

April 29, 2019

Impact to the Company's financials from the adoption of new Accounting Standards

IFRS 9

IFRS-15

IFRS-16

Hyper-inflationary accounting by Quarter & Full Year 2018

IAS 29

IAS 34

IAS 21

Note on Forward-Looking Statements

This report may contain certain forward-looking statements and information relating to the Company that reflect the current views and/or expectations of the Company and its management with respect to its performance, business and future events. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like "believe," "anticipate," "expect," "envisages," "will likely result," or any other words or phrases of similar meaning. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this presentation and in oral statements made by authorized officers of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

IFRS 9- Financial Instruments *(replaces IAS 39: Financial Instruments)*

Genomma Lab strengthened its financial policies during the fourth quarter of 2015 and 2016, as well as implemented additional robust credit risk policies, controls and procedures to prevent additional aging of existing customer accounts. These policies reflect a **prudent accounting** approach and enhance the relevance and reliability of information contained within the financial statements.

As result of the adoption of IFRS 9, the Company revised its impairment methodology for financial assets and implemented the expected credit loss model for these assets on a forward-looking basis. The identified impairment change at January 1, 2018 was immaterial as the expected credit loss provision was in line with the robust policies previously implemented.

As of December 31, 2018, **the IAS-39 provision recorded the prior year exceeded by Ps. 19.3 million the expected credit loss provision required by IFRS-9.**

IFRS 15 - Revenue from Contracts with Customers *(replaces IAS 18 Revenue)*

IFRS-15, effective on January 1, 2018, replaced previous accounting standards. It provides enhanced detail on the principle of recognizing revenue to reflect the transfer of goods and services to the customers at a value which the Company expects to be entitled to receive.

IFRS 15 provides a single, principles based 5-step model to be applied to all sales contracts and contains guidance for transactions not previously addressed in IAS-18 (service revenue, long-term contracts, etc.) Industries that are most impacted are those that use long-term contracts (i.e. telecom, software development, real estate, etc.)

The adoption of IFRS-15 standard **did not have an impact on Genomma's revenue** streams from the supply of goods and associated rebates and returns provisions. The timing of the recognition or product sales and the basis for our estimates of sales deductions under IAS-18 are consistent with those adopted under IFRS 15.

IFRS 16 – Leases *(effective in 2019)*

IFRS-16 is effective on January 1, 2019, Genomma will disclose the potential impact of its adoption as a footnote in the 2018 audited financial statements.

IFRS-16 requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a **right-of-use asset** representing its right to use the underlying leased asset and a **lease liability** representing its obligation to

make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. **The initial lease asset equals the lease liability.**

The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The **lease asset** is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability. The depreciation is on a straight-line basis.

In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS-7.

In accordance to IFRS-16 the Financial Statement as of January 1, 2019 will be impacted on total assets by Ps. 97.2 million and on total liabilities by Ps. 97.2 million.

The estimated impact on the income statement for the year ended December 31, 2019

IFRS-16 Estimated Accounting Impacts	2019
Depreciation of the right-of-use asset	42.41
Lease expenses	51.89
Impact on Operating Income	9.48
Interest on the Lease Liability	13.63
Impact on Net Income (Loss)	(4.15)

IAS 29 - Hyperinflation Accounting in Argentina

Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS. Consequently, the Company is reporting, starting from the 4Q-2018 results release, the operations of its subsidiary applying hyperinflation accounting.

The IFRS rules (IAS-29) requires to report the results of operations in hyperinflationary economies as if these were highly inflationary as of January 1, 2018, and to restate the year-to-date results for the change in the general purchasing power of the local currency, using official indices before converting the local amounts at the closing rate of the period.

Furthermore, IAS-29 requires the Company to restate the non-monetary assets and liabilities stated at historical cost on the balance sheet of operations in hyperinflation economies using inflation indices and to report the resulting hyperinflation through the income statement on a dedicated account for hyperinflation monetary adjustments in the finance line and report deferred taxes on such adjustments, when applicable.

NOTE: Accounting standards recommend using the **Consumer Price Index (IPC)** as published by INDEC (Instituto Nacional de Estadística y Censos), to measure inflation. In 2018 general consumer prices increased by 47.6%.

Noteworthy is that the **Producer Price Index (IPP)** as published by INDEC increased 75.6% in general, and 101.9% for pharmaceutical products during 2018.

IPP is a leading indicator of **IPC**. When producers faced input inflation, (i.e. devaluation of the Argentinean Peso) those rising costs are eventually passed along to the retailers and in ultimately to the consumer. In this transition, there is a lag effect to consider.

Once 2018 Audited Results are completed, the Company will publish a reference base including the 2018 results per quarter as if we had reported under hyperinflation accounting since January 1, 2018.

IAS 34 – Interim Financial Reporting (by Quarter)

IAS 34, 'Interim financial reporting', requires an entity that reports interim financial information (by Quarter) to present the statement of comprehensive income for the current Quarter and the current year-to-date, together with comparative information for the equivalent Quarters in the previous year.

Preparers of annual financial statements are required to disclose if an estimate of an amount reported in an interim period has changed significantly during the final interim period of the financial year. The nature and amount of that change must be disclosed in the annual financial statements.

IAS 34 & IAS 29 - Economy Becomes Hyper-inflationary in an Interim Period (Quarter)

An economy might enter **hyper-inflation during any Quarter of the annual reporting** period. A Company with a subsidiary that has a functional currency that has become hyper-inflationary in any current Quarter, is **not required to restate the previously issued interim (Quarterly) reports** in this situation.

The application of IAS 29 is treated as a non- adjusting post-balance sheet event in the context of previous interim reports.

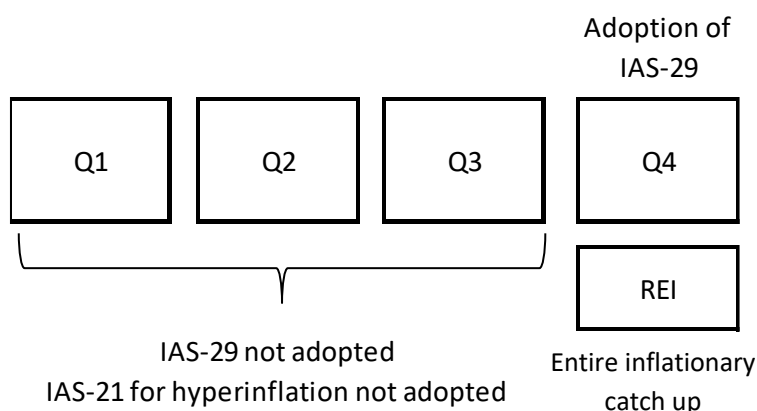
However, IAS 29 should be applied as if the economy had always been hyper- inflationary. Therefore, an entity that reports, for example in Q4, for the Year-to-date (twelve months), the Company should restate all the items in comprehensive income in 2018 from the dates when those items of income and expense were originally recorded (REI or Resultado por Efecto Inflacionario).

Entities that report quarterly will therefore have to address the catch-up adjustment for the impact of inflation on income and expenses recognized in the previous quarters.

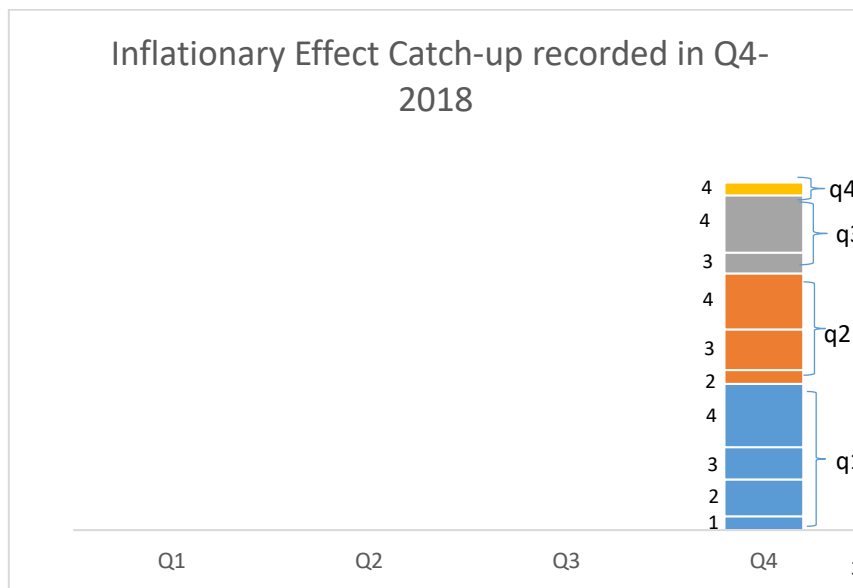
Neither IAS 29 nor IAS 34 addresses the allocation of this catch-up adjustment between Q4 and prior interim periods. Some accounting firms believe that an entity could elect to present the catch-up adjustment in the income statement in the discrete quarter, or as an adjustment to opening equity at the beginning of those periods.

The Government Board of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) issued Resolution JG 539/18¹, prescribing the indices to be used by entities with a functional currency of the Argentine peso for the application of the restatement procedures. Argentina Law No. 27.468 was published on December 2018 requiring companies to prepare their financial statements in a fixed currency adjusted for inflation.

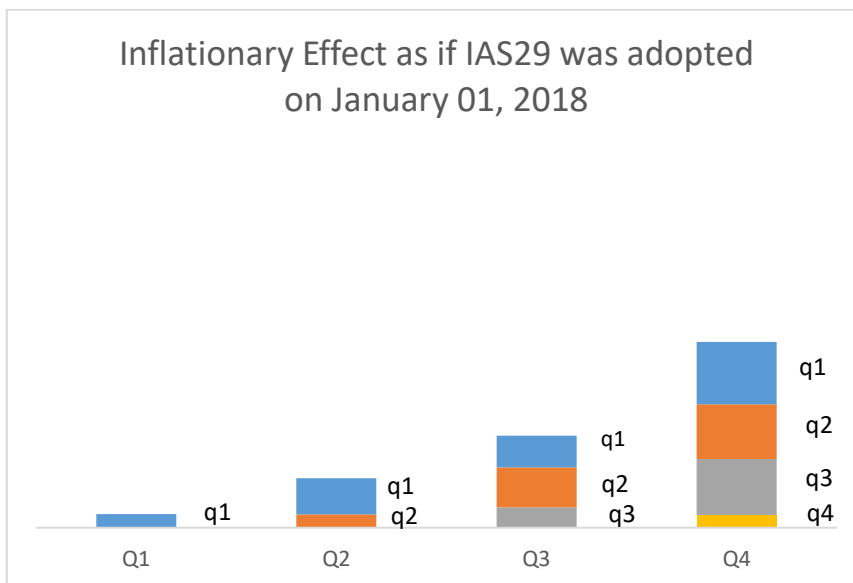
Genomma adopted IAS-29 for its Argentinian subsidiary during Q4 2018.



¹ FACPCE resolution JG 539/18 was issued at the end of September 2018 and later modified in October 2018. Other Argentinian Government authorities have issued supporting resolutions, for example the one from Banco Central de la República Argentina (February 2019), another one from the Comisión Nacional de Valores de Argentina (December 2018), or the one from the Intendencia General de Justicia (December 2018).



The figure above illustrates the “catch-up” effect of Inflationary gains in the Company’s Q4 results

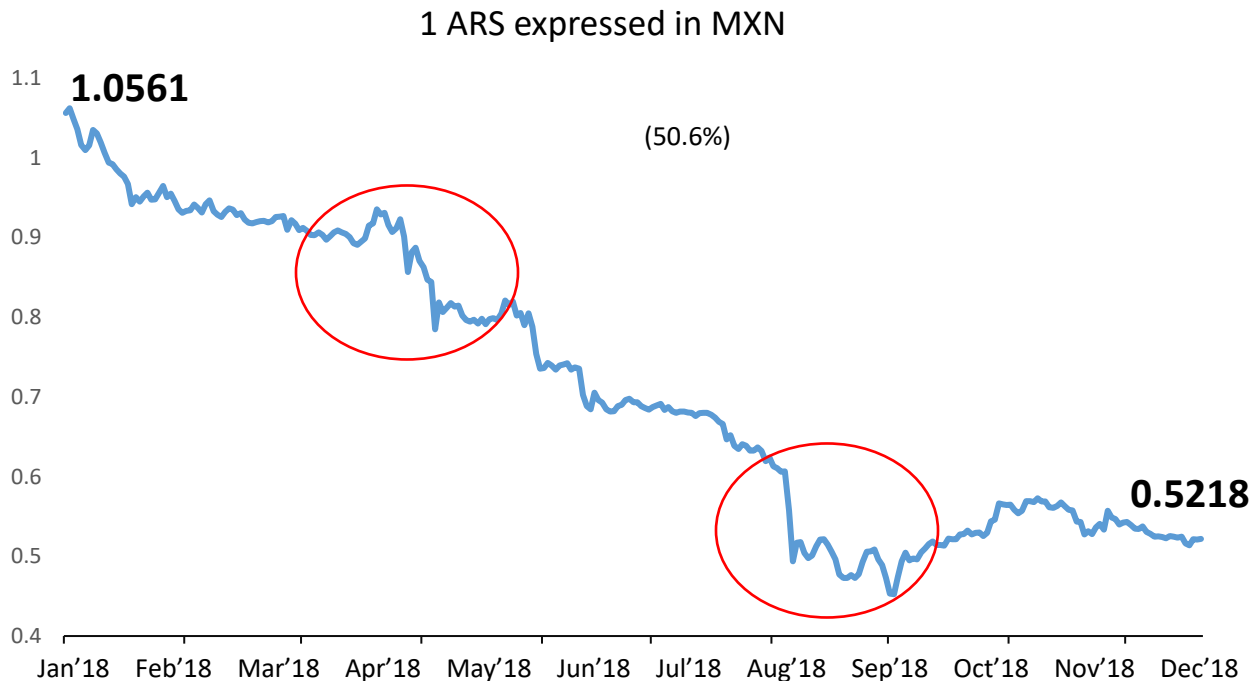


For 2019, the Company will publish a reference base including the 2018 results per quarter as if we had reported under hyperinflation accounting since January 1, 2018

In each Quarter, all items need to be restated into the same measuring unit current at the date of the reporting period. It implies that the Company must restate the comparative figures for the previous periods in terms of the measuring unit at the end of the reporting period.

For example, year-to-date results as of June 30th, must also include a restatement of Q1 (adding inflationary gains or losses) to the Q2 results, so that everything is expressed in the same measuring unit (as of June 30th in this example). The restating requires to apply the change in CPI-based index (inflaton) from the dates on which income/expenses were initially recorded (as well as information of earlier periods)

Major Devaluation of the Argentinian Peso (ARS) in 2018



IAS 21 – The Effects of Changes in Foreign Exchange Rates

IAS 21 outlines how to account for foreign currency transactions and operations in financial statements. The results and financial position of an entity are translated using different procedures, whether those entities operate in the:

- Currency of a **stable economy**; or
- Currency of a **hyperinflationary** economy (special rules apply)

Translating results from a currency of a stable economy (Genomma subsidiaries exc. Argentina)

- Assets and liabilities are translated **at the closing rate at the date of that balance sheet.**;
- Income and expenses for each Income Statement are translated **at exchange rates at the dates of the transactions²**;
- All resulting exchange differences are recognized in other comprehensive income.

² For practical reasons, a rate that approximately the exchange rates at the dates of the transactions, for example an average rate for the period, is often used to translate income and expenses.

Translating results from a currency of a hyperinflationary economy (Argentina)

Special rules apply for translating the results of an entity whose functional currency is the currency of a hyperinflationary economy (Argentinian Peso ARS) into a different presentation currency (Mexican Peso MXN) to consolidate them into the parent Company

The financial statements of the foreign entity should be restated as required by IAS 29 Financial Reporting in Hyperinflationary Economies (include REI or Inflationary Gains/Losses), before translation into the reporting currency. **The restated financial statements are then translated at closing rates (i.e. December 31st, 2018).**

Non-Cash Accounting Adjustments in the Audited Financials resulting from the First time adoption of Hyperinflationary Accounting

As previously mentioned (IAS-34 & IAS-29) a Company with a subsidiary that has a functional currency that has become hyper-inflationary in any current Quarter, is **not required to restate the previously issued interim (Quarterly) reports** in this situation.

As a consequence, the Company's Q1, Q2 and Q3 results were not restated in the interim reports. The last balance sheet prior to the adoption of hyperinflationary accounting was September 30th, 2018

During the annual audit process, the Company's external auditors require the Company to adopt hyperinflationary accounting for the Argentinian subsidiary starting January 1st, 2018. This criteria considers that the last audited balance sheet that was reported was dated on December 31st, 2017

As a consequence, when consolidating results of the Argentinian subsidiary, the IAS-21 procedure for translating hyperinflationary entities must be used for the full-year results, using the closing exchange rate as of December 31st, 2018 (0.52 Mexican Peso "MXN" per 1.00 Argentinian Peso "ARS")

ILLUSTRATION of Interim Results (Hyperinflationary accounting adopted in Q4 2018)

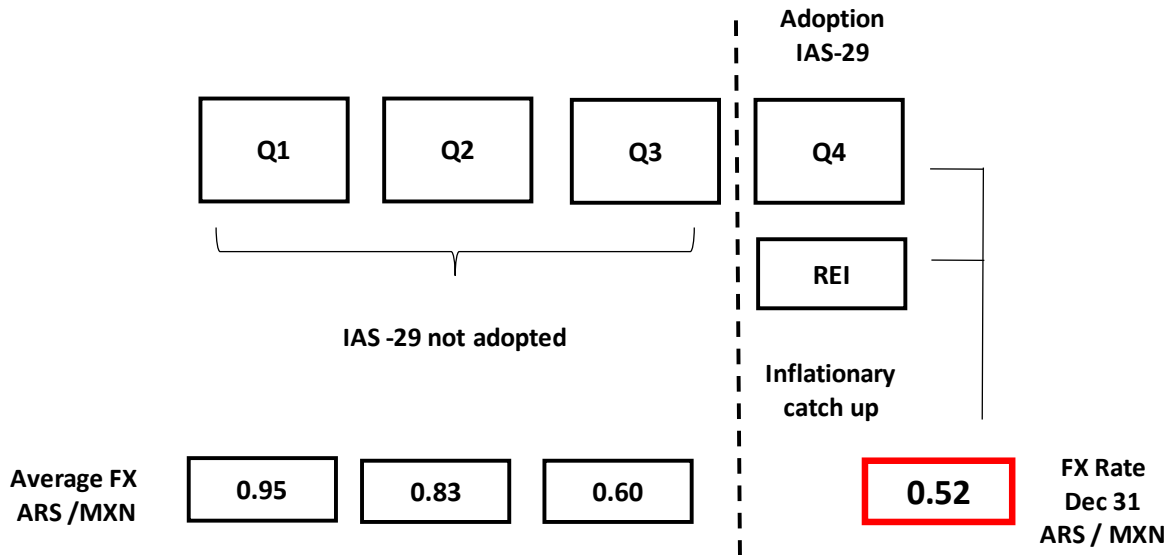


ILLUSTRATION of Audited Full-Year Results (Hyperinflationary acc. adopted January 1, 2018)

