Annual Report 2014

Genomma Lab®
Internacional

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

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

VISION

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

VALUES

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

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

In million pesos

	2014	2013	Variation
Net Sales	11,541.0	11,360.7	1.6%
Gross Profit	8,002.2	7,944.3	0.7%
SG&A	5,569.3	5,017.2	11.0%
Operating Income	2,445.1	2,936.9	-16.7%
EBITDA (1)	2,543.1	3,001.1	-15.3%
As % of Net Sales	22.0%	26.4%	-4.4 p.p. (2)
Net Income	1,507.1	1,810.6	-16.8%
As % of Net Sales	13.1%	15.9%	-2.9 p.p.
Earnings per Share (3)	1.38	1.67	-17.6%

(1) EBITDA is calculated by adding depreciation and amortization to the Operating Income.
(2) Percentage points.
(3) Earnings per Share are for the last 12 months. Earnings per Share were calculated using the weighted avergae of shares outstanding for the period.

BALANCE SHEET

In million pesos

Assets		Liabilities and Shareholders' Equity	
Cash and Equivalents	1,182.3	1,554.7	Suppliers
Clients	4,164.3	5,640.6	Other Current Liabilities
Inventories	1,595.0	6,905.9	Debt with Cost
Other Current Assets	10,196.6	10,105.9	Shareholders' Equity
Total Assets	**25,031.1**	**25,031.1**	**Total Liabilities and Shareholders' Equity**

CASH CONVERSION CYCLE

	2014	2013
Days of Clients	**130**	159
Days of Inventories	**162**	152
Days of Suppliers	**158**	173
Cash Conversion Cycle	**134**	138

OTHER FINANCIAL INFORMATION

	2014	2013
P/E	**20.37**	21.91
FV/EBITDA*	**13.80**	14.03
Net Debt/ EBITDA *	**2.25**	1.23

*Considers EBITDA for the last twelve months.

Results

During 2014 **Consolidated Net Sales** increased 1.6% compared to 2013, reaching **$11.54 billion pesos.**

EBITDA reached **$2.54 billion pesos** in 2014, representing a **22.0% margin as a percentage of Net Sales.**

Sales from our **International Operations** increased **27.1%** compared to 2013, to **$5.43 billion pesos.**

Sales in **Mexico** decreased **13.8%,** compared to 2013, reaching **$6.11 billion pesos.**

Earnings per Share during 2014 were **$1.38 pesos.**

During **2014** we launched **34** line extensions under existing brands and **10** products under **5 New Brands.**

In **2014** we started operations in **Paraguay** and **Uruguay.**

During **2014** the Company maintained its position as the **number one OTC** pharmaceutical company in Mexico and in Argentina.

Genomma Lab is part of the **IPC Index** in the Mexican Stock Exchange, the **IPC Sustainability Index,** and the **Morgan Stanley Composite Index (MSCI),** specifically of the MSCI EM LATAM Mid Cap and the MSCI Mexico Standard Index.

In November of 2014, the Company issued debt certificates amounting to **$1.50 billion pesos,** with a term of 5.2 years and an interest rate of **TIIE** 28 days plus 0.60 percentage points.

MESSAGE
FROM THE CEO

We have positioned several of our brands in the first places of their categories in the countries where they operate, and we maintain our position as number 1 in the OTC markets of Mexico and Argentina.

Dear Shareholders,

2014 was a challenging year for Genomma Lab, especially in our Mexican operations. The 1.6% growth in consolidated Net Sales was driven by our international operations. The United States, Brazil, Chile, Peru, Colombia and Dominican Republic posted the strongest growth rates. Additionally, the rest of the countries where the Company operates, excluding Mexico, had positive results.

In 2014 we continued to work to strengthen our operations and to build a sustainable business model. This year, the commercial area in Mexico and in the international operations was strengthened with the incorporation of an experienced management team. We started working in a new strategy focused on the point of sale that will improve the presence of our brands and products, without the need of having high inventories at the channel, which will complement our original business model. This strategy will bring sustainability to all the brands and products of Genomma Lab.

The drop in the OTC market in Mexico represented one of the main challenges for the Company during 2014, added to a weak consumption that impacted the sales of our personal care products, and to the implementation of our new commercial strategy, with which we are reducing inventories at the point of sale. This new commercial strategy represents a change in our own paradigm, since we are complementing the business model that we have used for more than 12 years, with which demand for products has been generated 100% through television and high inventories at the point of sale have been maintained. The new strategy focuses on having a better exhibition of our products, working on planograms at the point of sale and reducing their levels of inventories for our products.

On the other hand, the Company has set the objective of improving its presence at the traditional channel and offsetting the drop of the OTC and personal care markets, reaching unattended points of sale while improving

their service. This objective is being achieved with the participation in the pharmaceutical distribution market through Grupo Comercial Marzam, one of the main pharmaceutical distributors in the country.

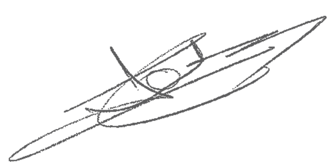
Additionally, we keep working to strengthen our brands in the countries where we participate. We have positioned several of our brands in the first places of their categories in the countries where they operate, and we maintain our position as number 1 in the OTC markets of Mexico and Argentina.

Finally, the Company keeps demonstrating financial strength, maintaining its bond ratings, a solid capital structure, a healthy debt profile and the adequate liquidity to fulfill its needs. All of the above gives the Company the strength to continue with its growth and international expansion.

We see 2015 with optimism. We know that it will bring important challenges in Mexico and in the international operations, and that the changes that will be implemented during the year will make Genomma Lab a stronger and more sustainable company, which will improve the results and profitability to all of its shareholders.

We are grateful with the dedication of our collaborators and suppliers, the trust of our shareholders and the loyalty of our clients. We hope to continue working with them to build the success of 2015 and the years to come.

Sincerely,



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

BOARD OF DIRECTORS

	POSITION	ALTERNATE
Rodrigo Alonso Herrera Aspra	Chairman	Renata Virginia Herrera Aspra
Arturo José Saval Pérez	Independent Board Member	Alejandro Diazayas Oliver
Luis Alberto Harvey MacKissak	Independent Board Member	Alejandro Diazayas Oliver
Gerardo de Nicolás Gutiérrez	Independent Board Member	Not Appointed
José Luis Fernández Fernández	Independent Board Member	Not Appointed
Andrés Conesa Labastida	Independent Board Member	Not Appointed
Jorge Ricardo Gutiérrez Muñoz	Independent Board Member	Not Appointed
Julio Everardo Sotelo Morales	Independent Board Member	Not Appointed
Juan Alonso	Independent Board Member	Not Appointed
Sabrina Lucila Herrera Aspra	Independent Board Member	Renata Virginia Herrera Aspra

EXECUTIVE COMMITTEE

Rodrigo Alonso Herrera Aspra	President
Arturo José Saval Pérez	Member
Luis Alberto Harvey MacKissak	Member
Renata Virginia Herrera Aspra	Member
Oscar Villalobos Torres	Member

AUDITING COMMITTEE

José Luis Fernández Fernández	President
Andrés Conesa Labastida	Member

CORPORATE PRACTICES COMMITTEE

Arturo José Saval Pérez	President
Gerardo de Nicolás Gutiérrez	Member
Jorge Ricardo Gutiérrez Muñoz	Member

MANAGEMENT TEAM

Rodrigo Alonso Herrera Aspra
Chief Executive Officer

Ramón Neme Sastre
Institutional Relations Executive Vice-President

Oscar Villalobos Torres
Executive Vice-President and Chief Financial Officer

Máximo Juda
Executive Vice-President and Chief Operating Officer

Marco Sparvieri
Commercial Executive Vice-President

Claudia Georgina Ortega Vettoretti
Marketing Vice-President

Renata Virginia Herrera Aspra
Innovation, Development and Purchasing Vice-President

Alejandro Bastón Patiño
Commercial Expansion and Human Capital Vice-President

ANALYSIS AND

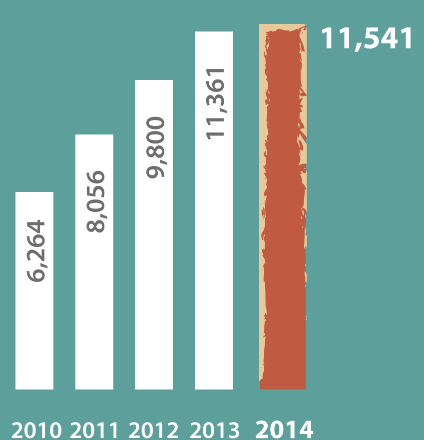
DISCUSSION OF RESULTS

Consolidated Income Statement

Consolidated Net Sales increased 1.6%, reaching $11.54 billion pesos, compared to $11.36 billion pesos in 2013. This increase is the result of: i) a decrease of 17.8% ($1.21 billion pesos) in Base Brands in Mexico, including line extensions on these, reaching $5.57 billion pesos; ii) an increase of 68.8% ($208.3 million pesos) due to the effect of Prior Year Launches in Mexico, including the recent line extensions on these brands launched during 2013, totaling $511.2 million pesos; iii) $23.4 million pesos from New Brands in Mexico related to the launch of 10 new products under 5 New Brands during 2014; and, iv) a 27.1% increase ($1.16 billion pesos) resulting from International operations, totaling $5.43 billion pesos

Gross Profit increased 0.7% to $8.00 billion pesos in 2014, compared to $7.94 billion pesos in 2013. Gross Margin decreased 0.6 percentage points to 69.3%, compared to 69.9% in 2013. This decrease in margin was mainly due to special discounts derived from initiatives implemented from some of our customers, as well as to temporal price reductions in certain products as a result of an aggressive price strategy offered by our competitors.

Net Sales
(In million pesos)
Compounded Annual Growth Rate (CAGR): 16.5%



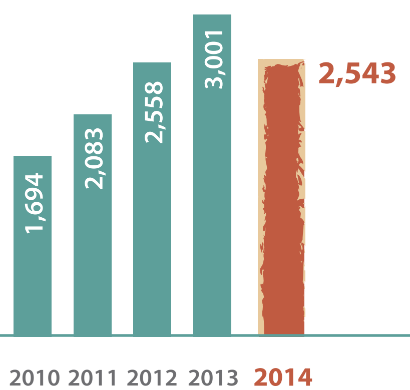
Selling, General and Administrative Expenses for 2014, as a percentage of Net Sales, increased 4.1 percentage points to 48.3%, from 44.2% in 2013. This increase was mainly due to lower sales than expected during the fourth quarter of 2014, which is typically the strongest quarter of the year. Additionally, in the second quarter of 2014 there was a slight increase in advertising expenses in our international operations due to the world cup.

EBITDA decreased 15.3%, reaching $2.54 billion pesos in 2014 from $3.00 billion in 2013. EBITDA margin, as a percentage of Net Sales, decreased 4.4 percentage points to 22.0% in 2014, compared to 26.4% in 2013.

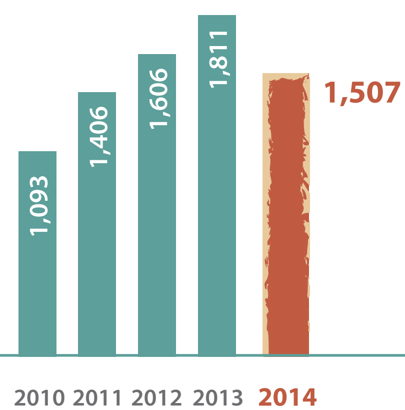
Operating Income decreased 16.7% to $2.45 billion pesos in 2014, compared to $2.94 billion pesos in 2013. Operating margin, as a percentage of Net Sales, decreased 4.7 percentage points, reaching 21.2% in 2014 from 25.9% in 2013.

Comprehensive Financing Result for 2014 amounted to a loss of $315.7 million pesos, which represents a decrease of $26.9 million pesos, compared to a $342.5 million pesos loss recorded in 2013. This decrease was primarily a result of: i) a Foreign Exchange gain amounting to $101.0 million pesos during 2014, compared to a $61.9 million pesos loss during 2013; ii) an increase in Financial Expenses of $61.5 million,

EBITDA
(In million pesos)
CAGR: 10.7%



Net Income
(In million pesos)
CAGR: 8.4%



reaching $360.0 million pesos during 2014, compared to $298.5 million pesos during 2013; iii) a lower Interest Income of $11.8 million pesos during 2014, compared to $12.8 million pesos in 2013; and, iv) a $68.5 million pesos loss related to the Exchange Rate conversion from our foreign operations, compared to a $4.9 million pesos gain in 2013.

Consolidated Net Income for 2014 decreased 16.8%, reaching $1.51 billion pesos, which represented a margin of 13.1% over Net Sales, compared to $1.81 billion pesos in 2013, which represented a margin of 15.9%.

Balance Sheet

Cash and Equivalents reached $1.18 billion pesos as of December 31, 2014, compared to $1.77 billion pesos as of December 31, 2013. This decrease was mainly derived from payments for acquisitions that reached $2.09 billion pesos, which were partially financed with new debt. This decrease was partially offset by cash generated from our operations during the last twelve months.ses.

Clients amounted to $4.16 billion pesos as of December 31, 2014, compared to $5.02 billion pesos as of December 31, 2013. Days of Accounts Receivable decreased 29 days to 130 days as of December 31, 2014, from 159 days as of December 31, 2013. This improvement resulted from the continuous actions implemented to maintain healthy levels of Accounts Receivable with our clients both in Mexico and in our international operations.

Inventories amounted to $1.60 billion pesos as of December 31, 2014, compared to $1.44 billion pesos as of December 31, 2013. Days of Inventories increased 10 days to 162 days as of December 31, 2014, compared to 152 days as of December 31, 2013. This increase was mostly derived from building inventories as we expected stronger sales in the fourth quarter of 2014 mainly in Mexico and Brazil.

Suppliers amounted to $1.55 billion pesos as of December 31, 2014, compared to $1.64 billion pesos as of December 31, 2013. Days of Suppliers decreased 15 days to 158 as of December 31, 2014, from 173 days as of December 31, 2013. This decrease is mainly due to higher levels of production in the international operations with additional suppliers, with whom we are starting to build relationships in order to increase days going forward, as we expand and strengthen our network of suppliers in the international operations.

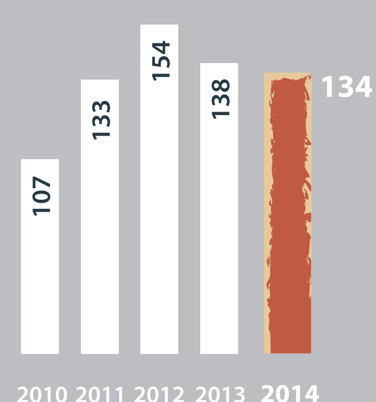
Loans with Financial Institutions amounted to $1.42 billion pesos as of December 31, 2014, compared to $1.47 billion pesos as of December 31, 2013. The current portion of long term debt amounted $400.6 million pesos as of December 31, 2014, which represents 28.1% of the total debt with financial institutions.

Unsecured Debt Certificates ("Certificados Bursátiles") amounted to $5.48 billion pesos as of December 31, 2014, compared to $3.98 billion pesos in the same period of 2013. The third issuance of the debt certificates was on November 28, 2014, for an amount of $1.50 billion pesos, with a term of 5.2 years and an interest rate of TIIE 28 days plus 0.60 percentage points. The resources obtained, similar to the first two issuances, were used to prepay existing debt with financial institutions, while improving the Company's debt maturity profile to 3.7 years and decreasing its cost.

As of December 31, 2014 the **Gross Debt** with cost of the Company amounted to 6.91 billion pesos, which represents a Net Debt to EBITDA ratio of 2.25, compared to 5.46 billion pesos as of December 31, 2013. The additional debt was used to finance the acquisition of Marzam.

Cash Conversion Cycle reached 134 days at the end of the fourth quarter of 2014, which represents a decrease of four days compared to the 138 days at the end of the same period of 2013. The Company's focus on improving cash conversion cycle has had positive and continuous results, closing the year with a lower number than the 145 days given in our guidance.

Cash Conversion Cycle
(Days)



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

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS' OF GENOMMA LAB INTERNACIONAL, S. A. B. DE C. V.

Deloitte.

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Auditors' 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, 2014 and 2013 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 V.
March 26, 2015

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013
(Thousands of Mexican pesos)

	Note	2014	2013
ASSETS			
Current assets:			
Cash, cash equivalents and restricted cash	6	$ 1,182,296	$ 1,767,144
Accounts receivable - net	7	5,348,691	5,600,429
Accounts receivable from related parties	20	122,714	93,126
Inventories – net	8	1,595,012	1,442,056
Prepaid expenses		1,098,990	1,084,498
Assets classified as held for sale	9	7,790,506	-
Total current assets		17,138,209	9,987,253
Long - lived assets:			
Buildings, properties and equipment – Net	10	457,659	408,383
Investment in shares of associated company	12	18,360	17,681
Deferred income taxes	22	79,233	37,641
Other assets – Net	11	7,734,854	6,901,910
Total		**$ 25,428,315**	**$ 17,352,868**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Bank loans and current portion of long-term debt	13	$ 400,579	$ 805,025
Accounts payable to suppliers		1,554,690	1,644,125
Other payables and accrued liabilities		1,012,915	664,144
Income taxes		126,477	30,881
Statutory employee profit sharing payable		13,827	9,911
Liabilities directly associated with assets classified as held for sale	9	4,487,400	-
Total current liabilities		7,595,888	3,154,086
Long-term liabilities:			
Long-term debt	13	6,505,278	4,650,852
Sundry creditors		64,820	50,181
Employee benefits	14	2,298	1,889
Deferred income taxes	22	756,924	660,416
Total liabilities		14,925,208	8,517,424
Stockholders' equity:			
Capital stock		1,914,306	1,914,306
Repurchase of stock		(74,394)	(74,621)
Premium on reissuance of repurchased stock		39,749	39,749
Retained earnings		8,263,564	6,819,006
Translation effects of foreign operations		149,561	12,834
Controlling interest		10,292,786	8,711,274
Non-controlling interest		210,321	124,170
Total stockholders' equity	18	10,503,107	8,835,444
Total		**$ 25,428,315**	**$ 17,352,868**

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

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2014 and 2013
(Thousands of Mexican pesos, except earnings per share information expressed in pesos)

	Note	2014	2013
Net revenue		$ 11,540,998	$ 11,360,689
Cost of goods sold		3,538,831	3,416,363
Gross profit		8,002,167	7,944,326
Selling, general and administrative expense		5,569,258	5,017,153
Other income, net	21	(12,187)	(9,719)
		5,557,071	5,007,434
Operating income		2,445,096	2,936,892
Interest expense		(360,003)	(298,469)
Interest income		11,827	12,847
Exchange gain (loss), net		32,525	(56,921)
Equity in (loss) income of associated companies	12	(11,684)	11,244
Income before income taxes from discontinuous operations		2,117,761	2,605,593
Income taxes expense	22	623,598	794,983
Consolidated net income from continuing operations		1,494,163	1,810,610
Income for the year from discontinued operations, net		12,943	-
Consolidated net income		1,507,106	1,810,610
Other comprehensive income for the year:			
Exchange differences on translating foreign operations		160,329	9,885
Consolidated comprehensive income		**$ 1,667,435**	**$ 1,820,495**
Net income attributable to:			
Controlling interest		$ 1,444,558	$ 1,752,468
Non – controlling interest		62,548	58,142
		$ 1,507,106	**$ 1,810,610**
Consolidated comprehensive income attributable to:			
Controlling interest		$ 1,581,285	$ 1,760,607
Non – controlling interest		86,150	59,888
		$ 1,667,435	**$ 1,820,495**
Basic earnings per share:			
Basic and diluted earnings per share		**$ 1.38**	**$ 1.67**
Weighted average shares outstanding (thousands of shares)		**1,048,255**	**1,048,733**

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2014 and 2013
(Thousands of Mexican pesos)

	Contributed Capital			Earned capital			
	Capital Stock	Repurchase of shares	Premium on reissuance of repurchased shares	Retained earnings	Translation effects of foreign operations	Non - controlling interest	Total stockholders' equity
Balances as of January 1, 2013	$ 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)	-	-	-
Repurchase of shares– Net	-	(12,440)	-	-	-	-	(12,440)
Cancellation of dividends declared	-	-	-	-	-	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
Repurchase of shares – Net	-	(53,343)	-	-	-	-	(53,343)
Placement of own shares	-	53,570	-	-	-	-	53,570
Consolidated comprehensive income	-	-	-	1,444,558	136,727	86,151	1,667,436
Balances as of December 31, 2014	**$1,914,306**	**$ (74,394)**	**$ 39,749**	**$8,263,564**	**$ 149,561**	**$ 210,321**	**$10,503,107**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013
(Thousands of Mexican pesos)

	2014	2013
Cash flows from operating activities:		
Income before income taxes	$ 2,117,761	$ 2,605,593
Items related to investment activities:		
Depreciation and amortization	98,021	64,243
Loss (gain) on sale of equipment	416	(6,353)
Unrealized foreign exchange fluctuations	(232)	276
Equity in (income) loss of associated companies	11,684	(11,244)
Other	4,409	1,637
Items related to financing activities:		
Interest expense	333,756	272,914
	2,565,815	2,927,066
Net changes in working capital:		
(Increase) decrease:		
Accounts receivable, net	142,160	(727,694)
Accounts receivable from related parties	(29,588)	93,017
Inventories	(152,956)	(409,656)
Prepaid expenses	(19,129)	(85,211)
Assets classified as held for sale, net of liabilities directly associated with assets classified as held for sale	(1,443,218)	-
Increase (decrease):		
Trade accounts payable	(89,396)	425,458
Other payables and accrued liabilities	424,875	(87,269)
Income taxes paid	(376,712)	(262,316)
Employee retirement obligations	409	229
Stock - based compensation cost	12,420	(9,678)
Statutory employee profit sharing	3,916	6,801
Net cash flow provided by operating activities	1,038,596	1,870,747
Cash flow from investment activities:		
Acquisition of buildings, properties and equipment	(120,252)	(40,887)
Acquisition of subsidiary	(1,857,197)	-
Sale of equipment	1,600	9,574
Acquisition of trademarks and other assets	(783,842)	(2,690,934)
Net cash flow used in investing activities	(2,759,691)	(2,722,247)
Net cash flow to be obtained from financing activities	(1,721,095)	(851,500)
Cash flow from financing activities:		
Proceeds from debt	2,748,807	5,822,171
Payments of debt	(1,276,220)	(3,784,457)
Repurchase of shares	(12,193)	(2,763)
Interest paid	(331,219)	(277,997)
Non - controlling interest	23,604	10,310
Net cash flow provided by financing activities	1,152,779	1,767,264
Net (decrease) increase in cash, cash equivalents and restricted cash	(568,316)	915,764
Adjustment to cash flows due to exchange rate fluctuations	(16,532)	(65,786)
Net (decrease) increase in cash, cash equivalents and restricted cash	(584,848)	849,978
Cash, cash equivalents and restricted cash at the beginning of period	1,767,144	917,166
Cash, cash equivalents and restricted cash at the end of period	**$ 1,182,296**	**$ 1,767,144**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013 (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 "the Entity") is an over-the-counter pharmaceutical (OTC pharmaceutical), generic drugs (GD) and personal care products (PC) with a growing international presence.

The Entity is engages in the development, sales and marketing of a broad range of premium products with 83 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, 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 47% and 38% of consolidated net sales as of December 31, 2014 and 2013, respectively.

Significant events.-

A. **BUSINESS ACQUISITION -** During 2014, Genomma acquired Grupo Comercial e Industrial Marzam, S. A. de C. V. and Subsidiaries (Marzam), which was recorded using the purchase method.

The payment of the first stage of the purchase was made on June 26, 2014 for $600 million, corresponding to 49% of the shares. With the second payment made on October 6, 2014 for the remaining 51%, 100% of the company and control of it was acquired. The total amount of the consideration paid amounted $1,857,197, generating goodwill of $398 million. The result of this entity has been included in these consolidated financial statements from the date of acquisition; presentation is within discontinued operations as described below.

The Entity has indicated its intention to sell 51% of Marzam's shares, so according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations has decided to present in its Statements of Financial Position of the Entity, as assets held for sale and liabilities directly associated with held-for-sale 100% of the statement of financial position of Marzam at December 31, 2014, further, in the Statements of Profit and Loss and Other Comprehensive Income of the Entity in the area of discontinued operations is presented the net effect of the elimination of transactions with Marzam from October 6, 2014, to December 31, 2014.

B. ACQUISITION OF TRADEMARKS AND LICENSES

i. On August 27 and 29 2014, the Entity conducted the closing of the acquisition of Proctan and Cinatil Gel brands respectively, through Genomma Laboratories do Brasil LTDA. Proctan is a drug indicated as an adjunct in the treatment of hemorrhoids and Cinatil Gel is a topical analgesics. The transaction amounted $9.7 million.

ii. 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:

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

- On October 1, the Entity acquired the right, to purchase 15 brands and 30 sanitary registrations of OTC products in Brazil, as well as a pharmaceutical production facility. The Entity will exercise this right once the facility has been disincorporated with its respective manufacturing contracts (See Note 11 investment advance).

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

iv. 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.

v. 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.

C. DEBT ISSUANCE

On November 28, 2014, the Entity successfully concluded the placement of Stock Certificates LAB'14 the amount of $1,500 million pesos for a period of 5.2 years, this being his third allocation in the Mexican debt market. The certificates will pay interest every 28 days based on the Mexican reference rate TIIE plus 0.60%. The net funds obtained from this debt issuance amount $ 1,495 million. Maturing in January 2020, this issue has a rating of "AA" grade for both local Fich Ratings and HR Ratings de Mexico, S. A. de C.V.

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. Maturing in October 2017, this issue has a rating of "AA" grade for both local Fitch Ratings and HR Ratings de México, S.A. de C.V. Maturing in October 2017, this issue has a rating of "AA" grade for both local Fitch Ratings and HR Ratings de México, S. A. de C. V.

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. Maturing in July 2018, this issue has a rating of "AA" grade for both local Fitch Ratings and HR Ratings de México, S.A. de C.V. Maturing in July 2018, this issue has a rating of "AA" grade for both local Fitch Ratings and HR Ratings de México, S.A. de C. V.

2. Basis of presentation

A. EXPLANATION FOR TRANSLATION INTO ENGLISH

The accompanying consolidated financial statements have been translated fron Spanish into English for use outside of Mexico. These consolidated financial statements are presented on International Financial Reporting Standards ("IFRS") basis. Certain accounting practices applied by the Entity that conform to IFRS may not apply to accounting principles generally accepted in the country of use.

B. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCING REPORTING STANDARDS ("IFRS") AND INTERPRETATIONS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Entity has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Entity has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. 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 has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognized in the financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Entity has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

It is not policy of the Entity receiving contributions of its employees and therefore the amendments to IAS 19 have no effect on the consolidated financial statements.

Annual Improvements to IFRS 2010-2012 Cycle

The Annual Improvements to IFRS 2010-2012 Cycle include a number of amendments to various IFRS, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ' similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The application of these amendments did not have a significant impact on the Entity's consolidated financial statements.

Annual Improvements to IFRS 2011-2013 Cycle

The Annual Improvements to IFRS 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 1 clarify the meaning of "effective IFRS" with which first adoptants are allowed to apply a new IFRS even if it is not compulsory, if such IFRS allows its anticipated application.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) The property meets the definition of investment property in terms of IAS 40; and
(b) The transaction meets the definition of a business combination under IFRS 3.

The application of these amendments did not have a significant impact on the Entity´s consolidated financial statements.

C. NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

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

IFRS 9	*Financial Instruments*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]

1 *Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.*
2 *Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.*
3 *Effective for annual periods beginning on or after January 1, 2018, 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 subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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.
- 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.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has

been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Entity's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

The Entity's management does not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Entity's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

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, 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 incorporate the financial statements of Genomma Lab Internacional, S. A. B. de C. V. and its subsidiaries controlled by it. 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:

Entity	Ownership percentage 2014	Ownership percentage 2013	Activity
Mexico –			
Genomma Laboratories México, S. A. de C. V.	100%	100%	Research and development of OTC and PC
Grupo Comercial e Industrial Marzam, S. A. de C. V. y Subsidiarias (1)	100%	- %	Distribution of pharmaceutical products, health products and beauty
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. (2)	100%	100%	Logistic services
Internacional –			
Genomma Lab USA, Inc.	100%	100%	Sale of OTC and PC
Lab Brands International, LLC	70%	70%	Research and development of OTC and 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 and Subsidiaries (4)	85%	85%	Sale of OTC and PC
Genomma Lab Dominicana, S.R.L.	100%	100%	Sale of OTC and PC
Genomma Laboratorios Médicos, S. L.	100%	100%	Sale of OTC and PC
The Dutch-LATEM Royalty Company, B. V. (3)	100%	100%	Research and development of OTC and PC

(1) See acquisition Grupo Comercial e Industrial Marzam, S.A. de C.V. and subsidiaries (Note 5)
(2) This entity was created on November 21, 2013 and is engaged to the logistics of the Doña Rosa Center distribution.
(3) This entity was acquired along with the license package of Losec A on May 5, 2013.
(4) Includes Genomma Laboratories Paraguay, S.R.L., includes Genomma Laboratories Uruguay, S.R.L. Genomma Lab and Pharmaceutical Industry, LTDA.

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:

Entity	Recording Currency	Exchange rate to translate from recording currency to functional currency	Exchange rate to translate from functional currency to Mexican pesos
Genomma Lab USA, Inc.	US Dollar	1.00	14.7348
Lab Brands International, LLC	US Dollar	1.00	14.7348
Genomma Lab Centroamérica, S. A.	US Dollar	1.00	14.7348
Genomma Lab Dominicana, S. R. L.	Dominican Peso	0.0228	14.7348
Genomma Lab Perú, S. A.	Peruvian Sol	0.3415	14.7348
Genomma Lab Chile, S. A.	Chilean Peso	0.0017	14.7348
Genomma Lab Ecuador, S. A.	US Dollar	1.00	14.7348
Genomma Laboratories Argentina, S. A.	Argentinean Peso	0.1171	14.7348
Genomma Lab Colombia, LTDA	Colombian Peso	0.0004	14.7348
Genomma Laboratories do Brasil, LTDA	Real	0.3731	14.7348
Genomma Laboratorios Médicos, S. L.	Euro	1.2156	14.7348
The Dutch -LATEM Royalty Company, B. V.	US Dollar	1.00	14.7348

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

Financial assets 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 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 Entity´s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on 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.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extend that the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost would have beenif it had not recognized the impairment.

- **Derecognition of financial assets**

The Entity ceases to recognize a financial asset only when the contractual rights expire cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and receivable and the cummulative gain or loss that had been recognized in other comprehensive income and retained earnings and recognized in results.

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. ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

J. 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.

K. 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 amount 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.

L. 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.

- **Activos de vida útil definida**

  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.

M. 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.

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.

N. 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 mainly 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.

O. INCOME TAXES

Income tax expense represents the sum of current and deferred tax.

- **Current tax**

Current income tax (ISR) is recognized in the results of the year in which is incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax (IETU).

- **Deferred tax**

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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where 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 offset short-term assets with short-term liabilities and when they relate to taxes corresponding to the same taxation authority and the Entity intends utility to liquidate its assets and liabilities on a 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.

P. 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.

Q. 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.

R. 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.

S. 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.

T. 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.

U. 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 the time that all of 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 reliably.

- **Rendering of services**

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

- **Interest revenue**

  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.

V. 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.

W. 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 have any dilutive instruments so diluted earnings per share are 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 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. Business combinations

A. BUSINESS ACQUISITION - During 2014, Genomma acquires Grupo Comercial e Industrial Marzam, S. A. de C. V., which was recorded using the purchase method.

B. The payment of the first stage of the purchase was made on June 26, 2014 for $600 million, corresponding to 49% of the shares. With the second payment made on October 6, 2014 for the remaining 51%, 100% of the company and control of it was acquired. The total amount of the consideration paid amounted $1,857,197, generating goodwill of $398 million. The result of this entity has been included in these consolidated from the date of acquisition financial statements; presentation is within discontinued operations as described below.

C. The Entity has indicated its intention to sell 51% shares of Marzam, so according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations has decided to present in its Statements of Financial Position of the Entity, as assets held for sale and liabilities directly associated with held-for-sale 100% of the statement of financial position of Marzam at December 31, 2014, further, in the Statements of Profit and Loss and Other Comprehensive Income of the Entity in the area of discontinued operations is presented the net effect of the elimination of transactions with Marzam from October 6, 2014, to December 31, 2014.

D. ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE ACQUISITION DATE

2014	Grupo Comercial e Industrial Marzam, S.A. de C.V. and Subsidiaries
Assets:	
Cash and cash equivalents	$ 10,330
Accounts receivable	2,974,129
Inventories	2,321,954
Other current assets	97,580
Buildings, properties and equipment	232,758
Other assets	35,293
Deferred taxes	163,509
Liabilities:	
Accounts payable to suppliers	(3,498,190)
Notes payable	(480,299)
Taxes and accrued liabilities	(398,068)
Total net assets	**$ 1,458,996**

E. GOODWILL ON ACQUISITION

2014	Consideration Transferred	Value of net assets Acquired	Goodwill
Grupo Comercial e Industrial Marzam, S.A. de C.V. and Subsidiaries	**$1,857,197**	**$1,458,996**	**$ 398,201**

6. Cash, cash equivalents and restricted cash

	2014	2013
Cash	$ 1,094,325	$1,278,709
Cash equivalents:		
Money market and investment in securities	70,129	480,309
Restricted cash	17,842	8,126
	$ 1,182,296	**$ 1,767,144**

7. Accounts receivable

	2014	2013
Trade accounts receivable	$ 5,173,714	$ 5,652,360
Allowance for:		
Doubtful accounts	(89,902)	(13,156)
Returns	(138,674)	(146,539)
Rebates	(780,829)	(476,585)
	(1,009,405)	(636,280)
	4,164,309	5,016,080
Recoverable taxes	865,066	364,850
Others	319,316	219,499
	$ 5,348,691	**$ 5,600,429**

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

	Opening Balance	Additions	Application	Closing Balance
2014	**$ (636,280)**	**$ (1,494,515)**	**$ 1,121,390**	**$ (1,009,405)**

	Opening Balance	Additions	Application	Closing Balance
2013	**$ (576,689)**	**$ (974,355)**	**$ 914,764**	**$ (636,280)**

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 43% and 52% of the net consolidated sales and 56% and 77% of accounts receivable balance as of 2014 and 2013, 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

	2014	2013
60-90 days	$ 66,091	$ 208,230
More than 90 days	869,569	324,340
Total	**$ 935,660**	**$ 532,570**
Average aging (days)	**97**	**78**

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.

8. Inventories

	2014	2013
Finished products	$ 1,410,343	$ 1,326,614
Raw materials	445,109	349,507
Less-allowance for obsolete items	(454,520)	(472,667)
	1,400,932	1,203,454
Goods in transit	194,080	238,602
	$ 1,595,012	**$ 1,442,056**

9. Assets available for sale

		2014
Assets classified as held for sale	**$**	**7,790,506**
Liabilities directly associated with assets classified as held for sale	**$**	**4,487,400**

The Entity has indicated its intention to sell 51% shares of Marzam, so according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations has decided to present in the statement of financial position of the Entity, as assets held for sale and liabilities directly associated with held-for-sale 100% of state Marzam financial position at December 31, 2014. The assets held for sale and liabilities directly associated with assets held for sale at December 31, 2014 are:

		2014
Cash and cash equivalents	$	43,064
Accounts receivable		2,937,811
Other accounts receivable		303,767
Inventories		3,226,224
Prepaid expenses		5,748
Buildings, properties and equipment		208,883
Investment property		37,215
Deferred taxes		188,478
Other assets		6,017
Goodwill		833,299
Marzam´s assets classified as held for sale		7,790,506
Accounts payable to suppliers		3,644,986
Other payables and accrued liabilities		362,890
Statutory employee profit sharing payable		20,534
Bank loans		383,806
Employee benefits		75,184
Marzam´s liabilities directly associated with assets classified as held for sale		4,487,400
Marzam´s net assets classified as held for sale	**$**	**3,303,106**

10. Buildings, properties and equipment - net

	Balance as of December 31, 2013	Additions	Disposals	Transferred assets	Translation effect	Balance as of December 31, 2014
Building	$ 175,450	$ -	$ (7,859)	$ 2,218	$ -	$ 169,809
Leasehold improvements	71,518	3,631	(250)	-	1,645	76,544
Laboratory equipment, molds and machinery	59,906	14,625	(152)	-	1,838	76,217
Transportation equipment	84,724	15,351	(3,589)	-	917	97,403
Computers	47,369	4,849	(1,467)	3,000	1,110	54,861
Production and recording equipment	56,468	-	-	-	141	56,609
Office furniture and telecommunication equipment	111,673	81,796	(1,544)	(1,915)	3,669	193,679
	607,108	120,252	(14,861)	3,303	9,320	725,122
Accumulated depreciation and amortization	(268,037)	(74,975)	12,844	-	(10,691)	(340,859)
	339,071	45,277	(2,017)	3,303	(1,371)	384,263
Construction in progress	7,031	89	-	-	898	8,018
Land	62,281	-	-	-	3,097	65,378
	$ 408,383	**$ 45,366**	**$ (2,017)**	**$ 3,303**	**$ 2,624**	**$ 457,659**

	Balance as of January 1, 2013	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**

11. Other assets

	Balance as of December 31, 2013	Additions	Disposals	Transferred assets	Translation effect	Balance as of December 31, 2014
Assets with indefinite useful life:						
Trademarks	$ 4,047,421	$ 12,958	$ -	$ -	$ 78,178	$ 4,138,557
Licenses	1,451	-	-	-	-	1,451
Rights	83,750	397,206	(8,750)	-	-	472,206
Investment advance	2,135,922	271,271	-	-	-	2,407,193
	6,268,544	681,435	(8,750)	-	78,178	7,019,407
Assets with definite useful life:						
Software – Development costs	79,721	29,079	(821)	-	403	108,382
Licenses	587,516	1,569	-	-	58,526	647,611
Accumulated amortization	(83,789)	(23,046)	1,469	-	(1,051)	(106,417)
	583,448	7,602	648	-	57,878	649,576
In progress development costs	9,337	12,008	-	(9,721)	-	11,624
Security deposits and others	40,581	13,798	(680)	-	548	54,247
	$ 6,901,910	**$ 714,843**	**$ (8,782)**	**$ (9,721)**	**$ 136,604**	**$ 7,734,854**

	Balance as of January 1, 2013	Additions	Disposals	Transferred 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
Investment advance	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**

12. Investment in shares of associated company

For the period from June 26 to October 6, 2014, the Entity recognized equity method Commercial and Industrial Mazarm Group, S. A. de C. V., as during that period belonged to 49% of the shares. The amount was recognized in income and amounted ($10,252).

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

		2014		2013
Financial position:				
Current assets	$	159,088	$	122,213
Non-current assets		135		161
Total liabilities		(121,753)		(86,290)
Stockholder's equity	**$**	**37,470**	**$**	**36,084**
Statements of income:				
Net revenue	$	260,563	$	419,066
Cost of sales		203,194		327,930
Gross profit		57,369		91,136
General expenses		59,931		68,189
(Loss) income before taxes		(2,562)		22,947
Income taxes		360		-
Net (loss) income	**$**	**(2,922)**	**$**	**22,947**
Participation Entity:				
Stockholders' equity	**$**	**18,360**	**$**	**17,681**
Net (loss) income	**$**	**(1,432)**	**$**	**11,244**

13. Debt market loans, bank loans and current portion of long term debt

		2014		2013
Debt certificates				
As of December 31, 2014 and 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	$	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		2,000,000
LAB 14 Issued on November 28, 2014 with maturity on January 17, 2020 and bearing interest at a floating rate TIIE + 0.60%		1,500,000		-
Banking loans-				
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

	2014	2013
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. Originally 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 beginning 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
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	47,450	115,692
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	11,504	20,120
Banco Nacional de Comercio Exterior, S.N.C.:		
Simple loan for $456 million, bearing interest at TIIE plus 0.7%. Principal will be paid through seventy two equal payments for $6.3 million starting on July 15, 2015 until June 17, 2022	456,131	-
Banco Patagonia, S. A.:		
Revolving credit with Banco Patagonia (Argentinean Financial Institution) for 25 million Argentinean pesos documented with promissory notes, bearing interest at a fixed rate of 18.5%. Principal will be paid at maturity until January 31, 2015	43,136	-
Banco Patagonia, S. A.:		
Revolving credit with Banco Patagonia (Argentinean Financial Institution) for 25 million Argentinean pesos documented with promissory notes, bearing interest at a fixed rate of 26.5%. Principal will be paid at maturity	43,067	-

	2014	2013
Banco Santander Brasil, S. A.:		
Simple loan with Banco Santander Brasil (Brazilian Financial Institution) for 40 million Brazilian Reals documented with promissory notes, bearing interest monthly at a fixed rate of 13.62%. Principal will be paid through 6 equal monthly payments commencing on January 20, 2014 and ending on March 17, 2015	219,902	-
Banco Santander Brasil, S. A.:		
Simple loan with Banco Santander Brasil (Brazilian Financial Institution) for 40 million Brazilian Reals 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
Others	3,003	-
	6,924,193	5,473,770
Less:		
Short term banking loans and current portion of long term debt	400,579	805,025
Debt issue expenses	18,336	17,893
Long term debt	**$ 6,505,278**	**$ 4,650,852**

Long-term debt maturities as of December 31, 2014 are as follows:

Payable on	
2016	$ 81,234
2017	2,203,691
2018	2,334,670
2019 and subsequent	1,885,683
	$ 6,505,278

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.

14. Retirement benefits

Net period cost for obligations resulting from postretirement benefits such as seniority premiums were $409 and $229 in 2014 and 2013, respectively. Other disclosures required by financial reporting standards are not considered material.

15. 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 13 net of cash and cash equivalents, excluding restricted cash) and stockholders' equity (composed of capital stock, reserves and retained earnings as detailed in Note 18).

Debt ratio

The debt ratio is as follows:

	2014	2013
Debt (i)	$ 6,905,857	$ 5,431,379
Cash and cash equivalents	1,182,296	1,767,144
Net debt	**$ 5,723,561**	**$ 3,664,235**
Stockholder's equity (ii)	**$ 10,503,107**	**$ 8,835,444**
Net debt – stockholders' equity ratio	**54%**	**42%**

(i) Debt is defined by current and long-term loans.

(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, 2014 would increase by $18,000 (2013: increase/dicrease by $23,613). 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, 2014	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	$ 400,579	$ 2,284,925	$ 4,220,353	$ 6,905,857
Accounts payable to suppliers	1,554,690	-	-	1,554,690
Other accounts payable and accumulated liabilities	1,012,915	-	67,118	1,080,033
Total	**$ 2,968,184**	**$ 2,284,925**	**$ 4,287,471**	**$ 9,540,580**

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	$ 668,745	$ 3,982,107	$ 5,455,877
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**	**$ 694,885**	**$ 4,008,037**	**$ 7,816,216**

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):

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
US Dollars (USD)	91,632	25,901	55,466	8,672
Other currencies expressed in USD	130,191	56,081	115,995	53,359

16. 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 31 December 2014 and 2013, as follows:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash, cash equivalents and restricted cash	$ 1,182,296	$ 1,182,296	$ 1,767,144	$ 1,767,144
Accounts receivable	5,348,691	5,348,691	5,600,429	5,600,429
Accounts receivable from related parties	122,714	122,714	93,126	93,126
Financial liabilities				
Debt market and banking loans and current portion of long term debt	(6,905,857)	(6,939,281)	(5,455,877)	(5,431,379)
Accounts payable to suppliers	(1,554,690)	(1,554,690)	(1,644,125)	(1,644,125)
Other accounts payable and accumulated liabilities	(1,080,033)	(1,080,033)	(716,214)	(716,214)
Total	**$ (2,886,879)**	**$ (2,920,303)**	**$ (355,517)**	**$ (331,019)**

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.

17. Stock based payments

On February 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, the expense recorded in the consolidated statement of profit is $4,477.

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. The actual stock payments agreements 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

18. Stockholders' equity

A. As of December 31, 2014 and 2013, capital stock is represented by:

	Number of shares	Amount
Fixed common stock		
Serie B	82,176	$ 150
Variable common stock		
Serie B	1,048,651,194	1,914,156
	1,048,733,370	**$ 1,914,306**

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 consisted on 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 17. 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 1933 and the applicable regulation in the countries where it takes place and / or, in case, the hire of the necessary hedge financial instruments.

C. 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, 2014 and 2013, the legal reserve amounts $317,301 and $249,609 respectively.

D. 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.

E. The balances of tax stockholders' equity at December 31 are:

	2014	2013
Contributed capital account	$ 2,567,214	$ 2,466,578
Net tax income account	4,652,946	3,846,986
Total	**$ 7,220,160**	**$ 6,313,564**

19. Foreign currency balances and transactions

A. As of December 31, 2014 and 2013, the foreign currency monetary position is as follows:

	2014	2013
Thousands of US Dollars::		
Monetary assets	91,632	55,466
Monetary liabilities	(25,901)	(8,672)
Net monetary long position	**65,731**	**46,794**
Equivalent in Mexican Pesos	**$ 968,533**	**$ 611,373**

	2014	2013
Other currencies valued in US Dollars:		
Monetary assets	130,191	115,995
Monetary liabilities	(56,081)	(53,359)
Net monetary long position	**74,110**	**62,636**
Equivalent in Mexican Pesos	**$ 1,091,996**	**$ 818,352**

B. Transactions denominated in foreign currency were as follows:

(In thousands of US dollars)

	2014	2013
Export sales	-	208
Import purchases	4,142	5,448
Purchase of assets	16	16,132
Other expenses	3,553	4,671

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:

	December 31,		March 26,
	2014	2013	2015
U. S. Dollar	**14.7348**	**13.0652**	**14.9524**

20. 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 payable to related parties are as follows:

	2014	2013
Televisa Consumer Products USA, LLC	**$ 122,714**	**$ 93,126**

B. Commercial transactions

During 2014 and 2013, the Entity carried out the following commercial transactions with its related parties:

	2014	2013
Sales to Televisa Consumer Products USA, LLC	$ 197,024	$ 343,445
Sales to Grupo Comercial e Industrial Marzam, S.A. de C.V.	1,040,138	-
Administrative services received	(146,815)	(128,479)
Royalty	7,817	12,572

C. Benefits granted to key management

Compensation to key management during the year is as follows:

	2014	2013
Short term direct benefits	**$ 146,815**	**$ 128,479**

21. Other expenses and income

Detailed as follows:

	2014	2013
(Loss) gain on disposal of fixed assets	$ (416)	$ 6,353
Inflation effects on taxes	-	280
Others, net	12,603	3,086
	$ 12,187	**$ 9,719**

22. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR -The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%. Due to the abolishment of the IETU law, the Entity cancelled in 2013 deferred IETU previously recorded.

The income tax rates for 2014 applicable in the countries in which the Entity operates are as follows:

	%
Argentina	35
Brazil	34
Chile	20
Colombia	34
Costa Rica	30
Ecuador	23
United States of America	35
Peru	30
Dominican Republic	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 from 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.

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

A. Income taxes are as follows:

	2014	2013
ISR:		
Current	$ 581,886	$ 408,719
Deferred	41,712	386,264
	$ 623,598	**$ 794,983**

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

	2014	2013
	%	%
Statutory rate	30	30
Plus (less) the effect of permanent differences, mainly nondeductible expenses and differences in statutory rates in foreign subsidiaries	(1)	1
Effective rate	**29**	**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:

	2014	2013
Deferred ISR asset:		
Allowance for doubtful accounts and estimated returns and rebates	$ 299,365	$ 189,621
Accrued liabilities	23,266	37,384
Tax losses	35,267	34,895
Inventory reserve and others, net	226,775	189,341
Net ISR assets	584,673	451,241
Deferred ISR (liability):		
Restated inventory of 2004, not yet taxable	(4,331)	(8,084)
Prepaid expenses	(549,637)	(382,917)
Other assets	(708,396)	(683,015)
Deferred ISR liability	(1,262,364)	(1,074,016)
Net ISR liability	**$ (677,691)**	**$ (622,775)**
Total asset	**$ 79,233**	**$ 37,641**
Total liability	**$ (756,924)**	**$ (660,416)**

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

23. Contingencies

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

24. Commitments

Leasing expenses amounted $96,616 and $87,942 in 2014 and 2013 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
2015	$ 86,986
2016	63,334
2017 and subsequent	79,379
	$ 229,699

25. 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 based on the following:

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

b) Given their importance, the attention of the senior management 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 2014, the Entity operates in 17 countries in addition to Mexico: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, United States, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Uruguay.

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

Operating segment data is consistently reported through internal reports prepared to provide information to senior management.

The Chief Executive Officer is responsible for resource allocation and the evaluation of operating segments, as well as for making strategic decisions.

A. The 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:

2014

	Net revenue	Total asset	Total liabilities	Investment in productive assets
México	$ 6,108,202	$ 20,798,421	$ 12,153,610	$ 2,180,158
Internacional	5,432,796	4,629,894	2,771,598	182,328
Total bussiness segments	**$ 11,540,998**	**$ 25,428,315**	**$ 14,925,208**	**$ 2,362,486**

2013

	Net revenue	Total asset	Total liabilities	Investment in productive assets
México	$ 7,085,856	$ 13,427,708	$ 5,814,174	$ 1,913,337
Internacional	4,274,833	3,925,160	2,703,250	808,910
Total bussiness segments	**$ 11,360,689**	**$ 17,352,868**	**$ 8,517,424**	**$ 2,722,247**

26. Authorization to issue the financial statements

On March 26, 2015, the issuance of the accompanying consolidated financial statements were authorized by the Board of Directors, Audit Committee and the Directors of the Entity, consequently, 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.

SHAREHOLDER´S INFORMATION

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