Genomma Lab®
Internacional

Seeking Formulas, **Providing Well-Being**

ANNUAL REPORT 2008

Corporate Profile

Genomma is a Young, 100% Mexican company with an innovative and dynamic approach seeking for solutions to improve the quality of life and the health of all those who benefit from the appropriate use of the Company's products.

Genomma is an extensive network of companies and institutions that research, manufacture, and market pharmaceutical and dermo-cosmetic products that comply with the highest quality standards and national regulations which include: good production practices, registration and analysis.

Genomma believes that anything is possible within the pharmaceutical industry, and that is the reason why Genomma is building a future here and now. This future brings to fruition the dreams and goals of Genomma's founders, which are being reached via the creativity, ability, effort and tenacity of all those involved in turning Genomma Lab into the Mexican pharmaceutical company which everyone will be proud of.

Mission

To improve and preserve people's health and well-being via innovative, safe and effective products, while respecting the environment and providing development opportunities to all employees, and profitability to our shareholders.

Vision

To be a leading company on an international level in the medicine and personal care product categories and to be recognized for having a positive impact on the health and well-being of people, communities and the environment.

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FINANCIAL **HIGHLIGHTS**

(in thousands of pesos)

	2008	2007	2006
INCOME STATEMENT			
Net Sales	$2,629,430	$1,854,775	$1,373,480
Net Cost	662,246	483,633	342,691
Gross Income	1,967,184	1,371,142	1,030,789
Operating Expenses	1,294,526	888,508	774,169
Operating Income	672,658	482,634	256,620
EBITDA	691,062	489,819	263,953
Other Expenses, Net	(3,275)	(3,055)	(1,087)
Comprehensive Financial Income	61,889	(23,381)	(18,822)
Interest, Net	21,781	(9,290)	(9,276)
Income Tax	192,419	120,612	236,711
Discontinued Operations (Loss) / Income	(26,017)	(30,601)	16,051
Consolidated net income	512,836	304,985	182,699
BALANCE SHEET			
Current Assets	$2,617,231	$1,075,634	$697,135
Fixed Assets	112,453	44,298	23,295
Total Asset	2,839,928	1,194,030	734,614
Short-Term Liabilities	523,024	579,183	366,518
Long Term Lialabilities	4,765	27,407	22,024
Total Liabilities	527,789	606,590	388,542
Liabilities with Interest Cost	-	256,750	111,457
Shareholder's Equity	2,312,139	587,440	346,072

LETTER TO OUR **SHAREHOLDERS**

Rodrigo Herrera, Chief Executive Officer and Chairman of the Board of Directors of Genomma Lab, receives the Socially Responsible Company Award.

Genomma Lab – Creating Value

A SOLID COMPANY

Genomma Lab is a Mexican company dedicated to the innovation, development, distribution and marketing of over-the-counter (OTC) medicines and personal care products in Mexico and other countries such as Peru, Argentina, Ecuador, and Costa Rica, among others. Each day, Genomma is committed to create value on our operational processes and for our shareholders.

Created in 1996 as a direct marketing company, which reached consumers via televised infomercials, Genomma Lab later restructured its objectives and initiated a solid business strategy, combining the development of OTC and personal care products, a sophisticated advertising and marketing strategy, and a broad distribution network that positions these products at strategic points of sale.

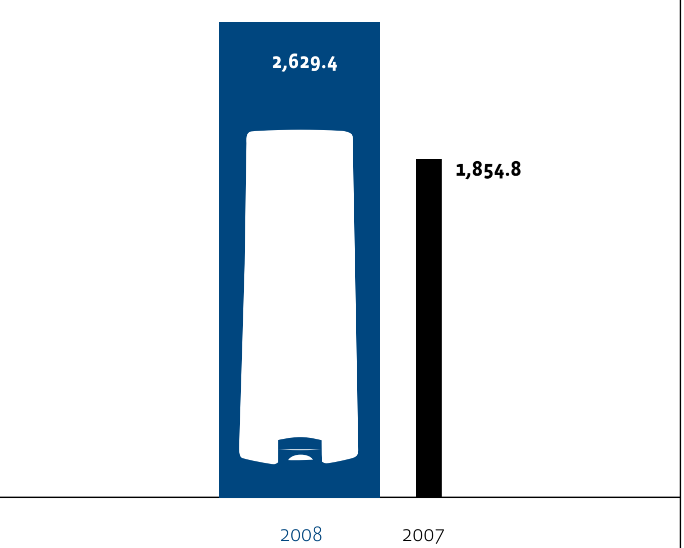
Since then, Genomma's goal has been to provide social well-being and offer to our consumers a higher quality of life through a variety of OTC products that target various diseases and illnesses, as well as personal care products that provide our consumers cosmetic and health benefits.

This is possible through the innovative and creative processes that distinguish Genomma as a company that constantly challenges paradigms.

Genomma Lab is here to stay. It is one of the fastest growing companies in the industry, not only in Mexico, but throughout Latin America as well.

In 2008, net sales reached Ps. 2,629.4 million, growth of 41.8%. International sales grew 310.7%, reaching Ps. 235.1 million.

Net Sales
(Millions of pesos)
% Change: 41.8%



MEETING EXPECTATIONS (2008 Financial Results)

On June 18, 2008 Genomma became a public company listed on the Mexican Stock Exchange (BMV). This process allowed the Company to institutionalize processes and policies related to the main activities of its business, and helped Genomma strengthen its sound financial position by creating a platform that will support future growth.

Via the BMV listing, which took place during a complicated year for international financial markets, Genomma Lab redesigned its processes with a long-term vision and a business plan that will fortify the Company's market presence and allow sustainable growth.

The results speak by themselves: In 2008, net sales reached Ps. 2,629.4 million, a growth of 41.8%. International sales grew 310.7%, reaching Ps. 235.1 million, representing 8.9% of net consolidated sales. EBITDA increased 41.1%, reaching Ps. 691.1 million and net consolidated income increased 68.2%, reaching Ps. 512.8 million. Genomma reported a net cash position of Ps. 1,291.0 million and a net income margin of 19.5% in 2008.

Despite a challenging year, Genomma achieved accelerated growth; this is evidence of the soundness of Genomma's business, the quality of the Company's products and a strong demand for effective OTC and personal care products. Whereas other industries were experiencing a weak year, Genomma Lab launched 50 new products during 2008. Genomma has a clear picture of its direction and goals for 2009, and is ready to reach them through aggressive growth plans, such as expanding into new categories, brand acquisitions and operations in new countries.

VALUE CHAIN
Genomma Lab

Research and Development

Manufacturing (Outsourced)

Sales

Distribution

Branding

Genomma has the necessary resources for the development of new products and aims to prioritize high-quality by constantly searching for the safest and most effective ingredients for the treatment of certain ailments.

AN INNOVATIVE BUSINESS MODEL

The growth of revenues and profitability, and the success in the positioning of Genomma's products, lay basically in a differentiated business model that results in a unique operation. Genomma is defined by the agility, flexibility and creativity in its operations, which are divided in:

- New product innovation and development: efficiency, quality and effectiveness.
- Marketing: internally produced, targeting the consumer with unique agility.
- Broad distribution networks.

This value chain is mainly characterized by its efficient and quick response, from the product's conception to the brand positioning. Genomma is focused on how each link in the value chain can contribute to add value to the entire operation.

1. New Product Development

The way in which Genomma develops and markets products is very innovative, as it generates a benefit to the general population with new ways to treat certain diseases. Genomma provides consumers with safe and effective ways to responsibly self-medicate with OTC products, encouraging a process that is revolutionizing the health system in Mexico.

Genomma Lab develops high-quality products that adhere to the highest standards and comply with applicable regulations related to manufacturing, registration and analysis. Genomma focuses on two primary markets: OTC products, which accounted for 62% of net consolidated sales in 2008, and personal care products, which accounted for the remaining 38% of net consolidated sales.

Product Categories and Main Brands

In the OTC market, the main categories are:

- Sexual energy and protection
- Anti-acne
- Hemorrhoid treatment
- Osteoarthritis
- Gastric discharge inhibitors

In the personal care market, the main categories are:

- Anti-acne
- Scar treatments
- Topical ointment for varicose veins.
- Facial and body lotions

The 10 main brands within these two business divisions represent approximately 82% of total sales and include:

Brand	**Product Category**	**Sales (millions of pesos)**	**%**
M Force	Sexual performance and contraceptives	$335.2	13.5%
Asepxia	Anti-acne	314.3	12.7%
Cicatricure	Scar removal	286.6	11.6%
Nikzon	Hemorrhoid treatment	206.0	8.3%
X Ray	Pain relief	199.0	8.0%
Goicoechea	Spider vein treatment	185.3	7.5%
Genoprazol	Anti-ulcer medicine	162.0	6.5%
Ultra-Bengue	Anti-rheumatic treatment	132.4	5.3%
Silka-Medic	Anti-fungal treatment	123.7	5.0%
Dalay	Insomnia auxiliary treatment	96.1	3.9%

Genomma is committed to protect the environment and believes that its preservation represents the protection of human health, which is Genomma's primary goal.

In these two markets, Genomma offers over 120 products across different categories, and markets them throughout Mexico via 37 brands that are purchased by consumers from all socio-economic levels. Some of Genomma's brands are leaders in their product categories in terms of both sales and market share. Genomma has acquired popular brands such as Bengué, Ma Evans and Dermoprada, all representing strategic opportunities.

Genomma has the necessary resources for the development of new products. Quality is the Company's number one priority and Genomma is constantly searching for the safest and most effective ingredients for the treatment of each disease. Genomma's philosophy is to always offer the best OTC and personal care product for each ailment. Through product quality testing, Genomma constantly evaluates and revamps these products by using the most innovative and effective ingredients available for each treatment.

Successful Case Studies:

1. Genomma acquired Ma Evans, a popular brand with broad acceptance and credibility. The Company repositioned the product with a new and improved cosmetic design and a new formula, which was recognized by consumers as very effective since day one.

2. Genomma repositioned the brand Ultra-Bengué, improving its formula, while targeting a very specific market niche to treat back pain and bruises.

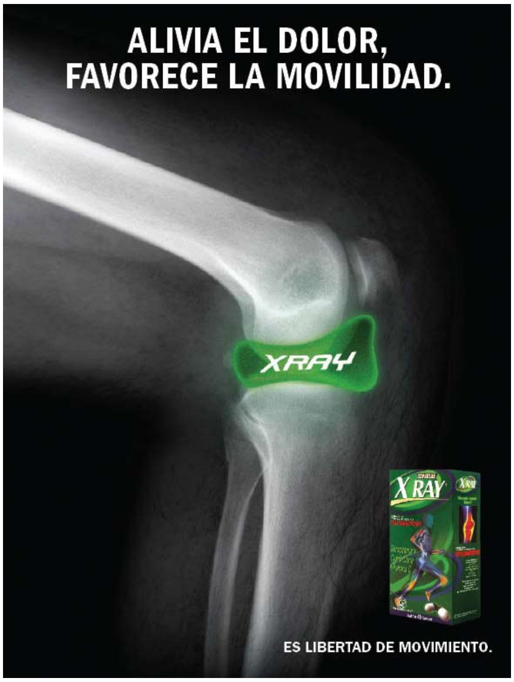
2. Marketing

Following the product selection and development stage, Genomma designs an integrated marketing strategy for each product. The Company believes that its capabilities in this area make Genomma a unique company within the market. The goal is to increase the product's brand value through internally developed marketing campaigns that are characterized by their focus and innovation. Genomma responds promptly and efficiently to market changes, as well as to any changes in preference and demand for its products.

Genomma's advertisements are clear and direct: an ailment is clearly presented, then the effect and effectiveness of Genomma's products are showed. Genomma considers this an honest way of communicating with consumers. In addition, the Company believes that a straight forward message allows the Company to contribute to consumer's education. Likewise, Genomma provides consumers with the necessary information for the detection of symptoms and the ability of self-medicate in an informed and responsible way. This process generates added value to the Mexico's health system as it allows the treatment of minor diseases with OTC products, and enables doctors and hospitals to devote time and resources to the prevention and treatment of more complicated illnesses and diseases.

3. Product Supply Chain

Genomma Lab's products are present in Mexico and in more than 18 countries via a diversified platform and through various distribution channels. Genomma works closely with pharmaceutical product distributors and provides drug store chains, supermarkets, price clubs, and department stores. In total, Genomma reaches over 21,000 points of sale, and continues to search for new growth opportunities along with clients, suppliers, and distributors, in order to generate sales and create value within the Mexican pharmaceutical industry.



Genomma is an innovative and creative company with a unique business model, and committed to people's health, clients, consumers, investors, society and the environment.

GENOMMA LAB IS HERE TO STAY (Conclusions)

Genomma Lab is headed to the right direction and will continue to work towards accelerated growth and sound development via responsible business practices with a process chain that will continue to create value throughout each of its links.

We believe that not only 2009, but also forthcoming years will be full of opportunities for our company. The evolution of the demographic pyramid in Mexico shows that from 2000 to 2030, the economically active population (i.e. people between 25 and 50 years of age) will grow 21.5%. This evidence proves that there will be a larger number of adults in need of treatment for diverse illnesses that will be old enough to self-medicate responsibly. Genomma Lab will continue to work hard in the development of high-quality products with solid market positions, and in the acquisition of brands with high potential of value creation for our business.

Genomma is an innovative and creative company with a unique business model; committed to people's health, clients, consumers, investors, society and the environment. Genomma Lab wishes to express its appreciation to all those who contribute to the Company's development, and to the shareholders who have believed in the Company's business model, a model that will continue to operate efficiently and innovatively for the benefit of all.

Genomma Lab Internacional, S.A.B. de C.V.
April 2009


Más Rápido que Asepxia®
imposible
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Asepxia
HERBAL
Asepxia
NEUTRO
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AZUFRE
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SECANTE ANTI-IMPERFECCIONES
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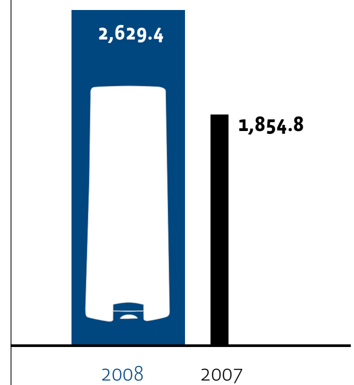
MANAGEMENT'S DISCUSSION AND ANALYSIS **OF RESULTS**

Net sales for the Full Year rose 41.8% to Ps. 2,629.4 million from Ps. 1,854.8 million in 2007. This increase resulted from growth in revenues for the Mexican segment as follows: i)14.6% (Ps. 220.5 million) from Base Brands to Ps. 1,729.0 million, including line extensions on these brands, ii) 90.8% (Ps. 262.3 million) due to the full year effect of Prior Year Launches, including recent line extensions on these brands launched during 2007 to reach Ps. 551.3 million, iii) Ps. 114.1 million in 2008 from New Brands due to the launch of 15 new products under 11 New Brands throughout the year, and iv) a 310.7% increase (Ps. 177.9 million) in our International operations to Ps. 235.1 million.

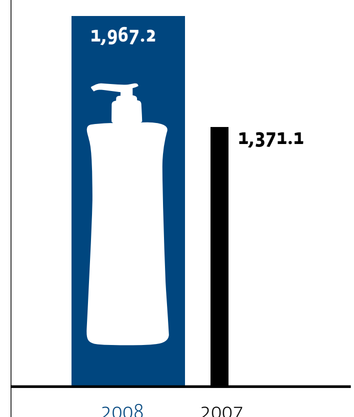
Gross Profit for the Full Year increased by 43.5% to Ps. 1,967.2 million in 2008 compared to 1,371.1 million in 2007. Gross margin increased by 0.9 percentage points to 74.8% compared to 73.9% for the same period in 2007. This increase was primarily attributable to: i) a decrease in the cost as a percentage of sales in our Base Brands due to more efficient purchasing plus a higher margin sales mix, ii) a lower cost of products from brands of the Prior Year Launches compared to 2007, iii) a lower cost from new brands compared to our average relative cost, when historically its has happened otherwise, and iv) a lower cost of goods sold from our international operations, as they have reached a size that provides leverage during sales negotiations.

Selling, General and Administrative Expenses for the Full Year as a percentage of net sales increased 1.3 percentage points from 47.9% for 2007 to 49.2% for 2008. This increase was primarily due to an increase in our advertising expenses as a percentage of sales as we did not achieve the expected sales growth with a fixed advertising investment. However, we believe that such advertising produced the expected sell-out effect at the point of sale together with an increase in Payroll as a percentage of sales. The increase was partially offset with a reduction in administrative, comercial, logistics, and R&D expenses due mainly to economies of scale.

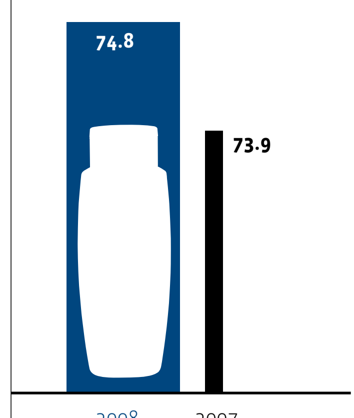
Net Sales
(millions of pesos)
% Change: 41.8%



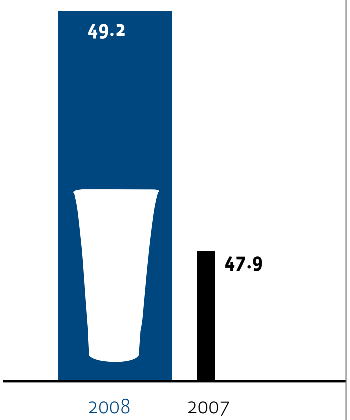
Gross Profit
(millions of pesos)
% Change: 43.5%



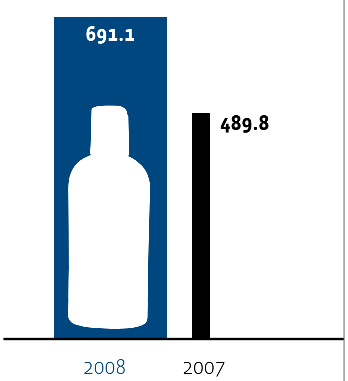
Gross Margin
%



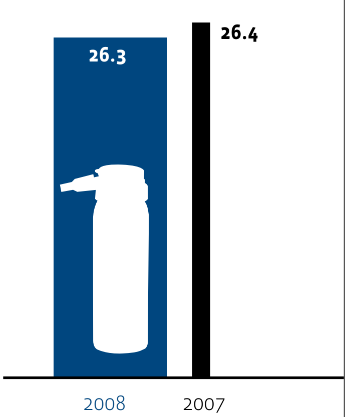
Selling and Administrative Expenses as a percentage of net sales
%



EBITDA
(millions of pesos)
% Change: 41.1%



EBITDA Margin
%



EBITDA for the Full Year increased 41.1% to Ps. 691.1 million in 2008 compared to Ps. 489.8 million in 2007. EBITDA margin decreased 0.1 percentage points, from 26.4% in 2007 to 26.3% in 2008. The EBITDA margin decrease was due to the increase in selling, general and administrative expenses as a percentage of sales, which was not fully offset by the increase in gross profit as a percentage of sales for the afore mentioned reasons.

EBITDA
For the twelve-month periods ended December 31, 2008 and 2007.
(In thousands of current Mexican pesos for the amounts of 2008.
In thousands of purchasing power pesos for the amounts of 2007).

	January to December	
	2008	2007
Consolidated net income (loss)	512,836	304,986
Discontinued operations (income) loss	26,017	30,601
Income tax expense (benefit)	192,419	120,612
Comprehensive financing (income) cost	(61,889)	23,381
Other expense (income), Net	3,275	3,055
Depreciation and amortization	18,404	7,185
EBITDA	691,062	489,819
EBITDA margin	26.3%	26.4%

Operating Income for the Full Year increased 39.4% to Ps. 672.7 million in 2008 compared to Ps. 482.6 million in 2007. Operating margin decreased 0.4 percentage points to 25.6% compared to 26.0% in 2007; this decline was mainly due to an increase in depreciation and amortization due to the acquisition of fixed assets during 2008, such as office equipment, computer equipment, and leasehold improvements, mainly at the Company's new distribution center.

Comprehensive Financing Income for the Full Year was Ps. 61.9 million in 2008, which represented an increase of Ps. 85.3 million compared to the Ps. 23.4 million financing cost reported for the same period of 2007. The increase was primarily a result of: i) an increase in interest income from Ps. 6.2 million for 2007 to Ps. 42.9 million in 2008 due to higher average balances of cash and equivalents in 2008, ii) an increase in the foreign Exchange gain from a Ps. 1.6 million loss in 2007 to a Ps. 44.2 million gain in 2008 due mainly to a protective US dollar purchase made in October 2008, iii) a decrease in the monetary

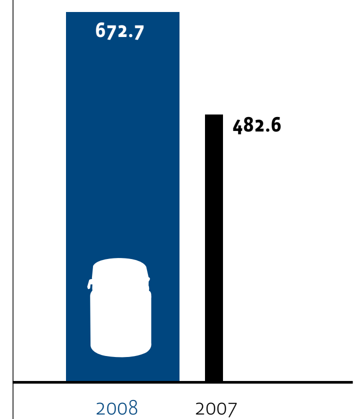
Through its advertising strategy, Genomma Lab provides consumers with the necessary information to detect symptoms and responsibly self-medicate.

position loss from Ps. 13.6 million in 2007 to a loss of Ps. 3.3 million for 2008. This effect was the result of a change in inflation accounting under Mexican GAAP whereby the monetary position calculation in 2008 is only affected by operations in Argentina, while in 2007, the calculation included all countries consolidated in the results. Therefore, the numbers are not directly comparable.

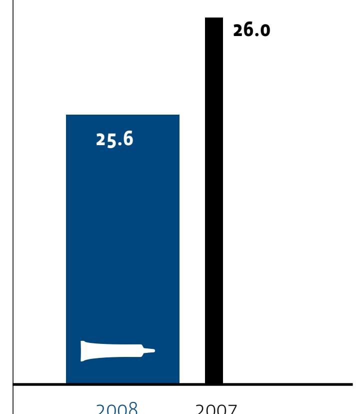
As of December 31, 2008, Genomma had a cash position of Ps. 1,291 million.

Net Consolidated Income for the Full Year increased 68.2% to Ps. 512.8 million in 2008, compared to Ps. 305.0 million in 2007.

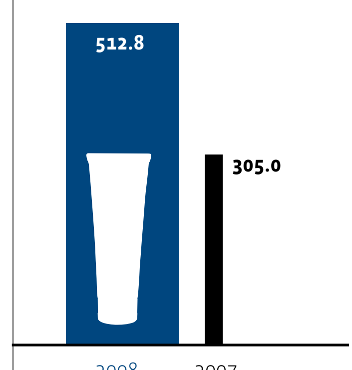
Operating Income
(millions of pesos)
% Change: 39.4%



Operating Income Margin
%



Consolidated Net Income
(millions of pesos)
% Change: 68.2%



BOARD OF **DIRECTORS AND COMMITEES**

Rodrigo Alonso Herrera Aspra
Chairman of the Board

Arturo Iván Gamboa Rullán
Proprietary Board Member

Pablo José Monroy Cazorla
Proprietary Board Member

Arturo José Saval Pérez
Proprietary Board Member

Luis Alberto Harvey MacKissak
Proprietary Board member

Gerardo de Nicolás Gutiérrez
Independent Board Member

Fernando Paiz Andrade
Independent Board Member

Pedro Solís Cámara
Independent Board Member

Juan Alonso
Independent Board Member

Renata Virginia Herrera Aspra
Alternate Board Member

Víctor Manuel Gamboa Rullán
Alternate Board Member

Sergio Herrera Terrones
Alternate Board Member

Roberto Langenauer Neuman
Alternate Board Member

Alejandro Diazayas Oliver
Alternate Board Member

EXECUTIVE COMMITTEE

Rodrigo Alonso Herrera Aspra, *President*
Arturo Iván Gamboa Rullan
Pablo José Monroy Cazorla
Arturo José Saval Pérez
Luis Alberto Harvey MacKissack

CORPORATE PRACTICES COMMITTEE

Gerardo de Nicolás Gutiérrez, *President*
Arturo José Saval Pérez
Juan Alonso

AUDITING COMMITTEE

Pedro Solís Cámara, *President*
Gerardo de Nicolás Gutiérrez
Fernando Paiz Andrade

MANAGEMENT **TEAM**

Rodrigo Alonso Herrera Aspra (40)
Chief Executive Officer

Arturo Iván Gamboa Rullán (48)
Executive Vice-President

Patricia Faci Villalobos (49)
Chief Operating Officer

Claudia Georgina Ortega Vettoretti (44)
Marketing Vice-President

Ramón Neme Sastre (48)
Corporate Vice-President

Alejandro Bastón Patiño (43)
Commercial Strategy Vice-President

Oscar Villalobos-Torres (38)
Chief Financial Officer

Francisco Lizardi Calderón (49)
Administrative Director

Luis Gerardo Cortés Moreno (46)
Commercial Director

Francisco Javier Ortiz Ortiz (49)
International Operations Director

Renata Virginia Herrera Aspra (44)
Research, Development and Quality Director

Miguel Peinado Gonzalez (47)
Supply Chain Director

Elías Sidaoui Silva (53)
Human Resources Director

CORPORATE **SOCIAL RESPONSIBILITY**

For Genomma, Corporate Social Responsibility (CSR) represents the only way to conduct business and create long-lasting value, while contributing to sustainable development. This concept includes both health and well-being of society which is the very essence of Genomma's mission. Therefore, the Company continuously strives to integrate the CSR principles within its strategy and daily operations, as well as in shareholder relations.

Some of the most relevant initiatives are the following:

CSR SYMBOL

For the third consecutive year (2007- 2009), Genomma has been recognized with the Socially Responsible Company symbol granted by the Mexican Center for Philanthropy (CEMEFI) and by the Alliance for Corporate Social Responsibility (ALIARSE). This symbol recognizes the achievements of the company in:

- Corporate Ethics
- Life Quality within the Company
- Communications, Publicity and Promotion of Responsible Consumption
- Sustainable Use of Resources and Environment
- Community Involvement

In December 2007, the Labor Ministry awarded Genomma with the "Inclusive Company" recognition for integrating a culture that promotes the labor inclusion of older adults and handicapped people.

GLOBAL COMPACT

Since January 2007, Genomma has formalized its commitment with the 10 principles of the Global Compact. This United Nations initiative seeks to promote and create better global corporate citizenship practices.

Within this frame of reference, the Company works hard to integrate and promote these principles to Genomma's corporate philosophy inside and outside the organization. In 2008, Genomma published in the Global Compact website the Company's "Communication on 2007 Progress" report.

MODEL OF GENDER EQUALITY

Since May 2008, Genomma has achieved the "Model of Gender Equality" certification, granted by the Women's National Institute (INMUJERES) for the implementation of a Human Resources management system within the company that seeks to promote gender equality and ensure equal employment opportunities for men and women, promoting a healthy and respectable environment that discourages sexual harassment, discrimination, and any kind of inappropriate conduct among its members.

INCLUSIVE COMPANY

In December, 2007 Genomma was granted the "Inclusive Company" award. This award recognized Genomma's efforts to acknowledge and integrate elders and handicapped people in the labor force. The Company is convinced that these two social groups can add value to companies. The award also recognized Genomma's driving other companies in these efforts.

"A MILLION ACTIONS" PROGRAM

During the last visit of former U.S. Vice-President Al Gore in 2007, which was sponsored by Genomma Lab, the Company signed a joint agreement with the Environment and Natural Resources Ministry (SEMARNAT) in which Genomma would donate 1 million trees to that Ministry. Thanks to alliances created with social and environmental organizations such as Probosque (Protectora de Bosques del Estado de México); DIPROCAFE, Patronato Pro Zona Mazahua, A.C. and the North American Center for Environmental Information and Communication, A.C. (CICEANA), which helped to guarantee the planting of trees, while reporting survival index of at least 70% in the reforested areas, this agreement was not only fulfilled in 2008, but was exceeded by 43,889 planted trees as well.

NUMBER OF TREES	TYPE	FAVORED ZONE	ALLIANCE
1 Million	Pinus Hartwegii	San Felipe del Progreso y San José del Rincón	Fundación Pro Mazahua, ProBosque, Ciceana
13 thousand 564	Mahogany	Loma del Rayo, Edo. Veracruz	Diprocafé
15 thousand 600	Mahogany	Tallohuaya, Edo. Veracruz	Diprocafé
3 thousand 200	Mahogany	Vista Hermosa, Edo. Veracruz	Diprocafé
5 thousand 900	Mahogany	Copalillo II	Diprocafé
5 thousand 625	Mahogany	Cerro del Candelero	Diprocafé

TOTAL: 1 Million 43 thousand planted trees.


El Gobierno del Estado de México

RECONOCIMIENTO

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

The execution and fulfillment of this program led to a recognition by the Government of the State of Mexico in December 2008.

In addition, there has been significant progress in the planting of guava trees that will be agronomically managed specifically for the production of the plant's leaves.

RESPONSIBLE CHAIN VALUE PROGRAM

In August 2007, Genomma signed a collaborative agreement with Universidad Veracruzana to create and develop the Mexican fito-medicine agro-industry, and integrate 1,500 associated farmers to the "Productive Diversification of Low Altitude Coffee Plantations" (DIPROCAFE) project, in addition to the Company's value chain, generating a positive economic, social and environmental impact.

As a result of the agreement, this group of farmers, which was organized in 40 Social Solidarity Societies (SSS) and one Integrative Company, has 2 dehydration plants located in the municipalities of Atzalán and Zozocolco de Hidalgo, Veracruz, which are equipped with 4 dehydration units donated by Genomma Lab.

In its first phase, the program has generated an income exceeding Ps. 600 thousand for the first group of farmers by the sale of 3 tons of guava tree organic leaves used in the production of standardized extract. This is a raw material used in the production of the first fito-medicine developed from a Mexican plant.

Furthermore, there has been significant progress in the planting of guava trees destined exclusively for the production of organic leaves; therefore, Genomma expects to integrate into the Company's value chain the remainder of the farmers in 2009.

Because of this program's progress and achievements, the Mexican Center for Philanthropy (CEMEFI) recognized Genomma as having the Best Social Responsibility Practices in 2008 within the Value Chain category.

More information about Genomma's CSR initiatives can be found at:
www.genommalab.com

BECAUSE GENOMMA CARES ABOUT **YOUR HEALTH AND WELL-BEING**

CONSOLIDATED FINANCIAL **STATEMENTS**

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

For the Years Ended December 31, 2008, 2007 and 2006
and Independent Auditors' Report Dated February 10, 2009

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INDEPENDENT AUDITORS' **REPORT**

To the Board of Directors and Stockholders
of Genomma Lab Internacional, S. A. B. de C. V.

We have audited the accompanying consolidated balance sheets of Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries (the "Company") as of December 31, 2008, 2007 and 2006, and the related consolidated statements of income and changes in stockholders' equity for the years then ended, of cash flows for the year ended December 31, 2008 and of changes in financial position for the years ended December 31, 2007 and 2006. 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, 2006.

As mentioned in Note 3, beginning January 1, 2008 the Company adopted the following financial reporting standards: NIF B-2, *Statement of Cash Flows*; NIF B-10, *Effects of Inflation*; NIF B-15, *Foreign Currency Translation*; NIF D-3, *Employee Benefits* and NIF D-4, *Income Taxes*.

As mentioned in Note 1, during 2008, the Company decided to commence the process of closing its subsidiary in Spain. Such transaction was recorded as a discontinued operation, which for comparability purposes, was applied retroactively in the consolidated financial statements.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Genomma Lab Internacional, S. A. B. de C. V. and its subsidiaries as of December 31, 2008, 2007 and 2006, and the results of their operations and changes in their stockholders' equity for the years then ended, their cash flows for the year ended December 31, 2008 and changes in their financial position for the years ended December 31, 2007 and 2006, in conformity with Mexican Financial Reporting Standards.

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

C. P. C. Jose A. Rangel

February 10, 2009

CONSOLIDATED BALANCE **SHEETS**

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
As of December 31, 2008, 2007 and 2006
(In thousands of Mexican pesos)

	2008	2007	2006
Assets			
Current assets:			
Cash and cash equivalents	$ 1,315,132	$ 61,351	$ 44,729
Accounts receivable – net	755,108	589,366	471,993
Inventories – net	407,710	221,208	140,264
Prepaid expenses	104,477	28,716	15,048
Investments in securities available-for-sale	–	81,263	–
Due from related parties	11,887	79,639	2,529
Discontinued operation	22,917	14,091	22,572
Total current assets	2,617,231	1,075,634	697,135
Equipment – net	112,453	44,298	23,295
Deferred income taxes	1,108	–	–
Other assets – net	108,711	70,763	7,808
Discontinued operation	425	3,335	6,376
Total	$ 2,839,928	$ 1,194,030	$ 734,614
Liabilities and stockholders' equity			
Current liabilities:			
Loans with financial institutions	$ –	$ 256,750	$ 111,457
Trade accounts payable	377,179	77,364	99,904
Accrued expenses and taxes other than income taxes	134,018	140,889	93,565
Income tax payable	–	92,346	41,187
Statutory employee profit sharing	1,838	446	418
Due to related parties	119	1,495	11,124
Discontinued operation	9,870	9,893	8,863
Total current liabilities	523,024	579,183	366,518
Employee retirement obligations	4,765	7,365	5,127
Deferred income taxes	–	20,042	16,897
Total liabilities	527,789	606,590	388,542
Stockholders' equity:			
Capital stock	274,923	266,316	266,316
Additional paid-in capital	1,553,938	–	–
Repurchase of stock	(41,157)	–	–
Retained earnings	519,639	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	4,020	(2,633)	(94)
Valuation of investments in securities available-for-sale	–	(1,227)	–
Majority stockholders' equity	2,311,363	584,580	345,607
Minority interest in consolidated subsidiaries	776	2,860	465
Total stockholders' equity	2,312,139	587,440	346,072
Total	$ 2,839,928	$ 1,194,030	$ 734,614

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2008, 2007 and 2006
(In thousands of Mexican pesos, except share and per share amounts)

	2008	2007	2006
Net sales	$ 2,629,430	$ 1,854,775	$ 1,373,480
Costs and expenses:			
Cost of sales	662,246	483,633	342,691
Selling, general and administrative expenses	1,294,526	888,508	774,169
	1,956,772	1,372,141	1,116,860
Income from operations	672,658	482,634	256,620
Other expense – net	(3,275)	(3,055)	(1,087)
Comprehensive financing income (cost):			
Interest expense	(21,096)	(15,487)	(17,128)
Interest income	42,877	6,197	7,852
Exchange gain (loss)	44,207	(1,611)	3,614
Monetary position loss	(3,311)	(13,639)	(13,535)
Effects of exchange rate changes on foreign operations	(788)	1,159	375
	61,889	(23,381)	(18,822)
Income before income taxes and discontinued operation	731,272	456,198	236,711
Income tax expense	192,419	120,612	70,063
Income before discontinued operation	538,853	335,586	166,648
Discontinued operations – net	(26,017)	(30,601)	16,051
Consolidated net income	$ 512,836	$ 304,985	$ 182,699
Net income of majority stockholders	$ 515,776	$ 304,399	$ 180,301
Net (loss) income of minority stockholders	(2,940)	586	2,398
Consolidated net income	$ 512,836	$ 304,985	$ 182,699
Earnings (loss) per share:			
Basic earnings per common share for continuing operations	$ 1.12	$ 0.80	$ 0.40
Basic (loss) earnings per common share for discontinued operation	$ (0.05)	$ 0.00	$ 0.01
Basic earnings per majority common share	$ 1.07	$ 0.72	$ 0.43
Weighted average common shares	478,922,792	421,698,000	421,698,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN **STOCKHOLDERS' EQUITY**

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2008, 2007 and 2006
(In thousands of Mexican pesos, except share amounts)

	Number of Shares	Capital Stock	Additional Paid-in Capital	Repurchase of Stock
Consolidated balances as of December 31, 2005	421,698,000	$ 266,316	$ –	$ –
Comprehensive income	–	–	–	–
Consolidated balances as of December 31, 2006	421,698,000	266,316	–	–
Dividends $0.1462 pesos per share	–	–	–	–
Comprehensive income	–	–	–	–
Consolidated balances as of December 31, 2007	421,698,000	266,316	–	–
Reclassification of loss from holding non-monetary assets and the initial cumulative effect of deferred income taxes as of January 1, 2008	–	–	–	–
Dividends $0.2272 pesos per share	–	–	–	–
Dividends in-kind	–	(45,315)	–	–
Issuance of common stock	107,542,713	53,922	1,553,938	–
Repurchase of stock	–	–	–	(51,281)
Stock-based compensation expense	–	–	–	10,124
Comprehensive income	–	–	–	–
Consolidated balances as of December 31, 2008	**529,240,713**	**$ 274,923**	**$ 1,553,938**	**$ (41,157)**

See accompanying notes to consolidated financial statements.

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
$ (26,684)	$ 6,274	$ (80,506)	$ 1,193	$ –	$ (1,667)	$ 164,926
180,301	–	–	(1,287)	–	2,132	181,146
153,617	6,274	(80,506)	(94)	–	465	346,072
(61,660)	–	–	–	–	–	(61,660)
304,399	–	–	(2,539)	(1,227)	2,395	303,028
396,356	6,274	(80,506)	(2,633)	(1,227)	2,860	587,440
(74,232)	(6,274)	80,506	–	–	–	–
(95,796)	–	–	–	–	–	(95,796)
(222,465)	–	–	–	–	–	(267,780)
–	–	–	–	–	–	1,607,860
–	–	–	–	–	–	(51,281)
–	–	–	–	–	–	10,124
515,776	–	–	6,653	1,227	(2,084)	521,572
$ 519,639	**$ -**	**$ -**	**$ 4,020**	**$ -**	**$ 776**	**$ 2,312,139**

CONSOLIDATED STATEMENT OF CASH FLOWS

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
For the year ended December 31, 2008
(In thousands of Mexican pesos)

		2008
Operating activities:		
Consolidated income before discontinued operation	$	538,853
Items related to investing activities:		
Depreciation and amortization		18,404
Gain on sale of fixed assets		(39)
Impairment of long-lived assets		4,053
Income taxes		192,419
Accounts receivable forgone in dividends in-kind		(185,290)
Unearned foreign exchange fluctuations		(1,836)
Items related to financing activities:		
Interest expense		18,582
		585,146
(Increase) decrease in:		
Accounts receivable, net		(162,284)
Inventories, net		(185,221)
Prepaid expenses		(75,761)
Related parties		66,376
Trade accounts payable		299,216
Accrued expenses and taxes other than income taxes		(10,222)
Income taxes paid		(265,635)
Employee retirement obligations, net		627
Stock-based payments		10,124
Other, net		1,392
Assets and liabilities from discontinued operation		(8,849)
Net cash provided by operating activities before other effects		254,909
Loss from discontinued operation		(26,017)
Net cash provided by operating activities		228,892
Investing activities:		
Purchases of equipment		(86,161)
Proceeds from sale of equipment		14
Purchase of other assets		(40,824)
Discontinued operation		2,910
Net cash used in investing activities		(124,061)
Excess cash to apply to financing activities		104,831
Financing activities:		
Issuance of capital stock		1,566,659
Borrowings		580,426
Repayment of loans received		(837,176)
Repurchase of stock		(51,281)
Interest paid		(19,915)
Dividends paid		(95,796)
Minority interest		856
Net cash provided by financing activities		1,143,773
Net increase in cash and cash equivalents before adjustment to cash flows due to exchange rate fluctuations and effects of inflation		1,248,604
Adjustment to cash flows due to exchange rate fluctuations and effects of inflation		5,177
Net increase in cash and cash equivalents		1,253,781
Cash and cash equivalents at beginning of year		61,351
Cash and cash equivalents at end of year (includes restricted cash of $24,084)	$	1,315,132

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2007 and 2006
(In thousands of Mexican pesos)

	2007	2006
Operating activities:		
Consolidated income before discontinued operation	$ 335,586	$ 166,648
Add items that did not require resources:		
Depreciation and amortization	7,185	7,333
Employee retirement obligations – net	1,258	1,368
Deferred income taxes	3,145	6,668
	347,174	182,017
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable – net	(117,373)	(235,203)
Inventories – net	(80,944)	(81,158)
Prepaid expenses	(13,668)	16,363
Due from related parties	(77,110)	(2,529)
Increase (decrease) in:		
Trade accounts payable	(22,540)	57,086
Accrued expenses and taxes other than income taxes	47,324	5,844
Income tax payable	51,159	40,612
Statutory employee profit sharing	29	231
Due to related parties	(9,629)	(107,134)
Discontinued operation	9,511	6,413
	133,933	(117,458)
(Loss) income from discontinued operation	(30,602)	16,051
Net resources generated by (used in) operating activities	103,331	(101,407)
Financing activities:		
Loans with financial institutions – net	145,293	67,069
Minority interest	2,395	2,132
Dividends paid	(61,660)	–
Translation effects of foreign subsidiaries	(3,125)	(3,685)
Net resources generated by financing activities	82,903	65,516
Investing activities:		
Investments in securities available-for-sale	(81,263)	–
Acquisition of equipment	(30,433)	(10,438)
Effect of valuation of investments in securities available-for-sale	(1,227)	–
Proceeds from sale of equipment	2,245	3,144
Other assets	(61,975)	2,221
Discontinued operation	3,041	5,935
Net resources (used in) generated by investing activities	(169,612)	862
Cash and cash equivalents:		
Net increase (decrease)	16,622	(35,029)
Balance at beginning of year	44,729	79,758
Balance at end of year	$ 61,351	$ 44,729

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2008 2007 and 2006
(In thousands of Mexican pesos)

1. NATURE OF BUSINESS AND SIGNIFICANT EVENTS

Genomma Lab Internacional, S. A. B. de C. V. 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 products within 37 own brands, offering over 120 products in various categories, including anti-acne, sexual protection and enhancement, anti-wrinkle, creams to improve appearance of scars, 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 9%, 4% and 4% of consolidated net sales for 2008, 2007 and 2006, respectively.

Initial public and private offering – On June 18, 2008, the Company carried out an initial public offering through the Mexican Stock Exchange (Bolsa Mexicana de Valores "BMV") and a private offering outside of Mexico in accordance with Rule 144A and Regulation S under U.S. Securities Act of 1933. The Company symbol in the BMV is "LAB" (see Note 12g).

Investment in subsidiaries – During 2006, the Company acquired the shares of Genomma Lab Chile, S. A. (formely 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 Depilité, which provides laser hair removal services through a network of clinics in Mexico and abroad. During 2007, the Company's management authorized a plan to dispose its investment in Global. As part of such plan, on March 27, 2008, the Company gave to its minority stockholders the equity in the foreign operation of the entities operating under the brand name Depilité, obtaining in exchange the remaining 40% of Global's stock. Subsequently, the Company sold its investment in Global to Tecnologías de Primer Nivel, S. A. de C. V. ("Tecnologías"), an affiliated company, in exchange for accounts receivable. Concurrently, on March 20, 2008, the Company decreed a dividend in-kind to its own shareholders, which was paid on March 27, 2008 and was comprised of the accounts receivable generated from the sale of Global and its subsidiaries to Tecnologías as well as an account receivable from Global that the Company had recorded on that date.

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. In 2008, the Company restarted operations in Colombia. In addition, the Company closed its operation in Guatemala as a strategy to increase efficiency in its commercial operations.

Discontinued operation – During 2008, the Company decided to commence the process of closing its subsidiary in Spain, as a part of a strategy to focus its sales workforce in Central and South America. Such transaction was recorded as a discontinued operation, which for comparability purposes, is presented retroactively in the accompanying consolidated financial statements.

Change of name – 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. Additionally, at an Ordinary and Extraordinary Stockholders' meeting held on May 21, 2008, the Company adopted the "sociedad anónima bursátil" regime, thereby changing its denomination to Genomma Lab Internacional, S. A. B. de C. V.

Acquisition of trademarks – During 2007, the Company acquired the Dermoprada, Herprada, Ma. Evans, Jabón del Tío Nacho, Bengue and Skin Spa trademarks. During 2008, the Company acquired the Unigastrozol trademark. During 2006, the Company did not acquire any trademarks.

Merger – On December 15, 2007, 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, 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, 2006.

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 Mexican Financial Reporting Standards ("MFRS", individually referred to as Normas de Información Financiera or "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.

a. *Monetary unit of the financial statements* – The financial statements and notes as of December 31, 2008 and for the year then ended, include balances and transactions denominated in Mexican pesos of different purchasing power, while those as of and for the years ended December 31, 2007 and 2006 are presented in Mexican pesos of purchasing power of December 31, 2007.

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

	Ownership Percentage			
Company	**2008**	2007	2006	Activity
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. (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)	100%	97%	97%	Sale of OTC pharmaceutical and personal care products

(In thousands of Mexican pesos)

	Ownership Percentage			
Company	**2008**	2007	2006	Activity
Genomma Lab Chile, S. A. (previously Infovisión Chile, S. A., incorporated in Chile)	100%	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
Genomma Laboratories Argentina, S. A. (company incorporated in Argentina)	85%	85%	-	Sale of OTC pharmaceutical and personal care products
Genomma Lab Colombia, LTDA (incorporated in Colombia)	100%	-	99%	Sale of OTC pharmaceutical and personal care products
Infovisión de Guatemala, S. A. (incorporated in Guatemala)	-	98%	98%	Sale of OTC pharmaceutical and personal care products

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

c. *Translation of financial statements of foreign subsidiaries* – To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to MFRS using the currency in which transactions are recorded, except for the application of NIF B-10, Effects of Inflation, when the foreign entity operates in an inflationary environment, since this NIF applies to financial statements that have been measured using the functional currency. The financial statements are subsequently translated to Mexican pesos considering the following methodologies:

- In 2008, foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, revenues, costs and expenses.

- In 2008, foreign operations with a functional currency different from the local currency and the reporting currency translate their financial statements from the currency in which transactions are recorded to the functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate upon accrual in the statement of income for revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item. Translation effects are recorded under comprehensive financing income. Subsequently, to translate the financial statements from the functional currency to Mexican pesos, the following exchange rates are used: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; and 2) historical exchange rates for stockholders' equity; and income for revenues, costs and expenses. Translation effects are recorded in stockholders' equity. In the case of foreign entities operating in an inflationary environment, they first restate their functional currency financial statements in currency of purchasing power as of the date of the balance sheet, using the price index of their country, and subsequently translate those amount to Mexican pesos using the closing exchange rate in effect at the balance sheet date for all items; translation effects are recorded in stockholders' equity.

- Through 2007, the financial statements of foreign subsidiaries that operated independently of the Company in terms of finances and operations recognized the effects of inflation of the country in which they operate and were then translated to Mexican pesos using the closing exchange rate in effect at the balance sheet date. In both 2007 and 2006, translation effects are recorded in stockholders' equity.

Local and functional currencies of foreign subsidiaries are as follow:

Company	Local currency	Functional currency
Genomma Laboratories México, S. A. de C. V.	Mexican peso	Mexican peso
Television Products Retail, S. A. de C. V.	Mexican peso	Mexican peso
Genomma Laboratorios Médicos, S. L.	Euro	U.S. dollar
Genomma Lab Perú, S. A.	Peruvian sol	U.S. dollar
Producciones Televisivas Infovisión de Costa Rica, S. A.	Costa Rican Colón	U.S. dollar
Genomma Lab Chile, S. A. (antes Infovisión Chile, S. A.)	Chilean peso	U.S. dollar
Genomma Lab Ecuador, S. A.	U.S. dollar	U.S. dollar
Genomma Laboratories Argentina, S. A.	Argentine peso	U.S. dollar
Genomma Lab Colombia, LTDA.	Colombian peso	U.S. dollar

The financial statements of foreign subsidiaries included in the 2006 consolidated financial statements are restated to Mexican peso purchasing power as of December 31, 2007, 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 was 4.97%.

d. *Comprehensive income* – Represents changes in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income. In 2008, 2007 and 2006, other comprehensive income (loss) items consist of the translation effects of foreign subsidiaries and in 2008 and 2007, the valuation of investments in securities available-for-sale.

e. *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.

f. *Income from operations* – Income from operations is the result of subtracting cost of sales and selling, 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 income, it has been included for a better understanding of the Company's economic and financial performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. *Changes in accounting policies:*

Beginning January 1, 2008, the Company adopted the following new NIFs mentioned below.

- *NIF B-2, Statement of Cash Flows (NIF B-2)* – Supersedes Bulletin B-12, *Statement of Changes in Financial Position*, and thereby replaces the statement of changes in financial position. NIF B-2 permits the presentation of such statement using either the direct or the indirect method; the Company elected to use the indirect method. The statement of cash flows is presented in nominal pesos. According to NIF B-2, this accounting change should be recognized prospectively; consequently, the Company presents a statement of cash flows for 2008 and statements of changes in financial position for 2007 and 2006.

- *NIF B-10, Effects of Inflation (NIF B-10)* – Considers two economic environments:

  a) an inflationary environment, where cumulative inflation over a three-year period is 26% or more, in which case, the effects of inflation need to be recognized , and

  b) a non-inflationary environment, where inflation is less than 26% in the same period, in which case, the effects of inflation may not be recognized in the financial statements. Also NIF B-10 requires that the cumulative gain (loss) from holding non-monetary assets be reclassified to retained earnings, except for the gain (loss) from holding non-monetary assets that is identified with inventories or fixed assets that have not been realized as of the effective date of this standard. Such amounts should be maintained in stockholders' equity and realized within current earnings of the period in which such assets are depreciated or sold. The Company determined it was impractical to identify the cumulative gain (loss) from holding non-monetary assets relating to unrealized assets as of January 1, 2008; therefore, on that date, the Company reclassified the entire balance of excess of restated stockholders' equity. NIF B-10 establishes that this accounting change be recognized prospectively.

  Since cumulative inflation over the three preceding years in Mexico is 11.56%, the environment in Mexico is no longer inflationary, and the Company discontinued recognition of the effects of inflation in its financial statements for those entities operating in Mexico beginning January 1, 2008. However, assets, liabilities and stockholders' equity at December 31, 2008 and 2007 include restatement effects recognized through December 31, 2007. Financial information for operations in other countries that are still considered inflationary, such as Argentina and Costa Rica, continues to include the effects of inflation.

- *NIF B-15, Foreign Currency Translation (NIF B-15)* – Eliminates the classification of foreign operations as integrated foreign operations and autonomous foreign entities and instead establishes the concepts of recording currency, functional currency and reporting currency. NIF B-15 establishes the procedures to translate the financial information of a foreign operation: i) from the recording currency to the functional currency; and, ii) from the functional currency to the reporting currency. NIF B-15 also allows an entity to present its financial statements in a reporting currency that is different from its functional currency.

- *NIF D-3, Employee Benefits (NIF D-3)* – Incorporates current and deferred statutory employee profit sharing (PTU) as part of its provisions and establishes that deferred PTU must be determined using the asset and liability method established in NIF D-4, Income Taxes, instead of only considering temporary differences that arise in the reconciliation between the accounting result and income for PTU purposes.

  NIF D-3 also eliminates recognition of the additional liability because its determination does not incorporate a salary increase. NIF D-3 also incorporates the career salary concept in the actuarial calculation and limits the amortization period of most items to five years, or less if the employee's remaining labor life is less. for the following:

- The beginning balance of the transition liability for termination benefits and retirement benefits.
- The beginning balance of past services and modifications to the plan included within the transition liability.
- When the company elects to fully expense actuarial gains and losses on a go-forward basis, the beginning balance of actuarial gains and losses from retirement benefits is amortized in five years (net of the transition liability), with the option to fully amortize it against current earnings of 2008, under other income and expense. The Company chose to recognize actuarial gains and losses directly against results of 2008, under other income and expense

- *NIF D-4, Income Taxes (NIF D-4) –* Eliminates the permanent difference concept; clarifies and incorporates certain definitions, and requires that the balance of the initial cumulative effect of deferred income taxes be reclassified to retained earnings unless it is identified with any of the other comprehensive income (loss) items pending to be applied against current earnings.

b. *Recognition of the effects of inflation –* As mentioned in a) above, beginning January 1, 2008, the Company discontinued recognition of the effects of inflation for its entities operating in non-inflationary environments. Through December 31, 2007, such recognition resulted mainly in inflationary gains or losses on non-monetary and monetary items that are presented in the financial statements under the two following captions:

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 results 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 National Consumer Price Index ("NCPI") factors to monthly net monetary position. Losses result from maintaining a net monetary asset position.

Inflation rates in Mexico for the years ended December 31, 2008, 2007 and 2006 were 6.53%, 3.76% and 4.05%, respectively.

c. *Cash and cash equivalents –* Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, which are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are measured at fair value; any fluctuations in value are recognized in comprehensive financing income of the period. Cash equivalents are represented mainly by investments in money market funds. As of December 31, 2008, the Company has restricted cash designated for the repurchase of stock of the Company; such cash is invested in short-term money market funds in governmental paper.

d. *Investments in securities –* According to its intent, from the date of acquisition the Company classifies investments in debt and equity securities in one of the following categories: (1) trading, when the Company intends to trade debt and equity instruments in the short-term, prior to maturity, if any, and are stated at fair value. Any value fluctuations are recognized within current earnings; (2) 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 (3) available-for-sale. These investments include those that are classified neither as trading nor held-to-maturity. These investments are stated at fair value; any unrealized gains or losses resulting from valuation, net of income tax, are recorded as a component of comprehensive income within stockholders' equity, and reclassified to current earnings upon their sale. In 2007, the effect of monetary position of $1,227 on recognized assets related to investments was recorded as a component of other comprehensive income. 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.

(In thousands of Mexican pesos)

As discussed in Note 1, 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 Depilité, 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, 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. On March 27, 2008, the Company exchanged to its minority stockholders the equity in the foreign operation of the entities operating under the brand name Depilité, obtaining in exchange the remaining 40% of Global's stock. Subsequently, the Company sold its investment in Global to Tecnologías de Primer Nivel, S. A. de C. V. ("Tecnologías"), affiliated company, through an exchange of accounts receivable. Concurrently, on March 20, 2008, the Company decreed a dividend in-kind to its own shareholders, which was paid on March 27, 2008 and was comprised of the accounts receivable generated from the sale of Global and its subsidiaries to Tecnologías as well as an account receivable from Global that the Company had recorded on that date.

e. *Allowance for refunds and rebates –* The Company calculates an allowance for returns and rebates based on the history of refunds and the commercial conditions agreed with its customers.

f. *Inventories and cost of sales –* Beginning in 2008, inventories are stated at the lower of their average cost or realizable value. Through December 31, 2007, inventories were stated at the lower of their realizable value or their average cost restated using the NCPI. Cost of sales was restated through that date, by applying such index.

g. *Equipment –* Equipment is recorded at acquisition cost. Balances arising from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the NCPI through that date. Depreciation is calculated using the straight-line method based on the following percentages:

	Percentage 2008, 2007 y 2006
Leasehold improvements	20%
Laboratory equipment and molds	35%
Vehicles	25%
Computers	30%
Production and recording equipment	30%
Office furniture and equipment	10%

h. *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 sold, competition and other legal and economic factors. During 2008 an impairment adjustment was recorded for $4,053. During 2007 and 2006, no impairment adjustments were recorded.

i. *Direct employee benefits –* Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly PTU payable, compensated absences, such as vacation and vacation premiums, and incentives.

j. *Employee benefits from termination, retirement and other –* Liabilities from seniority premiums, payments that are similar to pensions and severance payments are recognized as they accrue and are calculated by independent actuaries using nominal interest rates in 2008 and real (inflation-adjusted) interest rates in 2007 and 2006.

k. *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 h. above.

Assets with definite useful lives: These assets are mainly related to costs incurred in the development phase of an enterprise resource planning system that meet certain requirements and that the Company has determined will have future economic benefits. Such costs are capitalized and will be amortized based on the straight-line method over five years. Disbursements that do not meet such requirements, as well as research costs, are recorded in results of the period in which they are incurred. Additionally, these assets include security deposits on leased property, which are recorded at the cash value paid as security that is expected to be recovered at the conclusion of the lease. During 2007 and 2006, other assets also included an intangible asset related to labor obligations, which was written off upon adoption of NIF D-3 as discussed in insert a. above.

l. *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.

m. *Statutory employee profit sharing –* PTU is recorded in the results of the year in which it is incurred and presented under other income and expenses in the accompanying consolidated statements of income. Deferred PTU is derived from temporary differences that in 2008 resulted from comparing the accounting and tax basis of assets and liabilities and in 2007 and 2006, resulted from comparing the accounting result and income for PTU purposes. Deferred PTU 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.

n. *Income taxes –* Income taxes, calculated as the higher of regular income tax ("ISR") or the Business Flat Tax ("IETU") are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and accordingly recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to 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.

Income tax provisions of foreign subsidiaries are determined based on the taxable income of each individual company.

(In thousands of Mexican pesos)

o. *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 income.

p. *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.

q. *Earnings per share* – Basic earnings per common share is calculated by dividing net income of majority stockholders by the weighted average number of shares outstanding during the period.

4. CASH AND CASH EQUIVALENTS

	2008	2007	2006
Cash	$ 188,990	$ 61,351	$ 43,121
Cash equivalents:			
Money market funds	1,102,058	–	–
Money market funds – Restricted cash	24,084	–	–
Short-term investments	–	–	1,608
	$ 1,315,132	$ 61,351	$ 44,729

5. ACCOUNTS RECEIVABLE

	2008	2007	2006
Trade accounts receivable	$ 908,194	$ 555,740	$ 423,060
Allowance for:			
Doubtful accounts	(34,604)	(19,255)	(9,780)
Refunds	(30,686)	(31,654)	(29,482)
Rebates	(153,982)	–	–
	(219,272)	(50,909)	(39,262)
	688,922	504,831	383,798
Officers and employees	144	1,543	1,551
Recoverable taxes	47,057	56,103	71,765
Other	18,985	26,889	14,879
	$ 755,108	$ 589,366	$ 471,993

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 57.4%, 58.0% and 57.1% of consolidated net sales in 2008, 2007 and 2006, respectively. Similarly, these customers represented 53.0% , 66.4% and 56.7% of the accounts receivable balance in 2008, 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, refunds and rebates was as follows:

	Beginning balance	Additions	Applied provision	Reversals	Ending balance
2008					
Allowance for doubtful accounts and estimated refunds and rebates	$ 50,909	$ 320,823	$ (152,460)	$ -	$ 219,272
2007					
Allowance for doubtful accounts s and estimated refunds and rebate	$ 39,262	$ 34,629	$ (22,982)	$ -	$ 50,909
2006					
Allowance for doubtful accounts and estimated refunds and rebates	$ 41,894	$ 62,481	$ (65,113)	$ -	$ 39,262

6. INVENTORIES

	2008	2007	2006
Finished goods	$ 277,759	$ 133,677	$ 79,567
Raw materials	130,175	83,359	52,944
Allowance for obsolete inventories	(21,250)	(11,167)	(5,861)
	386,684	205,869	126,650
Advances to suppliers	16,046	9,485	12,096
Merchandise in-transit	4,980	5,854	1,518
	$ 407,710	$ 221,208	$ 140,264

(In thousands of Mexican pesos)

7. EQUIPMENT

	2008	2007	2006
Leasehold improvements	$ 37,178	$ 4,841	$ –
Laboratory equipment and molds	13,632	9,670	2,316
Vehicles	22,372	15,514	10,042
Computers	24,283	7,386	8,548
Production and recording equipment	20,089	25,826	25,032
Office furniture and equipment	39,000	25,799	19,628
	156,554	89,036	65,566
Accumulated depreciation and amortization	(48,836)	(44,738)	(42,271)
	107,718	44,298	23,295
Advances for purchase of land	4,735	–	–
	$ 112,453	$ 44,298	$ 23,295

8. OTHER ASSETS

	2008	2007	2006
Assets with indefinite useful lives:			
Trademarks	$ 80,523	$ 64,983	$ 4,232
Assets with definite useful lives:			
Development costs	126	–	–
Accumulated amortization	(23)	–	–
	103	–	–
In-progress development costs	25,335	–	–
Intangible asset for additional labor liability	–	3,227	2,247
Security deposits	2,253	2,473	1,306
Other	497	80	23
	$ 108,711	$ 70,763	$ 7,808

9. LOANS WITH FINANCIAL INSTITUTIONS

	2008	2007	2006
Credit facility with IXE Banco S.A., Institución de Banca Múltiple, IXE Grupo Financiero, secured by a pledge of the Company's accounts receivable, bearing monthly interest at the Mexican Interbank Equilibrium interest rate ("TIIE") plus 1.25%, 1.50% and 3.75% in 2008, 2007 and 2006, respectively (annual weighted average effective interest rate of 9.18%, 9.34% and 11.26% in 2008, 2007 and 2006, respectively), matured and paid in full on September 19, 2008.	$ -	$ 150,000	$ 62,646
Unsecured credit facility with Banco Santander S. A., Institución de Banca Múltiple, Grupo Financiero Santander, bearing monthly interest at TIIE plus 1.25%, 1.25% and 1.00% in 2008, 2007 and 2006, respectively (annual weighted average effective interest rate of 9.18%, 9.18% and 8.51% in 2008, 2007 and 2006, respectively), matured and paid in full on November 5, 2008.	-	106,750	48,811
	$ -	$ 256,750	$ 111,457

10. EMPLOYEE RETIREMENT OBLIGATIONS

Net period cost for obligations resulting from postretirement benefits such as severance payments and seniority premiums was $6,942, 1,380 and $$1,368 in 2008, 2007 and 2006, respectively. Similarly, as of December 31, 2007 and 2006 an additional liability of $3,227 and $2,247, respectively, was recorded with a corresponding debit to intangible assets included within the other assets line item. During 2008, as mentioned in Note 3, the additional liability was cancelled. Other disclosures required by financial reporting standards are not considered material.

11. STOCK-BASED PAYMENTS

During 2008, the Company established a stock-based payment plan for certain of its executives. The plan provisions establish that shares will be granted to the Company's executives that are still employed at the graduated vesting dates. The established vesting dates are: June 18, 2009, 2010, 2011 and 2012. Such plan was recognized in the accompanying consolidated financial statements following the provisions of the International Financial Reporting Standard 2 " Share-Based Payments", which is applied supplementally, in accordance with NIF A-8 "Supplemental Guidance", measuring as compensation cost in operating expenses the respective portion of the fair value of the awards granted in 2008. As of December 31, 2008, the total expense recorded in the consolidated statement of income is $10,124.

12. 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 $52 ($50 historical pesos), through an increase of six Series "A" shares and two Series "B" shares; the variable portion of capital stock increased by $35,628 ($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, 2006. At an Ordinary and Extraordinary Stockholders' meeting, held on May 21, 2008, the stockholders approved the reclassification of the Series "A" shares representative of the capital stock fixed and variable to Series "B" shares.

b. At a Stockholders' Ordinary General meeting held on March 20, 2008, the stockholders declared a dividend of up to $363,577, of which, up to $100,000, would be paid in cash and the remaining amount in-kind. The Stockholders' also agreed at such meeting to delegate to the Board of the Company the right to determine the dates, terms and amounts of such dividends. At a Meeting of the Board held on March 27, 2008, the Board approved that the portion of the dividend paid in cash would be for $95,796 and the dividend in-kind by $267,780, through the yield of the right of collection of the accounts receivable as described in Note 1. As the total amount of the dividend was $45,315 greater than the total amount of earned capital as of that date, such amount was recorded, for accounting purposes, as a capital stock distribution.

c. At a Stockholders' Ordinary and Extraordinary General meeting held on May 21, 2008, the stockholders approved the following:

- A split of outstanding shares of the capital stock of the Company, at the ratio of 3,000 shares for each share outstanding as of that date. Before the split, the capital stock of the Company was comprised of 140,566 shares. The split was recognized retroactively in the accompanying consolidated financial statements, affecting all share and per share data.

- Increase the variable portion of the capital stock of the Company by $1,767,263, through the issuance of 110,453,913 Series "B" no par value nominative shares, to carry out the initial public offering as described in paragraph g. below.

- Approval of a plan to repurchase of Company's shares up to the equivalent of the amount of the retained earnings as of December 31, 2007. As of December 31, 2008, the number of shares repurchased is 3,463,100, which is equivalent to 0.6% of the total number of shares of Company's outstanding capital stock. As of December 31, 2008, the market value of the Company's shares was 9.69 Mexican pesos per share and the latest date to resell the shares into the market is one year after the repurchase of the shares. As of the date of the financial statements, the Company has not recorded any capital stock distribution as a result of the repurchase of Company's shares.

d. Capital stock at par value as of December 31, 2008, 2007 and 2006 was as follows:

	Number of shares		Amount	
	2008	2007 and 2006	**2008**	2007 and 2006
Fixed capital				
Series A	–	618,000	$ –	$ 100
Series B	624,000	6,000	$ 150	$ 50
Variable capital				
Series A	–	294,570,000	$ –	$ 24,135
Series B	528,616,713	126,504,000	265,211	187,154
	529,240,713	421,698,000	$ 265,361	$ 211,439
Revaluation			9,562	54,877
Total			$ 274,923	$ 266,316

Capital stock consists of no par value nominative shares. Variable capital may be increased without limitation.

e. At a Stockholders' Extraordinary General meeting held on May 3, 2007, the stockholders declared the payment of a cash dividend of $61,660 ($60,000 at par value.)

f. As mentioned in Note 3, the Company reclassified to retained earnings the outstanding balances at December 31, 2007 of excess in restated stockholders' equity and the initial cumulative effect of deferred income taxes of $6,274 and $(80,506), respectively.

g. On June 18, 2008, the Company carried out a combined offering through the BMV, consisting of an initial public offering in Mexico and a private offering outside of Mexico in accordance with Rule 144A and Regulation S under U.S. Securities Act of 1933. As a result of such offerings, the Company reclassified to additional paid-in capital, $1,713,341 from the increase of capital stock described in paragraph c. above, as it represents the excess of theoretical value and the paid value per share. A total of 2,911,200 shares ($46,579) issued in the increase of capital stock were not paid; therefore they were cancelled. The offering and issuance costs of $112,824 (net of deferred taxes) were charged against the proceeds of the offering in the additional paid-in capital account.

h. 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.

i. 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.

j. The balances of the stockholders' equity tax accounts of Genomma Lab Internacional, S. A. B. de C. V. as legal entity as of December 31 are:

	2008	2007	2006
Contributed capital account	$ 2,051,772	$ 240,506	$ 231,813
Net tax income account	396,415	380,229	152,411
Total	$ 2,448,187	$ 620,735	$ 384,224

13. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

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

	2008	2007	2006
Thousands of U.S. dollars:			
Monetary assets	11,062	3,303	2,004
Monetary liabilities	(793)	(3,412)	(2,085)
Net monetary asset (liability) position	10,269	(109)	(81)
Equivalent in Mexican pesos	$ 141,443	$ (1,189)	$ (881)
Thousands of Euros:			
Monetary assets	-	61	68
Net monetary asset position	-	61	68
Equivalent in Mexican pesos	$ -	$ 972	$ 974

b. Transactions denominated in foreign currency were as follows:

	(In thousands of U.S. dollars)		
	2008	2007	2006
Export sales	4,381	1,253	612
Import purchases	2,408	8,321	2,642
Other expenses	-	4,265	2,499

c. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets were as follows:

	December 31,		
	2008	2007	2006
U.S. dollar	13.7738	10.9043	10.8755
Euro	19.4762	15.9323	14.3176

Mexican peso exchange rates as of the date of the related independent auditors' report is $14.3575 and $18.6159 per U.S. dollar and Euro, respectively.

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	2008	2007	2006
Sales	$ 196	$ 47	$ –
Purchases	–	(13,796)	(1,037)
Administrative services received	(25,113)	(24,971)	(14,652)
Administrative services rendered	4,983	4,723	–
Marketing services received	–	(9,640)	(55,592)
Marketing services rendered	13,478	–	–
Interest income	2,926	–	–
Other revenues, net	206	–	4

b. Balances receivable and payable with related parties are as follows:

	2008	2007	2006
Due from related parties -			
Global Administrator, S. A. de C. V.	$ –	$ 15,789	$ –
Business Aliance, S. A. de C. V.	19	62,170	–
Aerobal, S. A. de C. V.	–	–	1,025
Officers	11,868	874	1,504
Other	–	806	–
	$ 11,887	$ 79,639	$ 2,529

(In thousands of Mexican pesos)

	2008	2007	2006
Due to related parties -			
Aerobal, S. A. de C. V.	$ -	$ 1,495	$ -
TV Marketing Creativo y Producciones, S. A. de C. V.	-	-	11,124
Lual Servicios Empresariales, S. C.	119	-	-
	$ 119	$ 1,495	$ 11,124

c. Employee benefits granted to Company key management were as follows:

	2008	2007	2006
Short-term direct benefits	$ 50,875	$ 24,971	$ 14,652

15. OTHER INCOME (EXPENSE)

a. Detail is as follows:

	2008	2007	2006
Statutory employee profit sharing expense	$ (1,791)	$ (446)	$ (418)
Impairment of long-lived assets	(4,053)	-	-
Loss on sale of fixed assets	(1,742)	(217)	(2,775)
Inflation effects on recoverable tax balances	212	905	485
Other	4,099	(3,297)	1,621
	$ (3,275)	$ (3,055)	$ (1,087)

b. PTU expense is comprised as follows:

	2008	2007	2006
PTU:			
Current expense	$ 1,791	$ 446	$ 418
Deferred benefit	(910)	(144)	(287)
Increase in valuation allowance for deferred PTU asset	910	144	287
	$ 1,791	$ 446	$ 418

c. The main items comprising the asset (liability) balance of deferred PTU are:

		2008		2007		2006
Provisions	$	910	$	144	$	287
Allowance for deferred PTU asset		(910)		(144)		(287)
Total PTU asset	$	–	$	–	$	–

The labor laws of South America, Central America and Spain do not establish employee profit sharing obligations.

16. INCOME TAXES

In accordance with the Mexican tax law, in 2008 the Company was subject to ISR and IETU, and in 2007 and 2006, to ISR and asset tax ("IMPAC").

ISR is computed taking into consideration the taxable and deductible effects of inflation. The tax rate is 28%.

IETU applies to the sale of goods, the provision of independent services and the granting of temporary use or enjoyment of goods, according to the terms of the Business Flat Tax Law (the "IETU Law"), 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. 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 the IETU Law; 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.

In 2007, IMPAC was calculated by applying 1.25% to the net average value of the majority of the Company's assets (at restated values), without deducting any liabilities, and was paid only to the extent that it exceeded ISR payable for the same period. In 2006, IMPAC was calculated by applying 1.8% to the net average value of the majority of the Company's assets less certain liabilities.

Based on its financial projections and according to Interpretation of Financial Reporting Standard ("INIF") 8, *Effects of the Business Flat Tax*, the Company determined that it will basically pay only ISR. Therefore, it only recognizes deferred ISR.

The Company is subject to ISR and IETU 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 thousands of Mexican pesos)

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:

	2008	2007	2006
ISR:			
Current	$ 172,369	$ 116,575	$ 62,029
Deferred	20,050	4,037	8,034
	$ 192,419	$ 120,612	$ 70,063

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

	2008	2007	2006
Statutory rate	28%	28%	29%
Add (deduct) the effect of permanent differences, mainly nondeductible expenses and differences in statutory rates in foreign subsidiary operations	(2)	(2)	1
Effective rate	26%	26%	30%

c. The main items comprising the asset (liability) balance of deferred ISR are as follows:

	2008	2007	2006
Deferred ISR asset:			
Allowance for doubtful accounts and estimated refunds and rebates	$ 61,396	$ 14,254	$ 10,994
Advances from customers	–	19	3,265
Accrued liabilities	7,105	1,936	1,883
Other – net	3,439	6,456	6,689
Deferred ISR asset	71,940	22,665	22,831
Deferred ISR liability:			
Restated inventory of 2004, not yet taxable	(24,070)	(33,852)	(39,565)
Prepaid expenses	(46,762)	(5,011)	(163)
Other	–	(3,844)	–
Deferred ISR liability	(70,832)	(42,707)	(39,728)
Net ISR asset (liability)	$ 1,108	$ (20,042)	$ (16,897)
ISR asset	$ 1,108	$ –	$ –
ISR liability	$ –	$ (20,042)	$ (16,897)

17. DISCONTINUED OPERATION

As mentioned in Note 1, during 2008, the Company decided to commence the process of closing its subsidiary in Spain, as a part of a strategy to focus its sale workforce in Central and South America. The Company expects to conclude the closing process during 2009. As a result of this decision, the Company recorded an impairment adjustment to the value of the assets of the subsidiary in Spain of $16,040. The anticipated closure of the subsidiary constitutes a discontinued operation, which for comparability purposes, was applied retroactively in the accompanying consolidated financial statements.

Condensed statements of income of the discontinued operation for the years ended December 31, 2008, 2007 and 2006 are as follow:

	2008	2007	2006
Revenues from discontinued operation	$ 14,833	$ 18,087	$ 55,968
Costs and operating expenses	(24,446)	(47,694)	(33,472)
Comprehensive financing (loss) gain and other income (expense), net	(16,404)	368	(45)
Income taxes	–	(1,362)	(6,400)
(Loss) gain from discontinued operation	$ (26,017)	$ (30,601)	$ 16,051

(In thousands of Mexican pesos)

18. 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 consolidated financial position or results of operations.

19. COMMITMENTS

The Company leases the properties in which its offices and warehouses are located. Lease expense was $23,720 in 2008, $11,624 in 2007 and $8,863 in 2006. Lease contracts are for terms ranging from two to five years and require the following minimum payments:

Year	Amount
2009	$ 30,724
2010	21,050
2011	12,373
2012	12,373
2013	4,124
	$ 80,644

20. NEW ACCOUNTING PRINCIPLES

With the purpose of convergence of Mexican standards with international standards, in 2008, the Mexican Board for Research and Development of Financial Information Standards (“CINIF”) issued the following NIFs and INIFs, which become effective as follows:

a. For fiscal years beginning on January 1, 2009:

NIF B-7, Business Acquisitions
NIF B-8, Consolidated or Combined Financial Statements
NIF C-7, Investments in Associated Companies and other Permanent Investments
NIF C-8, Intangible Assets
NIF D-8, Share-based Payments
INIF 16, Transfer of Primary Financial Instruments for Trading to Another Classification
(early adoption as of October 1, 2008 is permitted)

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

NIF B-7, Business Acquisitions, requires fair value measurement of the non-controlling interest (minority interest) as of the acquisition date and recognition of the overall goodwill at fair value. NIF B-7 establishes that acquisition costs should not be part of the consideration paid and restructuring costs should not be recognized as an assumed liability from the acquisition.

NIF B-8, Consolidated or Combined Financial Statements, establishes that special purpose entities, over which control is exercised, should be consolidated. Provided certain requirements are met, it allows the option to present stand-alone financial statements of intermediate controlling companies and requires that potential voting rights be considered to analyze whether control exists.

NIF C-7, Investments in Associated Companies and other Permanent Investments, requires that investments in special purpose entities where significant influence is exercised be valued using the equity method. It also requires that potential voting rights be considered to analyze whether significant influence exists. In addition, NIF C-7 establishes a specific procedure and sets caps to the recognition of losses in associated companies, and requires that investments in associated companies be presented including the related goodwill.

NIF C-8, Intangible Assets, requires that any pre-operating expenses not yet amortized as of December 31, 2008 be canceled against retained earnings.

NIF D-8, Share-based Payments, sets the rules for recognition of share-based payments (at fair value of goods received or at fair value of equity instruments granted), including the granting of stock options to employees. Therefore, the use of IFRS 2, Share-Based Payments, that was supplementally applied is discontinued.

INIF 16, Transfer of Primary Financial Instruments for Trading to Another Classification, modifies paragraph 20 of the Amendments to Bulletin C-2 to consider that in the case that a primary financial instrument trades in a market that for unusual circumstances beyond the Company's control ceases to be active, thus losing its liquidity feature, such instrument may be reclassified as an instrument available-for-sale or as held-to-maturity, if the instrument has a defined maturity date, and the Company has both the intention and the ability to hold the instrument through its maturity. INIF 16 includes additional disclosures related to such transfers.

b. For fiscal years beginning on January 1, 2010 (early adoption is permitted):

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

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

21. SUBSEQUENT EVENT

With the purpose of strengthening liquidity of the Company's shares, beginning 2009, the Company commenced a share repurchase program under which it may repurchase its shares up to a maximum amount of $100,000. Accordingly, the Company signed a market establishment contract with IXE Casa de Bolsa, S. A. de C. V., which was approved by the BMV on January 19, 2009; such contract it will be valid for a minimum period of one year.

22. INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

23. FINANCIAL STATEMENTS ISSUANCE AUTHORIZATION

On February 10, 2009, the issuance of the consolidated financial statements was authorized by Lic. Oscar Villalobos Torres, CFO and C.P. Marco Antonio González Alba, Comptroller. These consolidated financial statements are subject to the approval at the general ordinary stockholders' meeting, where they may be modified, based on provisions set forth in Mexican General Corporate Law.

RI

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