EXPORTING WELL-BEING

2013 ANNUAL REPORT

ORIGIN:

DESTINATION:

Genomma Lab Internacional

www.genommalab.com/inversionistas

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GOING FURTHER

CORPORATE PROFILE

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

MISSION

Help people improve and maintain their health and wellness with innovative, safe and effective products, provide development opportunities to our collaborators and ensure profitability for our shareholders, as well as to have a positive impact on our community and the environment.

VISION

To be the market leader in the categories of over-the-counter medicines drugs and personal care products, and be recognized for making a positive difference in the health and wellness of people, communities and the environment.

VALUES

Teamwork
Sustainability
Efficiency
Innovation
Creativity
Efficacy
Integrity

OUR RESULTS

15.9% INCREASE IN NET SALES
Reaching $11.36 billion pesos

62.5% INCREASE IN INTERNATIONAL SALES
Reaching $4.27 billion pesos

37.6% INTERNATIONAL
Of total sales

62.4% MEXICO
Of total sales

17.3% INCREASE IN EBITDA
Reaching $3.00 billion pesos

1.67 EARNINGS PER SHARE
An increase of 11.9%

9 NEW BRANDS

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

Figures in millions of pesos.

	2013	2012	Variation
Net Sales	11,360.7	9,799.7	15.9%
Gross Profit	7,944.3	6,737.6	17.9%
SG&A	5,017.2	4,245.0	18.2%
Operating Profit	2,936.9	2,492.1	17.8%
EBITDA(1)	3,001.1	2,558.5	17.3%
% of Net Sales	26.4%	26.1%	0.3pp(3)
Net Profit	1,810.6	1,606.0	12.7%
% of Net Sales	15.9%	16.4%	-0.5pp
Earnings per Share(2)	1.67	1.49	11.9%

(1) EBITDA is calculated by adding depreciation and amortization to the operating income.
(2) Earnings per share are for the last 12 months and were calculated using the weighted average of outstanding shares during the time period.
(3) pp: percentage points.

BALANCE SHEET

Figures in millions of pesos.

Assets	
Cash and Equivalents	1,767.1
Clients	5,016.1
Inventories	1,442.1
Other Assets	9,127.6
Total Assets	17,352.9

Liabilities and Shareholder´s Equity	
Suppliers	1,644.1
Other current liabilities	1,417.6
Long-term Debt	5,455.9
Shareholder's Equity	8,835.3
Total Liabilities and Shareholder's Equity	17,352.9

CASH CONVERSION CYCLE

	2013	2012
Days of Clients	159	176
Days of Inventories	152	121
Days of Suppliers	173	143
Cash Conversion Cycle	**138**	**154**

OTHER FINANCIAL DATA

	2013	2012	2011	2010
P/E	21.91	17.81	20.32	29.01
FV / EBITDA*	14.03	11.67	13.00	17.52
Net Debt / EBITDA*	1.23	0.99	-0.27	NA

*Considers EBITDA for the last twelve months.

OUTSOURCED MANUFACTURING:

"The broad network of suppliers that Genomma Lab has built up over the years gives us strength and quality on the manufacturing of our products, as well as flexibility to support the Company's dynamism."

Miguel Peinado,
Vice-President of Supply Chain.

INNOVATION AND DEVELOPMENT:

"We develop products of the highest quality that meet the needs of consumers in Mexico and abroad."

Abril Belmonte,
Director of Research and Development.

OUTSOURCED MANUFACTURING:

"The broad network of suppliers that Genomma Lab has built over the years gives us strength and quality on the manufacturing of our products, as well as flexibility to support the Company's dynamism."

Miguel Peinado,
Supply Chain Vice-President.

SALES:

"Thanks to our sales force and direct work with clients, we reach over 44,000 points of sale in Mexico and more than 125,000 in our international operations."

Pablo Morales,
Commercial Director of Retailers and Price Clubs.

MARKETING AND BRAND POSITIONING:

"We keep track of the sell-out of our products on a daily basis to understand their performance in the market, both in Mexico and abroad."

Claudia Ortega,
Marketing Executive Vice-President.

INTERNATIONAL:

"We have shown that our business model is successful in all the countries where we operate. Our market share has grown significantly in the various countries where we are present. As a result, as of December 2013, international sales accounted for 38% of the Company's sales, with a solid EBITDA margin."

Máximo Juda,
International Operations Vice-President.

"2013 was a year of important challenges for Genomma Lab, in which we strengthened our operations in Mexico and experienced a strong growth in our international operations."

Rodrigo Herrera,
CEO and Chairman of the Board.

ON THE SAME PATH, MESSAGE FROM THE CEO

Dear Shareholders,

2013 was a year of important challenges for Genomma Lab, in which we strengthened our operations in Mexico and expanded our presence in the international markets, replicating our successful business model in other countries. We have been able to position over 45 brands in the top three spots of their categories in the countries where they are present, and we maintain our #1 ranking in the OTC markets in Mexico and Argentina.

The 15.9% solid growth in Net Sales in 2013 was driven by sales of our OTC products in Mexico and our international operations, where we continued to experience positive feedback of our initiatives in the United States, and also a positive penetration and expansion of our products in Brazil; as well as a strong performance coming from the rest of the countries where we operate. Continuing with our long-term strategy, we started to implement our acquisition strategy in the international markets, focusing mainly on the OTC market.

In Mexico, sales of our OTC products had a strong performance, proving to be defensive against slow consumption throughout the year. However, such slowdown did affect the performance of our personal care products. Mexico continues to be the base of our operations and is now a mature market for the Company. As such, sales growth is now more linked to growth of the segments where the Company participates.

Throughout 2013, we worked on important intiatives to improve the Company's cash conversion cycle, and we implemented key strategic changes resulting in a significant improvement compared to 2012, as well as reduced volatility for this indicator.

We have been able to expand our presence in international markets, replicating our successful business model in other countries.

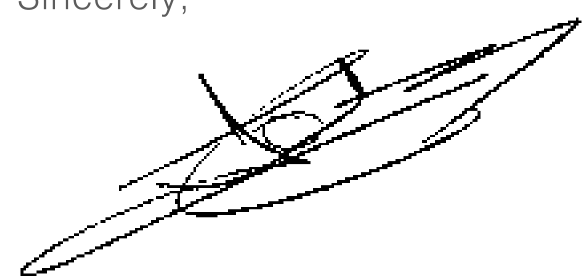
Continuing with our strategy to acquire brands with high consumer recognition, during 2013, we made the following acquisitions: Tafirol in Argentina, Losec A, Oxigricol, Mopral, Ah-micol, Xyloproct, Xyloderm, Estomacurol and Passiflorine in Mexico; a package of Johnson and Johnson brands with presence throughout Latin America, including Agarol, Kaopectate, Masse, Triatop, Emplastro, Sabia, Bebederm, Carlo Erba and Dulcoryl; and finally, the right, subjected to certain standard conditions, to acquire 15 brands and 30 sanitary registrations of OTC products in Brazil.

Finally, during 2013 Genomma Lab entered the debt securities market, issuing $4.00 billion pesos through two placements, the first in July and the second in October 2013. The resources obtained were used to prepay existing debt, improving the debt maturity profile and reducing its cost.

We appreciate the dedication of our collaborators and suppliers, the trust of our shareholders and the loyalty of our clients. We hope to continue working alongside them and our shareholders to build the success of 2014 and the years to come.

Genomma Lab has a great future ahead and we are sure that 2014 will be another excellent year.

Sincerely,



Rodrigo Alonso Herrera Aspra

Chairman of the Board and CEO of Genomma Lab International, S.A.B de C.V.

MEXICO: THE LABORATORY OF OUR OPERATIONS

INNOVATION AND DEVELOPMENT

REPLICATING THE MODEL

Genomma Lab has developed a successful business model based primarily on two pillars. First, the strong capacity to innovate and develop new products and brands that satisfy consumers' needs. We do so with hundreds of focus groups every year, aiming to understand the needs of our consumers. Second, we are able to position our brands and generate demand for them with a strong and carefully planned advertising and marketing, mainly on television.

In 2005, we began to export this business model to Peru, with great success. Since then, we have replicated the model in 15 countries outside of Mexico, exporting the brands and products that have proven to be successful in Mexico and tropicalizing both products and advertising to each of the countries where we operate; in addition to a previous detailed study of consumer needs in each country.

Currently, 38% of Genomma Lab's total sales come from international operations, and this percentage will continue to grow as the Company consolidates itself as an international company.

Mexico is the laboratory of our operations. The successful business model that we began to develop over 17 years ago in Mexico has now been replicated in 15 other countries, adapting it to the needs and trends of each market where we have operations.

Over 400 focus groups a year to understand the needs of our consumers.

Over 1,300 television spots produced in 2013.

We have successfully replicated our business model in 15 countries outside of Mexico.

EXPORTING WELL-BEING

A SUCCESSFUL FORMULA OUR BUSINESS MODEL

1 INNOVATION AND DEVELOPMENT

Great internal capacity to develop new and innovative brands and products, which is one of the Company's main competitive advantages.

2 SUPPLIERS' NETWORK

After testing our outsourced manufacturing model in Mexico, we have begun to replicate it in our international operations, which has improved the Company's cash conversion cycle.

3 QUALITY CONTROL

All of our products are of the highest quality. The Company's quality control department ensures that all of Genomma Lab's products comply with the applicable health standards.

4 COMMERCIAL DEPARTMENT

The Company frequently monitors its clients' data, and based on it, the sales department makes suggested purchase orders, ensuring that all of our clients have the optimum inventory to satisfy the demand of our products.

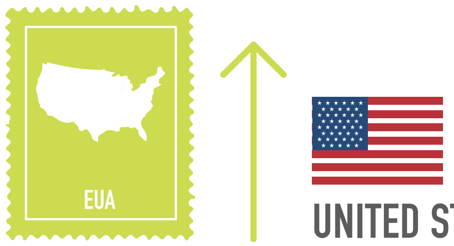
5 DISTRIBUTION NETWORK

Genomma Lab has a distribution network that consists of wholesalers, pharmacy chains, retailers, department stores and convenience stores, which allows the Company to have an important presence in both the Mexican and international markets.

6 MARKETING AND BRANDING POSITIONING

Another of the Company's competitive advantages is the capacity to generate the demand for its products through television advertising. Genomma Lab produces 100% of commercials internally, which gives it the flexibility to react quickly to changes in demand and the competition.

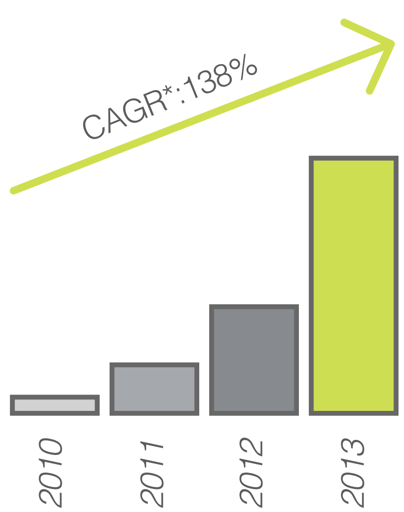
EXPORTING WELL-BEING THE UNITED STATES



UNITED STATES

In 2010, Genomma Lab launched operations in the United States, focusing on the Hispanic market. By December 2013, the United States was the third largest market in terms of net sales among our international operations, with a growth of 134.4% compared to 2012, and it will continue to grow to become one of the Company's main markets.

UNITED STATES SALES



*Compounded Annual Growth Rate.

THE HISPANIC MARKET

The Hispanic market in the United States represents a great opportunity. With a population of over 65 million people[1] and a significant growth in purchasing power over the past 20 years, this market is the fastest growing consumer market in the world.

Genomma Lab has demonstrated its capacity to understand the Hispanic market and to launch brands and products that meet their needs, supporting these efforts with advertising campaigns that have proven to be successful in Mexico, and tropicalizing them to make a connection with the Hispanic people living in the United States. With this, we have been able to increase our presence and position our products in the market.

Genomma Lab currently has 17 brands in this market and over 50 products, which reach the consumer through over 12,000 points of sale. Our products are located in areas where the Hispanic population is highly concentrated and are advertised through the Hispanic channels with which these consumers most identify.

SALES GROWTH
of **134.4%** over 2012

17 BRANDS AND OVER 50
products in the Hispanic market in the United States

Genomma Lab is the
#1 ADVERTISER
for the Hispanic market in the United States[2]

It is expected that by 2050, the Hispanic market will represent
25% OF THE US POPULATION
(vs. 16% in 2010)[1]

The Hispanic purchasing power in the United States has increased by 5x over the last twenty years and it is expected to account for more than10% of the total buying power by 2015.[1]

(1) Source: U.S. Census Bureau, Sellig Center of Economic Growth, IRI Ethnic Workbench Scan Data, Wall Street research.
(2) According to the magazine "Advertising Age."

INITIATIVES IN THE USA

WAL-MART AND WALGREENS

At the beginning of 2013, following a three-month trial period, we launched an initiative with Walgreens in the United States, aiming to increase the presence of our products, reaching more points of sale and improving our shelf space. Two months later, we launched a similar initiative with Wal-Mart.

In 2013, we worked on the development of these initiatives, obtaining positive results. We achieved an important growth in terms of points of sale, reaching more than 4,500 within these two clients, and better shelf space for our products. Additionally, Hispanic customer traffic in Walgreens and Wal-Mart stores increased significantly.

Our brand Tukol is already in 6,600 stores across the United States and is the best selling anti-tussive at Walgreens in that country.

EXPORTING WELL-BEING
BRAZIL

With a population of over 200 million people, Brazil is the most important country in Genomma Lab's international operations in terms of sales.

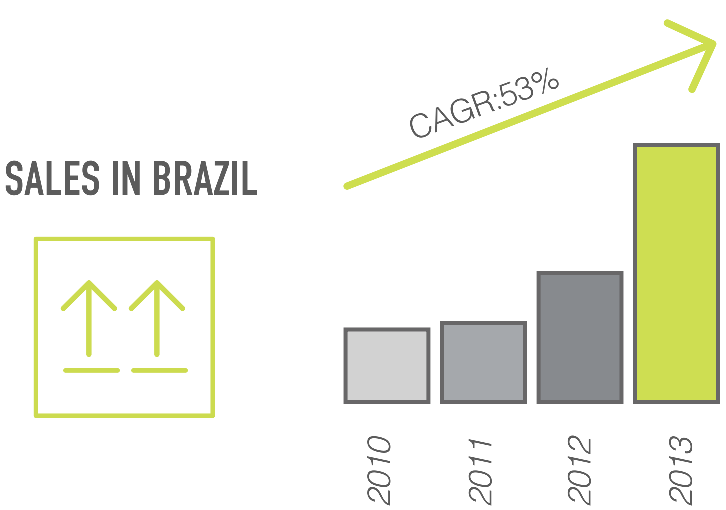
In 2013, Brazil posted a growth of 96.3% compared to 2012, mainly due to the success in replicating our business model and the closing of key negotiations with major local television chains in the country. As part of Brazil results, the brand Asepxia surpassed the sales it has in Mexico with less SKUs.

98.3% SALES GROWTH 2013 VS 2012

Genomma Lab's products reach more than 63,000 points of sale in Brazil
(as of December 2013)

CICATRICURE AND ASEPXIA ARE #1 IN THEIR CATEGORY (IN BRAZIL)

SALES IN BRAZIL



EXPORTING WELL-BEING LATAM

With a presence in 13 countries, LATAM is the most consolidated region in Genomma Lab's international operations. This region has been very attractive for replicating Genomma Lab's business model due to significant similarities in trends and habits.

38.8% SALES GROWTH 2013 VS 2012

(in LATAM)

MORE THAN 50,00 POINTS OF SALE IN LATAM

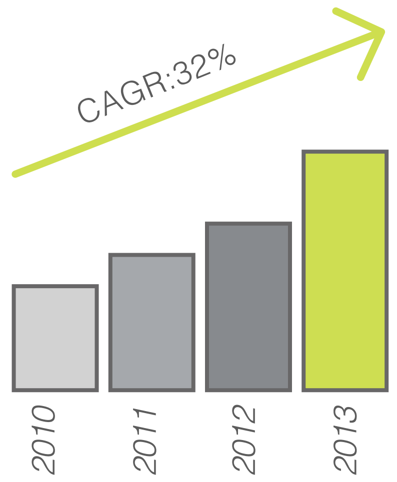
(as of December 2013)

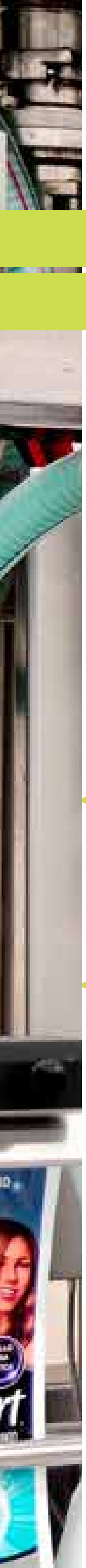
GENOMMA LAB IS THE #1 PHARMACEUTICAL COMPANY IN THE OTC MARKET IN ARGENTINA

As proof of this, Genomma Lab has become the number one player in the OTC market in Argentina and has positioned itself as one of the top ten OTC companies in 9 out of the12 other countries.

In 2013, Colombia and Argentina registered a growth of 57.7% and 39.9%, respectively, compared to 2012. The rest of the LATAM countries posted a consolidated net sales growth of 29.1%, compared to 2012.

LATAM SALES





EXPANDING OUR HORIZONS

LOCAL SUPPLIERS IN OUR INTERNATIONAL OPERATIONS

Aiming to speed up the “time to market” of our products and reduce the working capital investment, in 2012 we began to manufacture some of our products locally in Argentina, Colombia, Brazil and the US, a practice that has begun to yield positive results in 2013.

Currently, Genomma Lab outsources manufacturing of its products in the United States, Argentina, Colombia and Brazil through:

OVER 30 SUPPLIERS.

% OF TOTAL BRANDS SOLD IN THESE COUNTRIES AND MANUFACTURED LOCALLY:

USA 100%

ARGENTINA 52%

BRAZIL 33%

COLOMBIA 29%

(As of December 2013).

ACQUISITIONS

In 2013, we continued with our acquisition strategy, purchasing brands that are well known to consumers and that at the same time are able to accelerate value generation and profitability for Genomma Lab.

We have taken our acquisition strategy to new horizons, acquiring in 2013 the brand Tafirol in Argentina, a package of eight OTC brands with presence in 10 Latin American countries (including Mexico and Brazil) and 15 brands and 30 OTC sanitary registrations in Brazil, focusing on OTC brand acquisitions as a strategy to strengthen our product mix in the international markets and increase our profitability.

This strategy has given us access to key acquisitions in the region, through which we have already acquired brands from international pharmaceutical companies including Aztra Zeneca, Johnson and Johnson, Perrigo, Nycomed and Colgate-Palmolive, among others.

We will continue to look at brand acquisition opportunities, mainly in the OTC market, both in Mexico and in the other countries where we are present, which will strengthen growth and profitability for the Company.

Brands acquired in 2013:

TAFIROL
Argentina

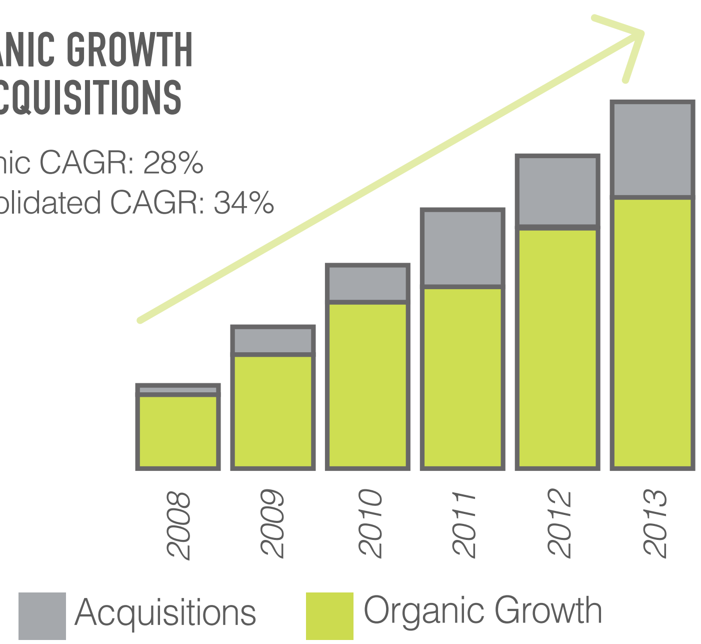
LOSEC A | **PACKAGE OF 7 OTC BRANDS**
Mexico

PACKAGE OF 8 OTC BRANDS IN 10 COUNTRIES
Mexico, Brazil and LATAM

15 BRANDS AND 30 LICENSES
Brazil

ORGANIC GROWTH VS ACQUISITIONS

Organic CAGR: 28%
Consolidated CAGR: 34%



SOCIAL RESPONSIBILITY

OUR PEOPLE

We believe that our people are entrepreneurs, representatives and leaders of our Company in constant growth, which is why we seek to maximize their individual potential and professional development.

COMMUNITY SUPPORT

This year we continued to support marginalized communities by generating opportunities for their development, as we have done with the "QG5" project.

Following the natural disasters in Mexico, mainly in the regions of Guerrero and Veracruz, our collaborators, in solidarity, donated supplies and personal care and hygiene products.

For the second consecutive year, in December 2013, we sponsored an internal campaign known as "Alegra un Corazón" (Make a Heart Happy), collecting new toys donated by our employees. This year, we gave the toys to "Fundación Unidos por Ellos," who made sure they were given to children in the communities affected in Guerrero as a result of the natural disasters in Mexico.

COMMITMENT
This year, our volunteer program supported vulnerable communities.

SUSTAINABILITY
The Company is a member of the "IPC Sustentable" (Sustainability IPC Index) of the Mexican Stock Market.

RESPONSIBILITY
We joined "Reto Leer Más" (Read More Challenge) of the Communication Council through our internal campaign "Rola tu libro" (Share your Book).

ENVIRONMENT
We worked alongside our suppliers on the "Liderazgo Ambiental para la Competitiividad" program (Environmental Leadership for Competitiveness) organized by PROFEPA.

TRAINING
We invested 26,837 hours in the professional development of our employees.

COMMUNITY QG5
Production and commercialization of the guava leaf, from which we obtain Querticena, the active ingredient in QG5, increased by 12.5%.

GENOMMA LAB FOUNDATION

The Genomma Lab Foundation donated a total of $10 million pesos to the Mexican Red Cross to assist in zones affected by the tropical storms Ingrid and Manuel.

We have contributed to various social initiatives focused on improving the quality of life for marginalized groups by donating over $6 million pesos. We supported the “Carrera del Día de la Familia,” (Family Day Race) organized by the Communication Council through sponsorships and we also took part in the “Carrera Kardias,” (Kardias Race) supporting treatment for children with congenital heart failure.

Genomma Lab International and the Genomma Lab Foundation have donated over 42,000 items of medication and over 29,000 personal care products to various institutions.

RECYCLING

For the third consecutive year, we renewed our agreement to collaborate with “Fundación San Ignacio de Loyola,” recycling over 57 tons of company waste.

GREENHOUSE GAS EMISSIONS

For the second consecutive year, we have made public our greenhouse gas emissions using the GHG Protocol, which allows us to identify and monitor sources of emissions that are under our control.

INCOME STATEMENT

COMPARATIVE NUMBERS 2013–2012

NET SALES
(in millions of pesos)

Net Sales increased 15.9%, reaching $11.36 billion pesos, compared to $9.80 billion pesos in 2012. This increase was the result of: i) $5.86 billion pesos from **Base Brands** in Mexico, including line extensions of these brands; ii) an increase of 172.2% ($581.2 million pesos) due to **Previous Year Launches** in Mexico, including recent line extensions of these brands launched in 2012, reaching $918.7 million pesos; iii) $302.8 million pesos for **New Brands** in Mexico, due to the launch of 73 new products under nine New Brands throughout the year; and iv) an increase of 62.5% ($1.64 billion pesos) of our **International** operations, reaching $4.27 billion pesos.

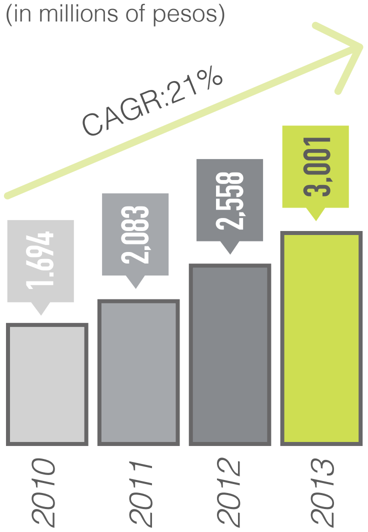
Gross Profit for the Company increased 17.9% to $7.94 billion pesos in 2013, compared to $6.74 billion pesos in 2012. The gross margin increased by 1.1 percentage points to 69.9%, compared to 68.8% in 2012. This increase in margin was mainly due to a better product mix of our products, resulting from a greater share for our OTC products, as a percentage of Net Sales, which have a lower cost of goods sold, as percentage of Net Sales.

SG&A for 2013 as a percentage of Net Sales increased 0.9 percentage points, reaching 44.2%, compared to 43.3% in 2012. This increase was mainly due to greater advertising expenses throughout the year to support the expansion of our international operations, mainly in Brazil and the United States, as well as new merchandising expenses in our operations in Mexico to improve the presence of our brands in the point of sale.

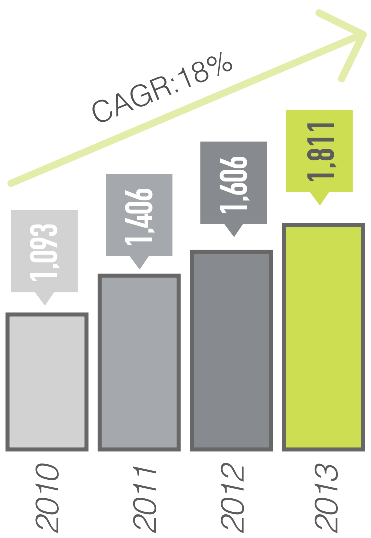
EBITDA increased 17.3%, reaching $3.00 billion pesos in 2013, compared to $2.56 billion pesos in 2012. EBITDA margin, as a percentage of Net Sales, increased 0.3 percentage points, reaching 26.4% in 2013, compared to 26.1% in 2012.

Operating Profit increased 17.8%, reaching $2.94 billion pesos in 2013, compared to $2.49 billion pesos in 2012. The operating margin, as percentage of net sales, increased by 0.5 percentage points to 25.9% in 2013, compared to 25.4% in 2012.

EBITDA
(in millions of pesos)



NET PROFIT
(in millions of pesos)



Comprehensive Financing Income Result for 2013 represented a loss of $342.5 million pesos, which is an increase in loss of $174.4 million pesos, compared to a loss of $168.1 million pesos in 2012. This increase in loss is mainly due to: i) Foreign Exchange Loss amounting to $56.9 million pesos during 2013, compared to a loss of $42.3 million pesos in 2012; ii) an increase in Financial Expenses of $130.9 million pesos as a result of the credit lines obtained by the company in 2013 reaching $298.5 million pesos in 2013, compared to $167.5 million pesos in 2012; and iii) lower Interest Income resulting in $12.8 million pesos in 2013, compared to $41.7 million pesos in 2012.

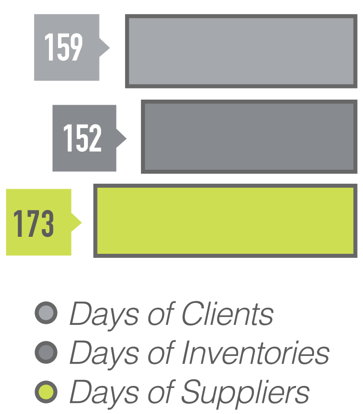
Consolidated Net Profit for 2013 increased 12.7% to $1.81 billion pesos, representing a margin of 15.9% over Net Sales, compared to $1.61 billion pesos in 2012, which represented a margin of 16.4%.

BALANCE SHEET

Cash and Equivalents increased 92.7% ($850.0 million pesos), reaching $1.77 billion pesos as of December 31, 2013, compared to $917.2 million pesos as of December 31, 2012. This increase was mainly due to the cash generated by our operations over the last twelve months, which was offset by various payments made for brand acquisitions, which were also financed with new loans from financial institutions.

Clients amounted to $5.02 billion pesos as of December 31, 2013, compared to $4.80 billion pesos as of December 31, 2012. **Days of Clients** decreased 17 days, to 159 days as of December 31, 2013, from 176 days as of December 31, 2012. This improvement in days was the result of the actions taken in 2013 to improve commercial policies with our clients, mainly in Mexico, aiming to reduce accounts receivable and control seasonality between quarters, despite the strong growth in our international operations.

CASH CONVERSION CYCLE DAYS
(December 2013)



Inventories reached $1.44 billion pesos as of December 31, 2013, compared to $1.03 billion pesos as of December 31, 2012. Days of Inventories increased 31 days to 152 days as of December 31, 2013, from 121 days as of December 31, 2012. This increase was mainly due to strong international sales, which require preparing greater inventories. Although we have started to work with local suppliers in many countries, a lot of these products are still manufactured by our suppliers in Mexico.

Suppliers reached $1.64 billion pesos as of December 31, 2013, compared to $1.22 billion pesos as of December 31, 2012. Days of Suppliers increased 30 days to 173 days as of December 31, 2013, from 143 days as of December 31, 2012. This increase was in line with the increase in inventories. Additionally, the Company has continued to improve its relationship with suppliers outside of Mexico by increasing volume and scale, which has resulted in longer terms for the Company.

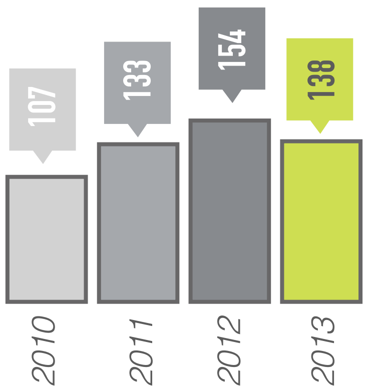
Loans with Financial Institutions reached $1.47 billion pesos as of December 31, 2013, compared to $3.46 billion pesos as of December 31, 2012. The current portion of long-term debt was $805.0 million pesos as of December 31, 2013, which represented 54.6% of the total debt with financial institutions. In the fourth quarter, debt was raised to finance the last two acquisitions, both made in our international operations.

Unsecured Debt Certificates ("Certificados Bursátiles") amounted to $3.99 billion pesos as of December 31, 2013. The first issuance for $2.00 billion was made on July 8, 2013, and the second, for the same amount, was made on October 3, 2013. Both were used to prepay existing debt with financial institutions, improving the debt maturity profile to 4.4 years and lowering its cost.

As of December 31, 2013, the Company's Gross Debt reached $5.46 billion pesos, representing a Net Debt to EBITDA ratio of 1.23.

The **Cash Conversion Cycle** reached 138 days at the end of 2013, which represents a decrease of 16 days, compared to 154 days at the end of 2012. The Company has been focused on improving the cash conversion cycle and reducing its volatility, implementing important actions throughout 2013. The results have been positive and we will continue to work on improving this aspect.

CASH CONVERSION CYCLE
(in days)



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

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report Dated April 7, 2014 (Free translation from Spanish Language Original)

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2013 AND 2012

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, 2013 and 2012 and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2012, 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, as issued by the International Accounting Standards Board, 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 and plan and perform 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 risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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

C. P. C. Walter Fraschetto

Consolidated Statements of financial position

Genomma Lab Internacional, S. A. B. de C. V. and Subsidiaries
As of December 31, 2013 and 2012
(Thousands of Mexican pesos)

	Note	2013	2012
Assets			
Current Assets:			
Cash, cash equivalents and restricted cash	5	$ 1,767,144	$ 917,166
Accounts receivable - net	6	5,600,429	5,071,213
Accounts receivable from related parties	18	93,126	195,624
Inventories - net	7	1,442,056	1,032,400
Prepaid expenses		1,084,498	999,261
Total current assets		9,987,253	8,215,664
Long - lived assets:			
Buildings, properties and equipment – Net	8	408,383	403,588
Investment in shares of associated company	10	17,681	5,680
Deferred income taxes	20	37,641	14,092
Other assets, net	9	6,901,910	4,353,566
Total		$ 17,352,868	$ 12,992,590

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

	Note	2013	2012
Liabilities and stockholders' equity			
Current liabilities:			
Bank loans and current portion of longterm debt	11	$ 805,025	$ 406,621
Accounts payable to suppliers		1,644,125	1,218,663
Other payables and accrued liabilities		664,144	909,060
Accounts payable to related parties	18	-	9,480
Income taxes		30,881	82,966
Statutory employee profit sharing payable		9,911	3,110
Total current liabilities		3,154,086	2,629,900
Long term liabilities:			
Long term debt	11	4,650,852	3,052,275
Sundry debtors		50,181	60,562
Employee benefits	12	1,889	1,659
Deferred income taxes	20	660,416	229,370
Total liabilities		8,517,424	5,973,766
Stockholders' equity:			
Capital stock	16	1,914,306	1,921,660
Repurchase of stock		(74,621)	(159,952)
Premium on reissuance of repurchased stock		39,749	39,749
Retained earnings		6,819,006	5,156,955
Translation effects of foreign operations		12,834	4,695
Controlling interest		8,711,274	6,963,107
Non controlling interest		124,170	55,717
Total stockholders' equity		8,835,444	7,018,824
Total		$ 17,352,868	$ 12,992,590

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

Consolidated Statements of Profit and other comprehensive income

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

For the years ended December 31, 2013 y 2012

(Thousands of Mexican pesos, except earnings per share information expressed in pesos)

	Note	2013	2012
Net revenue		$ 11,360,689	$ 9,799,690
Cost of goods sold		3,416,363	3,062,130
Gross profit		7,944,326	6,737,560
Selling, general and administrative expense		5,017,153	4,245,037
Other (income) expenses, net	19	(9,719)	402
		5,007,434	4,245,439
Operating income		2,936,892	2,492,121
Interest expense		(298,469)	(167,521)
Interest income		12,847	41,651
Exchange loss gain, net		(56,921)	(42,250)
Equity in income (loss) of associated companies	10	11,244	(1,310)
Income before income taxes		2,605,593	2,322,691
Income taxes expense	20	794,983	716,723
Consolidated net income		1,810,610	1,605,968
Other comprehensive income for the year, net of income taxes			
Exchange differences on translating foreign operations		9,885	(65,155)
Consolidated comprehensive income		$ 1,820,495	$ 1,540,813
Net income attributable to:			
Controlling interest		$ 1,752,468	$ 1,564,936
Non – controlling interest		58,142	41,032
		$ 1,810,610	$ 1,605,968

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

	Note	2013	2012
Consolidated comprehensive income attributable to:			
Controlling interest		$ 1,760,607	$ 1,504,004
Non – controlling interest		59,888	36,809
		$ 1,820,495	$ 1,540,813
Basic earnings per share:			
Basic and diluted earnings per share		$ 1.67	$ 1.49
Weighted average common shares outstanding (thousands of shares)		1,048,733	1,048,416

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

Consolidated Statements of Changes in Stockholders' Equity

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

For the years ended December 31, 2013 and 2012

(Thousands of Mexican pesos)

	Contributed Capital			Earned capital			
	Capital stock	Share repurchase	Premium on reissuance of repurchased shares	Retained earnings	Translation effects of foreign operations	Non-controlling interest	Total stockholders´ equity
Balances as of January 1, 2012	$ 1,921,660	$ (96,477)	$ 19,612	$ 3,592,019	$ 65,627	$ 41,894	$ 5,544,335
Share repurchase – Net	-	(63,475)	-	-	-	-	(63,475)
Dividends paid in subsidiaries	-	-	-	-	-	(22,986)	(22,986)
Reissuance of repurchased shares	-	-	20,137	-	-	-	20,137
Consolidated 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
Capital stock decrease	(7,354)	97,771	-	(90,417)	-	-	-
Share repurchase – Net	-	(12,440)	-	-	-	-	(12,440)
Cancellation dividends paid	-	-	-	-	-	8,565	8,565
Consolidated comprehensive income	-	-	-	1,752,468	8,139	59,888	1,820,495
Balances as of December 31, 2013	$ 1,914,306	$ (74,621)	$ 39,749	$ 6,819,006	$ 12,834	$ 124,170	$ 8,835,444

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

Consolidated Statements of Cash Flows

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

For the years ended December 31, 2013 and 2012

(Thousands of Mexican pesos)

	2013	2012
Cash flows from operating activities:		
Consolidated net income	$ 2,605,593	$ 2,322,691
Items related to investment activities:		
Depreciation and amortization	64,243	66,347
Gain on sale of equipment	(6,353)	(478)
Unrealized foreign exchange fluctuations	276	61
Equity in loss (income) of associated companies	(11,244)	1,310
Other	1,637	-
Items related to financing activities:		
Interest expense	272,914	157,326
	2,927,066	2,547,257
Net changes in working capital:		
(Increase) decrease:		
Accounts receivable, net	(727,694)	(1,835,890)
Related parties, net	93,017	(133,899)
Inventories	(409,656)	68,553
Prepaid expenses	(85,211)	(749,276)
Increase (decrease):		
Trade accounts payable	425,458	(43,677)
Other payables and accrued liabilities	(87,269)	225,959
Income taxes paid	(262,316)	(186,035)
Employee retirement obligations	229	487
Stock - based compensation cost	(9,678)	18,142
Statutory employee profit sharing	6,801	(17,475)
Other, net	-	(1,232)
Net cash flow provided by (used in) operating activities	1,870,747	(107,086)
Cash flow from investment activities:		
Acquisition of buildings, properties and equipment	(40,887)	(71,723)
Sale equipment	9,574	1,179
Acquisition of other assets	(2,690,934)	(2,617,163)
Net cash flow used in investing activities	(2,722,247)	(2,687,707)

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

	2013	2012
Net cash flow to be obtained from financing activities	(851,500)	(2,794,793)
Cash flow from financing activities:		
Proceeds from debt	5,822,171	2,668,896
Payments of debt	(3,784,457)	(180,000)
Share repurchase	(2,763)	(219,440)
Sale of repurchased shares	-	153,239
Interest paid	(277,997)	(162,242)
Non - controlling interest	10,310	(27,209)
Net cash flow provided by financing activities	1,767,264	2,233,244
Net increase (decrease) in cash, cash equivalents and restricted cash	915,764	(561,549)
Adjustment to cash flows due to exchange rate fluctuations	(65,786)	(59,805)
Net increase (decrease) in cash, cash equivalents and restricted cash	849,978	(621,354)
Cash, cash equivalents and restricted cash at the beginning of period	917,166	1,538,520
Cash, cash equivalents and restricted cash at the end of period	$ 1,767,144	$ 917,166

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

Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2013 and 2012

(In thousands of Mexican pesos)

1. PRINCIPAL ACTIVITIES AND SIGNIFICANT EVENTS

Activities

Genomma Lab Internacional, S. A. B. de C. V. and subsidiaries ("Genomma Lab" or together with its subsidiaries, "the Entity" or "the Company") is an over-the-counter pharmaceutical (OTC pharmaceutical), generic drugs (GD) and personal care products (PC) 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 112 of its own brands, offering products in several categories, including anti-acne, generic drugs, sexual protection and enhancement, creams to improve appearance of scars, hemorrhoid treatments, varicose vein treatments, hair loss treatments, topical analgesics, antacids, topical antifungals, colitis treatments, anti stress treatments, osteoarthritis treatments, soaps, multivitamins, shampoos and flu treatments. The Entity is focused in building the brand equity of its products through targeted advertising campaigns, primarily through television commercials. Sales from foreign operations represent approximately 38% and 27% of consolidated net sales as of December 31, 2013 and 2012, respectively.

Significant events

Acquisition of trademarks and licenses

Due to the international expansion strategy, mainly in Brazil as well as other Latin America countries, during the last quarter of 2013, the Company acquired two OTC brand packages for $1,620 million which are described below:

i) On november 8, the Entity acquired from McNEIL-PPC Inc., a subsidiary of Johnson and Johnson the trademarks Agarol, Kaopectate, Masse, Triatop, Emplastro Sabia, Bebederm, Carlo Erba and Dulcoryl, such trademarks have presence in several countries in Central and South America.

ii) On octuber 1, the Entity has acquired the right, subjected to certain standard conditions, to acquire 15 brands and 30 sanitary registrations of OTC products in Brazil, as well as a pharmaceutical production facility. Genomma Lab will exercise this right once the facility has been disincorporated with its respective manufacturing contracts.

On September 27, 2013 the Entity informed to investors about the acquisition of seven OTC trademarks in Mexico by signing several acquisition and license contracts. These trademarks are Oxigricol, Mopral, Xyloproct, Xyloderm, Estomacurol, Passiflorine and Ah Micol. The transaction amounted $252.1 million.

On May 20, 2013 the Entity signed a 99 year license contract for the use of the OTC trademark Losec A. The contract is applicable to the products labeled under the mentioned trademark in the OTC market in Mexico. The transaction amounted $286 million.

On January 25, 2013 the Entity concluded the acquisition of the Tafirol trademark, through its subsidiary in Argentina. Tafirol is a trademark with a high degree of remembrance with more than 14 years in the Argentinean market positioned in the first place of analgesics in terms of sold units according to IMS Health. Beyond analgesics, it participates in anti flu, decongestants and woman and anti inflammatory drugs. The transaction amounted $341.1 million.

On 2012, the Entity acquired the trademarks Fermodyl, XL-3, Zanzusi, Altiva, Larisa, Bioskin and Amara for $1,341 million.

Debt issuance

On October 3, 2013, the Entity successfully concreted the allocation of the four year debt certificates LAB, 13-2 for $2,000 million Mexican pesos being its second allocation in the Mexican debt market. The certificates will pay interest every 28 days based on the Mexican reference rate TIIE plus 0.70%. The net funds obtained from this debt issuance amount $1,991 million.

On July 8, 2013, the Entity successfully concreted the allocation of the five year debt certificates LAB, 13-1 for $2,000 million Mexican pesos being its first allocation in the Mexican debt market. The certificates will pay interest every 28 days based on the Mexican reference rate TIIE plus 0.70%. The net funds obtained from this debt issuance amount $1,989 million.

2. BASIS OF PRESENTATION

a. New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to the IFRS 7, have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee.

Specifically, the Entity has a 49% stock participation in Televisa Consumer Products, LLC. (TPC), constituted under the laws of the United States of America. The Entity's participation is proportional to its voting rights. The participation of the Entity in TCP was acquired in 2009 and there has not been any change since then. The remaining 51% of the stock belongs totally to a second shareholder.

Management made an assessment as of the date of initial application of IFRS 10 (January 1, 2013) as to whether or not the Group has control over TCP in accordance with the new definition of control and the related guidance set out in IFRS 10. Management concluded that it does not have control over TCP since the acquisition in 2009 and then, TCP is not a subsidiary of the Entity.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply 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 for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Entity has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. New and revised IFRSs in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial instruments*[2]
Amendments to IFRS 9 and IFRS 7, *Mandatory effective date of IFRS 9 and transitional disclosures*[3]
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment Entities*[1]
Amendments to IAS 32, – *Offsetting Financial Assets and Financial Liabilities*[1]

[1] Effective for annual periods beginning on or after January1, 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after January1, 2015, with earlier application permitted.
[3] Effective for annual periods beginning on or after January1, 2016, with earlier application permitted.

IFRS 9, *Financial instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that 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 recognition 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 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 fair value through profit or loss is presented in profit or loss.

The Entity's management anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

The Entity's management does not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Entity is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Entity's management does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

3. SIGNIFICANT ACCOUNTING POLICIES

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

b. ***Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, property, plant and equipment, etc., that are measured at a fair value basis at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. **Basis of consolidation**

The consolidated financial statements include those of Genomma Lab Internacional, S. A. B. de C. V. and its subsidiaries in which it has control. Control over an entity is considered to be effective when the Entity meet all the following requirements: a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. Genomma´s shareholding percentage in the capital stock of its significant subsidiaries is set forth below:

	Ownership percentage		
Entity	2013	2012	Activity
Mexico –			
Genomma Laboratories México, S. A. de C. V.	100%	100%	Research and development of OTC y PC
Television Products Retail, S. A. de C. V.	100%	100%	Administrative services
Medicinas y Medicamentos Nacionales, S. A. de C. V.	100%	100%	Sale of Generic Drugs
Iniciativas de Éxito, S. A. de C. V.	100%	100%	Sale of OTC and PC
Aero Lab, S. A. de C. V.	100%	100%	Air transportation services
Servicios Logísticos Genomma, S. A. de C. V. [(1)]	100%	-	Logistic services
International –			
Genomma Lab USA, Inc.	100%	100%	Sale of OTC and PC
Lab Brands International, LLC	70%	70%	Research and development of OTC y PC
Genomma Lab Centroamérica, S. A.	100%	100%	Administrative services
Genomma Lab Perú, S. A.	100%	100%	Sale of OTC and PC
Genomma Lab Chile, S. A.	100%	100%	Sale of OTC and PC
Genomma Lab Ecuador, S. A.	100%	100%	Sale of OTC and PC
Genomma Laboratories Argentina, S. A.	85%	85%	Sale of OTC and PC
Genomma Lab Colombia, LTDA	100%	100%	Sale of OTC and PC
Genomma Laboratories do Brasil, LTDA	85%	85%	Sale of OTC and PC
Genomma Lab Dominicana, S.R.L.	100%	100%	Sale of OTC and PC
The Dutch-LATEM royalty company[(2)]	100%	-	Research and development of OTC y PC

[(1)] This entity was created on November 21, 2013 and is engaged to the logistics of the Santa Rosa Center distribution.

[(2)] This entity acquired along with the license package Losec A on May 5, 2013.

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 control meeting the following requirements: a) it has power over the entity, b) it is exposed, or has rights, to variable returns from its involvement with the entity and c) has the ability to use its power to affect its returns over the investee. The existence and effects of current or potential voting rights is considered to evaluate if the Entity controls another entity. The subsidiaries are consolidated once control over them becomes effective and retired from consolidation when control over them 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 Entity keeps a 49% share participation proportional to the voting rights. The investment in the associated company is recorded initially at historical cost and subsequently by 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:

Entidad	Moneda de registro	Tipo de cambio para convertir de moneda de registro a moneda funcional	Tipo de cambio para convertir de moneda funcional a peso mexicano
Genomma Lab USA, Inc.	Dólar estadounidense	1.0000	13.0652
Lab Brands International, LLC	Dólar estadounidense	1.0000	13.0652
Genomma Lab Centroamérica, S. A.	Dólar estadounidense	1.0000	13.0652
Genomma Lab Dominicana, S. R. L.	Peso dominicano	0.0237	13.0652
Genomma Lab Perú, S. A.	Sol	0.3622	13.0652
Genomma Lab Chile, S. A.	Peso chileno	0.0019	13.0652
Genomma Lab Ecuador, S. A.	Dólar estadounidense	1.0000	13.0652
Genomma Laboratories Argentina, S. A.	Peso Argentino	0.1540	13.0652
Genomma Lab Colombia, LTDA	Peso Colombiano	0.0005	13.0652
Genomma Laboratories do Brasil, LTDA	Real	0.4258	13.0652
Genomma Laboratorios Médicos, S. L.	Euro	1.3768	13.0652
The Dutch -LATEM royalty company, B. V.	Dólar estadounidense	1.0000	13.0652

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.

e. ***Financial assets***

Financial assets and financial liabilities 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 or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities 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' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) 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 the date of the financial statements report, the Entity just has 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 of FVTPL.

– Loans and receivables

Core business receivables, loans and other non core business receivables with fixed or determined payments and which are not traded in an active market, are classified as loans and accounts receivables. Loans and receivables are valued through the effective interest method less any impairment. Interest revenue is recorded using the effective interest rate, except for short term receivables just in case the amount of interest is not relevant.

– Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

Reliable impairment evidence can 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 becoming probable that the borrower will enter 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 individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

– Derecognition of financial assets

The Entity derecognizes a financial asset 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 Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

f. ***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.

g. ***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.

h. ***Prepaid expenses***

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

i. ***Buildings, property and equipment***

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

Buildings and land 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.

Furniture and equipment are presented at cost less accumulated depreciation and any accumulated impairment losses.

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 method are reviewed at each year end, and the effect of any change in estimate is recognized on a prospective basis.

Useful lives of fixed assets are as follows:

Building	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	10
Telecommunication equipment	10

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

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 group entity transactions 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.

j. ***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 so 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 and are 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 collateral that is expected to be recovered at the end 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.

k. ***Impairment of tangible and intangible assets***

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.

l. ***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 acquisition 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.

– 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 Profit and other 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.

m. *Income tax*

Income tax expense represents the sum of current 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.

n. *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.

o. *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 costs are recognized immediately to the extent that the benefits are already vested and otherwise are 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.

p. *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.

q. *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.

r. *Shared 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.

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.

s. *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 revenue

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.

t. ***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 profit and other comprehensive income.

u. ***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:

a. The Entity reviews the estimated useful lives of buildings, properties and equipment at least once a year. 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

	2013	2012
Cash	$ 1,278,709	$ 669,544
Cash equivalents:		
Money market and investment in securities	480,309	214,872
Restricted cash	8,126	32,750
	$ 1,767,144	$ 917,166

6. ACCOUNTS RECEIVABLE

	2013	2012
Trade accounts receivable	$ 5,652,360	$ 5,372,250
Allowance for:		
Doubtful accounts	(13,156)	(31,642)
Returns	(146,539)	(273,876)
Rebates	(476,585)	(271,171)
	(636,280)	(576,689)
	5,016,080	4,795,561
Recoverable taxes	364,850	33,458
Others	219,499	242,194
	$5,600,429	$ 5,071,213

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

	Opening balance	Additions	Application	Closing balance
2013	$ (576,689)	$ (974,355)	$ 914,764	$ (636,280)
2012	$ (454,675)	$ (877,400)	$ 755,386	$ (576,689)

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. Sales to top ten customers represent 52% and 64% of the net consolidated sales and 77% and 63% of accounts receivable balance as of 2013 and 2012, 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	2013	2012
60-90 days	$ 208,230	$ 299,240
More than 90 days	324,340	560,060
Total	532,570	859,300
Average aging (days)	78	112

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

	2013	2012
Finished godos	$ 1,326,614	$ 818,373
Raw materials	349,507	388,673
Less-allowance for obsolete items	(472,667)	(448,425)
	1,203,454	758,621
Goods in transit	238,602	273,779
	$ 1,442,056	$ 1,032,400

8. BUILDINGS, PROPERTY AND EQUIPMENT - NET

	Balance as of December 31, 2012	Additions	Disposals	Transferred assets	Translation effect	Balance as of December 31, 2013
Building	$ 175,450	$ -	$ -	$ -	$ -	$ 175,450
Leasehold improvements	71,061	384	-	-	73	71,518
Laboratory equipment, molds and machinery	47,701	12,162	-	-	43	59,906
Transportation equipment	99,534	9,444	(24,279)	-	25	84,724
Computers	43,115	2,696	(144)	1,661	41	47,369
Production and recording equipment	54,413	2,049	-	-	6	56,468
Office furniture and telecommunication equipment	81,481	29,763	(67)	446	50	111,673
	572,755	56,498	(24,490)	2,107	238	607,108
Accumulated depreciation and amortization	(227,777)	(52,233)	12,073	-	(100)	(268,037)
	344,978	4,265	(12,417)	2,107	138	339,071
Construction in progress	-	7,031	-	-	-	7,031
Land	58,610	3,549	-	-	122	62,281
	$ 403,588	$14,845	$(12,417)	$ 2,107	$ 260	$ 408,383

	Saldo al 31 de diciembre de 2011	Adiciones directas	Bajas por ventas	Traspasos al activo	Efecto de conversión	Saldo al 31 de diciembre de 2012
Building	$ 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
	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
	$ 370,927	$ 20,148	$ (2,484)	$ 16,274	$ (1,277)	$ 403,588

9. OTHER ASSETS

	Balance as of December 31, 2012	Additions	Disposals	Trasfers assets	Translation effect	Balance as of December 31, 2013
Assets with indefinite useful life:						
Trademarks	$ 3,366,884	$ 521,386	$ -	$ 158,895	$ 256	$ 4,047,421
Licenses	1,445	6	-	-	-	1,451
Rights	95,417	-	(11,667)	-	-	83,750
Pre-payment of trademarks and others	808,895	1,485,922	-	(158,895)	-	2,135,922
	4,272,641	2,007,314	(11,667)	-	256	6,268,544
Assets with definite useful life:						
Software – Development costs	56,255	383	-	23,386	(303)	79,721
Licenses	21,232	551,989	-	-	14,295	587,516
Accumulated amortization	(71,779)	(12,010)	-	-	-	(83,789)
	5,708	540,362	-	23,386	13,992	583,448
In progress development costs	29,872	4,958	-	(25,493)	-	9,337
Security deposits and others	45,345	673	(5,575)	-	138	40,581
	$ 4,353,566	$ 2,553,307	$(17,242)	$(2,107)	$ 14,386	$ 6,901,910

	Balance as of December 31, 2011	Additions	Disposals	Transfers assets	Translation effect	Balance as of December 31, 2012
Assets with indefinite useful lives:						
Trademarks	$ 1,962,405	$ 1,404,479	$ -	$ -	$ -	$ 3,366,884
Licenses	1,442	3	-	-	-	1,445
Rights	75,000	20,417	-	-	-	95,417
Pre-payment of trademarks and others	-	808,895	-	-	-	808,895
	2,038,847	2,233,794	-	-	-	4,272,641
Assets with definite useful lives:						
Software – Development costs	55,409	400	-	-	446	56,255
Licenses	15,688	5,542	-	-	-	21,230
Accumulated amortization	(53,497)	(18,228)	-	-	(54)	(71,779)
	17,600	(12,286)	-	-	392	5,706
In progress development costs	37,987	8,159	-	(16,274)	-	29,872
Security deposits	29,945	18,203	(2,488)	-	(313)	45,347
	$ 2,124,379	$2,247,870	$ (2,488)	$ (16,274)	$ 79	$ 4,353,566

10. INVESTMENT IN SHARES OF ASSOCIATED COMPANY

The Company holds a 49% share investment in Televisa Consumer Products; LLP (TCP) associated company incorporated in the United States of America. TPC was incorporated in 2009 and began operations in 2011. The associated company's condensed financial information is as follows:

	2013	2012
Financial position:		
Current assets	$ 122,213	$ 191,113
Non-current assets	161	376
Total liabilities	(86,290)	(179,897)
Stockholder's equity	$ 36,084	$ 11,592
Net Income (loss)	$ 22,947	$ (2,673)
Entity´s share in:		
Stockholder's equity	$ 17,681	$ 5,680
Net (loss) income	$ 11,244	$ (1,310)

11. DEBT MARKET LOANS, BANK LOANS AND CURRENT PORTION OF LONG TERM DEBT

As of December 31, 2013:

	2013	2012
Debt certificates		
As of December 31, 2013; the Entity has the following issues of debt certificates payable upon maturity:		
LAB 13-1- Issued on July 8, 2013 with maturity on July 2, 2018 and bearing interest at a floating rate TIIE (Interbank Equilibrium Interest Rate) + 0.70%.	$ 2,000,000	$ -
LAB 13-2- Issued on October 3, 2013 with maturity on September 28, 2017 and bearing interest at a floating rate TIIE + 0.70%.	2,000,000	-
Banking loans-		
Club Deal with HSBC México, S. A. and Banco Santander, S. A.:		
Simple loan for an amount up to $1,300,00 documented with promissory notes bearing interest quarterly at TIIE plus 2.15 percentage points, payable quarterly by thirteen equal amortizations begining on March 2013.	-	1,300,000
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.	500,000	700,000
Banco Nacional de México, S. A.:		
Revolving credit for an amount of $600 million documented with promissory notes, bearing interest quarterly at a fixed rate of 6.23% until December 22, 2013. Originaly Principal was due on June 14, 2016 through a single exhibition. However, on December 23, 2013, credit conditions were renegotiated. Since the renegotiation date and until December 21, 2015 the loan will bear interest at a fixed rate of 5.97%. After that and upon maturity on January 14, 2019, interest will be calculated at a floating rate of TIIE + 0.85%. Principal will be payable through six $66.6 million quarterly amortizations begining on July 22, 2017 and ending on October 22, 2018 and a final payment for the remaining $200.4 million on the day of maturity.	600,000	600,000
BBVA Bancomer, S. A.:		
Simple loan for $700 million documented with promissory notes, bearing interest quarterly at a floating rate of TIIE + 0.70%. Principal is due on Jun 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 million 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.	115,692	158,896
Banco Patagonia, S. A.:		
Revolving credit with Banco Patagonia (Argentinean Financial Institution) for 15 million Argentinean pesos documented with promissory notes, bearing interest at a fixed rate of 18.5%. Principal will be paid at maturity on January 31, 2014 through a single payment.	15,431	-
Banco Santander Río, S. A.:		
Simple loan with Banco Santander Río (Argentinean Financial Institution) for 10 million Argentinean pesos documented with promissory notes, bearing interest at a fixed rate of 15.25%. Principal will be paid through 9 equal quarterly payments starting on June 11, 2014 until June 10, 2016.	20,120	-
Banco Santander Brasil, S. A.:		
Simple loan with Banco Santaner Brasil (Brazilian Financial Institution) for 40 million Brazilian Reales documented with promissory notes, bearing interest monthly at a fixed rate of 14.9%. Principal will be paid through 6 equal monthly payments commencing on January 20, 2014 and ending on June 20, 2014.	222,527	-
	5,473,770	3,458,896
Less:		
Short term banking loans and current portion of long term debt	805,025	406,621
Debt issue expenses	17,893	-
Long term debt	$ 4,650,852	$ 3,052,275

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

Payable on-	
2015	$ 64,273
2016	604,473
2017	1,992,073
2018	1,990,033
	$ 4,650,852

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. RETIREMENT BENEFITS

Net period cost for obligations resulting from postretirement benefits such as seniority premiums were $229 and $487 in 2013 and 2012, 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. ***Capital risk management*** – 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 debt - 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 ratio

The debt ratio is as follows:

	2013	2012
Debt (i)	$ 5,431,379	$ 3,458,856
Cash and cash equivalents	1,767,144	884,416
Net debt	$3,664,235	$ 2,574,440
Stockholder's equity (ii)	$ 8,835,444	$ 7,018,824
Net debt – stockholders' equity ratio	41%	37%

(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, this 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, 2013 would increase by $23,613 (2012: increase by $13,500). This is mainly due to the Entity's exposure to interest rates on its variable rate loans.

c. ***Credit risk management*** – 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 Credit Committee of 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.

As of December 31, 2013	Less than one year	1 to 3 years	More than three years	Total
Debt market and banking loans including current portion of long term debt	$ 805,025	$ 668,746	4,000,000	$5,473,770
Accounts payable to suppliers	1,644,125	-	-	1,644,125
Other accounts payable and accumulated liabilities	664,144	26,140	25,930	716,214
Total	$3,113,294	$ 694,886	$ 4,025,930	$ 7,834,109

As of December 31, 2012	Less than one year	1 to 3 years	More than three years	Total
Debt market and banking loans including current portionof long term debt	$ 406,621	$ 2,352,275	$ 700,000	$ 3,458,896
Accounts payable to suppliers	1,218,663	-	-	1,218,663
Other accounts payable and accumulated liabilities	909,060	24,572	37,649	971,281
Accounts payable to related parties	9,480	-	-	-
Total	$ 2,543,824	$ 2,376,847	$ 737,649	$ 5,698,840

The amounts included for debt with financial institutions includes both fixed and floating interest rate instruments. The financial liabilities at floating rates are subject to change if the changes in floating 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) :

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
US Dollars (USD)	55,466	8,672	38,166	1,202
Other currencies expressed in USD	115,995	53,359	115,234	40,418

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:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash, cash equivalents and restricted cash	$ 1,767,144	$ 1,767,144	$ 917,166	$ 917,166
Accounts receivable	5,600,429	5,600,429	5,071,123	5,071,123
Accounts receivable from related parties	93,126	93,126	195,624	195,624
Financial liabilities				
Debt market and banking loans and current portion of long term debt	(5,473,970)	(5,431,379)	(3,458,896)	(3,458,896)
Accounts payable to suppliers	(1,644,125)	(1,644,125)	(1,218,663)	(1,218,663)
Other accounts payable and accumulated liabilities	(716,214)	(716,214)	(980,761)	(980,761)
Total	$ (373,410)	$ (331,019)	$ 525,593	$ 525,593

The fair value of debt contracted with financial institutions is similar to the balance sheet amounts due to the short term due dates of certain payments.

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

15. STOCK BASED PAYMENTS

On Februrary 2012, the Entity granted a voluntary stock benefit plan to its employees. The conditions of the plan establish a 5, 10, 15 or 20% of the base salary of each participant to be withheld by the company. The percentage to be retained is under the own discretion of the employee and it is subject to be changed only every six months. These savings are totally invested in acquiring shares of the Company in the market and then the Company gives one share for each three shares acquired by the employee. The acquired shares and those granted by the Company are deposited in each employee's brokerage contract after one year of being acquired by the employee. As of December 31, 2013 and 2012, the expense recorded in the consolidated statement of profit is $4,477 and $1,854 respectively.

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. As of December 31, 2012 the total expense recorded in the consolidated statement of comprehensive income is $24,117. The actual stock payments agrements are as follows:

Number	Grant 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, 2013 and 2012, capital stock is represented by:

	Number of shares		Amount	
	2013	2012	2013	2012
Fixed common stock				
Serie B	82,176	82,176	$ 150	$ 150
Variable common stock				
Serie B	1,048,651,194	1,052,667,250	1,914,156	1,921,510
	1,048,733,370	1,052,749,426	$ 1,914,306	$ 1,921,660

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

b. At a Stockholders' Ordinary General Meeting held on March 20, 2013, the stockholders approved the following:

i) The repurchase of the Entity's shares up to the equivalent of the amount of retained earnings as of December 31, 2012 for $5,156,955.

ii) Repurchased shares during 2013 amounted 262,449 shares which are equivalent to a 0.02% of the total outstanding shares of the Entity. The repurchased shares are destined to the stock benefit plan granted to the employees described in the note 15. The Entity's market value per share as of December 31, 2013 is $36.62 mexican pesos per share. The net amount of repurchased shares during 2013 was $2,763.

iii) The cancellation of 4,016,056 ordinary, nominative and no nominal value shares, series B, which constitute integral part of the common stock of the Entity and consequently the decrease of the variable portion of the common stock for $7,354.

iv) Authorization for the issuance of debt certificates under a 10 year program starting on the date of the registration in the National Securities Record (RNV), for a total amount up to $8,000,000 or its equivalent in Investment Units (UDI´s) and the Entity is authorized to ask the Commission for the pre-registration of the debt certificates in the RNV under the 10 year program starting on the date of its registration in the RNV up to $8,000,000 or its equivalent in Investment Units as well as the Mexican Stock Exchange for the authorization of the debt certificates into the securities authorized to be traded and, as part of the same program, one or more debt certificates issuances can take place; or, to carry out a public offer under the Rule 144 and the S regulation of the United States Securities Act of 1933and the applicable regulation in the countries where it takes place and / or, in case, the hire of the necessary hedge financial instruments.

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 $3,592,019.

i) Repurchased shares during 2012 amounted 3, 521,056 shares which are equivalent to a 0.33% of the total outstanding shares of the Entity. The repurchased shares are principally destined to cover share based payments funds to executives. The Entity's market value per share as of December 31, 2012 is $26.59 mexican pesos per share and the maximum period of reissuance of repurchased shares is one year from the date the shares were repurchased. Repurchased shares during 2012 amounted $219,440.

d. Retained earnings include the statutory legal reserve. Mexican General Corporate Law requires that at least 5% of the net income of the year be transferred to the legal reserve fund until the reserve equals 20% of common 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, 2013 and 2012, the legal reserve amounts $249,609 and $187,192 respectively.

e. Stockholders' equity distribution, 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 for the following two years.

17. FOREIGN CURRENCY BALACES AND TRANSACTIONS

a. As of December 31, 2013 and 2012, the foreign currency monetary position is as follows:

	2013	2012
Thousands of US Dollars:		
Monetary assets	55,466	38,166
Monetary liabilities	(8,672)	(1,202)
Net monetary long position	46,794	36,964
Equivalent in Mexican Pesos	$ 611,373	$ 480,088
Other currencies valued in US Dollars:		
Monetary assets	115,995	115,234
Monetary liabilities	(53,359)	(40,418)
Net monetary long position	62,636	74,816
Equivalent in Mexican Pesos	$ 818,352	$ 971,710

b. Transactions denominated in foreign currency were as follows:

	(In thounsands of US dollars) 2013	2012
Export sales	208	51
Import purchases	5,448	6,178
Purchase of assets	16,132	205
Other expenses	4,671	1,047

c. Mexican peso Exchange rate 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:

	April 7, 2014	December 31, 2013	2012
U. S. Dollar	13.0345	13.0652	12.9880

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. The balances receivable from and payble to related parties are as follows:

	2013	2012
Receivable –		
Televisa Consumer Products USA, LLC	$ 93,126	$ 185,614
Management personnel	-	10,010
	$ 93,126	$ 195,624
Payable –		
Dividends	$ -	$ 9,480

b. ***Commercial transactions***

During 2013, the Entity carried out the following commercial transactions with its related parties:

	2013	2012
Sales	$ 343,445	$ 156,851
Administrative services received	(128,479)	(100,806)
Royalty	996	6,619

c. ***Benefits granted to key management***

Compensation to key management during the year is as follows:

	2013	2012
Short term direct benefits	$ 128,479	$ 100,806

19. OTHER EXPENSES AND INCOME

Detailed as follows:

	2013	2012
Gain on disposal of fixed assets	$ 6,353	$ 479
Inflation effects on taxes	280	1,084
Others, net	3,086	(1,963)
	$ 9,719	$ (402)

20. INCOME TAXES

The Entity is subject to ISR and until 2013 to IETU in Mexico.

ISR – The rate for 2013 and 2012 was 30% and according to the new Mexican Income Tax Law for 2014 (2014 Act, it will continue on 30% for 2014 and onwards).

IETU – From 2014 onwards IETU Law was abrogated. As a result, the Entity was subject to this tax until December 31, 2013 for revenues as well as for deductions and certain tax credits determined by a cash flow basis. The rate was 17.5%.

Until 2013, the income tax incurred is the higher between ISR and IETU.

Until 2012, based on financial projections, the Entity determined that it would essentially pay only ISR in Mexico. Therefore, it only recognizes deferred ISR. From 2013 on, due to the abrogation of IETU law, only deferred ISR is calculated. .

The income tax rates for 2013 applicable in the countries in which the Entity operates are as follows:

	%
Argentina	35
Brasil	34
Chile	20
Colombia	34
Costa Rica	30
Ecuador	22
Estados Unidos de América	35
Perú	30
República Dominicana	29

Income tax rates in Central and South American countries in which the Entity operates range from 20% to 35% as mentioned above. In addition, tax losses in the aforementioned countries have a duration ranging form three to eight years.

Operations in Colombia and Argentina are subject to Assets Tax.

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

A tax on mínimum 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 excedes 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 are as follows:

	2013	2012
ISR:		
Current	$ 408,719	$ 662,878
Deferred	386,264	53,845
	$ 794,983	$ 716,723

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

	2013 %	2012 %
Statutory rate	30	30
Plus (less) the effect of permanent differences, mainly nondeductible expenses and differences in statutory rates in foreign subsidiaries as well as the effect of changes in rates in 2012.	1	1
Effective rate	31	31

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:

	2013	2012
Deferred ISR asset:		
Allowance for doubtful accounts and estimated returns and bonifications	$ 189,621	$ 170,227
Accrued liabilities	37,384	25,931
Tax losses	34,895	12,005
Inventory reserve and others, net	189,341	180,005
Net ISR assets	451,241	388,168
Deferred ISR (liability):		
Restated inventory of 2004, not yet taxable	(8,084)	(12,270)
Prepaid expenses	(382,917)	(225,263)
Other assets	(683,015)	(365,913)
Deferred ISR liability	(1,074,016)	(603,446)
Net ISR liability	$ (622,775)	$ (215,278)
Total asset	$ 37,641	$ 14,092
Total liability	$ (660,416)	$ (229,370)

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

21. CONTINGENCIAS

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

Leasing expenses amounted $87,942 and $74,413 in 2013 and 2012 respectively; current leasing contracts were signed for mandatory terms up to 4 years and correspond mainly to warehouses. Future minimum lease payments are:

Year	Amount
2014	$ 49,341
2015	44,389
2016	40,067
2017	39,581
	$ 173,378

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

Management has identified two operating segments, national and international, which have been identified base don 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 in 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 and it is based on a management approach.

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

As of December 2013, the Entity operates in 15 countries in addition to Mexico: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, United States, Guatemala, Honduras, Nicaragua, Panama, Peru and 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 responsable for resource allocation and the evaluation of operating segments, as well as for making strategic decisions.

a. The following tables show the financial information by business segment. Intersegment operations have been eliminated. Total assets are those used in the operation of each segment:

	2013		
	Income	Total assets	Investment in productive assets
Mexico	$ 7,085,856	$ 13,427,708	$ 1,913,337
International	4,274,833	3,925,160	808,910
Total	$ 11,360,689	$ 17,352,868	$ 2,722,247

	2012		
	Income	Total assets	Investment in productive assets
Mexico	$ 7,169,408	$ 10,546,308	$ 2,450,123
International	2,630,282	2,446,282	237,584
Total	$ 9,799,690	$ 12,992,590	$ 2,687,707

24. SUBSEQUENT EVENTS

On March 10, 2014, the Entity informed to investors about the sign of an agreement to acquire a 50% of the shares of Grupo Comercial e Industrial Marzam, S. A. de C. V., one of the principal personal care and drug distributors in Mexico The agreement includes an option to acquire the remaining 50%.

This transaction is subject to the compliance of several conditions usual in this kind of operations, including the approval of the federal authorities in economic competition. The Entity expects to close this operation during the second quarter of the current year.

25. FINANCIAL STATEMENT ISSUANCE AUTHORIZATION

On February 24, 2013, the issuance of the accompanying consolidated financial statements (audited amounts) was authorized by Lic. Oscar Villalobos Torres, Vice-president of Finance and Administration, consequently, except for what is stated in the note 24, they do not reflect matters after that date and 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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