchasers direct the exercise of such option, the initial purchasers and the Mexican underwriters will be obligated, subject to certain conditions, to purchase additional Shares in the same proportion as the number of Shares set forth opposite such purchaser's or underwriter's name in the applicable table above bears to the total number of Shares to be purchased by the initial purchasers and the Mexican underwriters, as the case may be.

The International Purchase Agreement and the Mexican Underwriting Agreement each provides that the obligations of the initial purchasers and the Mexican underwriters are subject to certain conditions precedent, and that the initial purchasers and the Mexican underwriters, as applicable, are severally committed to take and pay for all of the Shares in this offering if any are taken. The initial purchasers propose to offer the Shares in the international offering at the initial offering price set forth on the cover page of this offering memorandum and part to certain dealers at a price that represents a selling concession of Ps.0.827 per Share under such initial offering price. We and the selling shareholders have agreed to indemnify the initial purchasers against certain liabilities in connection with the international offering, including liability under the Securities Act, and to contribute to payments that the initial purchasers may be required to make in respect thereof. In the ordinary course of their respective businesses, the initial purchasers and the Mexican underwriters and their affiliates have engaged, and in the future may engage, in investment banking and commercial banking transactions with us and our affiliates.

We have also been advised by the initial purchasers that they propose to resell the Shares initially in a private placement to certain qualified institutional buyers (as defined in Rule 144A under the Securities Act) who are qualified purchasers (as defined in the Investment Company Act) and to non-U.S. persons in transactions meeting the requirements of Regulation S under the Securities Act.

The Shares have not been registered under the Securities Act and will be subject to significant resale restrictions. See "Transfer Restrictions." Until 40 days after the commencement of this offering, an offer or sale of the Shares within the United States by a broker-dealer, whether or not it is participating in this offering, may violate

the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

The international offering and the Mexican offering are conditional on the closing of each other.

The initial purchasers and the Mexican underwriters have entered into an international intersyndicate agreement (the Intersyndicate Agreement), pursuant to which sales may be made between the initial purchasers and the Mexican underwriters of such number of Shares as may be determined by the international bookrunners. Except as otherwise may be agreed, the price of any Shares so sold shall be the offering price applicable thereto less an amount not greater than the selling concession applicable to such Shares, as the case may be. To the extent that there are sales between the initial purchasers and the Mexican underwriters pursuant to the Intersyndicate Agreement, the number of Shares initially available for sale by the initial purchasers may be more or less than the number appearing on the cover page of this offering memorandum.

Application has been made to list the Shares on the BMV under the symbol “LAB”.

Prior to this offering, there has been no public market for the Shares in Mexico, the United States or elsewhere. The initial price of the Shares will be determined after negotiation among us, the selling shareholders, the initial purchasers and the Mexican underwriters. Among the factors considered are our revenues, earnings, and certain other financial and operating information in recent periods, and our prospects in particular.

Short Positions and Price Stabilization

In connection with this offering, Merrill Lynch and its Mexican affiliate may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares, and Merrill Lynch and its Mexican affiliate may engage in stabilization activity for a period of up to 30 days after the date of the final offering memorandum. Specifically, Merrill Lynch and its Mexican affiliate may over-allot in connection with this offering, creating a syndicate short position. In addition, Merrill Lynch and its Mexican affiliate may bid for, and purchase, Shares in the open market to cover syndicate short positions or stabilize the price of the Shares. Any of these activities may stabilize or maintain the market price of the Shares above independent market levels or may delay a decline in the market price of the Shares. Merrill Lynch and its Mexican affiliate are not required to perform these activities every day and may terminate these activities at any time. Reports of stabilization activity are required to be furnished to the CNBV. Such stabilization activity shall be in compliance with all applicable laws, regulations and rules.

UBS AG and Merrill Lynch International, or their respective affiliates, may enter into derivative transactions with clients, at their request, in connection with the Shares. UBS AG and Merrill Lynch International, or their respective affiliates, may also purchase some of the Shares to hedge their risk exposure in connection with such transactions. Such transactions may have an effect on the demand, price or other terms of this offering.

Other than with respect to this offering on the CNBV, no action has been or will be taken in any country or jurisdiction by the issuer, the initial purchasers or the Mexican underwriters that would permit a public offering of the Shares, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by us, the selling shareholders, the initial purchasers and the Mexican underwriters to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Shares or have their possession or distribute such offering material, in all cases at their own expense.

Shares Eligible for Future Sale

We and the selling shareholders have agreed that none of us will issue, sell or transfer, until 180 days after the date of this offering memorandum, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for, or that represent the right to receive, shares of our capital stock, without the prior written consent of the initial purchasers.

We cannot assure you that the initial purchasers will not waive any of the foregoing lock-up obligations, in which case these shares would become eligible for sale earlier.

We cannot predict the effect, if any, that future sales of our Shares, or the availability of such shares for future sale, will have on the market price of the Shares prevailing from time to time or on our ability to raise capital in the future. Sales of substantial amounts of our shares in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of our Shares and our ability to sell shares in the future at a time and at a price that the issuer deems to be appropriate.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), the Shares that are the subject of the offering contemplated by this offering memorandum will not be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares that has been approved by the competent authority in that Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, Shares may be offered to the public in that Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented by that Relevant Member State:

- (a) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the initial purchasers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchasers for any such offer; or
- (d) in any other circumstances that do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of the Shares shall result in the requirement for the publication by us, the underwriter or the initial purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “the Shares may be offered to the public” in relation to any of the Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

All applicable provisions of the Financial Services and Markets Act 2000, or the FSMA, must be complied with in respect of anything done in relation to the Shares in, from or otherwise involving the United Kingdom. In addition, each underwriter has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Shares that are the subject of the offering contemplated by this offering memorandum in circumstances in which Section 21(1) of the FSMA does not apply to us. Without limitation to the other restrictions referred to herein, this offering memorandum is being distributed only to and is directed only at: (1) persons who are outside the United Kingdom; (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order; (3) high net worth entities and others falling within Article 49(2) of the Order; or

(4) persons to whom an invitation or inducement to engage in investment activity may be communicated without a breach of section 21 of the FSMA (all such persons together being referred to as “relevant persons”). The Shares are available only to, and any invitation, offer or agreement to subscribe, purchase or acquire such common shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Shares that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no Shares have been offered or sold and will not be offered or sold, directly or indirectly, to the public in France except to permitted investors (Permitted Investors) consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French *Code Monétaire et Financier* and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with “qualified investors” and “limited circle of investors” having the meanings ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*; none of this offering memorandum or any other materials related to the offer or information contained herein relating to the Shares has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any Shares acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Italy

The offering of Shares has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*), or the CONSOB, pursuant to Italian securities legislation and, accordingly, the Shares may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to the Shares or the offer be distributed in Italy other than to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended (Regulation No. 11522), or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the Italian Financial Law), and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of the Shares or distribution of copies of this offering memorandum or any other document relating to the Shares or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (1) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended (the Italian Banking Law), the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations; (2) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (3) in compliance with any other applicable notification requirement or limitation which may be imposed by the CONSOB or the Bank of Italy.

Any investor purchasing Shares in the offer is solely responsible for ensuring that any offer or resale of Shares it purchased in the offer occurs in compliance with applicable laws and regulations.

This offering memorandum and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the

restrictions, warranties and representations set out under the heading “European Economic Area” above shall apply to Italy.

Spain

Neither the Shares nor this offering memorandum has been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Shares may not be offered in Spain except in circumstances that do not constitute a public offer of securities in Spain within the meaning of articles 30 bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Germany

The Shares will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlichen Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffentlichen ist—Wertpapierprospektgesetz*) as of 22 June 2005, effective as of 1 July 2005, as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

Mexico

THIS OFFERING MEMORANDUM IS SOLELY THE RESPONSIBILITY OF GENOMMA LAB AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. APPLICATION HAS BEEN MADE TO REGISTER THE SHARES IN MEXICO WITH THE RNV MAINTAINED BY THE CNBV, WHICH IS A REQUIREMENT UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). SUCH REGISTRATION DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT VALUE OF THE SHARES OR THE SOLVENCY OF GENOMMA LAB, OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM, AND DOES NOT VALIDATE ANY ACTION TAKEN IN VIOLATION OF APPLICABLE LAW, IF SUCH IS THE CASE. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN WHO MAY ACQUIRE SHARES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF GENOMMA LAB.

Netherlands

The Shares (a) will be offered by a professional market party (or PMP) within the meaning of Section 1(e) of the Exemption Regulation of 26 June 2002 in respect of the Act on the Supervision of the Credit System 1992 (*Vrijstellingsregeling Wet toezicht kredietwezen 1992*), as amended from time to time (or Exemption Regulation), where applicable read in conjunction with the policy rules of the Dutch Central Bank (or de Nederlandsche Bank N.V.) on key concepts of market access and enforcement of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*) published on 29 December 2004 (*Beleidsregel 2005 kernbegrippen markttoetreding en handhaving Wtk 1992*) (or Policy Rules), and Section 2 of the Policy Rules, as amended, supplemented and restated from time to time and (b) have been offered or sold and will be offered or sold, directly or indirectly, as part of the initial distribution or at any time thereafter, exclusively to PMPs as reasonably identified by the issuer on the closing date, provided that the shares have a denomination of €100,000 (or the equivalent in other currency) and shall upon their issuance be included in a clearing institution that is established in an EU Member State, the United States, Japan, Australia, Canada or Switzerland; so that it can reasonably be expected that the agents will transfer the common shares exclusively to other PMPs.

Switzerland

The Shares may not and will not be publicly offered, distributed or re-distributed on a professional basis in or from Switzerland and neither this offering memorandum nor any other solicitation for investments in the Shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This offering memorandum is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the Shares on any Swiss stock exchange or other Swiss regulated market, and this offering memorandum may not comply with the information required under the relevant listing rules. The Shares have not and will not be registered with the Swiss Federal Banking Commission and have not and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994 does not extend to acquirers of the Shares.

Hong Kong

The Shares may not be offered or sold in Hong Kong, by means of this offering memorandum or any document other than to persons whose ordinary business is to buy or sell shares, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong). No advertisement, invitation or document relating to the Shares may be issued or may be in the possession of any person other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Share may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; shares of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA, except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) where the transfer is by operation of law.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Shares will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares.

The Shares have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of Shares will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Shares for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing the Shares in an offshore transaction pursuant to Regulation S.

(2) In making its decision to purchase the Shares, the purchaser: (A) has made its own investment decision regarding the Shares based on its own knowledge; (B) has had access to such information as it deems necessary or appropriate in connection with its purchase of Shares; and (C) has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Shares.

(3) The purchaser understands that the Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Shares have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Shares, such Shares may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rule 903 or 904 of Regulation S under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iv) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of Shares from it of the resale restrictions referred to in (A) above.

(4) In order for holders of Shares to receive delivery of physical certificates representing the Shares, to the extent permitted by applicable law, they must execute a certificate acknowledging that the Shares are not registered securities under the Securities Act, and agree not to sell the Shares in the U.S. or to U.S. persons except pursuant to a registration statement under the Securities Act, an exemption from registration requirements under the Securities Act or in a transaction to which the Securities Act is not applicable.

LEGAL MATTERS

Certain matters relating to the validity of the Shares will be passed upon for us by Forastieri Abogados, S.C., Mexico City, Mexico, and for the initial purchasers by Galicia y Robles, S.C., Mexico City, Mexico. Certain legal matters in connection with the offering are being passed upon for us by Milbank, Tweed, Hadley & McCloy LLP, New York, New York, and for the initial purchasers by Cleary Gottlieb Steen & Hamilton LLP, New York, New York.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 included in this offering memorandum have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu, independent auditors, as stated in their report included herein.

SIGNIFICANT DIFFERENCES BETWEEN MFRS AND U.S. GAAP

Financial statements prepared in accordance with MFRS issued by the Mexican Financial Reporting Standards Board (or CINIF) differ in certain respects from those prepared in accordance with U.S. GAAP. The following is a summary of the principal differences between MFRS and U.S. GAAP, as applicable to us. The summary below should not be considered to be exhaustive. Additionally, it may exclude certain differences that may affect the disclosure, presentation or classification of transactions or events in our financial statements. Further, this summary does not take into account numerous projects currently being undertaken by standard setting bodies in the United States that could have an impact on the comparison between MFRS and U.S. GAAP, which are applicable to us. Finally, no attempt has been made to identify additional differences between MFRS and U.S. GAAP that may affect the financial statement as a result of transactions or events that may occur in the future. Potential investors should consult their own professional advisors for an understanding of the differences between MFRS and U.S. GAAP and how these differences might affect the financial information herein.

Recognition of the Effects of Inflation

U.S. GAAP

Under U.S. GAAP, in general, companies are required to prepare financial statements using historical costs which do not include any adjustments for inflation. However, specific rules and regulations established by the United States Securities and Exchange Commission (or the SEC) for companies registering securities with the SEC for sale in the United States permit the recognition of inflation in a company's reconciliation from local accounting principles to U.S. GAAP, when local accounting principles require the company to prepare comprehensive price-level adjusted financial statements for local purposes. This accommodation is provided as inclusion of the effects of price level changes in the Mexican economy within financial information and is considered a more meaningful presentation.

MFRS

Through 2007, Bulletin B-10, *Recognition of the Effects of Inflation on Financial Information*, required that the comprehensive effects of inflation be recognized in financial statements. The recognition of the effects of inflation as provided for under MFRS has generally been considered a more meaningful presentation than historical cost financial reporting, given the past periods of inflation experienced in Mexico. Under Bulletin B-10, Mexican companies were required to (i) restate non-monetary assets and related costs and expenses using the Mexican National Consumer Price Index (or NCPI); (ii) restate capital stock, share premium and retained earnings (accumulated deficit) using the Mexican NCPI applicable from the dates such capital was contributed and the earnings (losses) were generated; and (iii) record in comprehensive financing cost the purchasing power gain or loss from holding net monetary assets and liabilities determined using the Mexican NCPI.

Financial statements for prior periods that are presented along with current year financial statements for comparison purposes were also required to be restated using the Mexican NCPI in terms of purchasing power as of the date of the most recent balance sheet.

NIF B-10, *Effects of Inflation*, was issued during 2007 and is effective as of January 1, 2008. NIF B-10 modifies the accounting for inflationary effects and defines two economic environments, an "inflationary environment" and a "non-inflationary environment." An inflationary environment is one in which the cumulative inflation of the three preceding years is 26% or more; in this environment, the effects of inflation should be recognized using the comprehensive method; a non-inflationary environment is one in which the cumulative inflation of the three preceding years is less than 26%; in this environment, no inflationary effects should be recognized in the financial statements. Based on current levels of inflation, the Company expects to discontinue inflation accounting in 2008.

Statement of Cash Flows

U.S. GAAP

Statement of Financial Accounting Standard (or SFAS) No. 95, *Statement of Cash Flows*, establishes the standards for providing a statement of cash flows in financial statements. SFAS No. 95 requires such statement to describe the cash flows provided by or used in operating, investing and financing activities and requires that non-cash transactions be excluded from the statement of cash flows. SFAS No. 95 also requires additional disclosures, such as the amount of interest and income taxes paid. Additionally, for foreign private issuers that file financial statements with the SEC, such registrants are required to prepare a price-level adjusted cash flow statement under U.S. GAAP in a manner that comprehensively segregates the effects of inflation from the cash flows from operating, investing and financing activities.

MFRS

Through 2007, Bulletin B-12, *Statement of Changes in Financial Position*, addressed the presentation of a statement of changes in financial position based on financial statements restated to constant Mexican Pesos in accordance with Bulletin B-10. This statement reflects the differences between the beginning and ending financial statement balances in constant Mexican pesos. Monetary gains and losses and foreign exchange gains and losses are classified as operating activities rather than as non-cash items.

Effective January 1, 2008, NIF B-2, *Statement of Cash Flows*, replaces the requirement to present a statement of changes in financial position and instead establishes general rules for the presentation, structure and preparation of a cash flow statement, as well as the disclosures supplementing such statement. Similar to U.S. GAAP, NIF B-2 requires the statement to show the cash flows provided by or used in operating, investing and financing activities during the period.

Minority Interest

U.S. GAAP

Through 2008, minority interest is presented between liabilities and stockholders' equity in the balance sheet. In the statement of operations, the minority interest in consolidated net income is presented as a reduction of consolidated net income.

Beginning in 2009, SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, will conform to MFRS by requiring noncontrolling interests in consolidated subsidiaries to be presented in stockholders' equity. Consolidated net income will be adjusted to include the net income attributed to noncontrolling interests.

MFRS

Under MFRS, the participation of the minority shareholders in the equity of a consolidated subsidiary is presented as a separate component within stockholders' equity. In the statement of operations, the minority interest in consolidated net income is included in consolidated net income, and the distribution between majority and minority interests is presented below consolidated net income on the face of the statement of operations.

Deferred Income Taxes and Statutory Employee Profit Sharing

U.S. GAAP

Under U.S. GAAP, deferred income taxes are accounted for using the balance sheet methodology, whereby deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized for net deferred income tax assets if, based on the weight of available evidence, it is "more likely than not" that all or a portion of such asset will not be realized.

Classification of deferred tax assets and liabilities as current or long-term is required and is based on the classification of the asset or liability to which the deferred relates.

In addition, with respect to the new Single Rate Corporate Tax, or IETU, enacted in October 2007, companies must determine whether they will be subject to regular income tax (or ISR) or IETU in the future and, accordingly, recognize deferred taxes based on the tax they expect to pay in each period. Therefore, deferred taxes are calculated by scheduling the reversal of temporary differences under each tax regime and applying either the ISR or IETU rate to such temporary differences, depending on which tax the company expects to pay in each period. This could potentially result in the recognition of a deferred tax asset or liability that includes both ISR and IETU effects.

U.S. GAAP also requires the use of the balance sheet methodology when calculating deferred employee profit sharing and requires that a related liability be recorded for all temporary differences. U.S. GAAP prohibits the recognition of net deferred employee profit sharing assets.

MFRS

MFRS is similar to U.S. GAAP with respect to accounting for deferred income taxes in that a balance sheet methodology is also required. However, under MFRS (i) deferred tax assets recorded must be reduced by a valuation allowance if it is “highly probable” that all or a portion of the deferred tax assets will not be realized and (ii) the net deferred income tax asset or liability is presented as a long-term asset or liability under MFRS.

In addition, with respect to IETU, companies must also determine whether they will be subject to ISR or IETU in the future and, accordingly, recognize deferred taxes based on the tax they expect to pay. However, under MFRS, if a company determines, based on its projections, that it will be both subject to IETU and ISR in the future, they are required to schedule out the reversal of temporary differences under each tax regime and record the amount that represents the larger liability or the smaller asset.

Under MFRS, through 2007, deferred employee profit sharing is recognized only for timing differences arising from the reconciliation between accounting and taxable income for employee profit sharing purposes, for which it may be reasonably estimated that a future liability or benefit will arise and there is no indication that the liabilities will not be paid or the benefits will not be realized.

Effective January 1, 2008, NIF D-3, *Employee Benefits*, modifies the accounting for deferred statutory employee profit sharing and requires a balance sheet methodology similar to that used for deferred income taxes.

MFRS permits the recognition of a net statutory employee profit sharing asset.

Impairment of Property, Plant and Equipment

U.S. GAAP

For U.S. GAAP purposes, an evaluation of impairment is undertaken whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset is not recoverable when it exceeds the undiscounted future cash flows expected to result from the use of the related assets. An impairment loss is measured as the difference between the carrying value of the asset and its fair value. The reversal of previously recognized impairment losses is prohibited.

MFRS

Bulletin C-15, *Impairment of the Value of Long-Lived Assets and their Disposal*, requires that all long-lived assets be evaluated periodically for potential impairment. The calculation of impairment losses requires the determination of the recoverable value of assets, which is defined as the greater of the net selling price of a cash-generating unit and its value in use; value in use is the present value of discounted future net cash flows. In addition, under certain limited circumstances, the reversal of previously recognized impairment losses is permitted.

Recognition and Measurement of Provisions

U.S. GAAP

Under U.S. GAAP, an estimated loss contingency shall be accrued by a charge to income only if information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements (it is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss) and the amount of loss can be reasonably estimated. If a range of estimates is present and no amount in the range is more likely than any other amount in the range, the minimum amount should be used to measure the liability. However, if any amount in the range is a better (more likely) estimate than other amounts in the range, that amount is used to measure the liability. Certain amounts recorded as provisions are not discounted.

U.S. GAAP also requires the recognition of a liability at the inception of certain guarantees for the fair value of the obligation taken in issuing the guarantee as well as requires specific disclosures regarding the company's obligations under certain guarantees that it has issued.

MFRS

Under MFRS, provisions are recognized for current obligations that result from a past event, are probable to result in the use of economic resources and can be reasonably estimated. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation as of the balance sheet date. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities using the "expected value" method. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. Provisions are discounted if the effect of the time value of money is material.

Employee Retirement Obligations

U.S. GAAP

Under U.S. GAAP, liabilities for employee retirement obligations, including seniority premiums, pension plans and severance benefits are recognized as they accrue. The liability should be determined using actuarial computations. As of December 31, 2007 with respect to non-public entities, any over-funded or under-funded status of a defined benefit post-retirement plan resulting from unrecognized items such as prior service costs, variances in actuarial assumptions, changes in plan terms, etc., must be recognized as an asset or liability in the entity's statement of financial position; these items are no longer permitted to be amortized into the liability over the service life of the employee.

MFRS

Under MFRS, liabilities for all employee retirement obligations, including seniority premiums, pension plans and severance benefits, are also required to be recognized as they accrue and are determined using actuarial computations. However, unrecognized items such as changes in plan terms, unrecognized prior service costs, variances in actuarial assumptions, etc., may be deferred and amortized over the expected service life of the employee.

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GENOMMA LAB INTERNACIONAL, S.A.B. DE C.V. AND CONSOLIDATED SUBSIDIARIES

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**Independent Auditors' Report to the Board of Directors and
Stockholders of Genomma Lab Internacional, S. A. de C. V.
(formerly Producciones Infovisión, S. A. de C. V.)**

We have audited the accompanying consolidated balance sheets of Genomma Lab Internacional, S. A. de C. V. (formerly Producciones Infovisión, S. A. de C. V.) and Subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 2007, all expressed in thousands of Mexican pesos of purchasing power of December 31, 2007. 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.

As discussed in Note 1, on December 15, 2006, Distribuidora Ybarra, S. A. de C. V. merged with the Company, the latter assuming all the rights and obligations of the merged company. As the companies were under common control, the merger was accounted for on a basis similar to a pooling of interests, whereby all assets and liabilities were transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer, based on the guidance incorporated in Bulletin B-7, *Business Acquisitions*. In accordance with Bulletin B-7, the accompanying financial statements include the effects of the merger as if it had taken place as of January 1, 2005.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Genomma Lab Internacional, S. A. de C. V. and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations, changes in their stockholders' equity and changes in their financial position for each of the three years in the period ended December 31, 2007, in conformity with Mexican Financial Reporting Standards.

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

C. P. C. Jose A. Rangel
March 19, 2008
(March 31, 2008 with respect to Note 19)

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
Infovisión, S. A. de C. V.) and Subsidiaries**

Consolidated Balance Sheets
As of December 31, 2007 and 2006
(In thousands of Mexican pesos of purchasing power of December 31, 2007)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	Ps. 62,469	Ps. 46,135
Accounts receivable—net	596,743	483,868
Inventories—net	227,678	151,059
Prepaid expenses	28,716	15,048
Investments in securities available-for-sale	81,263	—
Due from related parties	78,765	1,025
Total current assets	1,075,634	697,135
Equipment—net	46,331	25,231
Deferred income taxes	—	2,752
Other assets—net	72,065	9,496
Total	<u>Ps.1,194,030</u>	<u>Ps.734,614</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Loans with financial institutions	Ps. 256,750	Ps.111,457
Trade accounts payable	77,893	103,138
Accrued expenses and taxes other than income taxes	150,253	99,194
Income tax payable	92,346	41,187
Statutory employee profit sharing	446	418
Due to related parties	1,495	11,124
Total current liabilities	579,183	366,518
Long-term debt:		
Employee retirement obligations	7,365	5,127
Deferred income taxes	20,042	16,897
Total liabilities	606,590	388,542
Stockholders' equity:		
Capital stock	266,316	266,316
Retained earnings	396,356	153,617
Excess in restated stockholders' equity	6,274	6,274
Initial cumulative effect of deferred income taxes	(80,506)	(80,506)
Cumulative translation effects of foreign subsidiaries	(2,633)	(94)
Valuation of investments in securities available-for-sale	(1,227)	—
Majority stockholders' equity	584,580	345,607
Minority interest in consolidated subsidiaries	2,860	465
Total stockholders' equity	587,440	346,072
Total	<u>Ps.1,194,030</u>	<u>Ps.734,614</u>

See accompanying notes to consolidated financial statements.

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
Infovisión, S. A. de C. V.) and Subsidiaries**

Consolidated Statements of Operations

For the years ended December 31, 2007, 2006 and 2005

(In thousands of Mexican pesos of purchasing power of December 31, 2007, except per share amounts)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net sales	Ps.1,872,863	Ps.1,429,448	Ps. 692,666
Costs and expenses:			
Cost of sales	498,628	346,749	152,034
Selling, general and administrative expenses	921,207	803,583	666,250
	<u>1,419,835</u>	<u>1,150,332</u>	<u>818,284</u>
Income (loss) from operations	453,028	279,116	(125,618)
Other expense—net	<u>(3,314)</u>	<u>(1,134)</u>	<u>(6,232)</u>
Comprehensive financing income (cost):			
Interest expense	(15,628)	(17,239)	(14,652)
Interest income	6,197	7,852	3,971
Exchange (loss) gain	(1,611)	3,614	(11,622)
Monetary position (loss) gain	(12,872)	(13,422)	844
Effects of exchange rate changes on foreign operations	1,159	375	(491)
	<u>(22,755)</u>	<u>(18,820)</u>	<u>(21,950)</u>
Income (loss) before income taxes	426,959	259,162	(153,800)
Income tax expense (benefit)	121,974	76,463	(37,510)
Consolidated net income (loss)	<u>Ps. 304,985</u>	<u>Ps. 182,699</u>	<u>Ps.(116,290)</u>
Net income (loss) of majority stockholders	Ps. 304,399	Ps. 180,301	Ps.(114,344)
Net income (loss) of minority stockholders	586	2,398	(1,946)
Consolidated net income (loss)	<u>Ps. 304,985</u>	<u>Ps. 182,699</u>	<u>Ps.(116,290)</u>
Basic earnings (loss) per majority common share	<u>Ps. 2,165.52</u>	<u>Ps. 1,282.68</u>	<u>Ps. (813.45)</u>

See accompanying notes to consolidated financial statements.

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
Infovisión, S. A. de C. V.) and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007, 2006 and 2005

(In thousands of Mexican pesos of purchasing power of December 31, 2007, except share amounts)

	Number of Shares	Capital Stock	Retained Earnings (Accumulated Deficit)	Excess in Restated Stockholders' Equity	Initial Cumulative Effect of Deferred Income Taxes	Cumulative Translation Effects of Foreign Subsidiaries	Valuation of Investments in Securities Available-for- Sale	Minority Interest	Total Stockholders' Equity
Consolidated balances as of January 1, 2005	1,890,566	Ps. 440,464	Ps. 87,660	Ps. 6,274	Ps.(80,506)	Ps. 5,089	Ps. —	Ps. 329	Ps. 459,310
Capital stock reimbursement	(1,750,000)	(174,148)	—	—	—	(3,621)	—	—	(177,769)
Comprehensive loss	—	—	(114,344)	—	—	(275)	—	(1,996)	(116,615)
Consolidated balances as of December 31, 2005 . .	140,566	266,316	(26,684)	6,274	(80,506)	1,193	—	(1,667)	164,926
Comprehensive income	—	—	180,301	—	—	(1,287)	—	2,132	181,146
Consolidated balances as of December 31, 2006 . .	140,566	266,316	153,617	6,274	(80,506)	(94)	—	465	346,072
Dividends \$439 pesos per share	—	—	(61,660)	—	—	—	—	—	(61,660)
Comprehensive income	—	—	304,399	—	—	(2,539)	(1,227)	2,395	303,028
Consolidated balances as of December 31, 2007 . .	<u>140,566</u>	<u>Ps. 266,316</u>	<u>Ps. 396,356</u>	<u>Ps. 6,274</u>	<u>Ps.(80,506)</u>	<u>Ps. (2,633)</u>	<u>Ps. (1,227)</u>	<u>Ps. 2,860</u>	<u>Ps. 587,440</u>

See accompanying notes to consolidated financial statements.

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
Infovisión, S. A. de C. V.) and Subsidiaries**

**Consolidated Statements of Changes in Financial Position
For the years ended December 31, 2007, 2006 and 2005
(In thousands of Mexican pesos of purchasing power of December 31, 2007)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating activities:			
Consolidated net income (loss)	Ps. 304,985	Ps. 182,699	Ps.(116,290)
Add (deduct) items that did not require (generate) resources:			
Depreciation and amortization	7,463	8,514	9,565
Employee retirement obligations—net	1,258	1,368	1,450
Deferred income taxes	<u>5,897</u>	<u>12,379</u>	<u>(57,950)</u>
	319,603	204,960	(163,225)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable—net	(112,875)	(233,282)	(3,622)
Inventories—net	(76,619)	(83,642)	25,553
Prepaid expenses	(13,668)	16,363	(17,378)
Due from related parties	(77,740)	(1,025)	—
Increase (decrease) in:			
Trade accounts payable	(25,245)	60,306	13,526
Accrued expenses and taxes other than income taxes	51,059	7,586	49,889
Income tax payable	51,159	40,612	(307)
Statutory employee profit sharing	28	231	(4,479)
Due to related parties	<u>(9,629)</u>	<u>(107,134)</u>	<u>118,258</u>
Net resources generated by (used in) operating activities	<u>106,073</u>	<u>(95,025)</u>	<u>18,215</u>
Financing activities:			
Loans with financial institutions—net	145,293	67,069	10,413
Minority interest	2,395	2,132	(1,996)
Proceeds from reimbursement of common stock	—	—	(177,769)
Dividends paid	(61,660)	—	—
Translation effects of foreign subsidiaries	<u>(3,125)</u>	<u>(3,685)</u>	<u>1,671</u>
Net resources generated by (used in) financing activities	<u>82,903</u>	<u>65,516</u>	<u>(167,681)</u>
Investing activities:			
Investments in securities available-for-sale	(81,263)	—	—
Acquisition of equipment	(32,188)	(11,885)	(5,978)
Effect of valuation of investments in securities available-for-sale	(1,227)	—	—
Proceeds from sale of equipment	3,625	3,144	14
Other assets	<u>(61,589)</u>	<u>2,711</u>	<u>19,455</u>
Net resources (used in) generated by investing activities	<u>(172,642)</u>	<u>(6,030)</u>	<u>13,491</u>
Cash and cash equivalents:			
Net increase (decrease)	16,334	(35,539)	(135,975)
Balance at beginning of year	<u>46,135</u>	<u>81,674</u>	<u>217,649</u>
Balance at end of year	<u>Ps. 62,469</u>	<u>Ps. 46,135</u>	<u>Ps. 81,674</u>

See accompanying notes to consolidated financial statements.

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
Infovisión, S. A. de C. V.) and Subsidiaries**
Notes to Consolidated Financial Statements
For the years ended December 31, 2007 2006 and 2005
(In thousands of Mexican pesos of purchasing power of December 31, 2007)

1. Nature of business and important events

Genomma Lab Internacional, S. A. de C. V. (formerly Producciones Infovisión, S. A. de C. V., see Note 19) and subsidiaries (the “Company”) is an over-the-counter pharmaceutical (“OTC pharmaceutical”) and personal care products company in Mexico, with a growing international presence.

The Company engages in the development, sales and marketing of a broad range of premium, branded products and offers over 90 products in various categories, including anti-acne, sexual protection and enhancement, anti-wrinkle, scar removal ointments, hemorrhoid treatments, antacids, varicose vein treatments, osteoarthritis and wart removal treatments. The Company has a focus in building the brand equity of its products through targeted advertising campaigns, primarily through the use of television. Sales from foreign operations represent approximately 4% of consolidated net sales for 2007.

Investment in subsidiaries—During 2005, the Company acquired the shares of Infovisión Chile, S. A. and Infovisión de Guatemala, S. A. and incorporated the companies Producciones Televisivas Infovisión de Costa Rica, S. A., Genomma Lab Ecuador, S. A. and Genomma Lab Colombia, LTDA, to extend its product distribution network in South and Central America. During 2007, the Company acquired the majority of the shares of Genomma Laboratories Argentina, S. A. and Genomma Lab Nicaragua, S. A. for the same purpose.

Investment in securities available-for-sale—In September 2007, the Company acquired a 60% equity interest in Global Administrator, S. A. de C. V. (“Global”), which in turn, through a subsidiary, acquired certain net assets of a group of companies operating under the brand name Depilite, which provides laser hair removal services through a network of clinics in Mexico and abroad. This transaction was accounted for in accordance with Bulletin B-7, *Business Acquisitions*, of Mexican Financial Reporting Standards (“MFRS”). Neither goodwill nor an extraordinary gain was recorded as a result of this transaction as the fair value of the assets and liabilities acquired were equal to the purchase price paid for the acquisition. Later in 2007 management of the Company entered into an active plan to sell its investment in Global in the short term; accordingly, the investment is classified as an investment in securities available-for-sale in accordance with the amendments to Bulletin C-2, *Financial Instruments*, of MFRS.

Closing of foreign operations—In 2007, the Company closed its operations in Nicaragua and Colombia as part of a strategy to concentrate its Central and South American operations in Costa Rica and Peru, respectively.

Acquisition of trademarks—During 2007, the Company acquired the Dermoprada, Herprada, Ma. Evans, Jabón del Tío Nacho, Bengue and Skin Spa trademarks.

Merger—On December 15, 2006, Distribuidora Ybarra, S. A. de C. V. (“DYSA”) merged with the Company, the latter assuming all the rights and obligations of the merged company. Because the companies were controlled by the same group of shareholders, the merger was accounted for on a basis similar to a pooling of interests, whereby the assets and liabilities were transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer, based on the guidance incorporated in Bulletin B-7. In accordance with Bulletin B-7, the accompanying financial statements include the effects of the merger as if it had taken place as of January 1, 2005.

2. Basis of presentation

Explanation for translation into English—The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of MFRS, individually referred to as “Bulletins” or *Normas de Información Financiera* (“NIFs”). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
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Notes to Consolidated Financial Statements — (Continued)

a. **Consolidation of financial statements**—The consolidated financial statements include the financial statements of Genomma Lab Internacional, S. A. de C. V. and those of its subsidiaries. Genomma Lab Internacional, S. A. de C. V.'s shareholding percentage in the capital stock of its significant subsidiaries is set forth below:

<u>Company</u>	<u>Ownership Percentage 2007</u>	<u>Ownership Percentage 2006</u>	<u>Ownership Percentage 2005</u>	<u>Activity</u>
Genomma Laboratories México, S. A. de C. V. (incorporated in Mexico) . .	99%	99%	99%	Research and development of OTC pharmaceutical and personal care products
Television Products Retail, S. A. de C. V. (incorporated in Mexico) . .	99%	99%	99%	Administrative services
Genomma Laboratorios Médicos, S. L. (incorporated in Spain) . . .	85%	85%	85%	Sale of OTC pharmaceutical and personal care products
Genomma Lab Perú, S. A. (previously Infovisión Perú, S. A. C. (incorporated in Peru))	99%	99%	99%	Sale of OTC pharmaceutical and personal care products
Producciones Televisivas Infovisión de Costa Rica, S. A. (incorporated in Costa Rica)	97%	97%	97%	Sale of OTC pharmaceutical and personal care products
Infovisión Chile, S. A. (incorporated in Chile)	99%	99%	99%	Sale of OTC pharmaceutical and personal care products
Genomma Lab Ecuador, S. A. (incorporated in Ecuador)	99%	99%	99%	Sale of OTC pharmaceutical and personal care products
Infovisión de Guatemala, S. A. (incorporated in Guatemala)	98%	98%	98%	Sale of OTC pharmaceutical and personal care products
Genomma Laboratories Argentina, S. A. (company incorporated in Argentina)	85%	—	—	Sale of OTC pharmaceutical and personal care products
Genomma Lab Colombia, LTDA (incorporated in Colombia)	—	99%	99%	Sale of OTC pharmaceutical and personal care products

Significant intercompany balances and transactions have been eliminated in these consolidated financial statements.

b. **Translation of financial statements of foreign subsidiaries**—To consolidate the financial statements of foreign subsidiaries that operate independently of the Company in terms of finances and operations, the same accounting policies of the Company are applied. The financial statements are restated for inflation of the country in which such foreign subsidiary operates to express amounts in purchasing power of the foreign currency as of the most recent year-end. All assets, liabilities, revenues, costs and expenses are translated into Mexican pesos using the closing exchange rate in effect at the most recent balance sheet date presented. Translation effects are presented in stockholders' equity.

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
Infovisión, S. A. de C. V.) and Subsidiaries**

Notes to Consolidated Financial Statements — (Continued)

To consolidate the financial statements of foreign subsidiaries that do not operate independently of the Company in terms of finances and operations, such foreign currency financial statements are translated into Mexican pesos with the resulting exchange differences presented in net comprehensive financing income (cost) within the consolidated statements of income. For translation purposes, amounts are translated into Mexican pesos using the following exchange rates: (i) the closing exchange rate in effect at the balance sheet date for monetary assets and liabilities; (ii) the historical exchange rate for nonmonetary assets and liabilities; (iii) the exchange rate in effect at the date the contributions were made for common stock; and (iv) the exchange rate at the transaction date for the weighted average exchange rate for the year. The effects of exchange rate changes on integrated foreign operations are included in the comprehensive cost of financing. The resulting translated Mexican peso amounts are then restated to Mexican pesos of purchasing power as of the most recent balance sheet date presented, per the National Consumer Price Index (“NCPI”) of Mexico.

The financial statements of foreign subsidiaries included in the 2006 and 2005 consolidated financial statements are restated using a common factor applicable to consolidated amounts that, for the foreign currencies included in the consolidated financial statements, are based on sales of the foreign subsidiaries. The factor used to restate the consolidated financial statements of 2006 and 2005 was 4.41% and 4.97%, respectively.

c. ***Comprehensive income (loss)***—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 (loss) of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders’ equity without affecting the consolidated statements of operations. In 2007, 2006 and 2005, other comprehensive income (loss) items consist of the translation effects of foreign subsidiaries and in 2007, the valuation of investments in securities available-for-sale.

d. ***Classification of costs and expenses***—Costs and expenses presented in the consolidated statements of operations were classified according to their function in order to be able to calculate gross profit. Consequently, cost of sales is presented separately from other costs and expenses.

e. ***Income (loss) from operations***—Income (loss) from operations is the result of subtracting cost of sales and sales, general and administrative expenses from net sales. While NIF B-3, *Statement of Income*, does not require inclusion of this line item in the consolidated statements of operations, 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. ***Changes in accounting policies:***

Statement of income—Beginning January 1, 2007, the Company adopted new NIF B-3, *Statement of Income*, which now classifies revenues, costs and expenses into ordinary and non-ordinary. Ordinary items are derived from primary activities representing an entity’s main source of revenues. Non-ordinary items are derived from activities other than those representing an entity’s main source of revenues. Consequently, the classification of certain transactions as special and extraordinary was eliminated; these items are now part of other income and expenses and non-ordinary items, respectively. Statutory employee profit sharing (“PTU”) is now presented as an ordinary expense and no longer presented as a tax on income. According to Interpretation of Financial Information Standards (“INIF”) Number 4, *Presentation of Statutory Employee Profit Sharing in the Statement of Income*, PTU should be included within other income and expenses. The main effect of

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Notes to Consolidated Financial Statements — (Continued)

adopting this NIF was the reclassification of current and deferred PTU for fiscal years 2006 and 2005 of Ps.418 and Ps.187, respectively, to other expense, net.

Related parties—Beginning January 1, 2007, the Company adopted NIF C-13, *Related Parties*, which broadens the concept of “related parties” to include: a) the overall business in which the reporting entity participates, b) close family members of key management or prominent executives; and c) any fund created in connection with a labor-related compensation plan. NIF C-13 also requires the following disclosures: 1) that the terms and conditions of consideration paid or received in transactions carried out between related parties be equivalent to those of similar transactions carried out between independent parties and the reporting entity, only if sufficient evidence exists of such similar transactions; and 2) benefits granted to the entity’s key management or prominent executives. The notes to the 2006 and 2005 consolidated financial statements were amended to comply with the new provisions.

b. **Recognition of the effects of inflation**—The Company restates its financial statements to Mexican peso purchasing power of the most recent balance sheet date presented. Accordingly, the financial statements of the prior year, which are presented for comparative purposes, have also been restated to Mexican pesos of the same purchasing power and, therefore, differ from those originally reported in the prior year. Recognition of the effects of inflation results mainly in inflationary gains or losses on nonmonetary and monetary items that are presented in the financial statements under the following two line items:

Excess in restated stockholders’ equity—Represents the accumulated monetary position result through the initial restatement of the consolidated financial statements and the gain from holding nonmonetary assets which resulted from restating certain nonmonetary assets above inflation utilizing appraisal values.

Monetary position result—Monetary position result, which represents the erosion of purchasing power of monetary items caused by inflation, is calculated by applying NCPI factors to monthly net monetary position. Gains (losses) result from maintaining a net monetary liability (asset) position, respectively.

c. **Cash and cash equivalents**—This line item consists mainly of bank deposits in checking accounts and readily available daily investments of cash surpluses. This line item is stated at nominal value plus accrued yields, which are recognized in results as they accrue.

d. **Investments in securities**—According to its intent, from the date of acquisition, the Company classifies investments in securities in any of the following categories:

a. Trading, when the Company intends to trade debt and equity instruments in the short-term, prior to maturity, if any; these investments are stated at fair value. Any value fluctuations are recognized within current earnings;

b. Held-to-maturity, when the Company intends to, and is financially capable of, holding such investments until maturity; these investments are recognized and maintained at amortized cost; and

c. Available-for-sale,

i. these investments include those that are classified neither as trading nor held-to-maturity;

ii. these investments are stated at fair value;

iii. any unrealized gains or losses resulting from valuation, net of income tax, are recorded as a component of other comprehensive income within stockholders’ equity and reclassified to current earnings upon their sale or maturity, if any;

iv. the monetary position resulting from the effects of inflation on available-for-sale investments is also recorded as a component of other comprehensive income; and

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Notes to Consolidated Financial Statements — (Continued)

v. fair value is determined using prices quoted on recognized markets; if such securities are not traded, fair value is determined by applying recognized technical valuation models.

Investments in securities classified as held-to-maturity and available-for-sale are subject to impairment tests. If there is evidence that the reduction in fair value is other than temporary, the impairment is recognized in current earnings.

As discussed in Note 1, in September 2007, the Company acquired a 60% equity interest in Global, which in turn, through a subsidiary, acquired certain net assets of a group of companies operating under the brand name Depilitè. This transaction was accounted for in accordance with Bulletin B-7, and no goodwill or extraordinary gains resulted from the transaction, as the purchase price of the net assets acquired was equal to the fair value of such net assets. Based on the stockholders' intent to sell Global in the short term, as evidenced by a memorandum of understanding executed on December 27, 2007, this investment is classified in the accompanying consolidated balance sheet as investments in securities available-for-sale. The sale price established in the memorandum of understanding approximates the book value of the investment included in the accompanying consolidated balance sheet; therefore, no further adjustments to the value of the investment were necessary during 2007, other than the inflationary effects recorded within other comprehensive income in the statement of changes in stockholders' equity.

e. **Inventories and cost of sales**—Inventories are stated at the lower of net realizable value or average cost as restated for the effects of inflation using the NCPI. Cost of sales, which is primarily comprised of the cost of product purchased from third parties, raw materials and packaging, is also restated for the effects of inflation by applying the NCPI.

f. **Equipment**—Equipment is initially recorded at acquisition cost and is restated using the NCPI. Depreciation is calculated using the straight-line method based on the following percentages:

	<u>Percentage</u>
Leasehold improvements	20%
Laboratory equipment and molds	35%
Vehicles	25%
Computers	30%
Production and recording equipment	30%
Office furniture and equipment	10%

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 amounts mentioned above. 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 products manufactured, competition and other legal and economic factors. During 2007, 2006 and 2005, no impairment effects were recorded.

h. **Employee retirement obligations**—Liabilities from seniority premiums and severance payments are recognized as they accrue and are calculated by independent actuaries using the projected unit credit method at net discount rates. Accordingly, the liability is accrued at present value, which will cover the obligation from benefits projected to the estimated retirement date of the Company's employees.

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Notes to Consolidated Financial Statements — (Continued)

i. **Other assets**—These assets represent costs incurred that the Company has determined will have future economic benefits. The Company classifies intangible assets as having either indefinite or definite useful lives, based on the period in which the Company expects to receive the benefits.

Assets with indefinite useful lives: These assets represent trademarks from which the Company expects to generate revenues indefinitely. Accordingly, they are not amortized but are subject to impairment testing using the methodology described in paragraph g. above.

Assets with definite useful lives: These assets are related to labor obligations and security deposits on leased property; security deposits are recorded at the cash value paid as security that is expected to be recovered at the conclusion of the lease.

j. **Provisions**—Provisions are recognized for current obligations that result from a past event, are probable to result in the future use of economic resources and can be reasonably estimated.

k. **Statutory employee profit sharing**—PTU is recorded in the results of the year in which it is incurred and presented under other expense, net in the accompanying consolidated statements of operations. Deferred PTU is derived from temporary differences between the accounting result and income for PTU purposes and 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.

l. **Income taxes**—Income taxes are recorded in the results of the year in which they are incurred. As of October 2007, based on its financial projections, the Company is required to determine whether it will incur regular income tax (“ISR”) or the new Business Flat Tax (“IETU”) and, accordingly, recognize deferred taxes based on the tax it will pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

Tax on assets (“IMPAC”) paid that is expected to be recovered is recorded as an advance payment of ISR.

Income tax provisions of foreign subsidiaries are determined based on the taxable income of each individual company.

m. **Foreign currency balances and 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 income (cost) in the consolidated statements of operations.

n. **Revenue recognition**—Revenues are recognized net of sales discounts and estimated returns in the period in which the risks and rewards of ownership of the inventories are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders.

o. **Earnings (loss) per share**—Basic earnings (loss) per common share is calculated by dividing net income (loss) of majority stockholders by the weighted average number of shares outstanding during the period.

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Notes to Consolidated Financial Statements — (Continued)

4. Cash and cash equivalents

	<u>2007</u>	<u>2006</u>
Cash	Ps.62,469	Ps.44,527
Cash equivalents	<u>—</u>	<u>1,608</u>
	<u>Ps.62,469</u>	<u>Ps.46,135</u>

5. Accounts and notes receivable

	<u>2007</u>	<u>2006</u>
Trade accounts receivable	Ps.556,226	Ps.430,795
Allowance for doubtful accounts and estimated refunds	<u>(50,909)</u>	<u>(39,262)</u>
	505,317	391,533
Officers and employees	2,417	3,055
Recoverable taxes	61,685	73,963
Other	<u>27,324</u>	<u>15,317</u>
	<u>Ps.596,743</u>	<u>Ps.483,868</u>

A portion of the Company's accounts receivable has been pledged (see Notes 9 and 17).

The Company sells its products primarily to five customers, two of which are wholesalers that ultimately distribute the Company's products nationwide. Sales to these five customers represented 58.0%, 57.1% and 41.8% of consolidated net sales in 2007, 2006 and 2005, respectively. Similarly, these customers represented 66.4% and 56.7% of the accounts receivable balance in 2007 and 2006, respectively. To reduce credit risk, the Company periodically assesses the financial position of these customers, although specific guarantees are not required. Similarly, the Company believes that its potential credit risk is adequately covered by the existing allowance for doubtful accounts.

Movement of the allowance for bad debts and refunds was as follows:

	<u>2007</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Applied Provision</u>	<u>Reversals</u>	<u>Ending Balance</u>
Allowance for doubtful accounts and estimated refunds	<u>Ps.39,262</u>	<u>34,629</u>	<u>(22,982)</u>	<u>—</u>	<u>Ps.50,909</u>

	<u>2006</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Applied Provision</u>	<u>Reversals</u>	<u>Ending Balance</u>
Allowance for doubtful accounts and estimated refunds	<u>Ps.41,894</u>	<u>62,481</u>	<u>—</u>	<u>(65,113)</u>	<u>Ps.39,262</u>

	<u>2005</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Applied Provision</u>	<u>Reversals</u>	<u>Ending Balance</u>
Allowance for doubtful accounts and estimated refunds	<u>Ps.18,964</u>	<u>33,839</u>	<u>(10,909)</u>	<u>—</u>	<u>Ps.41,894</u>

**Genomma Lab Internacional, S. A. de C. V. (formerly Producciones
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Notes to Consolidated Financial Statements — (Continued)

6. Inventories

	<u>2007</u>	<u>2006</u>
Finished goods	Ps.140,147	Ps. 88,699
Raw materials	83,359	52,944
Allowance for obsolete inventories	<u>(11,167)</u>	<u>(5,861)</u>
	212,339	135,782
Advances to suppliers	9,485	13,759
Merchandise in-transit	<u>5,854</u>	<u>1,518</u>
	<u><u>Ps.227,678</u></u>	<u><u>Ps.151,059</u></u>

7. Equipment

	<u>2007</u>	<u>2006</u>
Leasehold improvements	Ps. 4,841	Ps. —
Laboratory equipment and molds	9,670	2,316
Vehicles	16,140	11,081
Computers	7,658	8,636
Production and recording equipment	25,826	25,032
Office furniture and equipment	<u>27,599</u>	<u>21,208</u>
	91,734	68,273
Accumulated depreciation and amortization	<u>(45,403)</u>	<u>(43,042)</u>
	<u><u>Ps. 46,331</u></u>	<u><u>Ps. 25,231</u></u>

8. Other assets

	<u>2007</u>	<u>2006</u>
Assets with indefinite useful lives:		
Trademarks	Ps.64,983	Ps.4,232
Assets with definite useful lives:		
Intangible asset for additional labor liability	3,227	2,247
Security deposits	2,473	1,306
Other	<u>1,382</u>	<u>1,711</u>
	<u><u>Ps.72,065</u></u>	<u><u>Ps.9,496</u></u>

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Notes to Consolidated Financial Statements — (Continued)

9. Loans with financial institutions

	<u>2007</u>	<u>2006</u>
Credit facility with IXE Banco S.A., Institución de Banca Múltiple, IXE Grupo Financiero, in the amount of Ps.150,000 secured by a pledge of the Company's accounts receivable, bearing monthly interest at the Mexican Interbank Equilibrium interest rate ("TIE") plus 1.50% and 3.75% in 2007 and 2006, respectively (annual weighted average effective interest rate of 9.34% and 11.26% in 2007 and 2006, respectively), maturing on September 19, 2008	Ps.150,000	Ps. 62,646
Unsecured credit facility in the amount of Ps.106,750 with Banco Santander S.A., Institución de Banca Múltiple, Grupo Financiero Santander, bearing monthly interest at TIE plus 1.25% and 1.00% in 2007 and 2006, respectively (annual weighted average effective interest rate of 9.18% and 8.51% in 2007 and 2006, respectively), maturing on November 5, 2008	<u>106,750</u>	<u>48,811</u>
	<u>Ps.256,750</u>	<u>Ps.111,457</u>

10. Employee retirement obligations

Net period cost for obligations resulting from postretirement benefits such as severance payments and seniority premiums was Ps.1,258, Ps.1,368 and Ps.1,450 in 2007, 2006 and 2005, respectively. Similarly, as of December 31, 2007, 2006 and 2005 an additional liability of Ps.3,227, Ps.2,247 and Ps.1,179, respectively, was recorded with a corresponding debit to intangible assets included within the other assets line item. Other disclosures required by financial reporting standards are not considered material.

11. Stockholders' equity

a. As discussed in Note 1, at a Stockholders' Extraordinary General Meeting held on December 15, 2006, the stockholders approved the merger of the Company with DYSA, with the Company as the surviving entity. As a result, the fixed portion of capital stock increased by Ps.52 (Ps.50 historical pesos), through an increase of six Series "A" shares and two Series "B" shares; the variable portion of capital stock increased by Ps.35,628 (Ps.34,340 historical pesos) through an increase of 3,921 Series "A" shares and 1,681 Series "B" shares. The merger was accounted for as if it took place on January 1, 2005. Accordingly, capital stock at par value (historical pesos) as of December 31, 2007, 2006 and 2005 was as follows:

	<u>Number of Shares</u>	<u>Amount</u>
Fixed capital		
Series A	206	Ps. 100
Series B	2	50
Variable capital		
Series A	98,190	24,135
Series B	<u>42,168</u>	<u>187,154</u>
Total	<u>140,566</u>	<u>Ps.211,439</u>

Capital stock consists of no par value nominative shares. Series A and Series B shares confer same the rights and obligations to their tenders. Variable capital may be increased without limitation.

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Notes to Consolidated Financial Statements — (Continued)

b. At a Stockholders' Extraordinary General Meeting held on May 3, 2007, the stockholders declared the payment of a cash dividend of Ps.61,600 (Ps.60,000 at par value.)

c. At a Stockholders' Extraordinary General Meeting of DYSA held on May 6, 2005, the stockholders approved the reimbursement of variable capital stock of Ps.177,769 (Ps.157,500 at par value), by cancelling 1,750,000 shares.

d. Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. At December 31, 2007, 2006 and 2005, the legal reserve, in historical pesos, was Ps.16,385, Ps.10,819 and Ps.10,819, respectively.

e. Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to income tax payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes 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:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contributed capital account	Ps.236,862	Ps.236,862	Ps.200,639
Net tax income account	<u>373,907</u>	<u>152,769</u>	<u>(933)</u>
Total	<u><u>Ps.610,769</u></u>	<u><u>Ps.389,631</u></u>	<u><u>Ps.199,706</u></u>

12. Foreign currency balances and transactions

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

	<u>2007</u>	<u>2006</u>
Thousands of U.S. dollars:		
Monetary assets	3,303	2,004
Monetary liabilities	<u>(3,412)</u>	<u>(2,085)</u>
Net monetary liability position	<u>(109)</u>	<u>(81)</u>
Equivalent in Mexican pesos	<u><u>Ps.(1,189)</u></u>	<u><u>Ps. (881)</u></u>
Thousands of Euros:		
Monetary assets	<u>61</u>	<u>68</u>
Net monetary asset position	<u><u>61</u></u>	<u><u>68</u></u>
Equivalent in Mexican pesos	<u><u>Ps. 972</u></u>	<u><u>Ps. 974</u></u>

b. Transactions denominated in foreign currency were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands of U.S. dollars)		
Export sales	1,253	612	564
Import purchases	8,321	2,642	1,155
Other expenses	4,265	2,499	2,989

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Notes to Consolidated Financial Statements — (Continued)

c. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets were as follows:

	<u>December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
U.S. dollar	Ps.10.9043	Ps.10.8755	Ps.10.7109
Euro	15.9323	14.3176	12.6292

13. Transactions and balances with related parties

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales	Ps. 47	Ps. —	Ps. —
Purchases	(13,796)	(1,037)	(5,089)
Administrative services received	(24,971)	(14,652)	(3,025)
Administrative services rendered	4,723	—	—
Marketing services received	(9,640)	(55,592)	(9,830)
Marketing services rendered	6,500	—	—
Other revenues, net.	—	4	—

b. Balances receivable and payable with related parties are as follows:

	<u>2007</u>	<u>2006</u>
Due from related parties—		
Global Administrator, S. A. de C. V.	Ps.15,789	Ps. —
Business Aliance, S. A. de C. V.	62,170	—
Aerobal, S. A. de C. V.	—	1,025
Other	806	—
	<u>Ps.78,765</u>	<u>Ps. 1,025</u>
Due to related parties—		
Aerobal, S. A. de C. V.	Ps. 1,495	Ps. —
TV Marketing Creativo y Producciones, S. A. de C. V.	—	11,124
	<u>Ps. 1,495</u>	<u>Ps.11,124</u>

c. Employee benefits granted to Company key management were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Short-term direct benefits	Ps.24,971	Ps.14,652	Ps.3,025

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Notes to Consolidated Financial Statements — (Continued)

14. Other income (expense)

a. Detail is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Statutory employee profit sharing expense	Ps. (446)	Ps. (418)	Ps. (187)
Cancellation of capitalized installation expenses	—	—	(6,533)
Gain (loss) on sale of fixed assets	(217)	(2,775)	174
Inflation effects on recoverable tax balances	905	485	2,289
Other	<u>(3,556)</u>	<u>1,574</u>	<u>(1,975)</u>
	<u>Ps.(3,314)</u>	<u>Ps.(1,134)</u>	<u>Ps.(6,232)</u>

b. PTU expense is comprised as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
PTU:			
Current expense	Ps. 446	Ps. 418	Ps. 187
Deferred benefit	(144)	(287)	(139)
Increase in valuation allowance for deferred PTU asset	<u>144</u>	<u>287</u>	<u>139</u>
	<u>Ps. 446</u>	<u>Ps. 418</u>	<u>Ps. 187</u>

c. The main items comprising the asset (liability) balance of deferred PTU are:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Provisions	Ps. 144	Ps. 287	Ps. 139
Allowance for deferred PTU asset	<u>(144)</u>	<u>(287)</u>	<u>(139)</u>
Total PTU asset	<u>Ps. —</u>	<u>Ps. —</u>	<u>Ps. —</u>

The labor laws of South America, Central America and Spain do not establish employee profit sharing obligations.

15. Income taxes

In accordance with Mexican tax law, the Company is subject to ISR, and through 2007, was subject to IMPAC. ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position. In 2007, the tax rate was 28%, and in 2006 and 2005 it was 29% and 30%, respectively. Due to changes in the tax legislation, effective January 1, 2007, taxpayers who file tax reports and timely and accurately submit provisional monthly tax payments are able to obtain a tax credit equivalent to 0.5% or 0.25% of taxable income. For ISR purposes, effective in 2005, cost of sales is deducted instead of inventory purchases. Taxpayers had the option, in 2005, to ratably increase taxable income over a period of 11 years by the tax basis of inventories as of December 31, 2004, determined in conformity with the respective tax rules, and taking into account inventory turnover. The net inventory balance as of December 31, 2007, 2006 and 2005 was Ps.120,900, Ps.135,336 and Ps.230,017, respectively. PTU paid is fully deductible.

In 2007, IMPAC was calculated by applying 1.25% to the value of the assets of the year, without deducting any liabilities. Through 2006, IMPAC was calculated by applying 1.8% on the net average of the majority of restated

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Notes to Consolidated Financial Statements — (Continued)

assets less certain liabilities, including liabilities payable to banks and foreign entities. IMPAC is payable only to the extent that it exceeded ISR payable for the same period.

On October 1, 2007, the Business Flat Tax Law (“LIETU”) was enacted and went into effect on January 1, 2008. In addition, the Tax Benefits Decree and the Third Omnibus Tax Bill were published on November 5 and December 31, 2007, respectively, which clarified and expanded the transitory application of the law regarding transactions carried out in 2007 that will have an impact in 2008. IETU applies to the sale of goods, the provision of independent services and the granting of use or enjoyment of goods, according to the terms of the LIETU, less certain authorized deductions. IETU payable is calculated by subtracting certain tax credits from the tax determined. Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated beginning January 1, 2008. LIETU establishes that the IETU rate will be 16.5% in 2008, 17% in 2009, and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law.

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Company determined that it will predominantly be subject to ISR as opposed to IETU in future years. As a result, management believes that the enactment of IETU did not have any effects on the accompanying financial information, because the Company recognizes only deferred ISR.

The Company is subject to ISR and, through 2007, IMPAC, on an individual entity basis.

The income tax rates in Spain and in the Central and South American countries in which the Company operates range from 15% to 38%. In addition, tax losses in those countries have a duration ranging from three to eight years.

Operations in Guatemala, Colombia and Argentina are subject to asset tax.

In Colombia, asset tax is calculated by applying a 6% rate to net tax assets at the beginning of the year and is payable only when it exceeds income tax payable for the same period. If asset tax was paid after 2002, that amount may be credited during the following five years.

A tax on minimum expected earnings (“IGMP”) is applied in Argentina. This tax is calculated by applying a 1% rate to certain productive assets and is payable only when it exceeds income tax payable for the same period. Any payment of IGMP is creditable against the excess of income tax over IGMP of the following ten years.

a. Taxes on income are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
ISR:			
Current	Ps.117,937	Ps.62,029	Ps. 13,132
Deferred	<u>4,037</u>	<u>14,434</u>	<u>(50,642)</u>
	<u>Ps.121,974</u>	<u>Ps.76,463</u>	<u>Ps.(37,510)</u>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Statutory rate	28%	29%	30%
Add (deduct) the effect of permanent differences, mainly nondeductible expenses and differences in statutory rates in foreign subsidiary operations . .	1	1	(8)
Add (deduct) the effects of inflation	<u>—</u>	<u>—</u>	<u>2</u>
Effective rate	<u>29%</u>	<u>30%</u>	<u>24%</u>

c. The main items comprising the liability balance of deferred ISR are as follows:

	<u>2007</u>	<u>2006</u>
Deferred ISR asset:		
Effect of tax loss carryforwards in foreign operations	Ps. —	Ps. 2,752
Allowance for doubtful accounts and estimated refunds	14,254	10,994
Advances from customers	19	3,265
Accrued liabilities	1,936	1,883
Other—net	<u>6,456</u>	<u>6,689</u>
Deferred ISR asset	22,665	25,583
Deferred ISR liability:		
Restated inventory of 2004, not yet taxable	(33,852)	(39,565)
Prepaid expenses	(5,011)	(163)
Other	<u>(3,844)</u>	<u>—</u>
Deferred ISR liability	<u>(42,707)</u>	<u>(39,728)</u>
Net ISR liability	<u>Ps.(20,042)</u>	<u>Ps.(14,145)</u>
ISR asset	<u>Ps. —</u>	<u>Ps. 2,752</u>
ISR liability	<u>Ps.(20,042)</u>	<u>Ps.(16,897)</u>

16. Contingencies

The Company is subject to routine legal and administrative proceedings in the ordinary course of its business. The Company does not believe that any such proceedings, if determined adversely, would be reasonably likely to have a material adverse effect on its financial position or results of operations.

17. Commitments

a. As of December 31, 2007, the Company has pledged accounts receivable of approximately Ps.175,000 in connection with a loan (see Note 9).

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Notes to Consolidated Financial Statements — (Continued)

b. The Company leases the properties in which its offices and warehouses are located. Lease expense was Ps.11,624 in 2007, Ps.8,863 in 2006 and Ps.5,660 in 2005. Lease contracts are for terms ranging from two to five years and require the following minimum payments:

<u>Year</u>	<u>Amount</u>
2008	Ps.11,412
2009	9,216
2010	4,990
2011	4,990
2012	2,495
	<u>Ps.33,103</u>

18. New accounting principles

In 2007, the Mexican Board for Research and Development of Financial Information Standards (“CINIF”) issued the following NIFs and INIFs, which became effective for fiscal years beginning on January 1, 2008:

- NIF B-2, Statement of Cash Flows
- NIF B-10, Effects of Inflation
- NIF B-15, Translation of Foreign Currencies
- NIF D-3, Employee Benefits
- NIF D-4, Taxes on Income
- INIF 5, Recognition of the Additional Consideration Agreed to at the Inception of a Derivative Financial Instrument to Adjust it to Fair Value
- INIF 6, Timing of Formal Hedge Designation
- INIF 7, Application of Comprehensive Income or Loss Resulting From a Cash Flow Hedge on a Forecasted Purchase of a Non-Financial Asset

Some of the significant changes established by these standards are as follows:

- *NIF B-2, Statement of Cash Flows.* This NIF establishes general rules for the presentation, structure and preparation of a cash flow statement, as well as the disclosures supplementing such statement, which replaces the statement of changes in financial position. NIF B-2 requires that the statement show a company’s cash inflows and outflows during the period. Line items should be presented “gross.” Cash flows from financing activities are now presented below those from investing activities (a departure from the statement of changes in financial position). In addition, NIF B-2 allows entities to determine and present their cash flows from operating activities using either the direct or the indirect method.
- *NIF B-10, Effects of Inflation.* CINIF defines two economic environments: a) an inflationary environment, which exists when cumulative inflation of the three preceding years is 26% or more, in which case, the effects of inflation should be recognized using the comprehensive method; and b) a non-inflationary environment, which exists when cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements. Additionally, NIF B-10 eliminates the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and requires that the cumulative gain or loss from holding non-monetary assets be reclassified to

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retained earnings, if such gain or loss is realized; the gain or loss that is not realized will be maintained in stockholders' equity and charged to current earnings of the period in which the originating item is realized.

- *NIF B-15, Translation of Foreign Currencies.* NIF B-15 eliminates classification of integrated foreign operations and foreign entities and incorporates the concepts of accounting currency, functional currency and reporting currency. NIF B-15 establishes the procedures to translate the financial information of a foreign subsidiary: i) from the accounting to the functional currency; and ii) from the functional to the reporting currency, and allows entities to present their financial statements in a reporting currency other than their functional currency.
- *NIF D-3, Employee Benefits.* This NIF addresses current and deferred PTU. Deferred PTU should be calculated using the same methodology established in NIF D-4. It also includes the career salary concept and the amortization period of most items is reduced to five years, as explained below:

Items will be amortized over a five-year period or less, if employees' remaining labor life is less than the:

- Beginning balance of the transition liability for severance and retirement benefits
 - Beginning balance of past service cost and changes to the plan
 - Beginning balance of gains and losses from severance benefits, according to actuarial calculations, should be amortized against the results of 2008
 - Beginning balance of gains and losses from retirement benefits, according to actuarial calculations, should be amortized over a five-year period (net of the transition liability), with the option to fully amortize such item against the results of 2008.
- *NIF D-4, Income Taxes.* This NIF relocates accounting for current and deferred PTU to NIF D-3, eliminates the permanent difference concept, redefines and incorporates various definitions and requires that the cumulative ISR effect be reclassified to retained earnings, unless it is identified with some of the other comprehensive income items that have not been applied against current earnings.
 - *INIF 5, Recognition of the Additional Consideration Agreed to at the Inception of a Derivative Financial Instrument to Adjust it to Fair Value.* INIF 5 states that any additional consideration agreed to at the inception of a derivative financial instrument to adjust it to its fair value at that time should be part of the instrument's initial fair value and not subject to amortization as established by paragraph 90 of Bulletin C-10. INIF 5 also establishes that the effect of the change should be prospectively recognized, affecting results of the period in which this INIF becomes effective. If the effect of the change is material, it should be disclosed.
 - *INIF 6, Timing of Formal Hedge Designation.* INIF 6 states that hedging designations may be made as of the date a derivative financial instrument is contracted, or at a later date, provided its effects are prospectively recognized as of the date when formal conditions are met and the instrument qualifies as a hedging relationship. Paragraph 51.a) of Bulletin C-10 considered the hedging designation only at the inception of the transaction.
 - *INIF 7, Application of Comprehensive Income or Loss Resulting From a Cash Flow Hedge on a Forecasted Purchase of a Non-Financial Asset.* INIF 7 states that the effect of a hedge reflected in other comprehensive income or loss resulting from a forecasted purchase of a non-financial asset should be capitalized within the cost of such asset, whose price is set through a hedge, rather than reclassifying the effect to the results of the period affected by the asset, as required by Paragraph 105 of Bulletin C-10. The effect of this change should be recognized by applying any amounts recorded in other comprehensive income or loss to the cost of the acquired asset, as of the effective date of this INIF.

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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.

19. Subsequent events

a. Effective March 31, 2008, the Company changed its name from Producciones Infovision S. A. de C. V. to Genomma Lab Internacional, S. A. de C. V., as approved at an Extraordinary Stockholders' Meeting.

b. As discussed in Note 1, in September 2007, the Company acquired a 60% equity interest in Global, which in turn through a subsidiary, acquired certain net assets of a group of companies operating under the brand name Depilite. Also as discussed in Note 1, during 2007 the Company's management entered into an active plan to divest the Company's interest in Global. As part of this divestment, on March 27, 2008, the Company's interest in the international operating companies in the Depilite group were transferred to the minority stockholder in exchange for the remaining 40.0% equity interest in Global. On March 27, 2008, the equity of Global was sold to Tecnologías de Primer Nivel, S. A. de C. V., an affiliate of the Company, in exchange for an account receivable. On March 31, 2008, this account receivable, together with the Company's accounts receivable due from Global and its subsidiaries, were distributed to the Company's stockholders as a dividend in-kind. In addition to the foregoing distribution, a cash dividend in an amount up to Ps.100,000 was declared.

c. On March 31, 2008, the Company borrowed Ps.66,000 under the renewed credit facility with IXE Banco S. A., Institución de Banca Múltiple, IXE Grupo Financiero described in Note 9.

d. On March 28, 2008, the Company borrowed Ps.60,000 under a credit facility with BBVA Bancomer, S. A. entered into on March 11, 2008.

20. Financial statements issuance authorization

On March 19, 2007, the issuance of the consolidated financial statements was authorized by Lic. Kristi King Etchberger, Chief Financial Officer, and C.P. Marco Antonio González Alba, Comptroller. These consolidated financial statements were approved at the general ordinary stockholders' meeting on March 20, 2008.

* * * * *

EXHIBIT I

Unaudited Consolidated Financial Information as of March 31, 2008 and for the Three-Month Periods Ended March 31, 2008 and 2007

Set forth below is our unaudited consolidated financial information as of March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007. Financial information included in this Exhibit I has been prepared in accordance with MFRS. In the opinion of management, the unaudited consolidated financial information set forth in this Exhibit I includes all adjustments, consisting of only normally recurring adjustments, necessary for a fair presentation of this financial information. The unaudited consolidated financial information set forth in this Exhibit I should be read in connection with our consolidated financial statements included elsewhere in this offering memorandum.

The dollar amounts provided below are translations from the peso amounts, solely for the convenience of the reader, at an exchange rate of Ps.10.6482 to US\$1.00, the exchange rate published by Banco de México in the Federal Official Gazette of Mexico on March 31, 2008, as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico on the next business day. See “Exchange Rates and Currency” for information regarding exchange rates for the periods specified. These translations should not be construed as representations that the peso amounts actually represent such dollar amounts or could be converted into dollars at the rate indicated or at any other rate.

The information contained in this Exhibit I does not contain all of the information and disclosures normally included in interim financial statements prepared in accordance with MFRS.

Cessation of Inflation Accounting Under MFRS

On January 1, 2008, NIF B-10, *Effects of Inflation*, became effective. NIF B-10 revised the accounting for inflation such that inflation accounting no longer applies unless the economic environment in Mexico qualifies as “inflationary” for purposes of MFRS. An environment is considered inflationary if the cumulative inflation rate equals or exceeds an aggregate of 26% over the three preceding years. Because of the relatively low level of inflation in Mexico in recent years, during the first quarter of 2008 Mexico was no longer considered an inflationary environment; inflationary effects have therefore not been recognized in our unaudited consolidated financial information as of and for the three-month period ended March 31, 2008. Our unaudited consolidated financial information for the three-month period ended March 31, 2007, however, is expressed in constant pesos as of December 31, 2007.

Other Significant Changes in MFRS in 2008

Through 2007, Bulletin B-12, “Statement of Changes in Financial Position,” addressed the presentation of a statement of changes in financial position based on financial statements restated to constant Mexican pesos in accordance with Bulletin B-10. This statement reflects the differences between the beginning and ending financial statement balances in constant Mexican pesos. Monetary gains and losses and foreign exchange gains and losses are classified as operating activities rather than as non-cash items.

Effective January 1, 2008, NIF B-2, “Statement of Cash Flows,” replaces the requirement to present a statement of changes in financial position and instead establishes general rules for the presentation, structure and preparation of a cash flow statement, as well as the disclosures supplementing such statement. Similar to U.S. GAAP, NIF B-2 requires the statement to show the cash flows provided by or used in operating, investing and financing activities during the period.

The accompanying unaudited consolidated financial information as of March 31, 2008 in this Exhibit I provides a condensed statement of cash flows in accordance with this new standard.

Financial Highlights—Unaudited

	Three-Month Periods Ended March 31,		
	2008		2007 ⁽¹⁾
	(In thousands of U.S. dollars)	(In thousands of pesos except share and per share data)	(In thousands of constant pesos as of December 31, 2007 except share and per share data)
Statement of Operations Data:			
Net sales	U.S.\$ 48,565	Ps. 517,126	Ps. 337,779
Costs and expenses:			
Cost of sales	12,023	128,021	79,869
Selling, general and administrative expenses	29,371	312,745	214,796
	<u>41,394</u>	<u>440,766</u>	<u>294,665</u>
Income from operations	7,171	76,360	43,114
Other (expense) income—net	<u>(109)</u>	<u>(1,162)</u>	<u>3,673</u>
Comprehensive financing cost:			
Interest expense	(576)	(6,134)	(4,105)
Interest income	38	404	526
Exchange gain	56	599	1,153
Monetary position loss ⁽²⁾	(89)	(943)	(1,697)
Effects of exchange rate changes on foreign operations	<u>(43)</u>	<u>(456)</u>	<u>298</u>
	<u>(614)</u>	<u>(6,530)</u>	<u>(3,825)</u>
Income before income taxes	6,448	68,668	42,962
Income tax expense	<u>1,710</u>	<u>18,213</u>	<u>13,991</u>
Consolidated net income	<u>U.S.\$ 4,738</u>	<u>Ps. 50,455</u>	<u>Ps. 28,971</u>
Net income of majority stockholders	U.S.\$ 4,818	Ps. 51,304	Ps. 28,587
Net income (loss) of minority stockholders	<u>(80)</u>	<u>(849)</u>	<u>384</u>
Consolidated net income	<u>U.S.\$ 4,738</u>	<u>Ps. 50,455</u>	<u>Ps. 28,971</u>
Weighted average number of shares outstanding . . .	<u>140,566</u>	<u>140,566</u>	<u>140,566</u>
Basic earnings per majority common share ⁽³⁾	<u>U.S.\$ 34.28</u>	<u>Ps. 364.98</u>	<u>Ps. 203.37</u>

(1) Amounts for the three-month period ended March 31, 2007 are expressed in pesos with purchasing power as of December 31, 2007. As a result of a change in MFRS for periods beginning in 2008, we have not presented 2008 amounts using inflation accounting or re-expressed 2007 amounts as of March 31, 2008.

(2) With respect to our Mexican entities, since the economic environment was not inflationary in the three-month period ended March 31, 2008, we have not reported gain (loss) on net monetary position for this period for these entities. The monetary position loss for 2008 represents the inflationary effects on monetary position in our Argentine operations, which is considered an “inflationary environment” under MFRS.

(3) Basic earnings per share are calculated by dividing net income of majority stockholders by the weighted average number of shares outstanding. The number of Shares outstanding included in this calculation does not reflect the 3,000-for-1 stock split approved by our shareholders on May 21, 2008, to take effect upon the closing of the offering of the Shares. The stock split will result in an increase in the number of Shares outstanding from 140,566 Shares to 421,698,000 Shares.

	As of March 31, 2008		As of December 31, 2007 ⁽¹⁾
	(In thousands of U.S. dollars)	(In thousands of pesos)	(In thousands of constant pesos as of December 31, 2007)
Balance Sheet Data:			
Cash and cash equivalents	U.S.\$ 9,757	Ps. 103,895	Ps. 62,469
Working capital ⁽²⁾	14,641	155,903	496,451
Total assets	102,988	1,096,637	1,194,030
Loans with financial institutions	22,088	235,199	256,750
Stockholders' equity	U.S.\$ 25,935	Ps. 276,163	Ps. 587,440

(1) Amounts as of December 31, 2007 are expressed in pesos with purchasing power as of December 31, 2007. As a result of a change in MFRS for periods beginning in 2008, we have not presented 2008 amounts using inflation accounting or re-expressed 2007 amounts as of March 31, 2008.

(2) Working capital consists of current assets less current liabilities.

	Three-Month Periods Ended March 31,		
	2008	2007	
	(In thousands of U.S. dollars)	(In thousands of pesos)	(In thousands of constant pesos as of December 31, 2007)

Other Financial Data:

EBITDA⁽¹⁾

Consolidated net income	U.S.\$ 4,738	Ps. 50,455	Ps. 28,971
Income tax expense	1,710	18,213	13,991
Comprehensive financing cost and other expenses	723	7,692	152
Depreciation and amortization	362	3,855	1,568
EBITDA	<u>U.S.\$ 7,533</u>	<u>Ps. 80,215</u>	<u>Ps. 44,682</u>
EBITDA margin	15.5%	15.5%	13.2%

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA) represents consolidated net income plus the effects of income tax expense, comprehensive financing cost, other expenses and depreciation and amortization. EBITDA margin represents EBITDA divided by net sales. EBITDA should not be considered as an alternative to net income, as an indicator of our operating performance, or as an alternative to cash flows from operating activities as an indicator of liquidity. Our management believes that EBITDA provides a useful measure of our performance that is widely used by investors and analysts to evaluate our performance and compare it with other companies. In making such comparisons, however, you should bear in mind that EBITDA is not defined and is not a recognized financial measure under MFRS or U.S. GAAP and that it may be calculated differently by different companies.

We analyze below our consolidated results of operations for the three-month periods ended March 31, 2008 and 2007.

Net Sales

Our net sales increased by 53.1% to Ps.517.1 million for the three-month period ended March 31, 2008 from Ps.337.8 million for the three-month period ended March 31, 2007. This increase of Ps.179.3 million in net sales from our diversified product base was attributable to an increase of Ps.79.4 million in sales from our existing product base and line extensions and an increase of Ps.99.9 million in sales from our new products.

Cost of Sales

Our cost of sales, which primarily includes the cost of products purchased from third parties, raw materials and packaging, increased by 60.3% to Ps.128.0 million for the three-month period ended March 31, 2008 from Ps.79.9 million for the three-month period ended March 31, 2007. The increase in the cost of sales was primarily the

result of an increase in our net sales. As a percentage of our net sales, cost of sales increased to 24.8% for the three-month period ended March 31, 2008 as compared to 23.6% for the three-month period ended March 31, 2007.

Our gross profit increased by 50.9% to Ps.389.1 million for the three-month period ended March 31, 2008 from Ps.257.9 million for the three-month period ended March 31, 2007.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses (or SG&A) increased by 45.6% to Ps.312.7 million for the three-month period ended March 31, 2008 from Ps.214.8 million for the three-month period ended March 31, 2007. SG&A increased primarily as a result of higher advertising and payroll expenses resulting from the growth of our net sales. However, as a percentage of our net sales, SG&A decreased to 60.5% for the three-month period ended March 31, 2008 from 63.6% for the three-month period ended March 31, 2007, which was the result of achieving greater economies of scale with respect to certain fixed administrative and selling expenses.

Net Comprehensive Financing Cost

Our net comprehensive financing cost increased by 70.7% to Ps.6.5 million for the three-month period ended March 31, 2008 from Ps.3.8 million for the three-month period ended March 31, 2007. The increase was primarily a result of higher interest expense of Ps.6.1 million for the three-month period ended March 31, 2008 as compared to interest expense of Ps.4.1 million for the three-month period ended March 31, 2007, which resulted from higher debt levels during the three-month period ended March 31, 2008.

Provision for Income Taxes

Our provision for income taxes increased by 30.2% to Ps.18.2 million for the three-month period ended March 31, 2008 from Ps.14.0 million for the three-month period ended March 31, 2007, which represents an effective rate of 26.5% for the three-month period ended March 31, 2008 compared to 32.6% for the three-month period ended March 31, 2007. The increased provision was primarily a result of an increase in taxable income, resulting from an increase in net sales. The statutory income tax rate in Mexico was 28% for the three-month periods ended March 31, 2008 and March 31, 2007. The decrease in our effective tax rate from 2007 was primarily a result of the creation of a non-deductible reserve for product returns from customers in the three-month period ended March 31, 2007.

Net Income

Our consolidated net income increased by 74.2% to Ps.50.5 million for the three-month period ended March 31, 2008 as compared to Ps.29.0 million for the three-month period ended March 31, 2007 as a result of the foregoing factors.

Liquidity and Capital Resources

Liquidity

As of December 31, 2007 and March 31, 2008, we had working capital (defined as current assets minus current liabilities) of Ps.496.5 million and Ps.155.9 million, respectively. In March 2008, we declared a dividend of Ps.363.6 million, of which Ps.267.8 million was paid in-kind. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Subsequent Events—Global and Depilite” in connection with the divestiture of our interest in Global.

We believe that our cash flow generation is sufficient to support our currently anticipated working capital needs during 2008.

Cash Flow Statement

The following table summarizes our cash flow recorded for the three-month period ended March 31, 2008:

	Three-Month Period Ended March 31, 2008	
	(In thousands of pesos)	(In thousands of U.S. dollars)
Cash Flow Statement:		
Net cash flow provided by operating activities	Ps. 75,131	U.S.\$ 7,056
Net cash flow used in investing activities	(12,382)	(1,163)
Net cash flow used in financing activities	(22,884)	(2,149)
Effects of exchange rate changes on cash flows	1,561	147
Net increase in cash and cash equivalents ⁽¹⁾	<u>Ps. 41,426</u>	<u>U.S.\$ 3,891</u>

(1) Increase in cash for the three-month period ended March 31, 2008.

Our principal sources of cash for the three-month period ended March 31, 2008 were related to operations coupled with significant collections of receivables and an extension of terms for our accounts payable consistent with our objective of maximizing cash flow efficiently. Our principal uses of cash for the three-month period ended March 31, 2008 were tax payments, debt reduction and inventory buildup.

Capital Expenditures

During the three-month period ended March 31, 2008, we made aggregate capital expenditures of approximately Ps.12.4 million in connection with our investment in a new ERP system, leasehold improvements related to office expansion and a larger warehouse for finished products, and acquisition of post-production equipment. We expect to incur capital expenditures of Ps.70 million in the remaining nine months of 2008, principally for completion of the ERP system implementation, completion of the larger warehouse, and acquisition of post-production equipment and transportation vehicles.

Borrowings

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Subsequent Events—Borrowings” for a discussion of our borrowings during the three-month period ended March 31, 2008.

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