

Mexico City, June 2, 2017

## FINAL 2016 FINANCIAL STATEMENTS BY QUARTER

*Genomma Lab Internacional, S.A.B. de C.V.* (BMV: LAB) (“the Company”) announces the final financial statements by quarter, including the non-cash, one-time charges, which were recorded in the annual audited financial statements released on April 2016.

Due to changing macro circumstances, Genomma’s new Management and Audit Committee proposed to the Board of Directors that a deeper revision of the Company’s long-lived assets be conducted, to more accurately reflect their fair value on the Balance Sheet.

Over the years, the Company invested substantial resources in long-lived assets to develop new ventures. However, the use of these assets has either not been optimal or has experienced delays due to circumstances that have changed over time. In order to ensure transparency, the Company disclosed in Q2 and Q4 that, as a result of the review, a range of potential charges to the balance sheet were generated.

### 2016 Reported EBITDA (Million pesos)

	Q1’16	Q2’16	Q3’16	Q4’16
REPORTED EBITDA	495	527	601	467
RANGE OF POTENTIAL ADJUSTMENTS AS DISCLOSED IN EACH QUARTER	-	(2,790) – (3,040)	-	(575) – (765)
POTENTIAL RESULTING EBITDA	495	(2,263) – (2,513)	601	(108) – (298)

New Management engaged the services of qualified advisors to conduct this valuation exercise, which resulted in non-cash, non-recurring charges that were recorded in the quarters in which they were disclosed; meaning, Ps. 2.94 billion in the second quarter and Ps. 737 million in the fourth quarter.

### 2016 Audited EBITDA restated by Q (Million pesos)

	Q1’16	Q2’16	Q3’16	Q4’16	AUDITED 2016
REPORTED EBITDA	495	527	601	467	2090
ADJUSTMENTS RECORDED IN THE AUDITED FINANCIALS	-	(2,938)	-	(737)	(3,675)
RESTATED EBITDA	495	(2,411)	601	(270)	(1,585)

## Breakdown of adjustments for the second quarter 2016

Charges to the Balance Sheet include the following accounts: a) intangible assets related to brands, sanitary registries and their related fixed assets, and b) carryover and advertising.

- **Intangibles related to brands, sanitary registries and their related fixed assets** totaling Ps. 2.0 billion. Genomma's management team implemented a stricter methodology to determine whether events or changes in circumstances indicate that the carrying amount of long-lived assets may not be accurate. Whenever this happens, an impairment test will be executed, rather than waiting for the traditional annual review. Prior Company policy allowed for a certain degree of subjectivity and the use of discretionary criteria that under the new policy is no longer accepted.

During the first half of 2016, Brazil experienced major political and macroeconomic turmoil. In light of this change in circumstances, the Company made the decision not to invest the additional resources required to launch the new brands and products associated with their related sanitary registries. Genomma's cash flow generation will instead be allocated to investments with shorter payback times in more stable environments. The Company therefore conducted tests under the new methodology on 22 brands, 30 sanitary registries and their related fixed assets acquired in past years to be developed in Brazil as new ventures. The assets reviewed are separate from those of our operating business in that country.

- **Carryovers and Advertising** amounting to Ps. 926 million. The Company has accounts with more than 40 media companies throughout 20 countries. In some countries, networks have increased their prices for air-time, and have modified their commercial terms to compensate for their decline in viewer audience. Under these new conditions, the use of carryovers from previous years has been limited, constrained or even cancelled. As a result of the extensive negotiations, the Company may not be able to use part of its advertising balance and that it is therefore prudent to record this impairment.

## Breakdown of adjustments for the fourth quarter of 2016

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Charges to the Balance Sheet include the following accounts: a) provision for obsolete raw materials held within supplier warehouses, b) excise tax provisions, c) provision for a share-based incentive program, and d) other provisions and reserves recommended by the external audit firm.

- **Provision for Obsolete Raw Materials held within supplier warehouses** amounting to Ps. 137 million. Genomma Lab extended its review of assets throughout its extensive supplier network of more than 300 disparate companies, and has identified obsolete inventories accumulated between 2007 and 2015. New processes and procedures are being implemented to increase visibility of inventories throughout the Company's considerable supplier network.
- **Excise Tax Provisions** amounting to Ps 322 million. The Company could potentially be liable for payment of certain future excise taxes in Latin America. Genomma Lab's external counsel in the region recommends that it is prudent for the Company to make the appropriate provisions in the amount of said excise taxes corresponding to prior years. There is no contingency with regards to the 2016 fiscal year, as the Company had already strengthened its financial policies.
- **Provision for a Share-based Incentive Program** amounting to Ps. 232 million. A share-based compensation package for Genomma Lab's senior management was recommended by our

Corporate Practices Committee and subsequently approved by the Company's Board of Directors with the achievement of specific milestones related to the Company's stock price and cash flow. The Company considered prudent to record the corresponding provision. This share-based incentive will not be paid in the immediate term, but will instead be paid upon achievement of the corresponding contracts.

- **Other provisions and reserves recommended by the external audit firm** amounting to Ps. 45 million.

## Company Description

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*Genomma Lab Internacional, S.A.B. de C.V.* is one of the fastest growing pharmaceutical and personal care products companies in Latin America. Genomma Lab develops, sells and markets a broad range of Premium branded products, many of which are leaders in the categories in which they compete in terms of sales and market share. The Company has a sound business model through a unique combination of a new product development process, consumer oriented marketing, a broad retail distribution network and a low - cost, highly flexible supply chain operating model.

### **Note on Forward-Looking Statements**

This report may contain certain forward-looking statements and information relating to the Company that reflect the current views and/or expectations of the Company and its management with respect to its performance, business and future events. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like "believe," "anticipate," "expect," "envisages," "will likely result," or any other words or phrases of similar meaning. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this presentation and in oral statements made by authorized officers of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.