Annual Report **2012**

Growing on solid foundations

Genomma Lab® Internacional

In **Genomma Lab** we continue to grow on solid foundations. As of today, **we continue to be the number one OTC pharmaceutical company in Mexico** and we have positioned ourselves as the number one pharmaceutical company in Argentina, all of which was achieved thanks to our

solid...

Corporate Profile

We are a Mexican pharmaceutical company, avant-garde, young, dynamic, flexible, and innovative; focused and concerned with finding solutions to improve the quality of life and health of all those who benefit from the proper use of our products.

Content

Mission

To improve and preserve the health and well-being of our customers through innovative, safe, and effective products; to provide development opportunities to our collaborators and profitability for our shareholders; and to positively impact our community and environment.

Vision

To be the leading Company in the pharmaceutical and personal care products markets in which we have presence; and to be recognized for positively impacting the health and welfare of people, communities, and the environment.

Values

- ***Teamwork***
- ***Sustainability***
- ***Efficiency***
- ***Integrity***
- ***Innovation***
- ***Creativity***
- ***Efficacy***

Financial Highlights

INCOME STATEMENT In million pesos, except Earnings per Share

	2012	2011	Variation
Net Sales	9,799.7	8,056.3	21.6%
Gross Profit	6,737.6	5,590.2	20.5%
SG&A	4,245.0	3,569.8	18.9%
Operating Income	2,492.1	2,000.6	6.9%
Adjusted EBITDA (1)	2,607.6	2,082.6	25.2%
As % of Net Sales	26.6%	25.8%	0.8 pp
Net Income	1,606.0	1,406.4	14.2%
As % of Net Sales	16.4%	17.5%	-1.1 pp
Earnings per Share (2)	1.49	1.32	13.3%

(1) EBITDA is calculated by adding depreciation and amortization to the Operating Income. For January to December 2012, EBITDA was adjusted by adding $49.1 million pesos of non-recurring expenses.
(2) Earnings per share are for the last 12 months and were calculated using the weighted average of shares outstanding for the period.

BALANCE SHEET In million pesos

Assets		**Liabilities and Shareholder's Equity**	
Cash and Equivalents	917.2	1,218.7	Suppliers
Clients- Net	4,795.6	1,296.2	Other Current Liabilities
Inventories	1,032.4	406.6	Current Portion of Long Term Debt
Other Current Assets	1,470.5	3,052.3	Long Term Debt
Other Assets	4,776.9	7,018.8	Shareholder's Equity
Total Assets	12,992.6	12,992.6	Total Liabilities and Shareholder's Equity

CASH CONVERSION CYCLE

	2012	2011
Days of Clients	176	156
Days of Inventories	121	161
Days of Suppliers	143	184
Cash Conversion Cycle	154	133

OTHER FINANCIAL INFORMATION

	2012	2011	2010	2009
P/E	17.81	20.32	29.01	20.02
FV/EBITDA*	11.67	13.00	17.52	12.35
Net Debt/EBITDA*	0.99	-0.27	NA	NA

*Considers EBITDA for the last twelve months

Results

- During 2012, **Net Sales** increased 21.6% compared to 2011, reaching $9.80 billion pesos.

- **Adjusted EBITDA** reached $2.61 billion pesos in 2012, representing a 26.6% margin as a percentage of Net Sales.

- **Net Sales in Mexico** increased 16.1%, compared to 2011, reaching $7.17 billion pesos.

- Sales from our **International Operations** increased 40.0% compared to 2011, to $2.63 billion pesos.

- **Earnings per Share** during 2012 were $1.49 pesos, an increase of 13.3% compared to 2011.

- During 2012, we launched **67 line extensions** under existing brands and 15 products under 5 new brands.

- In 2012, we acquired **seven brands** in Mexico, **two brands** in Argentina and signed a licensing agreement in Brazil.

- During 2012, the Company mantained its position as the **number one OTC pharmaceutical company in Mexico** and became **the number one pharmaceutical company in Argentina.**

- **Genomma Lab** is part of the **IPC Index in the Mexican Stock Exchange** and is one of the most liquid companies.

Message from the CEO and Chairman of the Board

Dear shareholders,

Genomma Lab has reported another year of positive results. Given our avant-garde business model, in Genomma we continue to grow on solid foundations. As of today, we continue to be the number one OTC pharmaceutical company in Mexico; also in 2012, we positioned ourselves as the number one OTC pharmaceutical company in Argentina. Likewise, we hold one of the top positions in the personal care market in Mexico, where we have a broad portfolio of leading brands, both internally developed and acquired, that we have been able to position in the 15 countries where we have presence.

2012 was a year of relevant strategic changes, which have led us to become a more solid company while making our operations more efficient. Among these strategic transformations, we started to outsource manufacturing outside of Mexico for some of our products; strengthened our presence in our international operations by relocating key collaborators from Mexico to other countries; and, implemented the new Enterprise Resource Planning (ERP) and Warehouse Management System (WMS). These strategic transformations contributed to the solid results and

2012 was a year of relevant strategic changes, which have led us to become a more solid company while making our operations more efficient.

strong growth recorded this year, and will strengthen the basis to continue supporting future growth.

In addition, we acquired several brands in Mexico: Fermodyl, Zan Zusi, Altiva, Larizá, Bioskin, Amara and XL-3. These brands will be relaunched after the Company's typical renewal process with the objective of positioning them as leaders in their categories. Also, this year we applied our successful acquisition strategy in other countries; in Argentina, we acquired Piecidex and Babysan, and in Brazil, we signed a licensing agreement for the brand Dermaglós. With these acquisitions we aim to strengthen our operations in these countries.

Our growth has been increasingly favored by the strength of the Mexican market, where we will continue working to consolidate our position; as well as by the expansion of our international operations, which we will continue strengthening to increase our leadership in the Latin American OTC and personal care markets and become an important player in the US Hipanic market.

In Genomma, we expect a great 2013, in which we will develop important initiatives that will become strong growth drivers for the Company. We thank the trust of our shareholders and the support of our collaborators, clients and suppliers, since they are an important part of our achieved growth and success.

Sincerely,

Rodrigo Alonso Herrera Aspra
Chairman of the Board
and CEO of Genomma Lab Internacional, S.A.B. de C.V.

Avant-garde Business Model

Genomma Lab's avant-garde business model has been the base of the Company's growth, bringing flexibility and dynamism to its operations. Also, it has been replicated in different countries, achieving a better positioning of the Company.

Genomma Lab is the number one pharmaceutical company in Mexico and Argentina and one of the main players in the personal care market in the counties where it operates.

1 Innovation and development

One of the two pillars of the model is the capacity to develop new innovative brands and products that seek to satisfy the consumer's specific needs, for which more than 300 market studies are done annually.

2 Outsourced manufacturing

We have a solid, broad and flexible supplier network that allows us to satisfy the demand of our products. In 2012, we extended our supplier network to countries outside of Mexico with the objective of supporting our international growth, making the operation more efficient.

3 Quality assurance

In Genomma Lab we want to offer products of the highest quality that comply with the strict regulations that rule the market. Therefore we have a specific department dedicated to achieving this objective.

pillars

The best formulas and presentations

Impressively short lead time from an idea generation to new products launches.

4

Sales department

Based on the clients' information, which the Company monitors frequently, the sales department ensures that each client has the optimal inventory levels to satisfy the demand of our products.

5

Distribution network

Our products reach more than 43,000 points of sale in Mexico and more than 104,000 points of sale in our international operations through a diversified distribution network that includes wholesalers, pharmacy chains, retailers, convenience stores and department stores.

6

Marketing and branding

The second pillar of the model is the marketing strategy. The main demand generator of our products is the TV advertising. We have a targeted advertising strategy based on the metric analysis of our clients and the market, which we monitor constantly. In addition, Genomma Lab produces 100% of its TV spots, launching more than 1,100 spots per year, which gives us the flexibility to have a quick response to changes in the consumers' demand and to the competition.

Quick and effective response to changes in the demand and competition

"It is very satisfying that our strengths, such as passion for information, commitment to society, and the capacity to think differently, have allowed us to transform social needs into development opportunities. "

David Aaron Escamilla,

Marketing Intelligence Director

Teatrical Products

leading brands *that stand out for their innovation and preference in the market.*

The objective of each one of our brands is to reach the number one position in their category, which has already been achieved with several brands in our portfolio.

One on the main assets of the Company is its portfolio of leading brands in the market. The success and leadership of the brands has been achieved thanks to the Company's unique strategy, which consists of the continuous launch of products under existing and new brands, in addition to an aggressive marketing strategy to position them in the market. These two components help our brands to grow above market rate in Mexico and abroad.

Brand	Position*	Market Share in Mexico	Category
Cicatricure	#1	75%	Scar removal
Medicasp	#1	69%	Topical scalp anti-micotics
Asepxia	#1	65%	Anti-acne preparations
Nikzon	#1	58%	Anti-hemorrhoids
Unesia	#1	53%	Systemic anti-micotics
X-ray Caps	#1	42%	Non-steroidal anti-rheumatics, combinations
Sistema GB	#1	39%	Hair loss shampoo (OTC)
Genoprazol	#1	35%	Acid inhibitors
Goicotabs	#1	33%	Systemic anti-varicose
Dalay	#1	31%	Tranquilizers
Bengue	#1	21%	Topical anti-rheumatics
Next	#1	17%	Cold and cough prepatarions without anti-infectives
QG5	#1	13%	Gastroprokinetics

*Position in their category in Mexico as of December 2012. Source: IMS Health

*Currently, the Company has a portfolio of **91 brands** of which **43** have been launched in the international markets, where we have been able to position our brands as leaders in several of the categories in which they participate.*

- Asepxia products are leaders in their categories in several Latin American countries where Genomma Lab has presence.
- In Ecuador, Medicasp, Nikzon and Pointts are #1 in their categories.
- Cicatricure is #1 in its category in Bolivia, Chile, Colombia, Ecuador, Nicaragua, Panama, Peru and Argentina.
- In Peru, Dalay is the #1 brand in its category, Medicasp #2 and Nikzon #3.
- In El Salvador, Pointts is the #2 brand and Medicasp the #3 brand in their respective categories.
- In Guatemala, Nikzon and X-Ray are #2 in their respective categories.
- In Argentina, Asepxia is the leader of its category, Piecidex is #2 and Goicoechea #3.
- Cicatricure has achieved #2 position in its category in Brazil.

Note: This information is as of December 2012. Source: IMS Health

"The Company's innovation and development capacity is essential for its growth. In this department, we constantly work to develop and bring to the market the most innovative products, with the objective of satisfying the specific needs of the consumer, while growing our brands and increasing our market share."

Abril Belmonte,

Innovation and Development Director

AromaMedic Products

international

operations in expansion

The international expansion and the strong growth in countries outside of Mexico have been achieved thanks to the strategy of replicating our avant-garde business model, which has proven to be successful.

In 2012, we entered a new market, strengthening our presence abroad. Currently, we operate in 15 countries outside of Mexico and we have important initiatives that will bring higher growth to these markets. In addition, we have plans to expand our presence to new markets as well as to keep growing in the ones where we already participate.

- In 2012, we initiated operations in Dominican Republic, being this the 15th country added to our expansion list outside of Mexico.
- We have important initiatives in the US focused on the Hispanic market, which will bring very positive results to our international operations.
- During 2012, we closed favorable TV deals that will support the international growth of the Company.

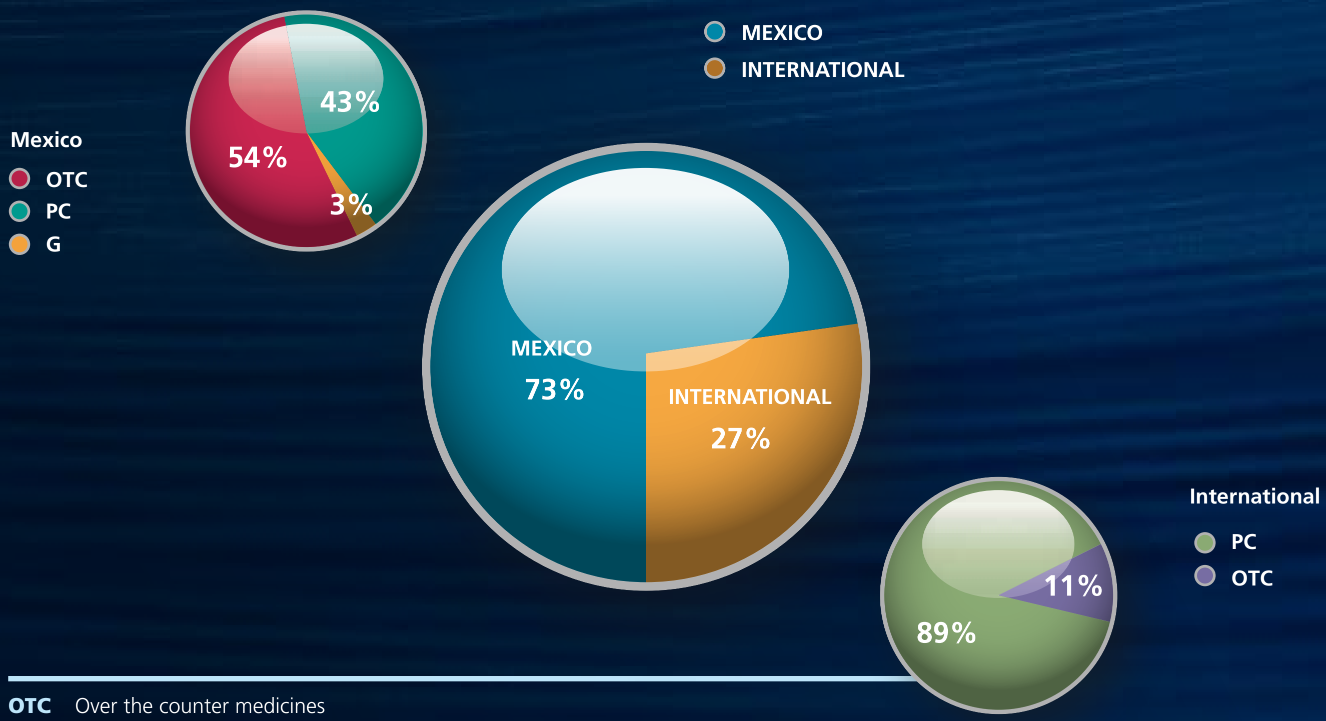
"The growth potential in the international markets is huge. We have proven that our business model is successful in the different countries where it has been implemented, and we still have much to grow in these markets."

José Mariano de la Peña,
International Operations Vice-President

- Top countries outside of Mexico (in order according to 2012 sales):

1. **Argentina**
2. **Brazil**
3. **Chile**
4. **Colombia**
5. **United States**

2012 SALES SEGMENTATION



OTC Over the counter medicines
PC Personal care products
G Generics

Countries outside of Mexico where we have presence:

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Nicaragua
Panama
Peru
United States.


MIGRAÑA
DOLOR de CABEZA
Tabletas
Rápido

"The total satisfaction of our clients is an obsession of every team member in Genomma Lab's supply chain, always careful to have each and every one of our products available until we make them reach their businesses' doors… including those that are beyond our borders."

Miguel Peinado,
Supply Chain Vice-president

Tío Nacho Products

solid growth *strategy*

- Entrance to new segments
- Formula improvement
- Revitalize acquired brands
- Implement marketing capabilities

- Innovation and development
- Broad distribution
- Line extensions
- Brand development
- International expansion

Our growth strategy is based on the innovation and development of new brands and products, which are launched to the market with the objective of gaining positioning and market share in Mexico and in other countries.

"We have achieved significant growth rates in the past years. Our objective is to continue with a strong growth, based on a solid financial position, which provides our investors with attractive returns."

Sergio Rocha,
Administrative Director

Also, the acquisition of brands is a key component of this strategy; in Genomma Lab, we acquire brands that distinguish themselves for their strong recognition in the consumers mind, we renovate and relaunch them to the market through our typical branding strategy, having achieved excellent results.

In 2012, we acquired several brands in Mexico: Fermodyl (hair care), Zan Zusi (color cosmetics), Altiva (hair dye), Amara (color cosmetics for youth), Bioskin (skin care), Larizá (color cosmetics for youth), and XL-3 (anti-flu).

In addition, for the first time, we acquired brands outside of Mexico: Babysan (astringents and dermo-protectors) and Piecidex (anti-micotics) in Argentina, and we signed a licensing agreement for the brand Dermaglós (skin care) in Brazil. With these acquisitions outside of Mexico, we expect to replicate our successful acquisition and brand re-launching strategy in order to continue growing and increasing our market share in other countries.

"In Genomma Lab we know that our human capital is a key part of the Company's growth, that is why we are always concerned about our collaborators' development and well-being."

Alejandro Bastón, *Commercial Expansion and Human Capital Vice-president*

Galaflex Products

Solid actions in social responsibility and sustainability

Our vision and our actions as to sustainability arise from our corporate values and objectives, as well as from our responsibility towards all of our stakeholders, given that they are closely related with the Company's daily tasks and strategy.

In 2012, we continued with several of previously undertaken projects, with highly positive results. Bellow we describe the main activities and achievements of the year:

• We granted our traditional donations in species: throughout the year, we delivered over two million medications and personal care products in collaboration with 17 civil society organizations. We also donated over $2 million pesos to several organizations, including;

- Asociación Cultural del Rosedal
- Fundación Teletón México
- Instituto Mexicano de Enfermedades Respiratorias
- Consejo de la Comunicación
- Aquí Nadie se Rinde

– Copa del Rey
– Asociación de a Favor de lo Mejor
– Patrimonio de la Beneficencia Pública

These donations benefited thousands of people in México.

- The Lotería Nacional para la Asistencia Pública (Lotenal; Mexico's national lottery) awarded Genomma Lab with its logo printed in 2.4 million lottery tickets for the Major Lottery number 3412 to recognize its efforts in supporting the communities where it is hard to get resources and provide assistance.

Aquí Nadie Se Rinde A.C.

TELETON

Consejo de la Comunicación

Voluntariado Nacional de Salud

- Through the Genomma Lab Foundation, we sponsored the production of a video for the National Health Voluntary Service of the Ministry of Health in order to communicate the voluntary service's activities and to encourage participation in this task.
- For Christmas, we launched an internal campaign called "Alegra un corazón" (enlighten a heart) through which, owing to our staff's commitment, we were able to collect over 500 new toys to be delivered to impoverished children in the General Hospital of Mexico, the Juguetón of TV Azteca, and State of Hidalgo's DIF.

- We conducted an immunization campaign against the influenza for the employees and their relatives at Genomma Lab's facilities.
- With the "Responsible Value Chain" initiative in 2012, we continued to support two highly underdeveloped communities which have become our exclusive suppliers of guava leaves, the source of quercetin, the QG5 active ingredient, and antispasmodic (muscle relaxant). This initiative has transcended through time and has rendered benefits for indigenous communities with jobs that impact positively their development and social and economic growth.

Environment

Environmental policy

By launching our environmental policy and creating the team to be in charge of this topic, environmental considerations have become an integral part of our operation. We want to reduce, from our standpoint, the climate change by reducing the environmental impact of Genomma Lab's operations through the adequate administration of our activities and aiming our efforts to surpass the standards established by the competent law.

Carbon footprint

At the beginning of the year, supported by a specialized consultant, we obtained our carbon footprint report based on a series of life cycle assessments by the ISO-14000 standard series, intended to measure the greenhouse gases emissions produced by our activities in the Headquarters and the Distribution Center. Thus, we were able to quantify our environmental impact and identified that the activities with the highest impact were electric power consumption and personnel transportation to work.

Residue management

For second consecutive year, we renewed our collaboration agreement with the San Ignacio de Loyola Foundation (FSIL) for the comprehensive management of the company's waste, which is collected every day by the Foundation and sold to authorized recyclers. We collected over $291 thousand pesos which were delivered to the Santa Teresita Hospital to support children in malnutrition situation in the Tarahumara Mountain Range.

Awards, recognitions and certifications

We have the following awards, recognitions and certifications:

- "Gilberto Rincón Gallardo" Inclusive Enterprise Award
- Family Responsible Company
- Social Responsible Company
- Gender Equity Model
- We participated in the ICI Guide: Institution Committed to Inclusion (CONAPRED's Action guide against discrimination)
- 2012 State Altruism Award, granted by the Private Assistance Board of the State of Mexico.
- 2012 Dar es Dar award, granted by the Private Assistance Board of Mexico City.
- We reaffirmed our commitment to the Adhesión al Pacto Mundial

Board of Directors

Rodrigo Alonso Herrera Aspra
Chairman

Arturo José Saval Pérez
Independent Director

Luis Alberto Harvey MacKissack
Independent Director

Sabrina Lucila Herrera Aspra
Proprietary Director

Gerardo de Nicolás Gutiérrez
Independent Director

Fernando Paiz Andrade
Independent Director

Juan Alonso
Independent Director

José Luis Fernández Fernández
Independent Director

Andrés Conesa Labastida
Independent Director

José Manuel Sáinz González
Independent Director

Luis Ernesto Maccise Uribe
Independent Director

Marco Francisco Forastieri Muñoz
Secretary non-member of the Board

Committees

EXECUTIVE COMMITTEE

Rodrigo Alonso Herrera Aspra
President

Arturo José Saval Pérez
Luis Alberto Harvey MacKissack
Renata Virginia Herrera Aspra
Oscar Villalobos Torres

CORPORATE PRACTICES COMMITTEE

Gerardo de Nicolás Gutiérrez
President

Arturo José Saval Pérez
Juan Alonso

AUDITING COMMITTEE

José Luis Fernández Fernández
President

Gerardo de Nicolás Gutiérrez
Fernando Paiz Andrade
Luis Ernesto Maccise Uribe

Management Team

Rodrigo Alonso Herrera Aspra
Chairman of the Board and Chief Executive Officer

Ramón Neme Sastre
Institutional Relations Executive Vice-President

Oscar Villalobos Torres
Excexutive Vice-President and Chief Financial Officer

Claudia Georgina Ortega Vettoretti
Marketing Executive Vice-President

Renata Virginia Herrera Aspra
Excecutive Vice-President and Chief Operating Officer

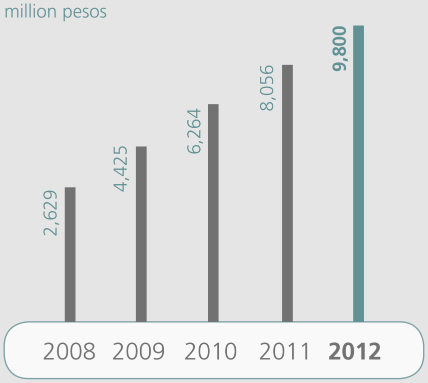
Jose Mariano de la Peña Tschudi
International Operations Vice-President

Miguel Peinado González
Supply Chain Vice-President

Alejandro Bastón Patiño
Commercial Expansion and Human Capital Vice-President

Management Discussion and **Analysis of Results**

NET SALES
Compound Annual Growth Rate (CAGR): 39%
million pesos



Income Statement

Net Sales increased 21.6%, reaching $9.80 billion pesos, compared to $8.06 billion pesos in 2011. This increase is the result of: i) an increase of 9.2% ($518.5 million pesos) in Base Brands in Mexico, including line extensions on these, reaching $6.14 billion pesos; ii) an increase of 24.3% ($136.0 million pesos) due to the effect of Prior Year Launches in Mexico, including the recent line extensions on these brands launched during 2011, totaling $695.5 million pesos, iii) $337.5 million pesos from New Brands in Mexico related to the launch of 15 new products under 5 New Brands during 2012; and, iv) a 40.0% increase ($751.4 million pesos) resulting from International operations, totaling $2.63 billion pesos.

Gross Profit increased 20.5% to $6.74 billion pesos in 2012, compared to $5.59 billion pesos in 2011. Gross Margin decreased 0.6 percentage points to 68.8% compared to 69.4% in 2011. This decrease in margin was mainly due to a change in our product mix, in which sales form our personal care products, as a percentage of net sales, increased compared to 2011. These products have a higher cost of goods sold as a percentage of Net Sales.

Selling, General and Administrative Expenses for 2012, as a percentage of Net Sales, decreased 1.3 percentage points to 43.3%, from 44.6% in 2011. This decrease was mainly due to the economies of scale derived from a more efficient management of selling, general and administrative expenses obtained in Mexico as well as in our international operations.

EBITDA increased 22.9%, reaching $2.56 billion pesos in 2012 from $2.08 billion in 2011. EBITDA margin, as a percentage of Net Sales, increased 0.3 percentage points to 26.1% in 2012, compared to 25.8% in 2011.

Adjusted EBITDA for 2012 increased 25.2%, reaching $2.61 billion pesos, compared to $2.08 billion pesos in 2011. Adjusted EBITDA margin increased 0.8 percentage points, as a percentage of Net Sales, reaching 26.6% in 2012, compared to 25.8% in 2011.

Operating Income increased 24.6% to $2.49 billion pesos in 2012, compared to $2.00 billion pesos in 2011. Operating margin, as a percentage of Net Sales, increased 0.6 percentage points, reaching 25.4% in 2012 from 24.8% in 2011.

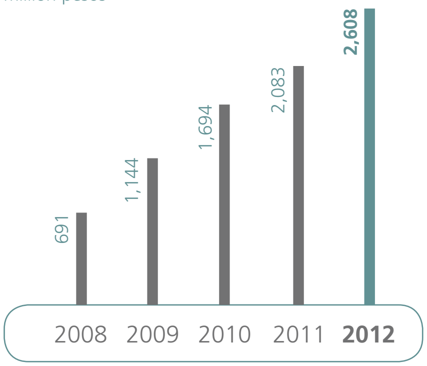
Comprehensive Financing Result for 2012 amounted to a loss of $168.1 million pesos, which represents a decrease of $186.3 million pesos, compared to a $18.2 million pesos gain recorded in 2011. This decrease was primarily a result of: i) a Foreign Exchange Loss amounting to $42.2 million pesos during 2012, compared to a $59.4 million pesos gain during 2012; ii) an increase in Financial Expenses of $95.2 million pesos as a result of the credit lines disbursed by the Company in 2012, reaching $167.5 million pesos during 2012, compared to $72.5 million pesos during 2011; and iii) a higher Interest Income of $41.8 million pesos during 2012, compared to $31.3 million pesos in 2011.

Consolidated Net Income for 2012 increased 14.2%, reaching $1.61 billion pesos, which represented a margin of 16.4% over Net Sales, compared to $1.41 billion pesos in 2011, which represented a margin of 17.5%.

Balance Sheet

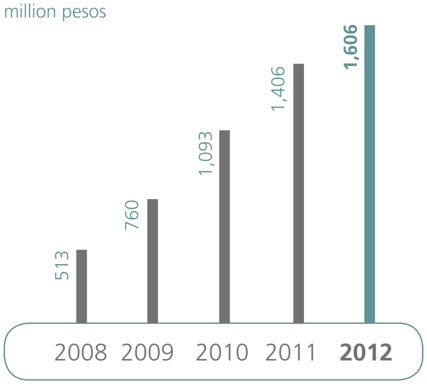
Cash and Equivalents decreased 40.4% ($621.4 million pesos) to $917.2 million pesos as of December 31, 2012, compared to $1.54 billion pesos as of December 31, 2011. In the last twelve months, there were several payments for brand acquisitions and initiatives,

ADJUSTED EBITDA
Compound Annual Growth Rate (CAGR): 39%
million pesos



For January to December 2012, EBITDA was adjusted by adding $49.1 million pesos of non-recurring expenses.

CONSOLIDATED NET INCOME
Compound Annual Growth Rate (CAGR): 33 %
million pesos



which were financed with an increase in loans with financial institutions. In addition, there were advertising payments made in advance and working capital requirements to support the Company's growth, which were partially offset by cash generated from our operations during the last twelve months.

Clients amounted to $4.80 billion pesos as of December 31, 2012, compared to $3.48 billion pesos as of December 31, 2011. Days of Accounts Receivable increased 20 days to 176 days as of December 31, 2012, from 156 days as of December 31, 2011. Derived from the strong growth of our operations during the fourth quarter of 2012, primarily in the United States and Brazil, the Company gave additional terms to its clients.

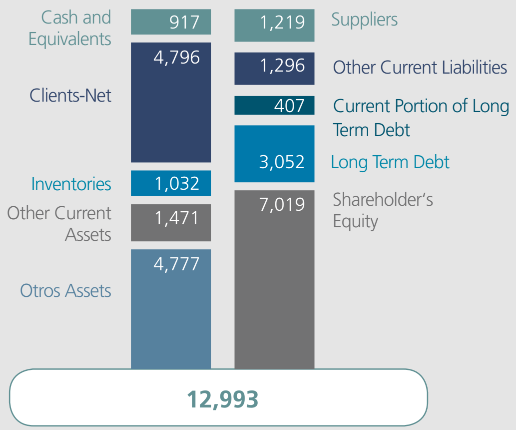
Inventories amounted to $1.03 billion pesos as of December 31, 2012, compared to $1.10 billion pesos as of December 31, 2011. Days of Inventories decreased 40 days to 121 days as of December 31, 2012, compared to 161 days as of December 31, 2011. This decrease was mainly due to a more efficient inventory management derived from our new Warehouse Management System as well as from the recent implementation of outsourced manufacturing of some of our products in countries outside of Mexico, such as Argentina, Colombia and the United States.

Suppliers amounted to $1.22 billion pesos as of December 31, 2012, compared to $1.26 billion pesos as of December 31, 2011. Days of Suppliers decreased 41 days to 143 as of December 31, 2012, from 184 days as of December 31, 2011. This decrease is in line with the efficiencies in the inventory management. In addition, starting outsourced manufacturing outside of Mexico implied shorter payment terms to our suppliers, which will normalize as volume and scale increase.

Long-Term Loans with Financial Institutions amounted to $3.05 billion pesos as of December 31, 2012, compared to $970.0 million pesos as of December 31, 2011. The current portion of long term debt amounted $406.6 million pesos as of December 31, 2012. The Net Debt to EBITDA ratio is 1.01 times as of December 31, 2012. Currently, the Company has four banking facilities in Mexico with different relationship banks: a) a $1.30 billion pesos amortizing long-term loan; b) a $700.0 million pesos medium-term revolving line; and, c) two long-term bullet payment loans, one for $700.0 million pesos, and another one for $600.0 million pesos. Also, the Company has a medium-term simple loan in Argentina amounting to $60.0 million Argentinean pesos.

Cash Conversion Cycle reached 154 days at the end of the fourth quarter of 2012. We are taking actions to improve this going forward in order to return to normalized levels.

BALANCE SHEET
million pesos



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Independent Auditors' Report to the Board of Directors and Stockholders of Genomma Lab Internacional, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Genomma Lab Internacional, S.A.B. de C.V. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011 and January 1, 2011 (transition date), and the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management´s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements as well as planning and performing the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Genomma Lab Internacional, S.A.B. de C.V. and subsidiaries as of December 31, 2012 and 2011 and January 1, 2011 (transition date), and of their financial performance and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards.

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

C. P. C. Walter Fraschetto
February 25, 2013

Consolidated Statements of Financial Position

As of December 31, 2012 and 2011 and January 1, 2011 (transition date) (Thousands of Mexican pesos)

ASSETS	NOTE	2012	2011	JANUARY 1, 2011
Current assets:				
Cash, cash equivalents and restricted cash	5	$ 917,166	$ 1,538,520	$ 1,454,437
Accounts and notes receivable, net	6	5,071,213	3,686,815	3,357,308
Accounts receivable from related parties	18	195,624	52,245	47,775
Inventories, net	7	1,032,400	1,100,953	903,815
Prepaid expenses		999,261	249,985	113,268
Total current assets		8,215,664	6,628,518	5,876,603
Long-lived assets:				
Building, properties and equipment – Net	8	403,588	370,927	367,782
Investment in shares of associated company	10	5,680	6,207	5,189
Deferred income taxes	20	14,092	2,208	7,024
Other assets, net	9	4,353,566	2,124,379	706,706
Total		**$ 12,992,590**	**$ 9,132,239**	**$ 6,963,304**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	2012	2011	JANUARY 1, 2011
Current liabilities:				
Bank loans and current portion of long-term debt	11	$ 406,621	$ -	$ -
Accounts payable to suppliers		1,218,663	1,262,328	969,099
Other payables and accrued liabilities	14	909,060	845,032	1,601,815
Accounts payable to related parties	18	9,480	-	-
Income taxes		82,966	57,575	133,745
Statutory employee profit sharing payable		3,110	20,585	11,738
Total current liabilities		2,629,900	2,185,520	2,716,397
Long-term liabilities				
Long-term debt	11	3,052,275	970,000	-
Sundry debtors		60,562	268,346	94,295
Employee befits	12	1,659	1,172	893
Deferred income taxes	20	229,370	162,866	59,078
Total liabilities		5,973,766	3,587,904	2,870,663
STOCKHOLDERS' EQUITY:				
Capital stock	16	1,921,660	1,921,660	1,921,660
Repurchase of stock		(159,952)	(96,477)	(73,855)
Premium on reissuance of repurchased stock		39,749	19,612	19,612
Retained earnings		5,156,955	3,592,019	2,204,770
Translation effects of foreign operations		4,695	65,627	(6,636)
Controlling interest		6,963,107	5,502,441	4,065,551
Noncontrolling interest		55,717	41,894	27,090
Total stockholders' equity		7,018,824	5,544,335	4,092,641
Total		**$ 12,992,590**	**$ 9,132,239**	**$ 6,963,304**

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011 (Thousands of Mexican pesos, except earnings per share information)

	NOTE	2012	2011
Continuing operations:			
Net sales		$ 9,799,690	$ 8,056,318
Cost of goods		3,062,130	2,466,135
Gross profit		6,737,560	5,590,183
Selling, general and administrative expenses		4,245,037	3,569,821
Other expenses, net	19	402	19,742
		4,245,439	3,589,563
Operating income		2,492,121	2,000,620
Interest expense		(167,521)	(72,452)
Interest income		41,651	31,281
Exchange (loss) gain, net		(42,250)	59,386
Equity in (loss) income of associated companies		(1,310)	342
Income before income taxes		2,322,691	2,019,177
Income tax expense	20	716,723	612,740
Consolidated net income		1,605,968	1,406,437
Other comprehensive income:			
Exchange differences on translating foreign operations		(65,155)	78,294
Consolidated comprehensive income		**$ 1,540,813**	**1,484,731**
Consolidated net income attributable to:			
Controlling interest		$ 1,564,936	$ 1,387,249
Non-controlling interest		41,032	19,188
		$ 1,605,968	**$ 1,406,437**
Comprehensive income attributable to:			
Controlling interest		$ 1,504,004	$ 1,461,343
Non-controlling interest		36,809	23,388
		$ 1,540,813	**$ 1,484,731**
Basic earnings per share:			
Basic and diluted earnings per share		**$ 1.49**	**$ 1.32**
Weighted average common shares outstanding (thousands of shares		**1,048,416**	**1,052,530**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011 (Thousands of Mexican pesos)

	CONTRIBUTED CAPITAL			EARNED CAPITAL			
	CAPITAL STOCK	REPURCHASE OF STOCK	PREMIUM ON REISSUANCE OF REPURCHASED STOCK	RETAINED EARNINGS	TRANSLATION EFFECTS OF FOREIGN OPERATIONS	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
Balances at January 1, 2011	$ 1,921,660	$ (73,855)	$ 19,612	$ 2,204,770	$ (6,636)	$ 27,090	$ 4,092,641
Repurchase of stock – Net	-	(46,301)	-	-	-	-	(46,301)
Stock-based compensation cost	-	23,679	-	-	-	-	23,679
Dividends declared in subsidiaries	-	-	-	-	-	(8,584)	(8,584)
Comprehensive income	-	-	-	1,387,249	72,263	23,388	1,482,900
Balances as of December 31, 2011	1,921,660	(96,477)	19,612	3,592,019	65,627	41,894	5,544,3
Repurchase of stock – Net	-	(81,615)	-	-	-	-	(81,615)
Stock-based compensation cost	-	18,140	-	-	-	-	18,140
Dividends declared in subsidiaries	-	-	-	-	-	(22,986)	(22,986)
Premium on issuance of repurchased stock	-	-	20,137	-	-	-	20,137
Comprehensive income	-	-	-	1,564,936	(60,932)	36,809	1,540,813
Balances as of December 31, 2012	**$ 1,921,660**	**$ (159,952)**	**$ 39,749**	**$ 5,156,955**	**$ 4,695**	**$ 55,717**	**$ 7,018,824**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011 (Thousands of Mexican pesos)

	2012	2011
Cash flows from operating activities:		
Consolidated net income	$ 1,605,968	$ 1,406,437
Items related to investment activities:		
Depreciation and amortization	66,347	81,944
(Gain) loss on sale of equipment	(478)	10,872
Income tax expense	716,723	612,740
Unearned foreign exchange fluctuations	61	(1,805)
Equity in loss (income) of associated companies	1,310	(342)
Items related to financing activities:		
Interest expense	157,326	45,971
Net changes in working capital:		
(Increase) decrease:		
Accounts receivable, net	(1,835,890)	(331,335)
Related parties	(133,899)	(4,470)
Inventories	68,553	(197,589)
Prepaid expenses	(749,276)	(136,717)
Increase (decrease):		
Trade accounts payable	(43,677)	293,702
Other payables and accrued liabilities	225,959	(1,172,151)
Income taxes paid	(186,035)	(565,605)
Employee retirement obligations	487	279
Stock-based compensation cost	18,142	23,722
Statutory employee profit sharing	(17,475)	8,847
Other, net	(1,232)	-
Net cash flow (used in) provided by operating activities	(107,086)	74,500

The accompanying notes are an integral part of these consolidated financial statements.

	2012	2011
Cash flows from investing activities:		
Acquisition of buildings, properties and equipment	(71,723)	(65,082)
Sale of buildings, properties and equipment	1,179	-
Acquisition of other assets	(2,617,163)	(894,718)
Net cash flow used in investing activities	(2,687,707)	(959,800)
Funds to be obtained from financing activities	(2,794,793)	(885,300)
Cash flows from financing activities:		
Proceeds from debt	2,668,896	1,170,000
Payments of debt	(180,000)	(200,000)
Repurchase of stock	(219,440)	(41,579)
Sell of stock	153,239	(4,864)
Interest paid	(162,242)	(28,761)
Noncontrolling interest	(27,209)	478
Net cash flow provided by financing activities	2,233,244	895,274
Net (decrease) increase in cash, cash equivalents and restricted cash	(561,549)	9,974
Adjustment to cash flows due to exchange rate fluctuations	(59,805)	74,109
Net increase (decrease) in cash, cash equivalents and restricted cash	(621,354)	84,083
Cash, cash equivalents and restricted cash at beginning of period	1,538,520	1,454,437
Cash, cash equivalents and restricted cash at end of period	$ 917,166	$ 1,538,520

1. PRINCIPAL ACTIVITIES AND SIGNIFICANT EVENTS

Genomma Lab Internacional, S. A. B. de C. V. and subsidiaries ("Genomma" or together with its subsidiaries, the "Entity") is an over-the-counter pharmaceutical (OTC pharmaceutical), generic drugs (GD) and personal care (PC) products company in Mexico, with a growing international presence.

The Entity engages in the development, sales and marketing of a broad range of premium products with 91 of its own brands, offering products in various categories, including anti-acne, generic drugs, sexual protection and enhancement, creams to improve appearance of scars, hemorrhoid treatments, varicose vein treatments, and hair loss treatments, topical analgesics, antacids, topical antifungals, colitis treatments, stress management, osteoarthritis treatments, soaps, multivitamins, shampoos and flu treatments. The Entity 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 27% and 23% of consolidated net sales in 2012 and 2011 respectively.

Significant events -

Acquisition of trademarks and licenses - During 2012, the Entity acquired Fermodyl, XL-3, Zanzusi, Altiva, Larisa, Bioskin and Amara trademarks for $1,341 million. During 2011, the Entity acquired Vanart, Pomada de la Campana, Galaflex, Affair, Wildroot, Alert, Nordiko and Ovvio trademarks and the Icy Blast and Alert licenses for $1,436 million.

2. BASIS OF PRESENTATION

a. Adoption of International Financial Reporting Standards

Since January 1st, 2012, the Entity adopted the International Financial Reporting Standars (IFRS or IAS).

The consolidated financial statements as of December 31, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS" or "IAS"), and the amendments and interpretations thereto issued by the International Accounting Standards Board (hereinafter "IASB"), in effect as of December 31, 2012. Consequently, IFRS 1, ***Initial Adoption of International Financial Reporting Standards*** is applied.

Transitions to IFRS - The Entity's consolidated financial statements as of December 31, 2011 were previously prepared and issued in accordance with Mexican Financial Reporting Standards ("NIF"). Such reports differ in certain aspects from IFRS. In the preparation of the consolidated financial statements as of December 31, 2012 and 2011, management has modified the accounting recognition, valuation and presentation of amounts previously reported in the 2011 consolidated financial statements prepared in accordance with NIF so that they conform to IFRS, as they represent the comparative information that forms part of the Entity's first set of consolidated financial statements prepared under IFRS.

An explanation of the transition effects to IFRS in the Entity's financial position, financial performance and cash flows is provided in Note 24.

b. Measurement basis

The consolidated financial statements have been prepared on the historical cost basis, except for construction in process, as discussed in Note 24.

i. Historical cost

Generally, the historical cost is based on the fair value of the consideration delivered for assets.

ii. Fair Value

Fair value is determined as the price for selling an asset or acquiring a liability in a current transaction between willing parties, or transferred to an equivalent party, other than in a liquidation sale at the valuation date.

c. Consolidation basis

The consolidated financial statements included those of Genomma Lab Internacional and its subsidiaries in wich Genomma has control. Control is effective when the Entity has power to rule the financial and operating policies of another Entity in order to get benefits from its activities. Genomma´s shareholding percentage in the capital stock of its significant subsidiaries is set forth below:

COMPANY	OWNERSHIP PERCENTAGE	ACTIVITY
MEXICO –		
Genomma Laboratories México, S. A. de C. V.	100%	Research and development of OTC and PC
Television Products Retail, S. A. de C. V.	100%	Administrative services
Medicinas y Medicamentos Nacionales, S. A. de C. V.	100%	Sale of GD
Iniciativas de Éxito, S. A. de C. V.	100%	Sale of OTC and PC
Aero Lab, S. A. de C. V.	100%	Air transportation services
INTERNATIONAL –		
Genomma Lab USA, Inc.	100%	Sale of OTC and PC
Lab Brands International, LLC	70%	Research and development of OTC and PC
Genomma Lab Centroamérica, S. A.	100%	Administrative services
Genomma Lab Perú, S. A.	100%	Sale of OTC and PC
Genomma Lab Chile, S. A.	100%	Sale of OTC and PC

COMPANY	OWNERSHIP PERCENTAGE	ACTIVITY
Genomma Lab Ecuador, S. A.	100%	Sale of OTC and PC
Genomma Laboratories Argentina, S. A.	85%	Sale of OTC and PC
Genomma Lab Colombia, LTDA	100%	Sale of OTC and PC
Genomma Laboratories do Brasil, LTDA	85%	Sale of OTC and PC
Genomma Lab Dominicana, S.R.L.	100%	Sale of OTC and PC

All intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the Entity's controlling interest. Non-controlling interests may be initially valued either at fair value or at the proportionate share of non-controlling interests in the fair value of the identifiable net assets of the acquired entity. The choice of the valuation method is made on a transaction-by-transaction basis. Subsequent to the acquisition, the carrying value of the controlling interest represents the amount of such holdings at initial recognition plus the portion of non-controlling interests' participation in equity and comprehensive income of the related subsidiaries. Comprehensive income is attributed to non-controlling interests even if it results in a deficit balance.

i. ***Subsidiaries -*** Include all entities over which the Entity has the power to govern financial and operating policies, which is usually evidenced by the ownership of more than half of the shares with voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Entity controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the entity, and are no longer consolidated from the date that control is lost.

The accounting policies of subsidiaries have been modified as necessary to ensure that there is consistency with the policies adopted by the Entity.

ii ***Associated company -*** Significant influence exists in Televisa Consumer Products, LLP, in which the Entity holds a 49% share participation but does not control such company. The investment was initially recognized at historical cost and is subsequently adjusted using the equity method.

d. **Translation of financial statements of foreign subsidiaries -** To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to IFRS based on the currency in which transactions are recorded. The financial statements are subsequently translated to Mexican pesos considering the following methodologies:

- Foreign operations whose local and functional currency are the same, translate financial statements using the exchange rates as follows: 1) the exchange rate at the date of the statement of financial position for assets and liabilities; 2) historical exchange rate for equity and 3) the exchange rate on the date of accrual for revenues, costs and expenses. The effects of translation are recorded in stockholders' equity.

- 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 statement of financial position date for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of 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 exchange (loss) gain, net, within results. 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 statement of financial position 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. The effects of translation are recorded in stockholders' equity. In the case of foreign entities operating in an inflationary environment, the functional currency financial statements are restated into the currency of purchasing power as of the date of the statement of financial position, using the price index of the respective country, and subsequently translated to Mexican pesos using the closing exchange rate in effect at the date of the statement of financial position for all items; translation effects are recorded in stockholders' equity.

The local and functional currencies of foreign operations as well as the exchange rates used in the different translation processes are as follows:

COMPANY	RECORDING CURRENCY	FUNCTIONAL CURRENCY	EXCHANGE RATE TO TRANSLATE FROM RECORDING CURRENCY TO FUNCTIONAL CURRENCY	EXCHANGE RATE TO TRANSLATE FROM FUNCTIONAL CURRENCY TO MEXICAN PESOS
Genomma Lab USA, Inc.	U.S. dollar	U.S. dollar	1.0000	12.9880
Lab Brands International, LLC	U.S. dollar	U.S. dollar	1.0000	12.9880
Genomma Lab Centroamérica, S. A.	U.S. dollar	U.S. dollar	1.0000	12.9880
Genomma Lab Dominicana, S. R. L.	Dominican peso	U.S. dollar	.0250	12.9880
Genomma Lab Perú, S. A.	Peruvian sol	U.S. dollar	.3922	12.9880
Genomma Lab Chile, S. A.	Chilean peso	U.S. dollar	.0021	12.9880
Genomma Lab Ecuador, S. A.	U.S. dollar	U.S. dollar	1.0000	12.9880
Genomma Laboratories Argentina, S. A.	Argentinean peso	U.S. dollar	0.2039	12.9880
Genomma Lab Colombia, LTDA	Colombian peso	U.S. dollar	0.0005	12.9880
Genomma Laboratories do Brasil, LTDA	Real	U.S. dollar	0.4944	12.9880

Genomma's functional currency is the Mexican peso and the subsidiaries' functional currency is U.S dollar. Since the Entity has investments in foreign subsidiaries whose functional currencies are other than the Mexican peso, the Entity is exposed to a foreign exchange risk. In addition, the Entity has monetary assets and liabilities denominated in different foreign currencies, mainly in US dollars; therefore, the Entity is also exposed to foreign exchange risks arising from transactions entered into over the normal course of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with IFRS published by the IASB. The preparation of consolidated financial statements requires 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 Entity's management, upon applying professional judgment, believes that estimates made and assumptions used were appropriate under the circumstances (see Note 4). The significant accounting policies of the Entity are as follows:

a. Changes in accounting policies:

The following amendment to IFRS has been applied during the reported year, so it has affected the consolidated financial statements.

- IFRS 7 Financial Instruments: Disclosures Asset transferences, The Entity have applied the amendments to IFRS during the reported year. These modifications increase the disclosure requirements for transactions that involve transference of financial assets in order to provide deeper transparency about the risk exposure thah would be taken if the financial assets were transferred.

b. Financial assets

Financial assets are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As of December 31 2012 and 2011 and January 1, 2011, the Entity only had financial instruments classified as loans and accounts receivable.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, others than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It is probable that the borrower will enter into bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis, even if they were assessed not to be impaired indivudally. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on payments.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets recorded at cost, the amount of impairment loss is the difference between tha carrying amount of the asset and the present value of the estimated future cash flows, discounted at the current maket rate for a similar asset. That loss will not be cancelled in following periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Whe it is assumed that an asset available for sale is impaired, the accumulated gains of losses previously recorded as other comprehensive income are reclassified affecting current year´s income.

Except for the equity instruments avaible for sale, if, during a subsequent period, the amount of loss due to impairment decreases and this situation can be objectively related to an event that occurs after the impairment recognition, the loss for impairment previously recorded is reversed affecting current year´s income until the carrying amount of the investment as of the date the impairment was reversed does not exceed the amortized cost that would have been reflected if no impairment had been recorded.

Derecognition of financial assets

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

c. Cash, cash equivalents and restricted cash

Cash consists mainly of bank deposits in checking accounts. Cash equivalents are short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, and which are subject to insignificant changes in value. Cash is stated at nominal value and cash equivalents are valued at fair value. Cash equivalents are represented mainly by investments in money market funds. The Entity has restricted cash designated for the repurchase of stock of the Entity; such cash is invested in short-term money market funds in governmental paper and bank paper

d. Inventories

Inventories are stated at the lower of their cost or net realizable value, using average cost. Net realizable value represents estimated selling price less all estimated costs of completion necessary to make the sale.

e. Prepaid expenses

Prepaid expenses are composed mainly of advertising expenses, which are amortized to results when the service is received.

f. Buildings, property and equipment

Acquisitions or construction of buildings, property and equipment subsequent to that date are initially recorded at acquisition cost.

Buildings used for administrative services and office furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated.

Depreciation is recognized so as to write off the cost of assets, less their residual values, over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation menthod are reviewed at each year end. The effect of any change in estimate is recognized on a prospective basis.

Useful lives of fixed assets are as follows:

Buildings	40
Leasehold improvements	10
Laboratory equipment, molds and machinery	3
Vehicles	4
Air transportation equipment	6
Computers	3
Production and recording equipment	3
Office furniture and equipment	20
Telecommunication equipment	10

Gain or loss on disposal of assets is calculated comparing the difference between carrying value of assets against the resources received and recognized directly within the statement of comprehensive income.

g. Investment in associate

The Entity has an investment in Televisa Consumer Products, LLP. An associate is an entity over which the Entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Entity's interest in the net assets of the associate, less any impairment in the value of individual investments. When the losses of an associate exceeds the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate), are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of IAS 39, Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of selling) with its carrying amount. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Entity losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Entity' consolidated financial statements only to the extent of interests in the associate that are not related to the Entity.

h. Other assets

These assets represent costs incurred that the Entity has determined will have future economic benefits and that meet certain requirements for its recognition as assets. Research cost, as well as disbursements during the development stage that do not meet such requirements, are recorded in the statement of comprehensive income of the period in which they are incurred.

The Entity classifies intangible assets as having either indefinite or definite useful lives, based on the period in which the Entity expects to receive the benefits.

Assets with indefinite useful lives

These assets represent trademarks and other rights from which the Entity expects to generate revenues indefinitely. Accordingly, they are not amortized but are subject to impairment testing on an annual basis.

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 Entity has determined will have future economic benefits. Such costs are capitalized and will be amortized based on the straight-line method over five years. 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, as well as the investment in the expansion of the Sistema GB trademark.

Disposal of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

i. Impairment of tangible and intangible asset

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, except in the cases in wich the asset is recorded at a revalued amount, in such situations, impairment loss should be considered a decrease in the revaluation.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, except in the cases in wich the asset is recorded at a revalued amount, in such situations, impairment loss should be considered an increase in the revaluation.

j. Financial liabilities and equity instruments

Financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue or adquisition of financial liabilities (other than financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or

- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in other gains or losses in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

k. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

For Mexican entities, income tax (ISR) and the Business Flat Tax (IETU) are recorded in the results of the year they are incurred.

Deferred tax

To recognize deferred income taxes, based on its financial projections, the Entity determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except when the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are compensated when there is a legal right to compensate short terms assets with short term liabilities, and when they refer to income taxes from the same tax authority and the Entity has the intention to liquidate tax assets and liabilities on net basis.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

l. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are classified as current and non-current in accordance with their maturity.

m. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are amortized over the expected average remaining working lives of the participating employees. Past service cost are recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

n. Direct employee benefits

Direct employee benefits are calculated based on the services rendered by employees, considering the current salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing payable, compensated absences, such as vacation and vacation premiums, and incentives.

o. Statutory employee profit sharing (PTU)

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 comprehensive income.

p. Share-based payment transactions of the Entity

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Entity's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured realiably.

Rendering of services

Revenues from services are recognized in the period in which such services are rendered.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably).

Interest income is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably.

r. Foreign currency 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 date of the statement of financial position. Exchange fluctuations are recorded within the statement of comprehensive income.

s. Earnings per share

Basic earnings per common share are calculated by dividing consolidated net income of controlling interests by the weighted average number of common shares outstanding during the year.

The Entity does not issue additional shares with respect to its share-based payment program, but rather repurchases shares in the market. Accordingly, it does not have any potentially dilutive instruments for which reason diluted earnings per share is equal to basic earnings per share.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATION

To apply the accounting policies, Entity management uses its judgment, estimates, and assumptions regarding certain asset and liability amounts in the consolidated financial statements. The associated estimates and assumptions reflect a quantitative and qualitative analysis based on an understanding of the various businesses that compose Genomma. Actual results may differ from such estimates.

The estimates and assumptions are reviewed regularly. Such accounting estimates are recognized in the period and future periods if the revision affects both the current and subsequent periods.

The critical accounting judgments and key uncertainty aspects used when applying the estimates made as of the date of the consolidated financial statements that have a significant risk of ending in and adjustment in the value of assets and liabilities for the reporting period as well as subsequent ones, are as follows:

Key sources of estimation uncertainty

a) The Entity reviews the estimated useful lives of buildings, properties and equipment at least once a year. During 2012 and 2011, based on detailed analysis, the Entity's management modifies the useful lives of certain property, plant and equipment components if necessary. The degree of uncertainty about the estimated useful lives is related to changes in the market and the usage of assets for production volumes and technological developments.

b) To test asset impairment, the Entity is required to estimate the value in use of its property, plant and equipment as well as cash generating units, for certain assets. The calculation requires to Entity to prepare future cash flows using an appropriate discount rate to calculate the present value. The entity prepares cash flow projections using market conditions to estimate price and production and sales volumes.

c) The Entity prepares estimates of its accounts receivable and inventory reserves. For the inventories reserve, the Entity considers sales volumes and demand of its products. For accounts receivable reserve, the Entity considers the risk in the financial situation of the customer, unguaranteed receivables and significant delays in collection based on established credit limits.

The Entity uses estimates to determine the accounts receivable reserve considering the following factors:

- The Entity prepares a customer balance aging analysis showing current and overdue amounts according to the established credit limits and parameters obtained through experience. A reserve percentage is allocated to each one; this analysis provides the first evidence of impairment.

- Once the preliminary impaired receivables amount is obtained, the financial position of the customers included must be analyzed to determine which account receivable demonstrates impairment and the respective provision is recorded.

The Entity has the policy of only accepting returns under specific circumstances, such as for expired or discontinued products; the corresponding returns reserve is recognized when it is certain that returns will occur.

Rebates to customers are estimated in accordance with the commercial plans authorized to clients.

d) The Entity is subject to contingent events or transactions for which it uses professional judgment in estimating the likelihood of occurrence. Judgment utilized considers the current legal status of each case as well as the opinion of legal advisers.

5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	2012	2011	JANUARY 1, 2011
Cash and bank deposits	$ 669,544	$ 644,745	$ 397,736
Cash equivalents:			
Money market funds	214,872	893,775	1,056,432
Money market funds - Restricted cash	32,750	-	269
	$ 917,166	**$ 1,538,520**	**$ 1,454,437**

6. ACCOUNTS AND NOTES RECEIVABLE

	2012	2011	JANUARY 1, 2011
Trade accounts receivable	$ 5,372,250	$ 3,937,322	$ 3,611,195
Allowance for:			
Doubtful accounts	(31,642)	(19,283)	(9,067)
Returns	(273,876)	(59,373)	(47,024)
Rebates	(271,171)	(376,019)	(425,253)
	(576,689)	(454,675)	(481,344)
	4,795,561	3,482,647	3,129,851
Officers and employees	-	-	1,894
Recoverable taxes	33,458	86,039	196,956
Other	242,194	118,129	28,607
	$ 5,071,213	**$ 3,686,815**	**$ 3,357,308**

Movement of the allowance for bad debts, returns and rebates was as follows:

	OPENING BALANCE	ADDITIONS	APPLICATIONS	CLOSING BALANCE
2012	**$ (454,675)**	**$ (877,400)**	**$ 755,386**	**$ (576,689)**
2011	**$ (481,344)**	**$ (815,639)**	**$ 842,308**	**$ (454,675)**

a. Trade receivables

Accounts receivable from customers shown above are classified as accounts receivable, therefore they are measured at amortized cost.

The average credit period on sales of goods is 90 days. No interest is charged on trade receivables. Allowances for doubtful accounts are recognized against trade receivables based on estimated unrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Entity uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The Entity sells its products primarily to ten customers, two of which are wholesalers that ultimately distribute the Entity's products nationwide. Sales to these ten customers represented 64.16% and 55.34% of consolidated net sales in 2012 and 2011, respectively. Similarly, these customers represented 62.84% and 78.09% of the accounts receivable balance in 2012 and 2011, respectively.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Entity has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Entity does not hold any specific guarantees or any other credit improvements on those amounts, nor does it have any legal right to compensate them against any amounts payable.

Aging of past due not impaired accounts

	2012	2011
60-90 days past due	$ 299,240	$ 153,570
More than 90 days past due	560,060	517,760
Total	**859,300**	**671,330**
Average aging	**112**	**97**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

7. INVENTORIES

	2012	2011	JANUARY 1, 2011
Finished goods	$ 818,373	$ 726,127	$ 601,729
Raw materials	388,673	445,273	383,609
Less- allowance for obsolete items	(448,425)	(173,840)	(130,313)
	758,621	997,560	855,025
Goods in transit	273,779	103,393	48,790
	$ 1,032,400	**$ 1,100,953**	**$ 903,815**

8. BUILDINGS, PROPERTY AND EQUIPMENT - NET

	BALANCE AS OF DECEMBER 31, 2011	ADDITIONS	DISPOALS	TRANSFERRED ASSETS	TRANSLATION EFFECT	BALANCE AS OF DECEMBER 31, 2012
Investment:						
Buildings	$ 172,282	$ 94	$ -	$ 3,074	$ -	$ 175,450
Leasehold improvements	56,267	3,010	-	12,491	(707)	71,061
Laboratory equipment, molds and machinery	43,926	4,054	(15)	-	(264)	47,701
Transportation equipment	94,265	9,101	(3,830)	-	(2)	99,534
Computers	40,473	4,269	(639)	(418)	(570)	43,115
Production and recording equipment	17,360	37,136	-	-	(83)	54,413
Office furniture and telecommunication equipment	69,723	8,151	(186)	4,201	(408)	81,481
Total investments	494,296	65,815	(4,670)	19,348	(2,034)	572,755
Accumulated depreciation and amortization	(165,857)	(66,216)	3,539	-	757	(227,777)
	328,439	(401)	(1,131)	19,348	(1,277)	344,978
Construction in-progress	4,711	-	(1,353)	(3,358)	-	-
Land	37,777	20,549	-	284	-	58,610
Net investment	**$ 370,927**	**$ 20,148**	**$ (2,484)**	**$ 16,274**	**$ (1,277)**	**$ 403,588**

	BALANCE AS OF JANUARY 1, 2011	ADDITIONS	DISPOSALS	TRANSFERRED ASSETS	TRANSLATION EFFECT	BALANCE AS OF DECEMBER 31, 2011
Investment:						
Buildings	$ 115,653	$ -	$ -	$ 56,629	$ -	$ 172,282
Leasehold improvements	51,096	4,211	-	625	335	56,267
Laboratory equipment, molds and machinery	27,491	17,802	(2,188)	1,065	(244)	43,926
Transportation equipment	85,024	10,265	(1,039)	15	-	94,265
Computers	37,011	4,039	(261)	385	(701)	40,473
Production and recording equipment	27,174	-	(12,164)	2,483	(133)	17,360
Office furniture and telecommunication equipment	50,093	12,881	(12,245)	18,470	524	69,723
Total investments	393,542	49,198	(27,897)	79,672	(219)	494,296
Accumulated depreciation and amortization	(127,053)	(49,846)	18,916	(7,486)	(388)	(165,857)
	266,489	(648)	(8,981)	72,186	(607)	328,439
Construction in-progress	65,284	16,417	(1,891)	(75,099)	-	4,711
Land	36,009	1,768	-	-	-	37,777
Net investment	**$ 367,782**	**$ 17,537**	**$ (10,872)**	**$ (2,913)**	**$ (607)**	**$ 370,927**

9. OTHER ASSETS

	BALANCE AS OF DECEMBER 31, 2011	ADDITIONS	DISPOALS	TRANSFERS TO RELATED ASSETS	TRANSLATION EFFECT	BALANCE AS OF DECEMBER 31, 2012
Assets with indefinite useful lives:						
Trademarks	$ 1,962,405	$ 1,404,479	$ -	$ -	$ -	$ 3,366,884
License	1,442	3	-	-	-	1,445
Rights	75,000	20,417	-	-	-	95,417
Prepaid trademarks and others	-	808,895	-	-	-	808,895
Assets with definite useful lives:	2,038,847	2,233,794	-	-	-	4,272,641
Software - Development costs	55,409	-	-	-	446	55,855
Licenses	21,232	-	-	-	-	21,232
Accumulated amortization	(39,434)	(131)	-	-	(54)	(39,619)
	37,207	(131)	-	-	392	37,468
In-progress development costs	37,987	8,159	-	(16,274)	-	29,872
Security deposits	10,338	5,735	(2,488)	-	-	13,585
Net investment	**$ 2,124,379**	**$ 2,247,557**	**$ (2,488)**	**$ (16,274)**	**$ 392**	**$ 4,353,566**

	BALANCE AS OF JANUARY 1, 2011	ADDITIONS	DISPOSALS	TRANSFERRED ASSETS	TRANSLATION EFFECT	BALANCE AS OF DECEMBER 31, 2011
Assets with indefinite useful lives:						
Trademarks	$ 520,335	$ 1,442,070	$ -	$ -	$ -	$ 1,962,405
License	616	826	-	-	-	1,442
Rights	75,000	-	-	-	-	75,000
Assets with definite useful lives:	595,951	1,442,896	-	-	-	2,038,847
Software - Development costs	34,491	13,719	-	6,920	279	55,409
Licenses	40,338	-	(21,328)	2,806	(584)	21,232
Accumulated amortization	(11,661)	(32,098)	1,328	3,292	(295)	(39,434)
	63,168	(18,379)	(20,000)	13,018	(600)	37,207
Costos de desarrollo en proceso	40,359	7,733	-	(10,105)	-	37,987
Depósitos en garantía	7,228	3,094	-	-	16	10,338
Net investment	**$ 706,706**	**$ 1,435,344**	**$ (20,000)**	**$ 2,913**	**$ (584)**	**$ 2,124,379**

The useful lives applied to the calculation of amortization are:

Licenses	According to contract
Capitalized development costs	5 years
Software - Development costs	3 years

10. INVESTMENT IN SHARES OF ASSOCIATED COMPANY

The Entity posseses 49% of the common stock of Televisa Consumer Products, LLP, an associated company incorporated during 2009 in the United States of America, which began operations during 2011. The associated company's condensed financial information is as follows:

	2012	2011	JANUARY 1, 2011
Financial position:			
Current assets	$ 191,113	$ 78,855	$ 64,077
Non-current assets	376	544	846
Current liabilities	(179,897)	(66,732)	(54,334)
Common stock	**$ 11,592**	**$ 12,667**	**$ 10,589**
Comprehensive income:			
Total revenue	**$ 223,719**	**$ 94,021**	**$ 31,571**
Net loss	**$ (2,673)**	**$ (697)**	**$ (39,006)**
Entity's share in:			
Stockholders' equity	**$ 5,680**	**$ 6,207**	**$ 5,189**
Net (loss) income	**$ (1,310)**	**$ 342**	**$ (19,112)**

11. BANK LOANS AND CURRENT PORTION OF LONG – TERM DEBT

	2012	2011
Club Deal with HSBC México, S. A. and Banco Santander, S. A.:		
Simple loan for an amount up to $1,300,000, documented with promissory notes bearing interest at Interbank Equilibrium Interest Rate (TIIE) plus 2.15 percentage points, payable quarterly by thirteen equal amortizations commencing March 2013	$ 1,300,000	$ 970,000
Club Deal with HSBC México, S. A. and Banco Santander, S. A.:		
Revolving credit for an amount of $ 700,000 documented with promissory notes, bearing interest at TIIE plus 1.875%. Principal is due in March 31, 2014 through a single payment.	700,000	

	2012	2011
Banco Nacional de México, S. A.:		
Revolving credit for an amount of $ 600,000 documented with promissory notes, bearing interest at a fixed rate of 6.23%. Principal is due on June 14, 2016 through a single payment.	600,000	
BBVA Bancomer, S. A.:		
Simple loan for an amount of $700,000 documented with promissory notes, bearing interest at TIIE plus 1.30%. Principal is due on June 27, 2015 through a single payment.	700,000	-
Banco Patagonia, S. A.:		
Simple loan with Banco Patagonia (Argentinean Financial Institution) for an amount of 60,000 Argentinean pesos documented with promissory notes, bearing interest at a fixed rate of 21.5% for the first 12 months. The remaining 24 months, the loan will bear interests at a floating rate BADLAR + 4.50%. Principal will be paid through 24 monthly payments commencing December 2013 until November 22, 2015	158,896	-
	3,458,896	970,000
Less - Bank loans and current portion of long-term debt	406,621	-
Long-term debt	**$ 3,052,275**	**$ 970,000**

Long-term debt maturities as of December 31, 2012 are as follows:

2013	$ 406,621
2014	1,179,447
2015	1,172,828
2016	700,000
	$ 3,458,896

The loan contracts establish affirmative and negative covenants for the borrowers; also, they require the maintenance of certain minimum financial ratios and percentages based on the Entity's consolidated financial statements. All of these requirements have been satisfactorily fulfilled at the date of the consolidated financial statements.

12. EMPLOYEE BENEFITS

Net period cost for obligations resulting from postretirement benefits such as seniority premiums were $487 and $1,421 in 2012 and 2011, respectively. Other disclosures required by financial reporting standards are not considered material.

13. RISK MANAGEMENT

The Entity has exposure to market, operating and financial risk arising from the use of financial instruments that involve interest rates, credit, liquidity and exchange rate risk, which are managed centrally. The Board of Directors establishes and monitors policies and procedures to measure and manage those risks, which are described below.

a. **Management of capital risk -** The Entity manages its capital to ensure that it will continue as a going concern, while also maximizing the return to its shareholders through optimization of its capital structure.

The entity's capital structure consists of net debt (loans detailed in Note 11 net of cash and cash equivalents, excluding restricted cash) and stockholders' equity (composed of capital stock, reserves and retained earnings as detailed in Note 16).

Debt index

	2012	2011
Debt (i)	$ 3,458,856	$ 970,000
Cash	884,416	1,538,520
Net debt	**$ 2,574,440**	**$ (568,520)**
Stockholders' equity (ii)	**$ 7,018,824**	**$ 5,544,335**
Debt index to Stockholders' equity	**37%**	**(10%)**

(i) Debt is defined by current and long-term loans as detailed in Note 11.

(ii) Stockholders' equity includes all reserves, retained earnings, other comprehensive income and capital stock of the Entity.

b. Interest rate risk management - The Entity is mainly exposed to interest rate risks because it has entered into debt at floating rates.

The Entity's exposures to interest-rate risk are mainly related to changes in the TIIE with respect to the Entity's financial liabilities. The Entity prepares sensitivity analyses based on its exposure to interest rates on its floating-rate debt with financial institutions; the entity has not hedged its outstanding debt. The analyses are prepared assuming that the ending period balance as at year end was the outstanding balance during the entire year. The Entity internally reports to the Board of Directors about its interest rate risks.

Sensitivity analyses for interest rates

The following sensitivity analyses have been determined based on exposure to interest rates at the end of the reporting period. For variable rate liabilities, an analysis is prepared on the basis that the amount of the liability in effect at the end of the reporting period has been the liability in effect for the entire year. When reporting internally to key executive personnel on the interest rate risk, an increase or decrease of 50 basis points is used, which represents management's evaluation of the possible reasonable change in interest rates.

If the interest rates were 50 basis points greater/lower and all the other variables remained constant:

- The result for the year ended December 31, 2012 would decrease/increase $16,500 (2011: decrease/increase by $4,850). This is mainly due to the Entity's exposure to interest rates on its variable rate loans.

c. Management of credit risk - Credit risk refers to the risk that one of the parties will default on its contractual obligations, resulting in a financial loss for the Entity. The Entity has adopted a policy of only becoming involved with solvent parties, as a way of mitigating the risk of the financial loss derived from defaults. The Entity only performs transactions with entities that have a risk rating equivalent to investment grade or higher. This information is provided by independent ratings agencies and, if it is not available, the Entity uses other available financial information and its own commercial records to rate its principal customers. The Entity's exposure and the credit ratings of its counterparties are supervised continually and the Entity ensures that transactions are distributed amount approved counterparties to mitigate concentration of credit risk. Credit exposure is controlled by the counterparty's limits which are reviewed and approved by the Entity.

Before credit is granted to a customer, a financial assessment is made and credit references are requested. Finally, the credit is continually assessed based on the financial condition of the customer. The Entity's maximum credit risk exposure is represented by the balance of its cash, cash equivalents and accounts receivable included in the consolidated statement of financial position.

d. Liquidity risk management - Ultimate responsibility for liquidity risk management rests with Board of Directors of the Entity, which has established appropriate policies for the control of such risk through the monitoring of working capital, allowing management of the Entity's short-, medium-, and long-term funding requirements. The Entity maintains cash reserves and available lines of credit, continuously monitoring projected and actual cash flows, reconciling the profiles of maturity of financial assets and financial liabilities.

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity makes payments. The table includes both projected cash flows related to interest and capital on financial debt in the consolidated statements of financial position. Where the contractual interest payments are based on floating rates, the amounts are derived from interest rate curves at the end of the reporting period. The contractual maturity is based on earliest date in which the Entity is required to make payment.

AT DECEMBER 31, 2012	LESS THAN ONE YEAR	1 AND 3 YEARS	MORE THAN 3 YEARS	TOTAL
Bank loans and long-term debt (including current portion)	$ 406,621	$ 2,352,275	$ 700,000	$ 3,458,896
Accounts payable to suppliers	1,218,663	-	-	1,218,663
Other payables and accrued liabilities	729,749	24,572	37,649	791,970
Total	**$ 2,355,033**	**$ 2,376,847**	**$ 737,649**	**$ 5,469,529**

AT DECEMBER 31, 2011	ONE YEAR	1 AND 3 YEARS	MORE THAN 3 YEARS	TOTAL
Bank loans and long-term debt (including current portion)	$ -	$ 400,000	$ 570,000	$ 970,000
Accounts payable to suppliers	1,262,328	-	-	1,262,328
Other payables and accrued liabilities	802,847	-	-	802,847
Total	**$ 2,065,175**	**$ 400,000**	**$ 570,000**	**$ 3,035,175**

The amounts included for debt with financial institutions includes both fixed and variable interest rate instruments. The financial liabilities at variable rates are subject to change if the changes in variable rates differ from the estimates of rates determined at the end of the reporting period is presented at fair value.

e. **Foreign exchange risk management -** The Entity carries out transactions denominated in foreign currency. Consequently, it is exposed to fluctuations in exchange rates, which are managed within the parameters of the approved policies.

The carrying values of monetary assets and monetary liabilities denominated in foreign currency at the end of the period are as follows (figures in thousands) :

	2012		2011	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
U. S. dollar	38,166	1,202	47,424	4,837

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments presented below has been determined by the Entity using information available in the markets or other valuation techniques that use assumptions that are based on market conditions existing at each reporting date, but require judgment with respect to their development and interpretation. As a result, the estimated amounts presented below are not necessarily indicative of the amounts that the Entity could obtain in a current market exchange. The use of different assumptions and/or estimation methods could have a material effect on the estimated amounts of fair value disclosed below.

Following is a discussion of the hierarchy of fair values, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Entity considers that the carrying amount of cash and cash equivalents, accounts receivable and accounts payable from third parties and related parties and the current portion of bank loans approximate their fair values because they have short-term maturities. The Entity's long-term debt is recorded at amortized cost and incurs interest at fixed and variable rates that are related to market indicators.

The carrying amounts of financial instruments by category and their related fair values at each date are as follows:

	2012		2011		JANUARY 1, 2011	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets						
Cash and cash equivalents and restricted cash	$ 917,166	$ 917,166	$ 1,538,520	$ 1,538,520	$ 1,454,437	$ 1,454,437
Accounts and notes receivable	5,071,213	5,071,213	3,686,815	3,686,815	3,357,308	3,357,308
Accounts receivable from related parties	195,624	195,624	52,245	52,245	47,775	47,775
Financial liabilities						
Bank loans and current portion of long-term debt	(3,458,896)	(3,458,896)	(970,000)	(970,000)	-	-
Accounts payable to suppliers	(1,218,663)	(1,218,663)	(1,262,328)	(1,262,328)	(969,099)	(969,099)
Other payables and accrued liabilities	(909,060)	(909,060)	(845,032)	(845,032)	(1,601,185)	(1,601,185)
Total	**$ 597,384**	**$ 597,384**	**$ 2,200,220**	**$ 2,200,220**	**$ 2,289,236**	**$ 2,289,236**

During the period there were no transfers from Level 1 to Level 2.

15. STOCK-BASED PAYMENTS

During 2008, the Entity established a stock-based payment plan for certain of its executives. The plan provisions establish that net shares will be granted to the Entity's executives that are still employed at the graduated vesting dates. The established vesting dates were: June 18, 2009, 2010, 2011 and 2012. Such plan was recognized in the accompanying consolidated financial statements measuring the fair value of the plan for each of the executives using market value of the shares at the grant date, recognizing an expense in the statement of comprehensive income during the period in which the services were rendered by the executives. During the years ended December 31, 2012 and 2011, the total expense recorded in the consolidated statement of comprehensive income is $24,117 and $36,772, respectively.

The following share-based payment arrangements were in existence during the current and prior years:

NUMBER	DATE	PRICE	FAIR VALUE AT GRANT DATE
3,116,880	18/06/09	$7.5	$ 9,319
4,659,920	18/06/10	$7.5	$ 54,568
3,585,065	18/06/11	$7.5	$ 104,863
2,931,750	18/06/12	$7.5	$ 72,293

16. STOCKHOLDERS' EQUITY

a. As of December 31, 2012 and 2011 and January 1, 2011, capital stock is represented by:

	NUMBER OF SHARES		AMOUNT	
	2012	2011	2012	2011
Fixed Capital				
Serie B	82,176	82,176	$ 150	$ 150
Variable Capital				
Serie B	1,052,667,250	1,052,667,250	1,921,510	1,921,510
	1,052,749,426	**1,052,749,426**	**$ 1,921,660**	**$ 1,921,660**

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

b. At a Stockholders' Ordinary and Extraordinary General meeting held on March 24, 2011, the stockholders approved the plan to repurchase the Entity's shares up to the equivalent of the amount of retained earnings as of December 31, 2010.

c. At a Stockholders' Ordinary and Extraordinary General meeting held on March 29, 2012, the stockholders approved the plan to repurchase the Entity shares up to the equivalent of the amount of retained earnings as of December 31, 2011.

d. Total shares in the repurchase of shares account during 2012 were 3,521,056 shares, which equals 0.33% of the Entity's total shares. Shares are repurchased are principally to cover share-based payments funds for executives. The Entity's market value per share as of December 31, 2012 is $26.59Mexican pesos per share and the maximum period for reissuance of repurchased shares is one year form the date the shares were repurchased. Repurchased shares amount during 2012 is $219,440.

e. 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. As of December 31, 2012 and 2011, the legal reserve amounts $187,192 and $53,628, respectively.

f. Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to income tax payable by the Entity 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

17. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

a. At December 31 2012 and 2011 and January 1 2011, the foreign currency monetary position is as follows:

	2012	2011	JANUARY 1, 2011
Thousands of U.S. dollars:			
Monetary assets	38,166	47,424	63,880
Monetary liabilities	(1,202)	(4,837)	(26,394)
Net monetary asset position	**36,964**	**42,587**	**37,486**
Equivalent in Mexican pesos	**$ 480,088**	**$ 595,311**	**$ 464,140**
Thousands of euros:			
Monetary assets	7	95	411
Net monetary asset position	**7**	**95**	**411**
Equivalent in Mexican pesos	**$ 120**	**$ 1,709**	**$ 6,744**

b. Transactions denominated in foreign currency were as follows:

	(IN THOUSANDS OF U.S. DOLLARS)	
	2012	2011
Export sales	51	615
Import purchases	6,178	7,944
Purchases of assets	205	1,099
Other expenses	1,047	3,674

c. Mexican peso exchange rates in effect at the dates of the consolidated statements of financial position and at the date of issuance of these financial statements were as follows:

	FEBRUARY 25,	DECEMBER 31,		
	2012	2012	2011	JANUARY 1, 2011
U. S. Dollar	12.7517	12.9880	13.9787	12.3817
Euro	16.7927	17.1182	17.9850	16.4095

18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances and transactions among the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated in these consolidated financial statements and are not disclosed in the note below. Transactions among the Entity and other related parties are detailed below.

a. Balances receivable with related parties are as follows:

Receivable –			
Televisa Consumer Products	$ 185,614	$ 38,460	$ 27,722
Employees	10,010	13,785	20,053
	$ 195,624	$ 52,245	$ 47,775
Payable –			
Dividends	$ 9,480	$ -	$ -

b. Commercial transactions

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

	2012	2011
Sales	$ 156,851	$ 69,337
Administrative services received	(100,806)	(117,337)
Royalty	6,619	2,822
Marketing and publishing services rendered	-	(760)
Leases	-	(413)
Other revenues, net	-	2,867

c. Employee benefits granted to the Entity's key management were as follows:

	2012	2011
Short-term direct benefits	$ 100,806	$ 111,945

19. OTHER EXPENSES

	2012		2011	
(Gain) loss on disposal of fixed assets	$	(478)	$	10,872
Inflation effects on taxes		(1,084)		-
Other expense, net		1,964		8,870
	$	**402**	**$**	**19,742**

20. INCOME TAXES

The Entity is subject to ISR and IETU.

The ISR rate is 30% for 2011, 2012 and 2013; it will be 29% for 2014, and 28% for 2015 and thereafter. Fiscal losses can be deduced for a ten year period.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate is 17.5%.

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

Income tax rates for 2012, in the countries where the Entity has subsidiaries, are as follows:

	%
Argentina	35
Brasil	34
Chile	20
Colombia	33
Costa Rica	30
Ecuador	23
Estados Unidos de América	35
Perú	30
República Dominicana	29

Based on its financial projections, the Entity determined that it would essentially pay only ISR on a consolidated basis. Therefore, it only recognizes deferred ISR.

Income tax rates in Central and South American countries in wich the Entity operates range from 23% to 35% as mentioned above.

In addition to the above tax rates, tax losses in the aforementioned countries have a duration ranging from three to eight years.

Operations in Colombia and Argentina are subjected to Assets Tax.

Beginning in 2011, Colombia is subject to the stockholders' equity tax which results from applying a rate of 4.8% plus a rate of 1.2% to net tax assets owned as of January 1, 2011. Such tax is not deductible against income tax. The payment is deferred to 8 equal parts from 2011 and 2014.

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. Income taxes expenses are as follows:

	2012	2011
ISR:		
Current	$ 662,878	$ 502,955
Deferred	53,845	109,785
Total ISR	**$ 716,723**	**$ 612,740**

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

	2012 %	2011 %
Statutory rate	30	30
Add (deduct) the effect of permanent differences, mainly nondeductible expenses and differences in statutory rates in foreign subsidiary operations	1	-
Effective rate	**31**	**30**

b. Deferred taxes in the statement of financial position

Following is an analysis of the deferred tax assets (liabilities) presented in the consolidated statement of financial position:

	2012	2011	JANUARY 1, 2011
Deferred ISR asset:			
Allowance for doubtful accounts and estimated returns and bonifications	$ 170,227	$ 132,901	$ 144,301
Accrued liabilities	25,931	19,685	23,764
Tax losses	12,005	19,595	3,157
Inventory reserve and others, net	180,005	74,943	66,440
Net ISR assets	388,168	247,124	237,662
Deferred ISR liability:			
Restated inventory of 2004, not yet taxable	(12,270)	(16,601)	(20,932)
Prepaid expenses	(225,263)	(198,634)	(112,596)
Other assets	(365,913)	(192,547)	(156,188)
Deferred ISR liability	(603,446)	(407,782)	(289,716)
Net ISR liability	**$ (215,278)**	**$ (160,658)**	**$ (52,054)**
ISR asset	**$ 14,092**	**$ 2,208**	**$ 7,024**
ISR liability	**$ (229,370)**	**$ (162,866)**	**$ (59,078)**

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

21. CONTINGENCIES

The Entity and its assets are not subject to any such legal action other than routine legal and administrative proceedings in the ordinary course of its business.

22. COMMITMENTS

The Entity leases the properties in which its offices and warehouses are located. Lease expense was $74,413 and $54,218 in 2012 and 2011 respectively. Lease contracts are for mandatory terms up to 5 year and correspond mainly to warehouses. Future minimum lease payments are:

YEAR	AMOUNT
2013	$ 43,909
2014	39,579
2015	18,819
2016 and after	3,728
	$ 106,035

23. SUMMARY OF FINANCIAL DATA BY BUSINESS SEGMENT

Operating segment information is presented based on the information used by management to evaluate performance and assign resources, which is on a geographical basis.

Intersegment transactions have been eliminated. Total assets represent those assets that are used in the operations of each reportable segment. Corporate assets are principally comprised of cash, recoverable taxes and certain fixed assets.

Management has identified two operating segments, national and international, which have been identified based on the following:

a) The specific business activity or economic environment, from which it obtains revenues, maintains assets or incurs liabilities.

b) Given their importance, the attention of the senior management of the economic entity is required to evaluate the segment's performance and make decisions regarding the allocation of resources for its operation.

c) Discrete financial information is available.

d) The inherent risks of the business and returns are different between segments.

As of December 2012, Genomma Lab Internacional operates in 15 countries in addition to Mexico: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, U. S. A., Guatemala, Honduras, Nicaragua, Panamá, Perú and the Dominican Republic.

Senior management decisions are made by evaluating the results of the operating segments as well as their key indicators. Segment segregation is made attending the nature of products and services.

Operating segment data is consistently reported through internal reports prepared to provide information to senior management. The Chief Executive Officer is responsible for resource allocation and the evaluation of operating segments, as well as for making strategic decisions.

a. The presentation below sets forth certain financial information regarding the Entity's reportable segments.

	2012			
	REVENUES	INCOME BEFORE INCOME TAXES	TOTAL ASSETS	INVESTMENTS IN PRODUCTIVE ASSETS
México	$ 7,169,408	$ 1,717,450	$ 10,546,308	$ 2,450,123
International	2,630,282	605,241	2,446,282	237,584
Total	**$ 9,799,690**	**$ 2,322,691**	**$ 12,992,590**	**$ 2,687,707**
México	$ 6,177,307	$ 1,561,841	$ 8,793,189	$ 954,774
International	1,879,011	457,336	339,050	5,026
Total	**$ 8,056,318**	**$ 2,019,177**	**$ 9,132,239**	**$ 959,800**

24. EXPLANATION OF TRANSITION TO IFRS

a. Basis of transition to IFRS

As mentioned in Note 1, the Entity's transition date to IFRS is January 1, 2011. During the preparation of the first consolidated financial statements under IFRS, set of transition rules was applied to the previously reported CFS under NIF´s.

The Entity applied IFRS 1, ***Initial Adoption of International Financial Reporting Standards,*** in its transition. IFRS 1 generally requires retrospective application of standards and interpretations upon adoption of IFRS. However, it allows certain exceptions and permits other exemptions to retrospective applicaion, in order to assist organizations in the transition process. The Entity has elected the following optional exemptions to retrospective application of IFRS as follows:

Deemed cost property, plant and equipment – The Entity elected to measure construction in-progress at fair value as of January 1, 2011. For its remaining property, plant and equipment, the Entity utilized depreciated cost under IFRS, as adjusted to reflect inflationary effects recorded under NIF, as deemed cost.

b. Mandatory exceptions

The Entity applied the following mandatory exceptions to retrospective application of IFRS (the remaining exceptions included in IFRS 1 were not applicable):

Exceptions related to estimates - The estimates under IFRS as of January 1, 2011 are consistent with the estimates at the date on which they were prepared in accordance with NIF.

c. Reconciliation of NIF to IFRS

IFRS 1 requires that the Entity to reconcile stockholders' equity, comprehensive income (loss) and cash flows from previous periods. The initial adoption of IFRS did not have a significant effect on cash flows from operating, investing or financing activities. The following tables present the reconciliations from NIF to the IFRS for the respective periods for stockholders' equity and comprehensive income (loss).

	NOTE	DECEMBER 31, 2011	JANUARY 1, 2011
Controlling interest of equity under NIF		$ 5,531,006	$ 4,084,553
IFRS Adjustments			
Transfer of financial assets - current period	a	(17,215)	17,215
Transfer of financial assets - prior period	a	17,215	-
Employee benefits	d	16,316	9,357
Fair value of fixed assets	b	(56,672)	(56,672)
Elimination of inflation	b	(53)	(2,230)
Effect of absorption cost – current period	e	(3,743)	2,090
Effect of absorption cost – prior period	e	3,743	1,653
Deferred tax effects	c	11,844	9,585
Total IFRS adjustments		(28,565)	(19,002)
Total stockholders' equity under IFRS		**$ 5,544,335**	**$ 4,092,641**

Reconciliation of the statement of comprehensive income for the year ended December 31, 2011:

	NOTE	NIF	TRANSITION EFFECTS	IFRS
Net sales	a	$ 8,074,787	$ (18,469)	$ 8,056,318
Cost of sales	e	(2,462,392)	(3,743)	(2,466,135)
Selling, general and administrative expenses	d	(3,555,181)	(14,640)	(3,569,821)
Other operating expenses, net	f	(41,746)	22,004	(19,742)
Interest expenses	a	(73,706)	1,254	(72,452)
Interest income		31,281	-	31,281
Exchange gain, net		59,386	-	59,386
Equity in results of associated companies		342	-	342
Income before income taxes		2,032,771	(13,594)	2,019,177
Income tax expense	c	(616,817)	4,077	(612,740)
Consolidated net income for the year		1,415,954	(9,517)	1,406,437
Other comprehensive income:				
Exchange differences on translating foreign operations		76,466	1,828	78,294
Consolidated comprehensive income		**$ 1,492,420**	**$ (7,689)**	**$ 1,484,731**

Note to the reconciliations

The most significant effects of transition from NIF to IFRS as of January 1, 2011 and December 31, 2011 are described below.

a. ***Transfer of financial assets –*** In accordance with IAS 39, Financial Instruments: Recognition and Measurement, disposals of financial assets are recognized only when the entity transfers, substantially, all the risks and benefits related to the ownership of the financial asset. Under NIF, disposal of a financial asset occurs upon transfer of legal title. Accordingly, the assets transferred under NIF were not derecognized under IFRS.

Additionally, the financial cost of factoring must be presented decreasing income, in accordance with IFRS; under NIF, it was classified as a financial cost.

b. ***Buildings, properties and equipment net and stockholder´s equity –*** According to IFRS, inflationary effects are recognized in the financial statements when the economy of the currency in which the Company´s transactions are recorded is considered hyperinflationary (generally when inflation for the preceding three-year period exceeds 100%). The Mexican economy ceased to be hyperinflationary in 1999. NIF required the recognition of inflation when the environment was considered to be inflationary (generally when inflation for the preeding three-year period exceeded 26%), as per NIF B-10, *Effects of Inflation.* As a result, the inflationary effects that were required to be recognized by the Entity (except for property, plant and equipment) from 1999 to December 31, 2007 under NIF have been eliminated.

c. ***Income taxes –*** The Entity recalculated deferred income taxes based on the revised carrying values of assets and liabilities under IFRS.

d. ***Employee benefits –*** According to IFRS, liabilities for severance payment are not recognized unless the Entity is able to provide evidence of its commitment to end the working relationship with the employee or has made the employee an offer to encourage voluntary retirement. NIF required the recognition of such liability in accordance with NIF D-3, *Labor Obligations.* Therefore at January 1,2011, the liability recognized under MFRS was eliminated.

e. ***Inventories and cost of sales -*** Until 2010, NIF allowed the direct costing method to value inventories; commencing 2011, the absorption costing method is required, similar to IAS 2, *Inventories*.

f. ***Classification of PTU -*** NIF B-3 *Income Statement* requires PTU to be presented as other expenses; under IFRS, PTU is compensation to employees and therefore, is presented within selling, general and administrative expenses.

25. SUBSEQUENT EVENTS

On January 25, 2013, Genomma Lab Internacional concluded the acquisition of the Tafirol trademark, through its subsidiary in Argentina.

26. NEW ACCOUNTING PRONOUNCEMENTS

The entity has not applied the following new and revised IFRSs that have been discussed but not yet implemented:

IFRS 9 Financial Instruments [3]
IFRS 10 Consolidated Financial Statements [1]
IFRS 11 Joint Arrangements [1]
IFRS 12 Disclosure of Interests in Other Entities [1]
IFRS 13 Fair Value Measurement [1]
Modifications to IFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities [1]
Modifications to IFRS 9 and IFRS 7, Effective date of IFRS 9 and Transition Disclosures [3]
Modifications to IFRS 10, IFRS 11 and IFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guide's [4]
IAS 19 (revised in 2011), Employee Benefits [1]
IAS 27 (revised in 2011), Separate Financial Statements [1]
IAS 28 (revised in 2011), Investments in Associates [1]
Modifications to IAS 32, Disclosures - Offsetting Financial Assets and Financial Liabilities [2]
Modifications to IFRS, Annual Improvements to IFRS 2009-2011, Except for the amendments to IAS [11]
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine [1]

1 *Effective for annual periods beginning on or after January 1, 2013.*
2 *Effective for annual periods beginning on or after January 1, 2014.*
3 *Effective for annual periods beginning on or after January 1, 2015.*

IFRS 9 Financial Instruments (as revised in 2010) - IFRS 9 (as originally issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 modified in October 2010 includes classifications and measurement requirements of financial liabilities for its offset.

The main requirements of IFRS 9 are described below.

- Under IFRS 9, all recognized financial assets that are currently within the scope of IAS 39 Financial Instruments: Recognition and Measurement will be subsequently measured at either amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortized cost. All other debt instruments must be measured at fair value through profit or loss. Additionally, if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income, with only dividend income generally recognized in profit or loss.

- The major change of IFRS 39 relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as fair value through profit or loss', the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss' is presented in profit or loss.

In May 2011, the IASB issued a package of five standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

The main requirements of these five standars are described:

IFRS 10 Consolidated Financial Statements - IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation, control Additionally IFRS includes the definition of control with three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. A set of rules has been added to IFRS 10 in order to treat complex scenaries.

IFRS 11 Joint Arrangements - IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three types of joint arrangements; joint control, joint assets and joint transactions, establishment of a separate legal vehicle is the key factor in determining the existence of a jointly controlled entity.

Additionally, under IFRS 11, joint ventures must be accounted for using the equity method of accounting, under IAS 31 they could be accounted using the equity method or – proportionate consolidation

IFRS 12 Disclosure of Interests in Other Entities - IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards.

IFRS 13 Fair Value Measurement - IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IAS 32 - Offsetting Financial Assets and Financial Liabilities - The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

IFRS 7 Financial Instruments Disclosures - The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.

IAS 19 Employee Benefits (as revised in 2011) - The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Additionally, interest cost and expected return on plan assets used under IAS 19 are replaced by the net interest, which is calculated by applying the discount rate at the beginning of the reporting period to the net defined benefit liability or asset at the beginning of each reporting period.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. Management expects their adoption commencing January 1, 2013. The modifications of IAS 19 may have an impact in the defined benefit plan of the Entity. Management has not performed a detailed analysis nor quantified the possible effects yet

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012 (except IAS 1) - The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 Property, Plant and Equipment; and
- Amendments to IAS 32 Financial Instruments:

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The Entity is evaluating the impact the adoption of this standard may have on this consolidated financial information.

27. FINANCIAL STATEMENT ISSUANCE AUTHORIZATION

On February 25, 2013, the issuance of the consolidated financial statements for the year ended December 31, 2012, was authorized by Lic. Oscar Villalobos Torres, Vice-president of Finance and Administration. 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.

Shareholders' **Information**

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