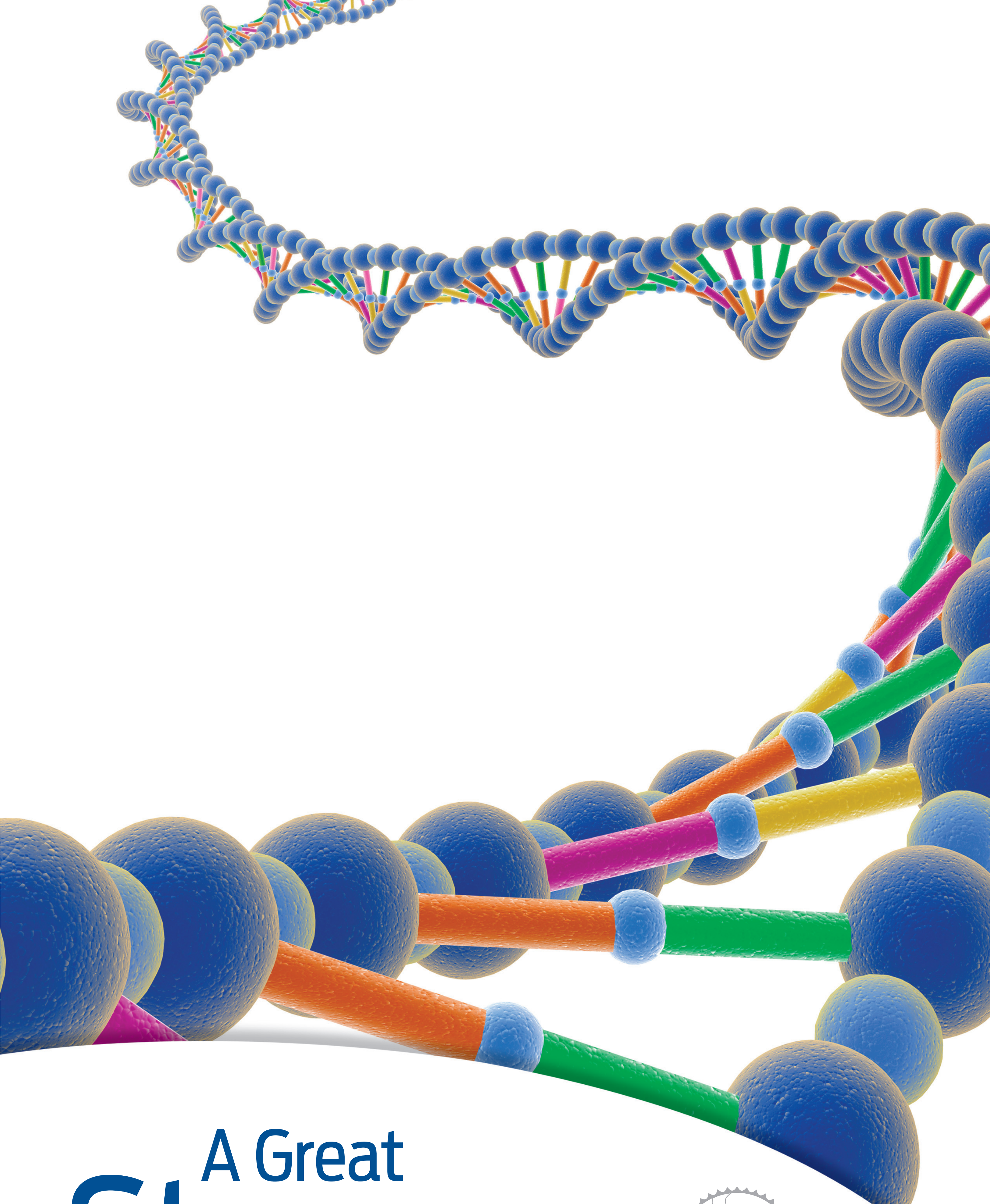


A Great Story

ANNUAL REPORT 2009

Genomma Lab®
Internacional

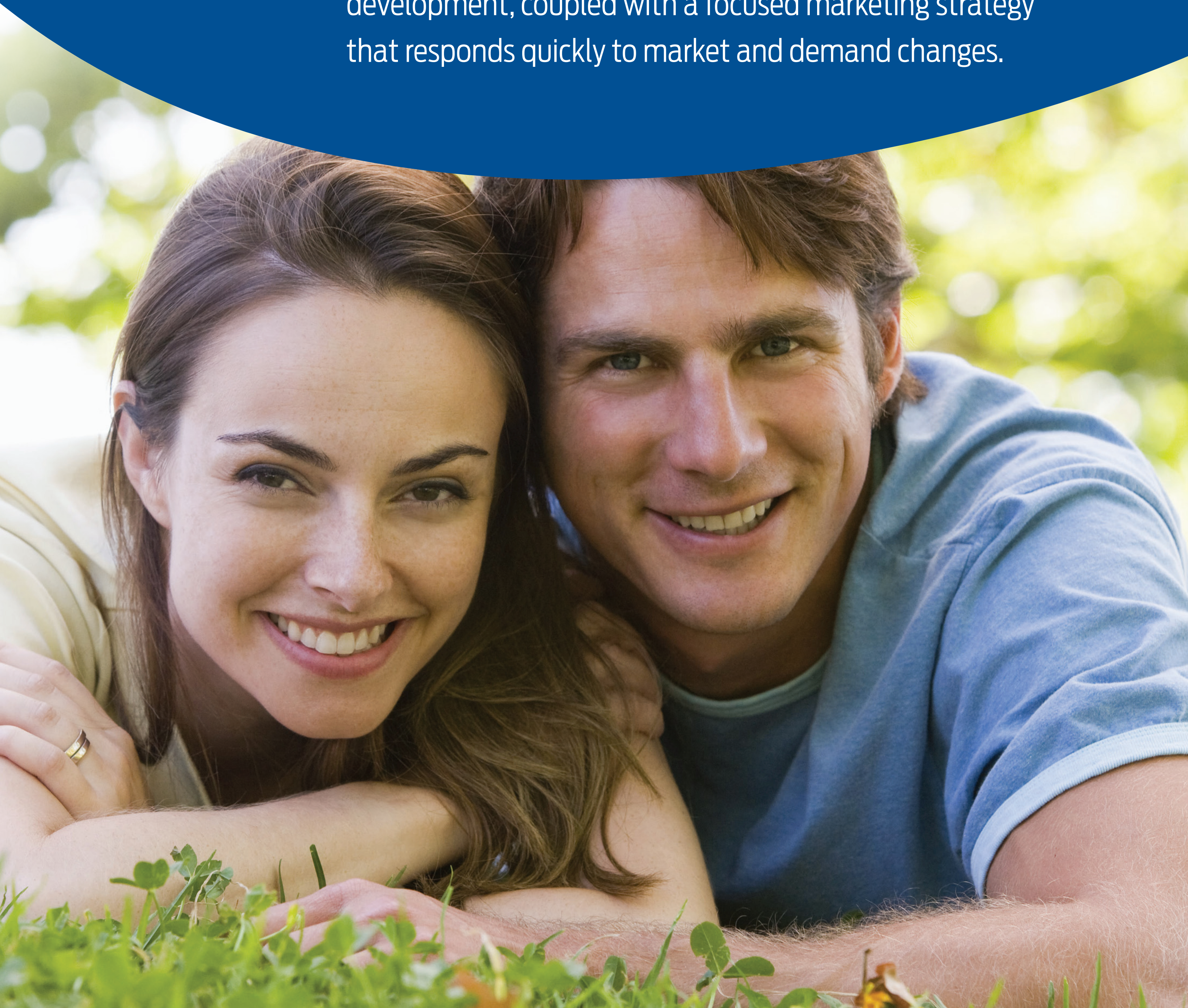
Innovation and **strategies** that generate results

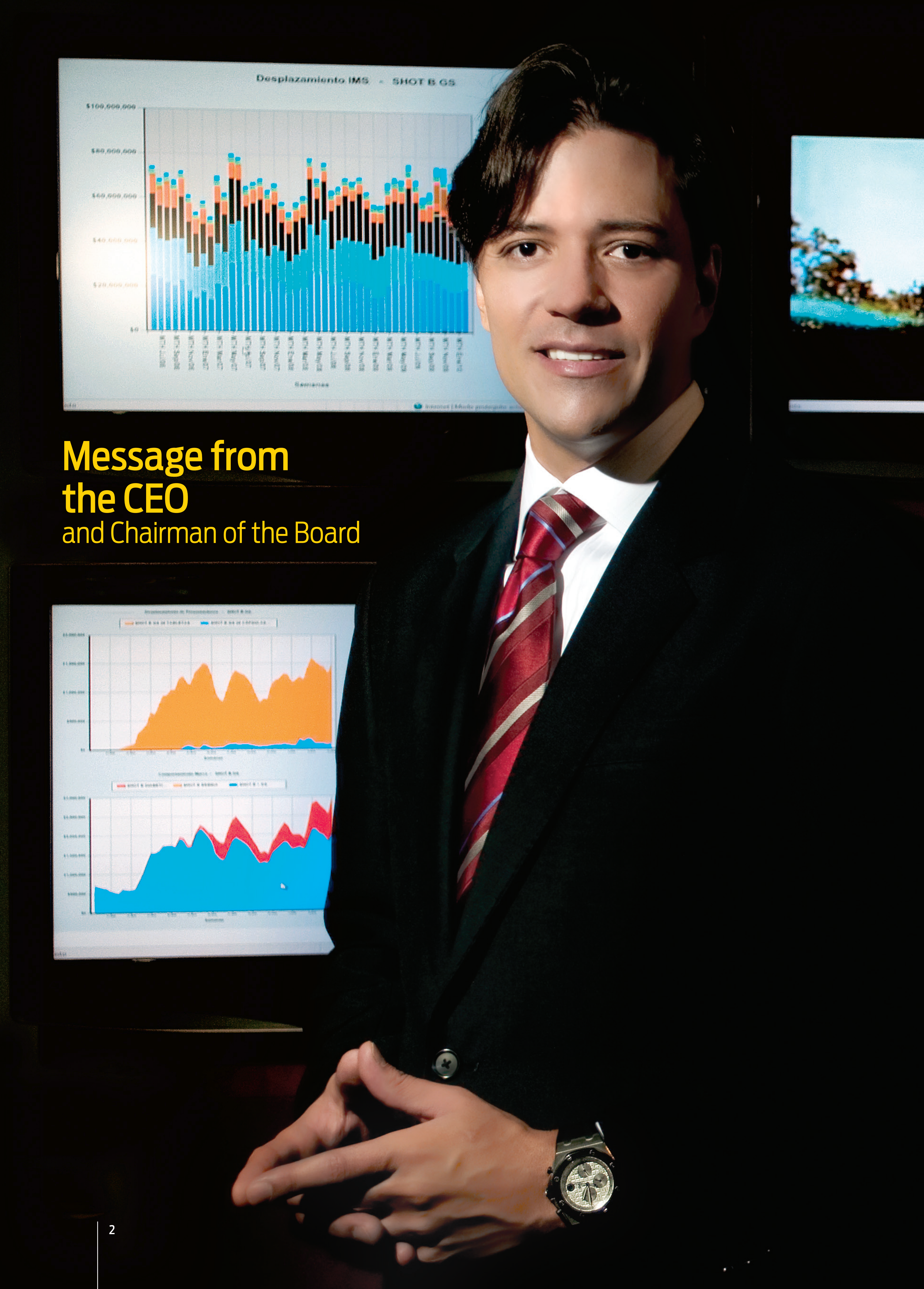
With innovative processes, creativity and a sense of responsibility, we seek the best methods for identifying and meeting people's needs to improve their well-being.

Content

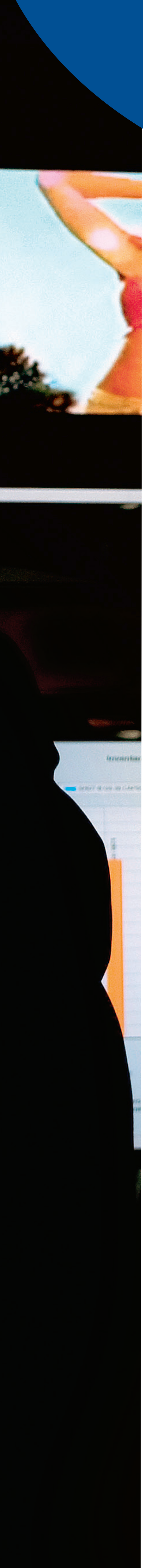
We are **focused** on people's well-being

Our products are firmly positioned in the pharmaceutical market thanks to our high quality standards and a successful business model based on innovation and development, coupled with a focused marketing strategy that responds quickly to market and demand changes.





Message from the CEO
and Chairman of the Board



The results achieved in 2009 have encouraged us to exceed ourselves. During one of the most challenging economic periods in history, Genomma Lab reported excellent numbers that translated into extraordinary growth and benefits for all its stakeholders.

We are setting our own precedent. Today, we successfully compete against world-class companies via high-quality products and a solid brand portfolio that is well-positioned in consumers' minds. We are obsessed with innovation, quality and the well-being of people. Through a highly-qualified and specialized team as well as a flexible business model, we make the impossible possible. We use our capabilities to the fullest extent, always focusing on a solid plan, meticulous follow-up and rigorous execution.

We have revolutionized the pharmaceutical industry in Mexico and Latin America through the continuous response to our clients' and markets' needs. The expansion of our international operations demands profound concentration and dedication. Our goal is to replicate the success achieved this far in every territory in which we have entered.

Much remains to be done and there is still vast room for growth. We have numerous strategies and initiatives that, together, make up a great story and reaffirms our solid business model while benefitting so many individuals. We are grateful for the trust of our shareholders, the commitment of our employees and the talent of our suppliers and clients. Together, at Genomma Lab, we will continue with the successful, responsible and transparent performance that has become our standard and we will not cease in the battle to maximize people's well-being.

Rodrigo Herrera Aspra
CEO and Chairman of the Board
Genomma Lab Internacional

Corporate Profile

Genomma Lab is a Mexican company with a growing international presence dedicated to the development, sale and marketing of a wide variety of pharmaceutical and personal care products.

We are one of the fastest-growing pharmaceutical companies in Mexico. We achieved this thanks to our innovation and development capabilities, high quality standards, regulatory compliance, specialized team and flexible business model.

Genomma Lab's shares trade on the Mexican Stock Exchange under the ticker symbol "LAB.B" (Bloomberg: labb.mx).

COTIZA EN BOLSA MEXICANA DE VALORES

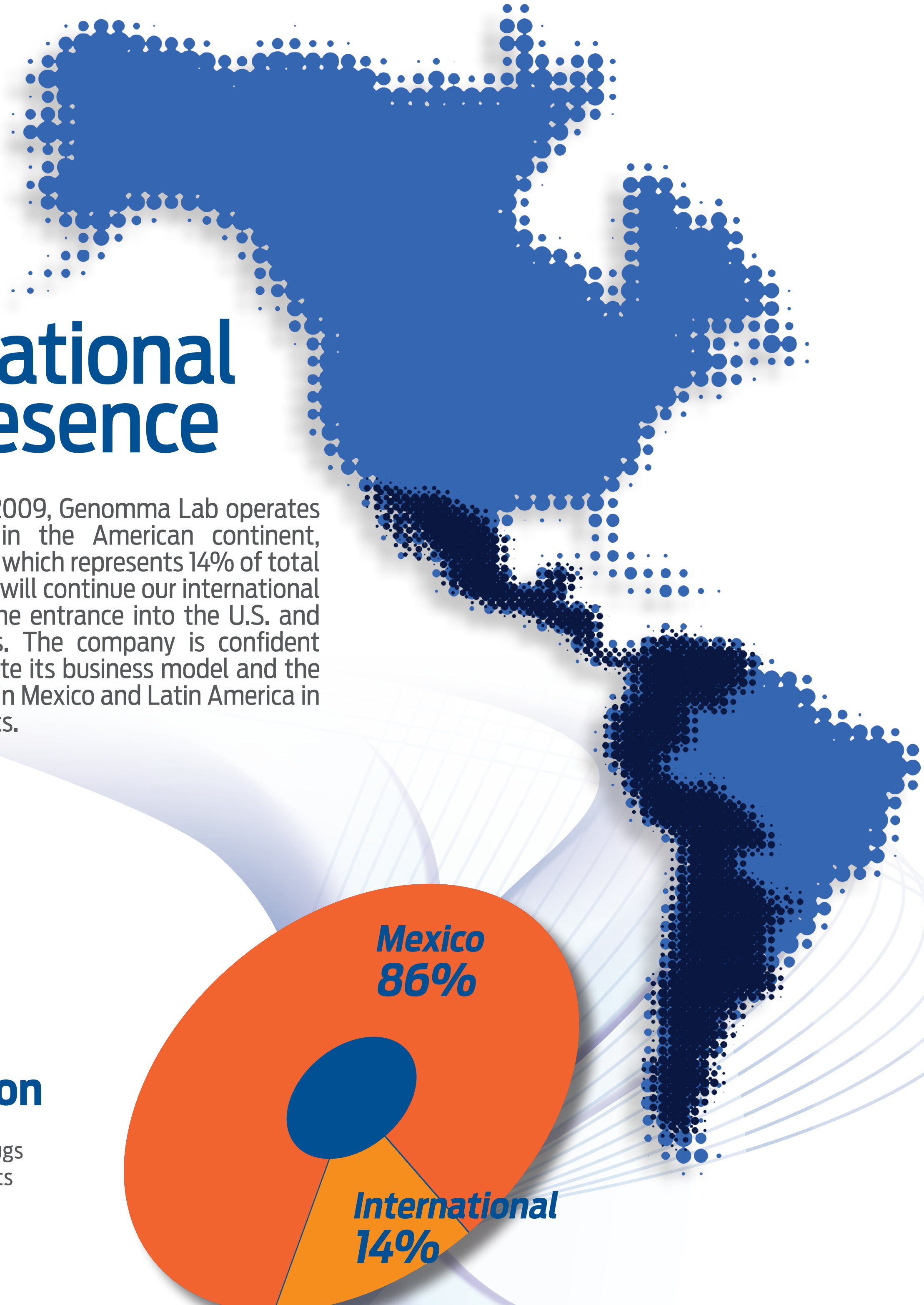
LAB

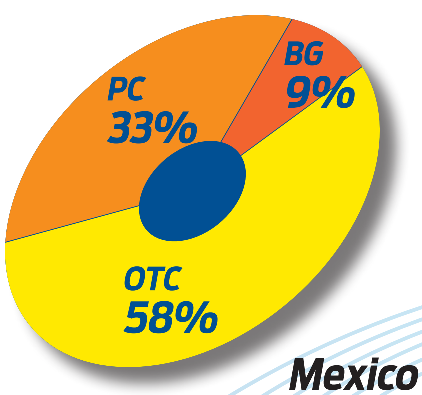
International Presence

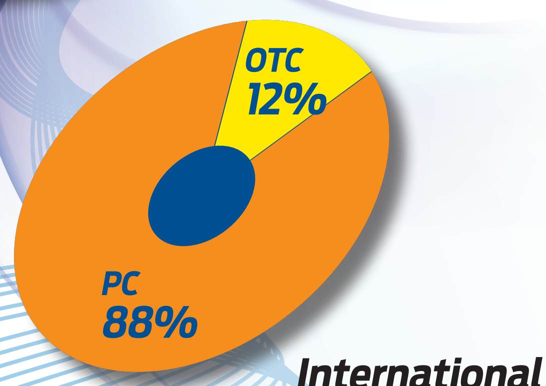
As of December 2009, Genomma Lab operates in 12 countries in the American continent, excluding Mexico, which represents 14% of total sales. In 2010, we will continue our international expansion with the entrance into the U.S. and Brazilian markets. The company is confident that it will replicate its business model and the success achieved in Mexico and Latin America in these new markets.

Sales Segmentation

OTC: Over the Counter drugs
PC: Personal Care products
BG: Branded Generics

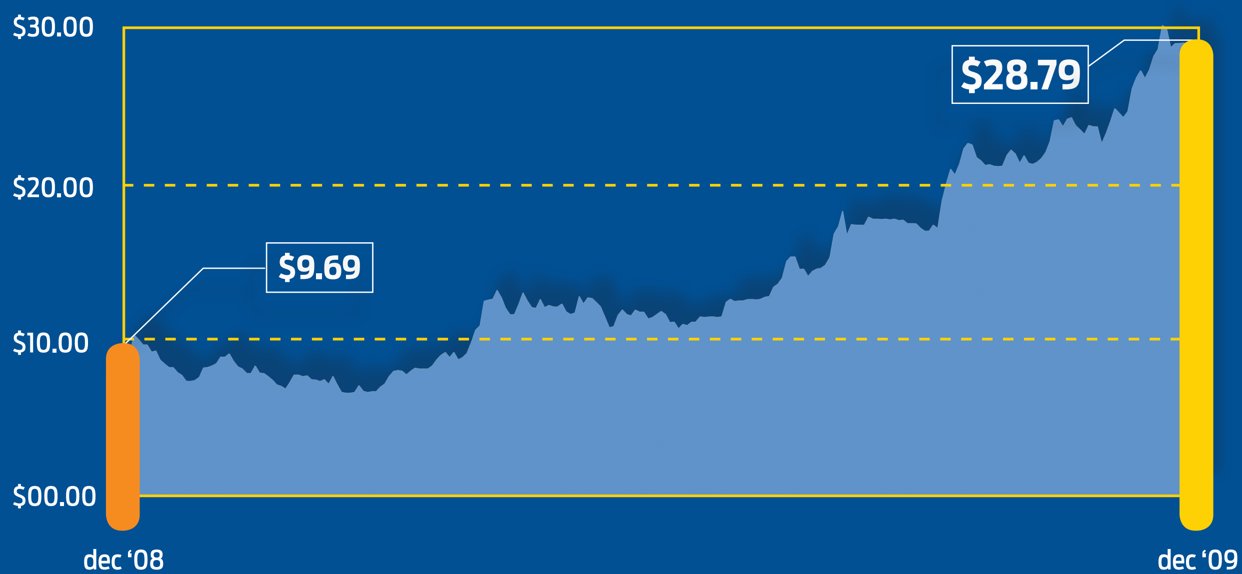






Financial Highlights

- Net Sales reached $4,424.7 million pesos, a 68.3% increase vs. 2008.
- EBITDA reached $1,143.6 million pesos, a 65.5% increase vs. 2008, which represents a 25.8% margin.
- International Net Sales reached $618.4 million pesos, a 183.0% increase vs. 2008.
- In 2009, Genomma Lab became the 28th most liquid stock in the Mexican Stock Exchange.
- Genomma Lab's share price rose 197.1% in 2009.



Genomma Lab Share Performance

Income Statement

(Millions of pesos)

	2009	2008	Percent change from 2008 to 2009
Net Sales	**4,424.7**	2,629.4	68.3%
Gross Profit	**3,187.1**	1,967.2	62.0%
SG&A	**2,096.4**	1,294.5	61.9%
Operating Income	**1,090.7**	672.7	62.1%
EBITDA (1)	**1,143.6**	691.1	65.5%
Consolidated Net Income	**760.0**	512.8	48.2%
Earnings per Share (2)	**1.44**	1.07	34.6%

[1] EBITDA is calculated through the sum of depreciation and amortization and pre-operating expenses to the gross profit.

[2] Earnings per share in the last 12 months. Earnings per share were calculated using a weighted average of the number of outstanding shares during the period.

Balance Sheet

(Millions of pesos)

	Assets	Liabilities and Shareholder's Equity	
Cash and Equivalents	1,059.4	596.6	Other Liabilities
Inventories	630.1	594.3	Suppliers
Other Assets	2,552.1	3,050.7	Shareholder's Equity

Cash Conversion Cycle

	2009	2008
Days of Trade Receivables	109	94
Days of Inventory	183	222
Days of Suppliers	173	205
Cash Conversion Cycle	**119**	**111**

Successful business model

The Company’s competitive advantage is inherent in its agile business model which is based on the innovation and development of products that improve people’s well-being. We position our products in the minds of consumers via sound marketing strategies to successfully compete against world-class companies and become leaders in many categories.

Asepxia® PRIMER NIVEL Por tu Salud® Cicatricure® Nikzon

We focus on product categories that represent attractive size and growth prospects for the company, targeting mass markets whose purchasing patterns respond quickly to our marketing campaigns.

The way in which we adapt to market changes enables us to successfully execute our ambitious objectives, leading to one of the highest growth rates in the industry.

Research and development → **Outsourced manufacturing** → **Sales** → **Distribution** → **Marketing**

Product Development: We have the capacity to innovate and internally develop quality products that meet consumers' needs and that improve the quality of life of society.

Marketing and advertising platform that positions and generates value to our brands through:

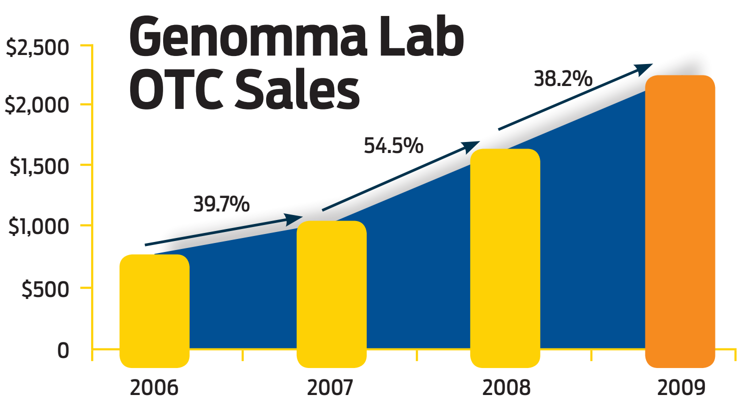
- Client metrics and market analysis that are used to evaluate the probability of success for each product prior to launch. This enables us to adjust the marketing and publicity strategy in a fast and effective way.
- Our own filming and post-production facilities as well as internal design and production capabilities for the development of marketing campaigns that generate time and cost efficiencies.
- Effective use of television and other publicity and marketing campaigns that allow direct communication with the consumer.

Over the Counter Drugs OTC

Our share in the OTC market generated revenues of $2,252.2 million pesos in 2009, which represented a 38.2% growth versus the previous year. We were the laboratory with the largest growth rate in the OTC market in Mexico, a market that during the same period only grew 1.25%. *

* Source: IMS Health

58% of Genomma Lab's sales in Mexico come from OTC drugs, while 12% of international sales came from the same segment. We are strongly positioned in this sector in Mexico, proving that we are one of the most important laboratories in the OTC category, having risen from 7th place in 2006 to 2nd in 2009 in the OTC laboratories ranking.



(Millions of pesos)

Sales of OTC drugs have had a compound annual growth rate of 43.9% in the past 4 years.

Genomma Lab owns 5 of the 20 highest grossing OTC products in Mexico: Next, QG5, Dalay, Ultra Bengue and MetabolTonics Sen.

SUCCESS STORY

Market Share

March 2007 **3%** → December 2009 **23%**

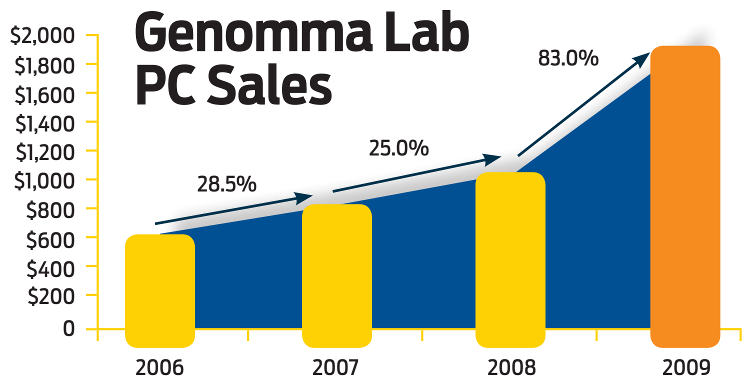
Less than two years after its acquisition, and after improving its formula, redesigning its image, and launching a marketing campaign, Genomma Lab has positioned Bengué as the number one brand in the anti-rheumatics category in Mexico.

Personal Care Products

PC

In 2009, our share in the personal care products market generated revenues of $1,828.5 million pesos in Mexico, representing an 83.0% growth versus the previous year. The Mexican market for personal care products has shown a growth tendency in recent years, having achieved a compound annual growth rate of around 8% from 2005 to 2009.

For Genomma Lab, revenues from personal care products represented 33% of sales in Mexico while in our international operations they amounted to 88% of sales. In 2009, we launched 27 new personal care products.



(Millions of pesos)

Sales of Personal Care products have had a 43.2% compound annual growth rate during the past 4 years.

SUCCESS STORY

Sales Growth (Millions of pesos)

2008		2009		Increase
$49.9		$166.4	=	233.5%

Ma Evans was already a brand with great acceptance and credibility. After its acquisition, we modified its manufacturing process, improved its image and packaging and, through our marketing and publicity platform, repositioned it in the minds of consumers.

Branded Generics BG

PRIMER NIVEL
Por tu Salud®

In August of 2009, Genomma Lab formally entered the branded generics market with the launch of its brand “Primer Nivel Por Tu Salud”. 2009 sales reached $344.0 million pesos, positioning its products in thousands of Mexican drugstores only a few months after its launch.

The branded generics market in Mexico has great growth potential. As of today, this market represents only 2.34% of the overall pharmaceutical market. *

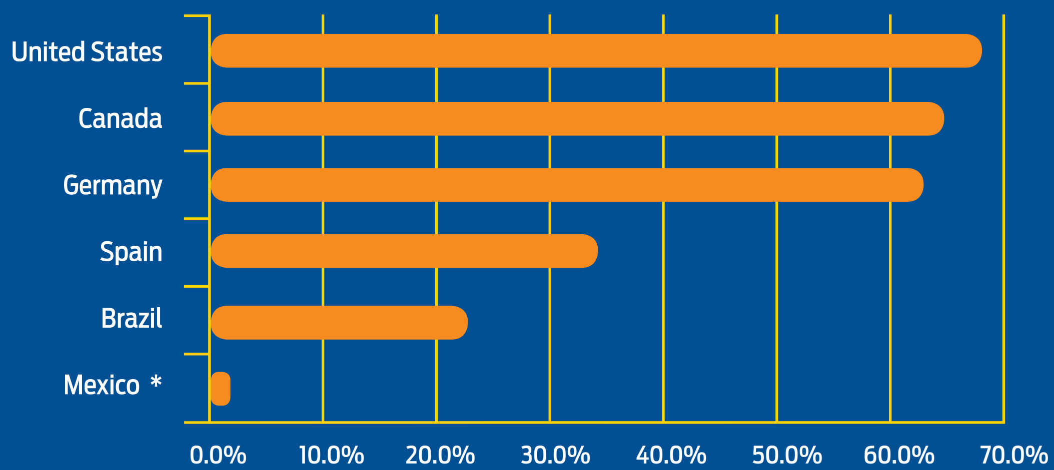
Our "Primer Nivel por tu Salud" brand represented 9% of 2009 sales in Mexico. Given this market's potential, it will become one of the company's main brands.

* Source: IMS Health

The brand "Primer Nivel Por Tu Salud" offers a portfolio of over 200 active ingredients, with over 300 presentations.

These products are up to 87% cheaper than their corresponding patented drugs.

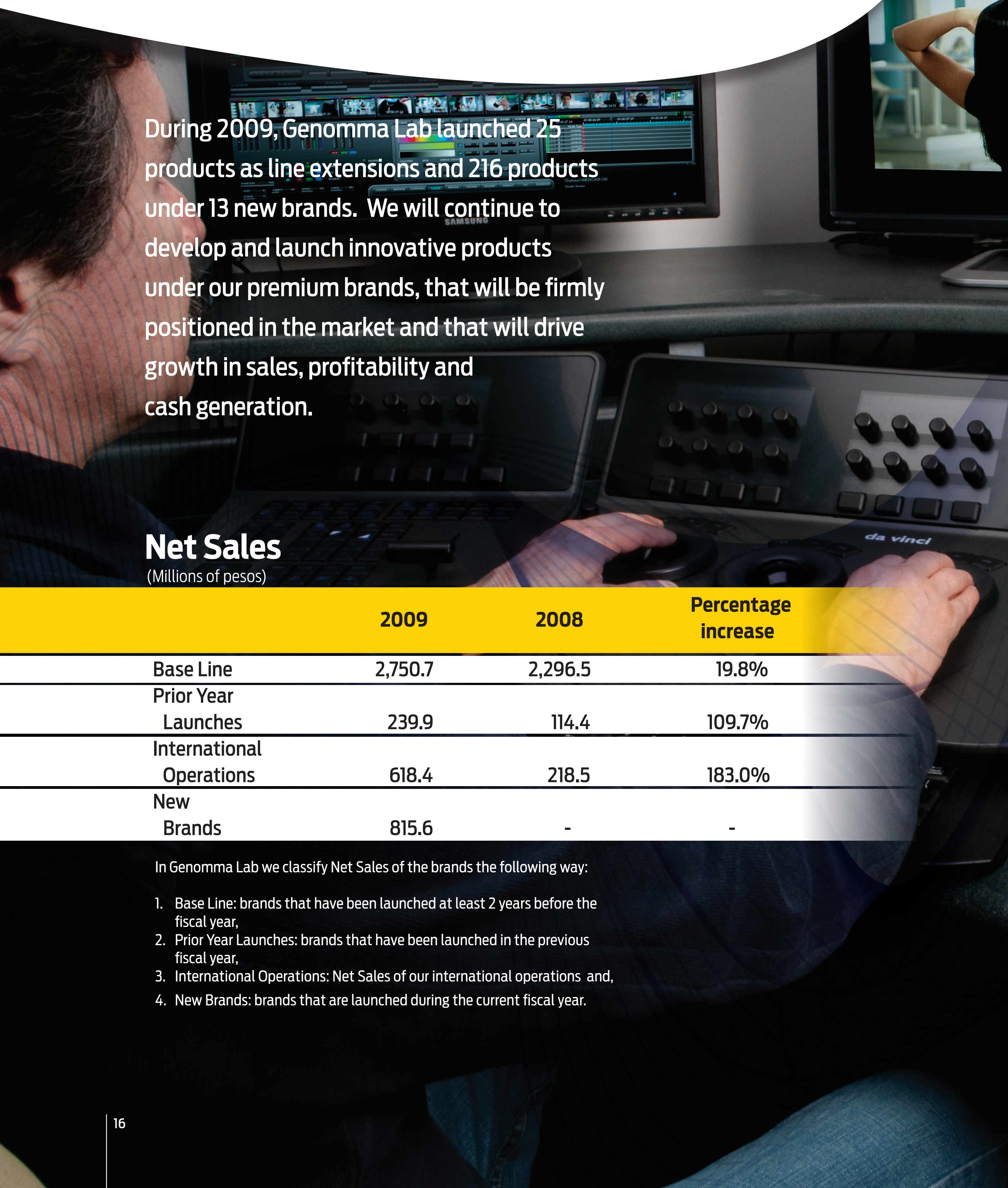
Branded Generics Market Penetration In The World



* Source: IMS Health

The branded generics market in Mexico has a very low penetration compared to other countries such as the United States, Canada and Germany. This demonstrates the company's great potential in this market, and we expect this brand to have a promising future and become one of the leaders in its sector.

Launches



During 2009, Genomma Lab launched 25 products as line extensions and 216 products under 13 new brands. We will continue to develop and launch innovative products under our premium brands, that will be firmly positioned in the market and that will drive growth in sales, profitability and cash generation.

Net Sales

(Millions of pesos)

	2009	2008	Percentage increase
Base Line	2,750.7	2,296.5	19.8%
Prior Year Launches	239.9	114.4	109.7%
International Operations	618.4	218.5	183.0%
New Brands	815.6	-	-

In Genomma Lab we classify Net Sales of the brands the following way:

1. Base Line: brands that have been launched at least 2 years before the fiscal year,
2. Prior Year Launches: brands that have been launched in the previous fiscal year,
3. International Operations: Net Sales of our international operations and,
4. New Brands: brands that are launched during the current fiscal year.

Acquisitions

Genomma Lab's acquisition strategy focuses on brands that are well positioned in the consumer's mind, that complement the company's brand portfolio, and that can easily be adapted to our business model.

The acquired brands undergo a renovation process that starts with the improvement of the formula, followed by the integral renewing of the brand's image. This allows us to define an appropriate marketing campaign, through our internal marketing platform, that must be effective, clear and direct, and to finally re-launch the brand to the market.

During 2009, the company made 5 acquisitions:

Primer Nivel Por tu Salud® | Flor de Naranja Sanborns | Teatrical® | Henna Egipcia | Jockey Club®

These brands will enhance Genomma Lab's presence in the branded generics and personal care markets, specifically in facial and body lotions, perfumes and hair coloring.

Social Responsibility

Genomma Lab

Genomma Lab's corporate social responsibility strategy is based on five axes:

Ethics
Quality of Life
Community
Environment
Communication

Each one of these is represented by a circle in our social responsibility logo, denoting their integration under a sole concept that encompasses the wide spectrum of our company's stakeholders.

From each of these five large themes, programs and actions are derived, which are geared towards generating value for the company, as well as for our stakeholders, in a win-win relationship.

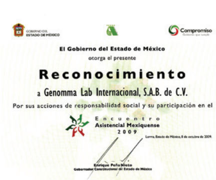
Some of the most important initiatives of 2009 were:

- For the fourth year in a row, Genomma Lab was recognized as a Socially Responsible Company by the Mexican Center for Philanthropy (CEMEFI) and the Corporate Social Responsibility Alliance (ALIARSE).

- We promote the United Nations Global Compact since our adherence in 2007. In 2009 we published, for the second time, our Communication in Progress, which reports our contribution towards its 10 principles.
- Renewal of the "Certificación Modelo de Equidad de Género"; a gender equality recognition granted by the Women's National Institute (INMUJERES).
- We maintained our status as an inclusive company by the Labor and Social Welfare Ministry for our policy of integrating seniors and disabled individuals in our workforce.
- We started the "Por tu salud" program this year, through which medical services and health reports were offered to company employees.
- Our programs "Un Millón de Acciones a Favor del Medio Ambiente" and "Bosque Genomma Lab", which are focused on caring for the environment and the rational use of resources, were extended.
- We continue with the "Cadena de Valor Responsable" program through which we seek to include vulnerable groups of our population into the value chain of the company through shared value creating schemes.
- We extended our In-Kind Donations Program that in 2009 benefited 278 institutions with donations of over 20 million pesos.
- We support the Red Cross Blood Donation Campaign in which 70 employees participated.

For more information about our corporate social responsibility actions and programs please visit:

www.genommalab-esr.com



Board of Directors

*Rodrigo Alonso Herrera Aspra
Chairman

*Arturo Iván Gamboa Rullán
Proprietary Director

*Pablo José Monroy Cazorla
Proprietary Director

*Arturo José Saval Pérez
Proprietary Director

*Luis Alberto Harvey MacKissack
Proprietary Director

*Gerardo de Nicolás Gutiérrez
Independent Director

*Fernando Paiz Andrade
Independent Director

*Pedro Solís Cámara
Independent Director

*Juan Alonso
Independent Director

*Marco Francisco Forastieri Muñoz
Secretary

Committees

Executive Committee

Rodrigo Alonso Herrera Aspra
President

Arturo Iván Gamboa Rullán
Pablo José Monroy Cazorla
Luis Alberto Harvey MacKissack
Arturo José Saval Pérez

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
CEO and Chairman of the Board

Claudia Georgina Ortega Vettoretti
Marketing Vice-President

Ramón Neme Sastre
Corporate Vice-President

Alejandro Bastón Patiño
Commercial Strategy Vice-President

Patricia Faci Villalobos
Chief Operating Officer

Oscar Villalobos Torres
Chief Financial Officer

Renata Virginia Herrera Aspra
Research, Development and Quality Director

Daniel Ordoñana Prida
Advertising Director

Luis Gerardo Cortés Moreno
Sales Director

Miguel Peinado González
Supply Chain Director

Elías Sidaoui Silva
Human Resources Director

Sabrina Herrera Aspra
International Operations Director

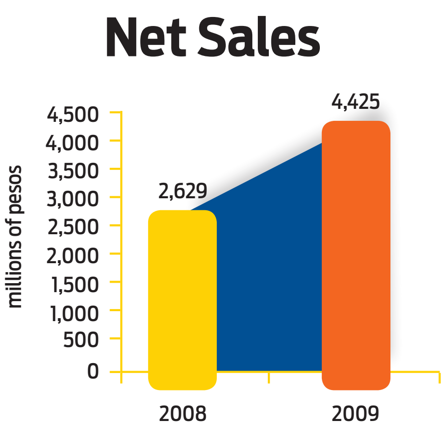
Francisco Lizardi Calderón
Administration Director

Sergio Herrera Terrones
Social Responsibility Director

Gonzalo Granados Ramos Elorduy
Information Technologies Director

Management Discussion and Analysis of Results

Income Statement



Net Sales for the Full Year as of December 31st, 2009 rose 68.3% to Ps. 4,424.7 million from Ps. 2,629.4 million in 2008. This increase resulted from the combination of the following: i) 19.8% (Ps. 454.2 million) from **Base Brands** in Mexico to Ps. 2,750.7 million, including line extensions on these brands, ii) a 109.7% increase (Ps. 125.5 million) due to the full year effect of **Prior Year Launches** in Mexico, including recent line extensions on these brands launches during 2008, to reach Ps. 239.9 million, iii) Ps. 815.6 million in 2009 from **New Brands** in Mexico due to the launch of 216 new products under 13 New Brands throughout the year, and iv) a 183.0% increase (Ps. 399.9 million) in our **International operations** to Ps. 618.4 million.

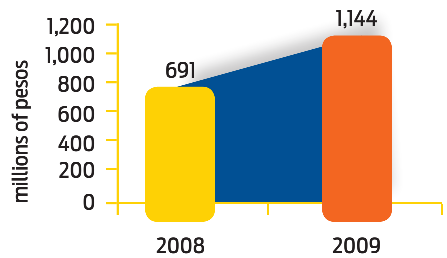
Gross Profit increased by 62.0% to Ps. 3,187.1 million for 2009 compared to Ps. 1,967.2 million for 2008. Gross margin decreased 2.8 percentage points, as a percentage of net sales, to 72.0% in 2009 from 74.8% in 2008. This decrease was primarily attributable to a higher cost of goods sold as a percentage of Net Sales in our Primer Nivel Por Tu Salud products portfolio. This was partially offset by a change in the mix of products sales, an increase in the percentage of the total sales from OTC products, which traditionally have a lower cost of goods sold as a percentage of net sales.

Selling, General and Administrative Expenses, as a percentage of net sales, decreased 1.9 percentage points to 47.3% for 2009 from 49.2% for 2008. This decrease resulted from the combination of the following: i) economies of scale achieved by the strong increase in sales during the period; and ii) a decline in accounts receivable reserves as a percentage of Net Sales mainly due to an improvement in our past due receivables. This decrease was partially offset by: i) higher advertising expenses, as a percentage of net sales, mainly as a result of the launch of the Primer Nivel Por Tu Salud Brand as well as the launch of other new products; and ii) an increase in our international commercial expenses, due to new product launches, which require special commercial support as well as pre operative expenses necessary for the launch of our United States and Brazil operations.

EBITDA increased 65.5% to Ps. 1,143.6 million for 2009 compared to Ps. 691.1 million for 2008. EBITDA margin decreased 0.4 percentage points, as a percentage of net sales, to 25.8% in 2009 from 26.3% in 2008. This decrease in EBITDA margin was primarily attributable to a higher cost of goods sold as a percentage of Net Sales in our Primer Nivel Por Tu Salud products portfolio as well as higher advertising expenses of this brand. This decrease was partially offset by the decrease in Selling, General and Administrative Expenses, as a percentage of net sales, due to aforementioned reasons.

EBITDA Reconciliation (in millions of pesos)

EBITDA



	January to December 2009	January to December 2008
Consolidated net income	760.0	512.8
(Loss) Discontinued operation income	11.5	26.0
Income tax	305.3	194.2
Comprehensive financial income	13.3	(619)
Other expenses, net	0.1	1.5
Non-consolidated minority interest	0.4	-
Operating income	1, 090.7	672.7
Pre-operating expenses	20.3	-
Depreciation and amortization	32.6	18.4
EBITDA	1, 143.6	691.1
EBITDA margin	25.8%	26.3%

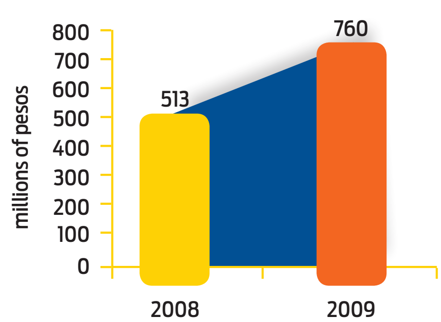
Operating Income increased 62.1% to Ps. 1,090.7 million for 2009 compared to 672.7 million for 2008. Operating margin decreased 0.9 percentage points, as a percentage of net sales, to 24.7 in 2009 from 25.6 in 2008. This decrease was primarily attributable to the increase in cost of goods sold and advertising expenses mentioned previously as well as an increase in depreciation and amortization due to the acquisition of fixed assets such as improvements to leased properties, office, computer and transportation equipment.

Comprehensive Financing Cost represented Ps. 13.3 million in 2009, which was an increase of Ps. 75.2 million compared to the gain of Ps. 61.9 million reported in 2008. This increase was primarily attributable to a foreign exchange gain of Ps. 39.2 million in 2009, from a Ps. 44.2 million gain during 2008, due to the depreciation of U.S. dollar balances versus the Mexican peso for the period.

As of December 31, 2009, Genomma Lab had a total cash position, held in dollars and pesos, of Ps. 1,059.4 million.

Consolidated Net Income increased 48.2% to Ps. 760.0 million for 2009 from Ps. 512.8 million reported for 2008. Consolidated Net Income, as a percentage of net sales, decreased 2.3 percentage points to 17.2% for 2009 from 19.5% for 2008.

Net Income



Balance Sheet

Cash and Equivalents decreased 17.9% (Ps. 231.7 million) to Ps. 1,059.4 million on December 31 2009, compared to Ps. 1,291.0 million on December 31, 2008. This decrease was mainly due to cash consumption related to: I) working capital in the amount of Ps. 765.7 million; ii) acquisitions during 2009 for a total of Ps. 466.0 million, of which Ps. 303.3 million have been paid; iii) the transfer of funds to the stock repurchase program in the amount of Ps. 20.0 million; iv) funding for the Employee Compensation Program in the amount of Ps. 40.0 million and v) Ps. 178.3 million of capital expenses mainly allocated for the recording studios. This consumption was partially offset by the Company's cash generation of the last twelve months.

Trade Receivables increased 94.1% (Ps. 648.0 million) to Ps. 1,336.9 million on December 31, 2009 from Ps. 688.9 million on December 31, 2008. Days of Trade Receivables increased 15 days, to 109 days on December 31, 2009 from 94 days on December 31, 2008. This increase came as a result of the Company`s substantial growth during the period. The collection cycle during the period is in line with the terms agreed with our clients.

Inventories increased 54.6% (Ps. 222.4 million) to Ps. 630.1 million on December 31, 2009 from Ps. 407.7 million on December 31, 2008. Days of Inventories decreased 39 days, to 183 days on December 31, 2009 from 222 days on December 31, 2008. This decrease was mainly attributable to higher than expected sales during the period, and was partially offset by an inventory buildup for the Brazilian and US operations.

Suppliers increased 57.6% (Ps. 217.1 million) to Ps. 594.3 million on December 31, 2009, from Ps. 377.2 million on December 31, 2008. Days of Suppliers decreased 32 days, to 173 days on December 31, 2009 from 205 days on December 31, 2008. This change was mainly due to the Company standardizing relations with its suppliers.

Cash Conversion Cycle reached 119 days, which is in line with the Company`s corporate target of 120 days.

Other Current Assets increased 64.8% (Ps. 133.9 million) to Ps. 340.6 million on December 31, 2009 from Ps. 206.6 million on December 31, 2008. This increase was mainly attributable to: i) an increase in receivable taxes due to pending VAT tax refunds; and ii) prepaid advertising.

Other Current Liabilities increased 252.6% (Ps. 338.9 million) to Ps. 473.0 million on December 31, 2009 from Ps. 134.1 million on December 31, 2008. This increase was attributable mainly to an increase in income taxes payable combined with an increase in other creditors due to higher standard operating expenses.

Genomma Lab Technological Innovation and Development Center

Mexico City

Genomma Lab Internacional,

S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements

For the years ended on December 31, 2009, 2008 and 2007
and Independent Auditors´ Report to February 19, 2010

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, 2009, 2008 and 2007, and the related consolidated statements of income and changes in stockholders' equity for the years then ended, of cash flows for the years ended December 31, 2009 and 2008, and of changes in financial position for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 3, beginning January 1, 2009 the Company adopted the following new financial reporting standards: NIF B-7, *Business Combinations* and NIF D-8, *Shared-based Payments*. Additionally, beginning January 1, 2008 the Company adopted the following financial reporting standards: NIF B-2, *Statement of Cash Flows*; and NIF B-10, *Effects of Inflation*.

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, 2009, 2008 and 2007, and the results of their operations and changes in their stockholders' equity for the years then ended, their cash flows for the years ended December 31, 2009 and 2008 and changes in their financial position for the year ended December 31, 2007, in conformity with Mexican Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Miembro de Deloitte Touche Tohmatsu

C. P. C. José A. Rangel

February 19, 2010

Consolidated balance sheets

As of December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos)

	2009	2008	2007
Assets			
Current assets:			
Cash and cash equivalents	$ 1,078,416	$ 1,315,132	$ 61,351
Accounts receivable – net	1,545,647	755,108	589,366
Inventories – net	630,121	407,710	221,208
Prepaid expenses	81,996	104,477	28,716
Investments in securities available-for-sale	–	–	81,263
Due from related parties	30,795	11,887	79,639
Discontinued operation	3,408	22,917	14,091
Total current assets	3,370,383	2,617,231	1,075,634
Property and equipment – net	260,698	112,453	44,298
Deferred income taxes	2,869	1,108	–
Other assets – net	582,496	108,711	70,763
Investment in associated company	25,166	–	–
Discontinued operation	38	425	3,335
Total	$ 4,241,650	$ 2,839,928	$ 1,194,030
Liabilities and stockholders' equity			
Current liabilities:			
Loans with financial institutions	$ –	$ –	$ 256,750
Trade accounts payable	594,279	377,179	77,364
Accrued expenses and taxes other than income taxes	389,292	134,018	140,889
Income tax payable	37,639	–	92,346
Statutory employee profit sharing	3,382	1,838	446
Due to related parties	81	119	1,495
Discontinued operation	4,656	9,870	9,893
Total current liabilities	1,029,329	523,024	579,183
Long-term liabilities:			
Sundry creditors	108,090	–	
–			
Employee retirement obligations	7,491	4,765	7,365
Deferred income taxes	46,006	–	20,042
Total liabilities	1,190,916	527,789	606,590
Stockholders' equity:			
Capital stock	274,923	274,923	266,316
Additional paid-in capital	1,553,938	1,553,938	–
Repurchase of stock	(69,415)	(41,157)	–
Premium on issuance of repurchased stock under share based plan	2,729	–	–
Retained earnings	1,278,378	519,639	396,356
Excess in restated stockholders' equity	–	–	6,274
Initial cumulative effect of deferred income taxes	–	–	(80,506)
Cumulative translation effects of foreign subsidiaries	1,228	4,020	(2,633)
Valuation of investments in securities available-for-sale	–	–	(1,227)
Controlling interest	3,041,781	2,311,363	584,580
Noncontrolling interest in consolidated subsidiaries	8,953	776	2,860
Noncontrolling interest	3,050,734	2,312,139	587,440
Total	$ 4,241,650	$ 2,839,928	$ 1,194,030

See accompanying notes to consolidated financial statements.

Consolidated statements of income

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos, except share and per share amounts)

	2009	2008	2007
Net sales	$ 4,424,655	$ 2,629,430	$ 1,854,775
Costs and expenses:			
Cost of sales	1,237,519	662,246	483,633
Selling, general and administrative expenses	2,096,437	1,294,526	888,508
	3,333,956	1,956,772	1,372,141
Income from operations	1,090,699	672,658	482,634
Other expense – net	(50)	(3,275)	(3,055)
Comprehensive financing income (cost):			
Interest expense	(14,440)	(21,096)	(15,487)
Interest income	38,871	42,877	6,197
Exchange gain (loss)	(39,222)	44,207	(1,611)
Monetary position loss	(965)	(3,311)	(13,639)
Effects of exchange rate changes on foreign operations	2,430	(788)	1,159
	(13,326)	61,889	(23,381)
Equity in loss of associated company	(399)	–	–
Income before income taxes and discontinued operation	1,076,924	731,272	456,198
Income tax expense	305,345	192,419	120,612
Income before discontinued operation	771,579	538,853	335,586
Discontinued operations – net	(11,543)	(26,017)	(30,601)
Consolidated net income	$ 760,036	$ 512,836	$ 304,985
Controlling interest	$ 758,739	$ 515,776	$ 304,399
Noncontrolling interest	1,297	(2,940)	586
Consolidated net income	$ 760,036	$ 512,836	$ 304,985
Earnings (loss) per share:			
Basic earnings per common share for continuing operations	$ 1.46	$ 1.12	$ 0.80
Basic loss per common share for discontinued operation	$ (0.02)	$ (0.05)	$ (0.08)
Basic earnings per controlling interest common share	$ 1.44	$ 1.07	$ 0.72
Weighted average common shares	529,240,713	478,922,792	421,698,000

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos, except share amounts)

	Number of Shares	Capital Stock	Additional Paid-in Capital	Repurchase of Stock
Consolidated balances as of January 1, 2007	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)
Repurchase of stock	–	–	–	(70,162)
Stock-based compensation expense	–	–	–	44,633
Issuance of repurchased stock under share based plan	–	–	–	(2,729)
Comprehensive income	–	–	–	–
Consolidated balances as of December 31, 2009	529,240,713	$ 274,923	$ 1,553,938	$ (69,415)

See accompanying notes to consolidated financial statements.

Premium on Issuance of Repurchased Stock Under Share Based Plan	Retained Earnings	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	Noncontrolling Interest	Total Stockholders' Equity
$ –	$ 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
–	–	–	–	–	–	–	(70,162)
–	–	–	–	–	–	–	44,633
2,729	–	–	–	–	–	–	–
–	758,739	–	–	(2,792)	–	8,177	764,124
$ 2,729	$ 1,278,378	$ –	$ –	$ 1,228	$ –	$ 8,953	$ 3,050,734

Consolidated statements of cash flows

For the years ended December 31, 2009 and 2008
(In thousands of Mexican pesos)

	2009	2008
Operating activities:		
Consolidated income before discontinued operation	$ 771,579	$ 538,853
Items related to investing activities:		
Depreciation and amortization	32,605	18,404
Loss (gain) on sale of fixed assets	178	(39)
Impairment of long-lived assets	4,300	4,053
Income taxes	305,345	192,419
Accounts receivable forgone in dividends in-kind	–	(185,290)
Unearned foreign exchange fluctuations	1,022	(1,836)
Equity in loss of associated company	399	–
Items related to financing activities:		
Interest expense	–	18,582
	1,115,428	585,146
(Increase) decrease in:		
Accounts receivable	(803,032)	(162,284)
Inventories	(220,822)	(185,221)
Prepaid expenses	37,481	(75,761)
Related parties	(18,946)	66,376
Trade accounts payable	216,669	299,216
Accrued expenses and taxes other than income taxes	203,065	(10,222)
Income taxes paid	(195,979)	(265,635)
Employee retirement obligations, net	2,726	627
Stock-based compensation cost	44,633	10,124
Statutory employee profit sharing	1,544	1,392
Assets and liabilities from discontinued operation	14,295	(8,849)
Net cash provided by operating activities before other effects	397,062	254,909
Loss from discontinued operation	(11,543)	(26,017)
Net cash provided by operating activities	385,519	228,892
Investing activities:		
Purchases of property and equipment	(178,281)	(86,161)
Proceeds from sale of equipment	–	14
Purchase of other assets	(235,678)	(40,824)
Purchase of subsidiary, net of cash acquired	(115,000)	–
Investment in associated company	(25,565)	–
Discontinued operation	387	2,910
Net cash used in investing activities	(554,137)	(124,061)
(Cash to be obtained from) excess cash to apply to financing activities	(168,618)	104,831

	2009	2008
Financing activities:		
Issuance of capital stock	–	1,566,659
Borrowings	–	580,426
Repayment of loans received	–	(837,176)
Repurchase of stock	(70,162)	(51,281)
Interest paid	–	(19,915)
Dividends paid	–	(95,796)
Noncontrolling interest	6,880	856
Net cash (used in) provided by financing activities	(63,282)	1,143,773
Net (decrease) increase in cash and cash equivalents before adjustment to cash flows due to exchange rate fluctuations and effects of inflation	(231,900)	1,248,604
Adjustment to cash flows due to exchange rate fluctuations and effects of inflation	(4,816)	5,177
Net (decrease) increase in cash and cash equivalents	(236,716)	1,253,781
Cash and cash equivalents at beginning of year	1,315,132	61,351
Cash and cash equivalents at end of year (includes restricted cash of $19,036 and $24,084, respectively)	$ 1,078,416	$ 1,315,132

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in financial position

For the year ended December 31, 2007
(In thousands of Mexican pesos)

		2007
Operating activities:		
Consolidated income before discontinued operation	$	335,586
Add items that did not require resources:		
Depreciation and amortization		7,185
Employee retirement obligations – net		1,258
Deferred income taxes		3,145
		347,174
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable – net		(117,373)
Inventories – net		(80,944)
Prepaid expenses		(13,668)
Due from related parties		(77,110)
Increase (decrease) in:		
Trade accounts payable		(22,540)
Accrued expenses and taxes other than income taxes		47,324
Income tax payable		51,159
Statutory employee profit sharing		29
Due to related parties		(9,629)
Discontinued operation		9,511
Loss from discontinued operation		(30,601)
Net resources generated by operating activities		103,332
Financing activities:		
Loans with financial institutions – net		145,292
Noncontrolling interest		2,395
Dividends paid		(61,660)
Translation effects of foreign subsidiaries		(3,125)
Net resources generated by financing activities		82,902
Investing activities:		
Investments in securities available-for-sale		(81,263)
Acquisition of equipment		(30,433)
Effect of valuation of investments in securities available-for-sale		(1,227)
Proceeds from sale of equipment		2,245
Other assets		(61,975)
Discontinued operation		3,041
Net resources used in investing activities		(169,612)
Cash and cash equivalents:		
Net increase		16,622
Balance at beginning of year		44,729
Balance at end of year	$	61,351

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

For the years ended December 31, 2009, 2008 and 2007
(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 ("OTC pharmaceutical") and generic drugs ("GD Rx") 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 79 own brands, offering over 440 products in various categories, including anti-acne, generic drugs, sexual protection and enhancement, creams to improve appearance of scars, hemorrhoid treatments, varicose vein treatments, weight control and hair loss treatments, topical analgesics, antacids, topical antifungals, colitis treatments, stress management and osteoarthritis 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 14%, 9% and 4% of consolidated net sales for 2009, 2008 and 2007, 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 B" (see Note 13 i).

*Investment in subsidiaries –*During 2009, the Company acquired the shares of Medicinas y Medicamentos Nacionales, S. A. de C. V. (formely Medicinas y Medicamentos Nacionales, SAPI) to increase its participation in the generic drugs market, and incorporated the following Mexican entities: Iniciativas de Éxito, S. A. de C. V. and AeroLab, S. A. de C. V. Likewise, the Company incorporated the following entities outside Mexico: Genomma Laboratories do Brasil, LTDA, Genomma Lab USA, Inc., and Lab Brands International, LLC. These entities are in the preoperating stage. During 2007, the Company acquired the majority of the shares of Genomma Laboratories Argentina, S. A. and Genomma Lab Nicaragua, S. A., to extend its product distribution network in South and Central America.

Investment in associated company – During 2009, the Company purchased 49% of the capital stock of Televisa Consumer Products USA, LLC, an entity incorporated in the United States of America. As of December 31, 2009, the entity is in the preoperating phase.

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 noncontrolling interest 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. During 2009, the Company acquired 100% of the shares that were held by the noncontrolling interest (representing 15% interest in the entity).

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 2009, the Company acquired the Teatrical, Henna Egipcia, Flor de Naranja, Jockey Club and Por tu Salud trademarks.

Notes to consolidated financial statements

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos)

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, 2009 and 2008 and for the years then ended, include balances and transactions denominated in Mexican pesos of different purchasing power, while those as of and for the year ended December 31, 2007 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	**2009**	2008	2007	Activity
Genomma Laboratories México, S. A. de C. V. (incorporated in Mexico)	100%	100%	100%	Research and development of OTC pharmaceutical and personal care products
Television Products Retail, S. A. de C. V. (incorporated in Mexico)	100%	100%	100%	Administrative services
Medicinas y Medicamentos Nacionales, S. A. de C. V. (incorporated in Mexico)	100%	–	–	Sale of GD Rx and OTC pharmaceutical products
Iniciativas de Éxito, S. A. de C. V. (incorporated in Mexico)	100%	–	–	Sale of OTC pharmaceutical products
Aero Lab, S. A. de C. V. (incorporated in Mexico)	100%	–	–	Air flight services
Genomma Laboratorios Médicos, S. L. (incorporated in Spain)	100%	85%	85%	Sale of OTC pharmaceutical and personal care products
Genomma Lab Perú, S. A. (incorporated in Peru)	100%	100%	100%	Sale of OTC pharmaceutical and personal care products
Genomma Lab Centroamérica, S. A. (formerly Producciones Televisivas Infovisión de Costa Rica, S. A.) (incorporated in Costa Rica)	100%	100%	97%	Sale of OTC pharmaceutical and personal care products
Genomma Lab Chile, S. A. (formerly Infovisión Chile, S. A., incorporated in Chile)	100%	100%	99%	Sale of OTC pharmaceutical and personal care products

Company	Ownership Percentage 2009	2008	2007	Activity
Genomma Lab Ecuador, S. A. (incorporated in Ecuador)	100%	100%	99%	Sale of OTC pharmaceutical and personal care products
Genomma Laboratories Argentina, S. A. (company incorporated in Argentina)	85%	85%	85%	Sale of OTC pharmaceutical and personal care products
Genomma Lab Colombia, LTDA (incorporated in Colombia)	100%	100%	–	Sale of OTC pharmaceutical and personal care products.
Genomma Lab Guatemala, S. A. (incorporated in Guatemala)	–	–	98%	Sale of OTC pharmaceutical and personal care products
Genomma Laboratories do Brasil, LTDA (incorporated in Brazil)	85%	–	–	Sale of OTC pharmaceutical and personal care products
Genomma Lab USA, inc. (incorporated in the US)	99%	–	–	Sale of OTC pharmaceutical and personal care products
Lab Brands International, LLC (incorporated in the US)	70%	–	–	Research and development 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:

- Since 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; and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in stockholders' equity.

- Since 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; 2) historical exchange rates for stockholders' equity; and 3) the rate on the date of accrual of 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

Notes to consolidated financial statements

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos)

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. Translation effects were 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
Medicinas y Medicamentos Nacionales, S. A. de C. V.	Mexican peso	Mexican peso
Iniciativas de Éxito, S. A. de C. V.	Mexican peso	Mexican peso
Aero Lab, 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
Genomma Lab Centroamérica, S. A.	U.S. dollar	U.S. dollar
Genomma Lab 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
Genomma Laboratories do Brasil, LTDA.	Real	U.S. dollar
Genomma Lab USA, Inc.	U.S. dollar	U.S. dollar
Lab Brands International, LLC.	U.S. dollar	U.S. dollar

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 2009, 2008 and 2007, 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, 2009, the Company adopted the following new NIFs mentioned below.

NIF B-7, Business Acquisitions (NIF B-7) – Requires valuation of noncontrolling interest (formerly minority interest) at fair value, as of the date of acquisition, and recognition of the total goodwill at fair value. NIF B-7 also establishes that transaction expenses should not form part of the purchase consideration and restructuring expenses should not be recognized as an assumed liability.

NIF D-8, Share-based Payments(NIF D-8) – Sets the rules for recognition of transactions involving share-based payments (at fair value of goods received, or fair value of equity instruments granted), including granting employees the option to purchase Company shares, thus eliminating supplemental application of International Financial Information Standard No. 2, *Share-based Payments*. See Note 12.

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 requires the presentation of a statement of cash flows 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 statements of cash flows for 2009 and 2008 and statement of changes in financial position for 2007.

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.

Recognition of the effects of inflation – Since January 1, 2008, the Company discontinued the recognition of the effects of inflation for entities operating in a non-inflationary economic environment. However, assets, liabilities and stockholders' equity include inflationary effects recognized through December 31, 2007. In México, the cumulative inflation for the three fiscal years preceding those ended December 31, 2009 and 2008, was 15.01% and 11.56%, respectively. Therefore, the economic environment for those entities located in Mexico may be considered non-inflationary in both years.

On January 1, 2008, the Company reclassified the entire balance of the excess in restated stockholders' equity to retained earnings, and concluded that it is impractical to identify the gain (loss) from holding non-monetary assets related to assets not realized as of that date.

Through December 31, 2007, the recognition of the effects of inflation resulted mainly in inflationary gains or losses on non-monetary and monetary items, that are presented in the consolidated financial statements under the following two 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, 2009, 2008 and 2007 were 3.57%, 6.53%, and 3.76%, respectively.

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, thereby resulting in the recognition of monetary gains and losses in the consolidated statements of income.

(In thousands of Mexican pesos)

b. *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, 2009 and 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.

c. *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.

As discussed in Note 1, in September 2007, the Company acquired a 60% equity interest in Global, which in turn, through a subsidiary, acquired certain net assets of a group of companies operating under the brand name Depilité. This transaction was accounted for in accordance with Bulletin B-7, *Business Combinations*, 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 was classified in the accompanying consolidated 2007 balance sheet as investments in securities available-for-sale. On March 27, 2008, the Company exchanged to its noncontrolling interest 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 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.

d. *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.

e. *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.

f. *Property and equipment –* Property and 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
Leasehold improvements	20%
Laboratory equipment and molds	35%
Vehicles	25%
Computers	30%
Production and recording equipment	30%
Office furniture and equipment	10%

g. *Investment in shares of associated companies –* Beginning 2009, permanent investments in entities where significant influence exists, are initially recognized based on the net fair value of the entities' identifiable assets and liabilities as of the date of acquisition. Such value is subsequently adjusted for the portion related both to comprehensive income (loss) of the associated company and the distribution of earnings or capital reimbursements thereof. When the fair value of the consideration paid is greater than the value of the investment in the associated company, the difference represents goodwill, which is presented as part of the same investment. Otherwise, the value of the investment, is adjusted to the fair value of the consideration paid. Through December 31, 2008, investment in shares of associated companies is valued according to the equity method. If impairment indicators are present, investment in shares of associated companies is subject to impairment testing using the methodology described in paragraph j. below.

h. *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 and other rights 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 j. below.

- *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, and licenses to sell products which are amortized using the straight-line method during the period of validity of such licenses. During 2007, other assets also included an intangible asset related to labor obligations, which was written off upon adoption of NIF D-3.

i. *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 2009 and 2008 an impairment adjustment was recorded for $4,300 and $4,053, respectively. During 2007, no impairment adjustments were recorded.

j. *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.

k. *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 2009 and 2008 and real (inflation-adjusted) interest rates in 2007.

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. *Long-term sundry creditors –* This balance corresponds to liabilities bearing interest at an average of the Mexican Interbank Equilibrium interest rate ("TIIE") with annual payments due on July 15 of the following ten years.

(In thousands of Mexican pesos)

n. *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 2009 and 2008 resulted from comparing the accounting and tax basis of assets and liabilities and in 2007, 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.

o. *Share-based payments* – The Company has implemented a share-based payment plan for its key officers. Payments are settled with the Company's own equity instruments and cash based on equity instruments and are recognized based on the fair value of the instruments at the grant date.

p. *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. According to NIF D-4, *Income Taxes*, the balance of the initial cumulative effect of deferred income taxes was reclassified to retained earnings as of January 1, 2008.

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

q. *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.

r. *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.

s. *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

	2009	2008	2007
Cash	$ 337,954	$ 188,990	$ 61,351
Cash equivalents:			
Money market funds	721,426	1,102,058	–
Money market funds – Restricted cash	19,036	24,084	–
	$ 1,078,416	$ 1,315,132	$ 61,351

5. Accounts receivable

	2009	2008	2007
Trade accounts receivable	$ 1,625,671	$ 908,194	$ 555,740
Allowance for:			
Doubtful accounts	(4,765)	(34,604)	(19,255)
Refunds	(34,760)	(30,686)	(31,654)
Rebates	(249,286)	(153,982)	–
	(288,841)	(219,272)	(50,909)
	1,336,838	688,922	504,831
Officers and employees	2,499	144	1,543
Recoverable taxes	195,693	47,057	56,103
Other	10,617	18,985	26,889
	$ 1,545,647	$ 755,108	$ 589,366

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 54.2%, 57.4%, and 58.0% of consolidated net sales in 2009, 2008 and 2007, respectively. Similarly, these customers represented 82.2%, 53.0% , and 66.4% of the accounts receivable balance in 2009, 2008 and 2007, 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
2009					
Allowance for doubtful accounts and estimated refunds and rebates	$ 219,272	$ 461,042	$ (391,472)	$ –	$ 288,841
2008					
Allowance for doubtful accounts and estimated refunds and rebates	$ 50,909	$ 320,823	$ (152,460)	$ –	$ 219,272
2007					
Allowance for doubtful accounts and estimated refunds and rebates	$ 39,262	$ 34,629	$ (22,982)	$ –	$ 50,909

Notes to consolidated financial statements

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos)

6. Inventories

	2009	2008	2007
Finished goods	$ 434,219	$ 277,759	$ 133,677
Raw materials	184,809	130,175	83,359
Allowance for obsolete inventories	(50,478)	(21,250)	(11,167)
	568,550	386,684	205,869
Advances to suppliers	12,961	16,046	9,485
Merchandise in-transit	48,610	4,980	5,854
	$ 630,121	$ 407,710	$ 221,208

7. Equipment

	2009	2008	2007
Leasehold improvements	$ 47,546	$ 37,178	$ 4,841
Laboratory equipment and molds	20,224	13,632	9,670
Vehicles	84,245	22,372	15,514
Computers	31,582	24,283	7,386
Production and recording equipment	32,555	20,089	25,826
Office furniture and equipment	51,661	39,000	25,799
	267,813	156,554	89,036
Accumulated depreciation and amortization	(79,096)	(48,836)	(44,738)
	188,717	107,718	
44,298			
Construction-in-progress	64,885	–	–
Advances for purchase of land	–	4,735	–
Land	7,096	–	–
	$ 260,698	$ 112,453	$ 44,298

8. Other assets

	2009	2008	2007
Assets with indefinite useful lives:			
Trademarks	$ 430,606	$ 80,523	$ 64,983
Rightss	75,606	–	–
	506,212		
Assets with definite useful lives:			
Software - Development costs	9,972	126	–
Licenses	16,905	–	–
Accumulated amortization	(2,309)	(23)	–
	24,568	103	–
In-progress development costs	47,145	25,335	–
Intangible asset for additional labor liability	–	–	3,227
Security deposits	4,041	2,253	2,473
Other	530	497	80
	$ 582,496	$ 108,711	$ 70,763

9. Investment in shares of associated company

In 2009, the Company purchased 49% of the common stock of Televisa Consumer Products, LLP, an associated company incorporated during 2009 in the United States of America. As of December 31, 2009, the entity is still in the preoperating phase. The associated company's unaudited condensed balance sheet as of December 31, 2009, is as follows:

	2009
Balance sheets:	
Current assets	$ 52,089
Non-current assets	17
Current liabilities	(746)
Stockholders' stock	52,175
Net loss	(815)
Stockholders' equity	51,360
Company's share in stockholders' equity	$ 25,166
Company's share in net loss	$ (399)

10. Loans with financial institutions

	2009	2008	2007
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% and 1.50% in 2008 and 2007, respectively (annual weighted average effective interest rate of 9.18%, and 9.34% in 2008 and 2007, respectively), matured and paid in full on September 19, 2008.	$ –	$ –	$ 150,000
Unsecured credit facility with Banco Santander S.A., Institución de Banca Múltiple, Grupo Financiero Santander, bearing monthly interest at TIIE plus 1.25% in 2008 and 2007 (annual weighted average effective interest rate of 9.18% in 2008 and 2007), matured and paid in full on November 5, 2008.	–	–	106,750
	$ –	$ –	$ 256,750

11. Employee retirement obligations

Net period cost for obligations resulting from postretirement benefits such as severance payments and seniority premiums was $4,803, $6,942, and $1,380 in 2009, 2008 and 2007, respectively. Similarly, as of December 31, 2007 an additional liability of $3,227, 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.

Notes to consolidated financial statements

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos)

12. Stock-based payments

During 2008, the Company established a stock-based payment plan for certain of its executives. The plan provisions establish that net 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 measuring as compensation cost in operating expenses the respective portion of the fair value of the awards granted in 2009 and 2008, amortized over the related service period of the executives. As of December 31, 2009 and 2008, the total expense recorded in the consolidated statement of income is $44,633 and $10,124, respectively. During 2009, 1,558,440 shares were vested.

13. Stockholders' equity

a. 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 retained earnings as of December 31, 2007.

d. At a Stockholders' Ordinary and Extraordinary General meeting held on April 28, 2009, the stockholders approved the following:

- Exchange of 582,912 shares of the fixed portion of the capital stock into 582,912 shares of the variable portion of the capital stock.

- Approval of a plan to repurchase of Company's shares up to the equivalent of the amount of retained earnings as of December 31, 2008.

e. As of December 31, 2009, the number of net shares repurchased is 7,741,760, which is equivalent to 1.5% of the total number of shares of Company's outstanding capital stock. Repurchased shares include 4,975,760 shares designated to the stock-based payment plan and 2,766,000 shares relate to the plan mentioned in paragragh d above. As of December 31, 2009, the market value of the Company's shares was 28.79 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 consolidated financial statements, the Company has not recorded any capital stock distribution as a result of the repurchase of Company's shares. As of December 31, 2009 the net amount of shares repurchase is $124,172. As of December 31, 2009, the Company has 2,766,000 treasury shares.

f. Capital stock at par value as of December 31, 2009, 2008 and 2007 was as follows:

	Number of shares			Value					
	2009	2008	2007		**2009**		2008		2007
Fixed Capital									
Series A	–	–	618,000	$	–	$	–	$	100
Series B	41,088	624,000	6,000		150		150		50
Variable Capital									
Series A	–	–	294,570,000		–		–		24,135
Series B	529,199,625	528,616,713	126,504,000		265,211		265,211		187,154
	529,240,713	529,240,713	421,698,000		265,361		265,361		211,439
Revaluation					9,562		9,562		54,877
Total				$	274,923	$	274,923	$	266,316

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

g. 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.)

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

Notes to consolidated financial statements

l. 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:

	2009	2008	2007
Contributed capital account	$ 2,125,020	$ 2,051,772	$ 240,506
Net tax income account	869,403	396,415	380,229
Total	$ 2,994,423	$ 2,448,187	$ 620,735

14. Foreign currency balances and transactions

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

	2009	2008	2007
Thousands of U.S. dollars:			
Monetary assets	1,766	11,062	3,303
Monetary liabilities	(166)	(793)	(3,412)
Net monetary asset (liability) position	1,600	10,269	(109)
Equivalent in Mexican pesos	$ 20,870	$ 141,443	$ (1,189)
Thousands of Euros:			
Monetary assets	401	–	61
Net monetary asset position	401	–	61
Equivalent in Mexican pesos	$ 7,497	$ –	$ 972

b. Transactions denominated in foreign currency were as follows:

	(In thousands of U.S. dollars)		
	2009	2008	2007
Export sales	6,310	4,381	1,253
Import purchases	2,728	2,408	8,321
Other expenses	5,185	–	4,265

	(In thousands of Euro)		
	2009	2008	2007
Import purchases	144	–	–

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

	December 31,		
	2009	2008	2007
U.S. dollar	13.0437	13.7738	10.9043
Euro	18.6955	19.4762	15.9323

Mexican peso exchange rates as of the date of the related independent auditors' report is $12.8337 and $17.3229 per U.S. dollar and Euro, respectively.

15. Transactions and balances with related parties

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

	2009	2008	2007
Sales	$ –	$ 196	$ 47
Purchases	–	–	(13,796)
Administrative services received	(169,596)	(25,113)	(24,971)
Administrative services rendered	–	4,983	4,723
Marketing services received	–	–	(9,640)
Marketing services rendered	–	13,478	–
Interest income	–	2,926	–
Other revenues, net	–	206	–

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

	2009	2008	2007
Due from related parties -			
Global Administrator, S. A. de C. V.	$ –	$ –	$ 15,789
Business Alliance, S. A. de C. V.	19	19	62,170
Officers	30,776	11,868	874
Other	–	–	806
	$ 30,795	$ 11,887	$ 79,639
Due to related parties -			
Aerobal, S. A. de C. V.	$ –	$ –	$ 1,495
Thera Desarrollo de Sistemas, S. A. de C. V.	81	–	–
Lual Servicios Empresariales, S. C.	–	119	–
	$ 81	$ 119	$ 1,495

(In thousands of Mexican pesos)

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

	2009	2008	2007
Short-term direct benefits	$ 151,044	$ 50,875	$ 24,971

16. Other income (expense)

a. Detail is as follows:

	2009	2008	2007
Statutory employee profit sharing expense	$ (3,215)	$ (1,791)	$ (446)
Impairment of long-lived assets	(4,300)	(4,053)	–
Loss on sale of fixed assets	(178)	(1,742)	(217)
Inflation effects on recoverable tax balances	240	212	905
Other	7,403	4,099	(3,297)
	$ (50)	$ (3,275)	$ (3,055)

b. PTU expense is comprised as follows:

	2009	2008	2007
PTU:			
Current expense	$ 3,215	$ 1,791	$ 446
Deferred benefit	(9,217)	(910)	(144)
Increase in valuation allowance for deferred PTU asset	9,217	910	144
	$ 3,215	$ 1,791	$ 446

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

	2009	2008	2007
Provisions	$ 10,127	$ 910	$ 144
Allowance for deferred PTU asset	(10,127)	(910)	(144)
Total PTU asset	$ –	$ –	$ –

The labor laws of South America, Central America and Spain do not establish employee profit sharing obligations, other than Ecuador where labor laws established the payment of employee profit sharing.

17. Income taxes

In accordance with the Mexican tax law, in 2009 and 2008 the Company was subject to ISR and IETU, and in 2007, to ISR and asset tax ("IMPAC").

ISR is computed taking into consideration the taxable and deductible effects of inflation. The tax rate for 2009, 2008 and 2007 was 28%, and will be 30% for 2010 to 2012, 29% for 2013, and 28% for 2014 and thereafter.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate was 17% and 16.5%, in 2009 and 2008, respectively; and will be 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 recovered, according to the terms of the law.

Income tax incurred will be the higher of ISR and IETU.

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.

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 income tax rates in Spain and in the Central and South American countries in which the Company operates range from 15% to 38%. In addition, tax losses in those countries have a duration ranging from three to eight years.

Operations in Guatemala, Colombia and Argentina are subject to asset tax.

In Colombia, asset tax is calculated by applying a 6% rate to net tax assets at the beginning of the year and is payable only when it exceeds income tax payable for the same period. If asset tax was paid after 2002, that amount may be credited during the following five years.

A tax on minimum expected earnings ("IGMP") is applied in Argentina. This tax is calculated by applying a 1% rate to certain productive assets and is payable only when it exceeds income tax payable for the same period. Any payment of IGMP is creditable against the excess of income tax over IGMP of the following ten years.

a. Taxes on income are as follows:

	2009	2008	2007
ISR:			
Current	$ 261,100	$ 172,369	$ 116,575
Deferred	44,245	20,050	4,037
	$ 305,345	$ 192,419	$ 120,612

(In thousands of Mexican pesos)

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

	2009	2008	2007
Statutory rate	28%	28%	28%
Add (deduct) the effect of permanent differences, mainly nondeductible expenses and differences in statutory rates in foreign subsidiary operations	–	(2)	(2)
Effective rate	28%	26%	26%

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

	2009	2008	2007
Deferred ISR asset:			
Allowance for doubtful accounts and estimated refunds and rebates	$ 85,014	$ 61,396	$ 14,254
Advances from customers	–	–	19
Tax losses	348	–	–
Accrued liabilities	5,872	7,105	1,936
Other – net	35,592	3,439	6,456
Deferred ISR asset	126,826	71,940	22,665
Deferred ISR liability:			
Restated inventory of 2004, not yet taxable	(26,778)	(24,070)	(33,852)
Prepaid expenses	(15,531)	(46,762)	(5,011)
Other assets	(103,175)	–	–
Other	(24,479)	–	(3,844)
Deferred ISR liability	(169,963)	(70,832)	(42,707)
Net ISR asset (liability)	$ (43,137)	$ 1,108	$ (20,042)
ISR asset	$ 2,869	$ 1,108	$ –
ISR liability	$ (46,006)	$ –	$ (20,042)

Income taxes balances are not offset when related to different tax jurisdictions.

18. 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 2010. As a result of this decision, in 2009 and 2008, the Company recorded an impairment adjustment to the value of the assets of the subsidiary in Spain of $13,848 and $16,040, respectively.

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, 2009, 2008 and 2007 are as follow:

		2009		2008		2007
Revenues from discontinued operation	$	6,884	$	14,833	$	18,087
Costs and operating expenses		(4,244)		(24,446)		(47,694)
Comprehensive financing (loss) gain and other income (expense), net		(14,183)		(16,404)		368
Income taxes		–		–		(1,362)
Loss from discontinued operation	$	(11,543)	$	(26,017)	$	(30,601)
Non- controlling loss from discontinued operation	$	–	$	(3,903)	$	(4,590)

19. 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.

20. Commitments

a. The Company leases the properties in which its offices and warehouses are located. Lease expense was $42,522 in 2009, $23,720 in 2008, and $11,624 in 2008. Lease contracts are for terms ranging from two to five years and require the following minimum payments:

Year		Amount
2010	$	25,833
2011		15,372
2012		14,652
2013		6,497
2014		493
	$	62,847

21. Business segment information

Operating segment information is presented according to management's criteria, presenting information by geographical area.

a. General segment information by geographical area:

	2009					
		Revenues		Total assets		Investments in productive assets
Mexico	$	3,793,209	$	4,095,260	$	488,274
International		631,446		146,390		10,685
Total consolidated	$	4,424,655	$	4,241,650	$	498,959

(In thousands of Mexican pesos)

	2008		
	Revenues	Total assets	Investments in productive assets
Mexico	$ 2,403,646	$ 2,787,694	$ 120,944
International	225,784	52,234	6,041
Total consolidated	$ 2,629,430	$ 2,839,928	$ 126,985

	2007		
	Revenues	Total assets	Investments in productive assets
Mexico	$ 1,786,776	$ 1,176,849	$ 87,250
International	67,999	17,181	2,913
Total consolidated	$ 1,854,775	$ 1,194,030	$ 90,163

22. New accounting principles

As part of its efforts to converge Mexican standards with international standards, in 2009, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following NIFs, INIFs and improvements to NIFs applicable to profitable entities which become effective as follows:

a) For fiscal years that begin on January 1, 2010:

NIF C-1, *Cash*
Improvements to NIFs for 2010
INIF 14, *Construction Contracts, Sale of Real Property and Rendering of Related Services*
INIF 17, *Service Concession Contracts*

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

NIF C-1, *Cash*, changes the "cash" concept to be consistent with the definition in NIF B-2, *Statement of Cash Flows*", and introduces definitions for restricted cash, cash equivalents and readily available investments.

Improvements to NIFs for 2010 – The main improvements generating accounting changes that must be recognized retroactively are:

– *NIF B-1, Accounting Changes and Correction of Errors* – Requires further disclosures when a Company applies a particular Standard for the first time.

– *NIF B-2, Statement of Cash Flows* – Requires recognition of the effects of fluctuations in exchange rates used for translating cash in foreign currencies, and changes in fair value of cash in the form of precious metal coins, and other cash items, at fair value, in a specific line item.

– *NIF B-7, Business Acquisitions* – Permits recognition of intangible assets or provisions in a business acquisition for a contract whose terms and conditions are favorable or unfavorable with respect to market, only when the acquired business is the lessee in an operating lease. This accounting change should be recognized retroactively for acquisitions made on or after January 1, 2009.

– *NIF C-7, Investments in Associated Companies and Other Permanent Investments* – Modifies how the effects derived from increases in equity percentages in an associated company are determined. It also establishes that the effects due to an increase or decrease in equity percentages in associated companies should be recognized under equity in income (loss) of associated companies, rather than in the non-ordinary line item within the statement of income.

– *NIF C-13, Related Parties* – Requires that, if the direct or ultimate controlling entity of the reporting entity does not issue financial statements available for public use, the reporting entity should disclose the name of the closest, direct / indirect, controlling entity that issues financial statements available for public use.

– *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.

– *INIF 17, Service Concession Contracts* – is a supplement to Bulletin D-7, *Construction and Manufacturing Contracts for Certain Capital Assets*, and establishes that, when the infrastructure of the service concession contracts falls within the scope of this INIF, it should not be recognized under property, plant and equipment. It also establishes that when the operator renders construction or improvement services, as well as operation services under the same contract, revenues should be recognized for each type of service, based on the fair value of each consideration received at the time the service is rendered. When amounts are clearly identified and, after they are quantified, the applicable revenue recognition criterion should be followed, taking the nature of the service rendered into consideration. Also, INIF 17 establishes that, when the operator renders construction or improvement services, both revenues and the associated costs and expenses should be recognized under the percentage-of-completion method and consideration received, or receivable, should be recognized, initially, at fair value. Revenues from operation services should be recognized as the services are rendered and taking into account as supplemental guidance International Accounting Standard 18, Revenue.

b) For fiscal years that begin on January 1, 2011:

B-5, *Financial Segment Information*, and
B-9, *Interim Financial Information*

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

NIF B-5, Financial Segment Information – Uses a managerial approach to disclose financial information by segments, as opposed to Bulletin B-5, which also used a managerial approach but required that the financial information be classified by economic segments, geographical areas, or client groups. NIF B-5 does not require different risks among business areas to separate them. It allows areas in the preoperating stage to be classified as a segment, and requires separate disclosure of interest income, interest expense and liabilities, as well as disclosure of the entity's information as a whole with respect to products, services, geographical areas and major customers. Like the previous Bulletin, this Standard is mandatory only for public companies or companies in the process of becoming public.

Notes to consolidated financial statements

For the years ended December 31, 2009, 2008 and 2007
(In thousands of Mexican pesos)

NIF B-9, Interim Financial Information – As opposed to Bulletin B-9, this Standard requires presentation of the statement of changes in stockholders' equity and statement of cash flows, as part of the interim financial information. For comparison purposes, it requires that the information presented at the closing of an interim period contain the information of the equivalent interim period of the previous year, and in the case of the balance sheet, presentation of the previous years' annual balance sheet.

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.

23. 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.

24. Financial statements issuance authorization

On February 19, 2010, the issuance of the consolidated financial statements was authorized by Lic. Oscar Villalobos Torres, CFO and C.P. Tomás Rodríguez Osorio, 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.

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