

## EFFECTS OF ARGENTINA HYPERINFLATIONARY ACCOUNTING ON Q4 AND FULL YEAR 2023 RESULTS

*"In a nutshell, due to the abrupt devaluation of the Argentine peso in late December, accounting rules required us to record a non-cash negative impact on our 4Q23 and full year 2023 earnings. But excluding this extraordinary accounting effect, our core business is solid with good prospects. We present this information proactively and transparently so investors understand this is an isolated event, not indicative of operating issues. We remain committed to delivering value for our shareholders with a strong and growing business."*

**Mexico City, February 15, 2024 – Genomma Lab Internacional, S.A.B. de C.V. (BMV: LABB)** ("Genomma Lab" or "the Company"), one of the leading pharmaceutical and personal care product companies in Mexico with an expanding international presence, provides a preliminary overview of 2023 full year performance relative to hyperinflationary accounting for its Argentina subsidiary.

The significant devaluation of the Argentine peso on December 13, 2023 resulted in an extraordinary non-cash accounting impact on Genomma Lab's 2023 fourth quarter and financial year results, also adversely affecting the Company's 2023 net income. Genomma provides relevant preliminary financial results for the fourth quarter and full year ended December 31, 2023 below.

Genomma is finalizing fourth quarter and full year results ended December 31, 2023. However, the Company advises that results may ultimately differ from the preliminary results showed in this document. Genomma will provide more detail within its fourth quarter and full year 2023 earnings report which will be released on February 21, 2023.

**Marco Sparvieri, CEO of Genomma Lab, noted:** "Excluding the unavoidable inflationary accounting effect on Genomma's fourth quarter, full year 2023 results **are strong and our growth prospects remain solid**, with robust performance across all markets and operations. Our outlook from an operational perspective remains steadfastly positive."

**He continued:** "Genomma has a deep and expanding presence in the Americas. Our consolidated full year results underscore the resilience and adaptability that define our company's success. While recent events in Argentina imply certain accounting effects, the fundamentals of our business in that market remains solid and the outlook remains positive. We are committed to transparency and openness in our communications and to delivering on our promises to our customers, employees, and the financial community."

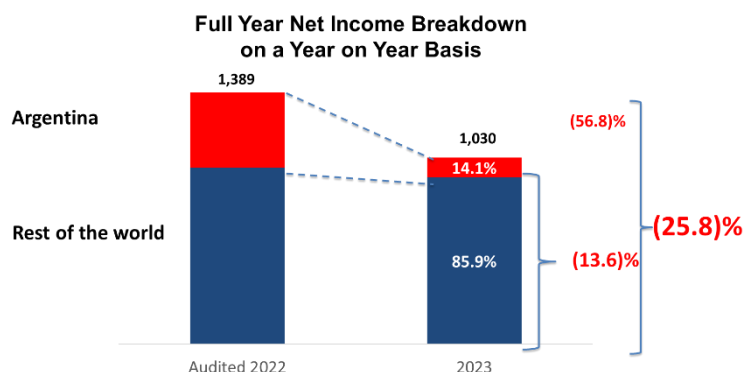
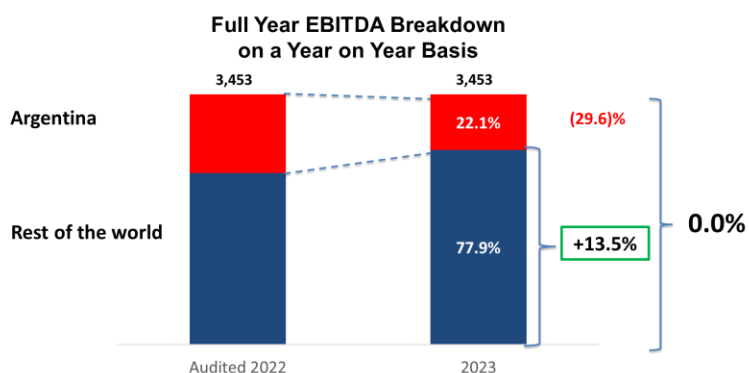
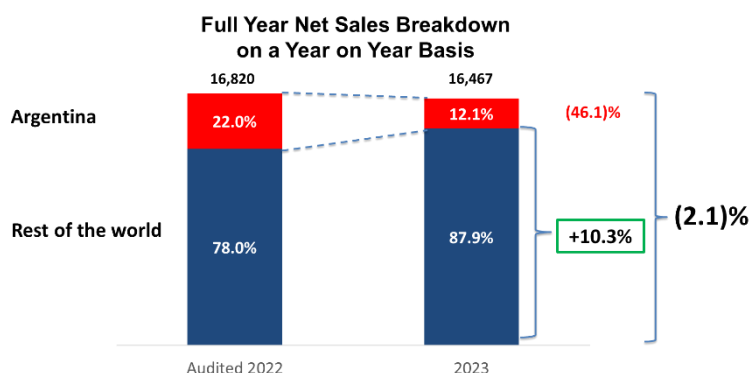
**Antonio Zamora, CFO of Genomma Lab, added:** "We have provided details to illustrate the accounting mechanics of IFRS hyperinflationary accounting (IAS 29 and IAS 21), as well as **supplementary "Proforma" financials**. We believe this can better facilitate financial analysis through a more balanced approach to measuring Genomma's performance."

## IAS 29 & IAS 21 Accounting Effect: Significant Currency Devaluation in Argentina

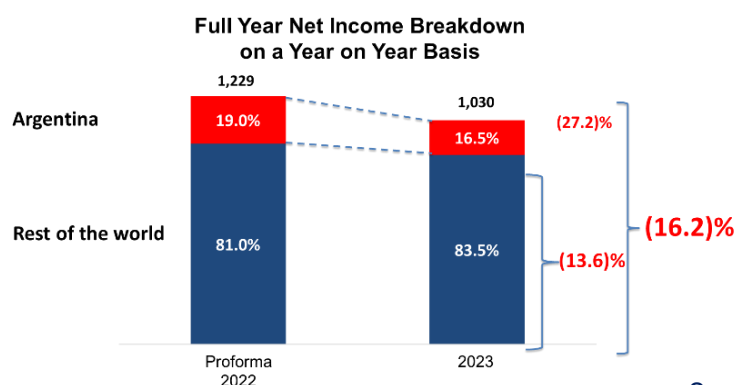
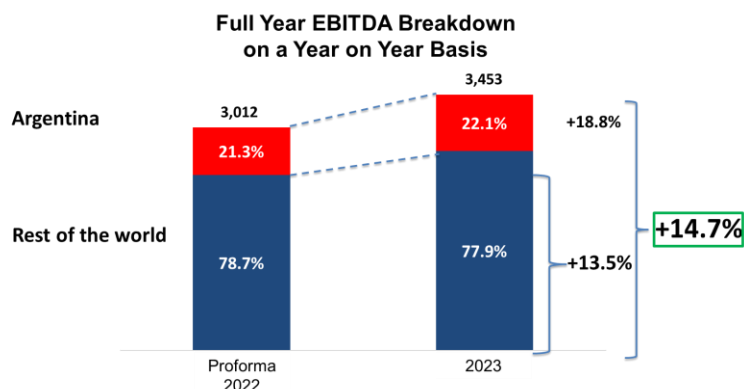
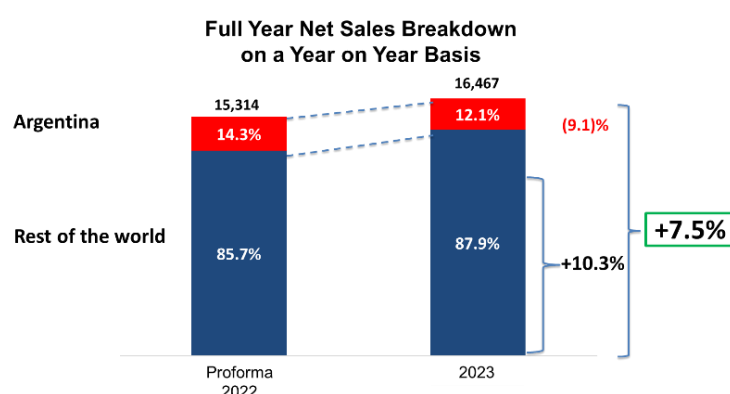
During 4Q23 our Argentine subsidiary experienced peso devaluation of 137% against the Mexican peso and inflation of 53%, bringing accumulated devaluation against the Mexican peso for the year to 425% versus 2022 and accumulated inflation to 211%.

The chart below presents the estimated impact of Hyperinflationary accounting for Argentina on our financials for the year 2023 versus performance in 2022.

### IAS 29 & IAS 21 Accounting Effect



### Proforma in currencies of same purchasing power\*



**Genomma has preserved value within its topline & EBITDA despite significant headwinds from the Argentine devaluation which diminished the relative weight of this subsidiary which is currently operating in a hyperinflationary environment.**

**Management has taken a proactive approach to financial stability and risk management to position the Company for sustainable growth and to mitigate the adverse effects of potential volatility in the business landscape.**

**However, Argentina's currency devaluation further adversely impacted Genomma Lab's balance sheet as Argentina established additional FX controls. These have prevented companies operating within Argentina to pay dollar denominated payables to suppliers.**

IFRS rules (IAS-29) require that results for operations in hyperinflationary economies are reported by restating the year-to-date results reflecting the change in general **purchasing power**<sup>1</sup> of the local currency (ARS), using official indices, prior to converting the local amounts at the closing rate of the period.

IAS-29 also requires that the Company restates 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.

---

<sup>1</sup> Purchasing power is the value of a currency expressed in terms of the number of goods or services that 1 unit of currency can buy at a given time, it is also known as currency's buying power. Inflation reduces a currency's purchasing power and what that currency can buy

## Genomma Lab Hyperinflationary Accounting on Argentina Subsidiary Sales

The following illustrates the effect of hyperinflationary accounting on Genomma's Argentina subsidiary sales figures:

(millions)

**IAS-29**  
(IFRS accounting rules)

IAS 29 Reporting	Q1	Q2	Q3	Q4	FY
Results reported in ARS	8,232	13,124	19,640	57,309	98,305
Purchasing power of	Mar 31	Jun 30	Sep 30	Dec 31	
Exchange Rate ARS/MXN at end of each Q	11.5473	14.9633	19.8020	49.2611	
	Q1	Q2	Q3	Q4	FY
Reported in MXN	712.93	714.31	643.06 -	74.71	1,995.58

## Proforma figures (same purchasing power)

Genomma Lab's Argentina subsidiary quarterly net revenues have been provided below using the same purchasing power unit as that of December 31, 2023, and applying the ARS/MXN exchange rate of the same date to convey the Subsidiary's relative performance for each quarter. **The following table provides supplementary Proforma information from the Company's hyperinflation subsidiary.**

(millions)

**PROFORMA**

(All figures have same Purchasing power, as of Dec. 31, 2023)

PROFORMA	Q1	Q2	Q3	Q4	FY
Net Revenues in million ARS	21,052	23,037	18,763	35,452	98,305
All expressed in currency of December 31st (purchasing power)					
Exchange Rate ARS/MXN at end Q4- 2023	49.2611	49.2611	49.2611	49.2611	
	Q1	Q2	Q3	Q4	FY
Reported in million MXN	427.35	467.66	380.90	719.68	1,995.58

## **PRIMER: ACCOUNTING IMPACT OF DECEMBER 13, 2023 ARGENTINA DEVALUATION**

### **IAS 29 – Hyperinflationary accounting**

**Example that illustrates the mechanics of IAS 29**

### **IAS 21 – Effects of Changes in Foreign Exchange Rates**

**Major Devaluation of the Argentinian Peso (ARS) in 2023**

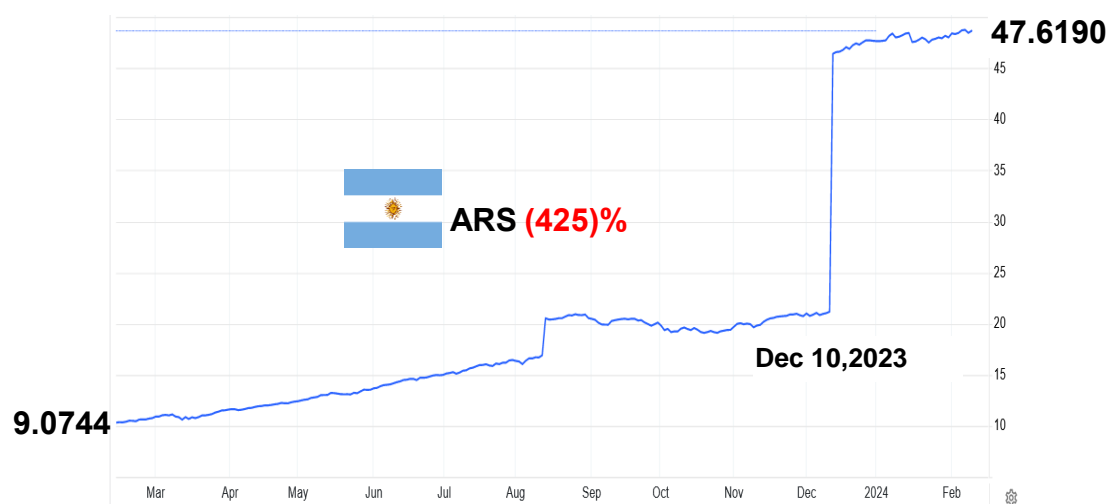
**Example of the mechanics of IAS 21 after IAS 29**

## Objective:

Genomma provides below framework to enable analysis of the Company's operations and underlying performance excluding the material accounting effects of the December 13, 2023 currency devaluation in Argentina.

- **IFRS Hyperinflationary accounting rules are inherently complex.**
- Translating financials of hyperinflationary operations into a stable currency (Mexican Pesos or MXN) follows IAS 21 specific methodology (special rules apply).
- **Argentina triple digit (-425%) inflation and currency devaluation has resulted in significant accounting effects.**

**Graph 1. 2023 Argentine Peso (ARS) devaluation vs Mexican Peso (MXN)**



**Table 1. Accumulated Inflation and Devaluation by Quarter and Full Year 2023.**

	Q1	Q2	Q3	Q4	FY 2023
Inflation	22%	24%	35%	53%	<b>211%</b>
Devaluation against the Mexican Peso	28%	29%	34%	137%	<b>425%</b>
<b>Delta</b>	<b>(6.1)%</b>	<b>(5.4)%</b>	<b>(0.5)%</b>	<b>(83.4)%</b>	<b>(213.6)%</b>

**An approximately triple digit variance between inflation and currency devaluation in Q4 result in accounting adjustments (IFRS Rules) that require further analysis to be provided as follows.**

## IAS 29 - Hyperinflation Accounting in Argentina

IFRS rules (IAS-29) require that results for operations in hyperinflationary economies are reported by restating the year-to-date results reflecting the change in general **purchasing power** of the local currency (ARS), using official indices, prior to converting the local amounts at the closing rate of the period.

IAS-29 also requires that the Company restates 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 the use of the Consumer Price Index (IPC) as published by INDEC (Instituto Nacional de Estadística y Censos), to measure inflation. In 2023 general **consumer prices increased by 211%**.

The objective is to demonstrate the extent to which the hyperinflationary subsidiary lost **purchasing power** on monetary items and gained on non-monetary items. Please note that “**purchasing power**” on non-monetary items in hyperinflation is preserved, not gained.

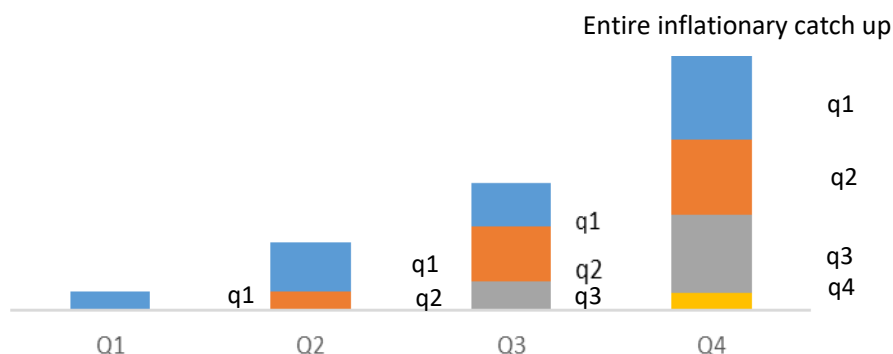
**EXAMPLE:** To illustrate this concept, the Company buys an asset at the beginning of 2023 for 1,000 ARS. The inflation rate reached 211% during 2023, the same asset would therefore be worth 3,110 ARS by the end of the year. IAS-29 accounting rules suggest it is more relevant to state said asset in the amount of 3,110 ARS rather than its original cost of 1,000 ARS as it better reflects the value of the assets in terms of “**purchasing power**”.

**Results reported under IFRS accounting rules for hyperinflationary subsidiaries are difficult to monitor and analyze due the frequent and rapid change in current prices and of the Argentine Peso (ARS). This also applies to review and analysis of financials conveyed in ARS currency.**

**Analysis becomes more complex and more challenging to monitor and analyze when those results are translated into another currency. This will be addressed later in the IAS 21 section.**



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



**Graph 2. Accumulated hyperinflation by fourth quarter and full year in 2023.**

All items within each quarter need to be restated into the same measuring unit current at the date of the reporting period. This requires the Company to 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 30, 2023 must also include a restatement of Q1 (adding inflationary gains or losses) to the Q2 results, ensuring everything is expressed in the same measuring unit (as of June 30, 2023 in this example). The restatement requires applying the change based on CPI-based index (inflation) from the dates on which income/expenses were initially recorded (as well as information of earlier periods).

Year-to-date results as of September 30, 2023 must therefore also include a restatement of Q1 and Q2 (adding inflationary gains or losses) to Q3 results, ensuring all numbers have been expressed in the same measuring unit (as of September 30, 2023 in this example). Said restatement requires applying the change in CPI-based index (inflation) from the dates on which income/expenses were initially recorded (as well as information of earlier periods).

Finally, year-to-date results as of December 31, 2023 must also include a restatement of Q1, Q2 and Q3 (adding inflationary gains or losses) to Q4 results, ensuring all numbers have been expressed in the same measuring unit (as of December 31, 2023 in this example). Said restatement requires applying the change in CPI-based index (inflation) from the dates on which income/expenses were initially recorded (as well as information of earlier periods).



## Example Illustrating the IAS 29 Application

The following example illustrates the application of IAS 29 for the recording of revenues. In this example, the Company sells 100 units of “widgets” at the end of each quarter. Assuming a unit price of 1 ARS for each widget.

### Excluding hyperinflation

	Q1	Q2	Q3	Q4
<b>Net Revenues</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Date reported	31-mar	30-jun	30-sep	31-dec

However, in hyperinflation, unit prices would continue to increase in line with inflation.

For this example, we are using the real inflation rates observed in Q2, Q3 and Q4 of 2023 in Argentina. As such, the price of 1 widget would be 1 ARS in Q1, 1.24 ARS in Q2, 1.67 ARS in Q3 and 2.56 ARS in Q4.

	Q2	Q3	Q4
<b>Inflation% in each quarter</b>	<b>23.87%</b>	<b>34.66%</b>	<b>53.31%</b>

	Q1	Q2	Q3	Q4
<b>Net Revenues from units sold during the current Q</b>	<b>100</b>	<b>124</b>	<b>167</b>	<b>256</b>

Cumulative results must be “expressed” using currencies with the same purchasing power. For example, in order to estimate the cumulative results in Q2, it would be inaccurate to add 100 from Q1 and 124 from Q2 because the currencies of each figure are expressed with different purchasing power units.

Thus, Q1 results must be re-stated using the inflation observed in Q2 ( $100 \times (1 + 0.2387) = 124$ ). As such, the cumulative results of Q1 and Q2 are 248 (124 from Q1 + 124 from Q2) as expressed in purchasing power of June 30 of the year (and not  $224 = 100 + 124$ , as it happens in non-hyperinflationary economies).

### Inflation% in each quarter

Q2	Q3	Q4
<b>23.87%</b>	<b>34.66%</b>	<b>53.31%</b>

### Net Revenues from the Current Q

Q1	Q2	Q3	Q4
<b>100</b>	<b>124</b>	<b>167</b>	<b>256</b>

### IAS-29 hyperinflation (IFRS accounting rules)

### IAS Inflation adjustment of revenues from previous Q (to reflect same purchasing power)

	Q1	Q2	Q3	Q4	FY
Inflation Adjustment Q1		23.87 <sup>(a)</sup>	42.93 <sup>(b)</sup>	88.92 <sup>(c)</sup>	156
Inflation Adjustment Q2			42.93 <sup>(d)</sup>	88.92 <sup>(e)</sup>	132
Inflation Adjustment Q3				88.92 <sup>(f)</sup>	89
Total Adjustments	-	23.87	85.85	266.77	376
<b>IAS 29 Reporting</b>	<b>100</b>	<b>148</b>	<b>253</b>	<b>522</b>	<b>1,023</b>
Reported on	31-mar	30-jun	30-sep	31-dic	

$$^{(a)} 23.87=100*[(1+23.87\%)-1]$$

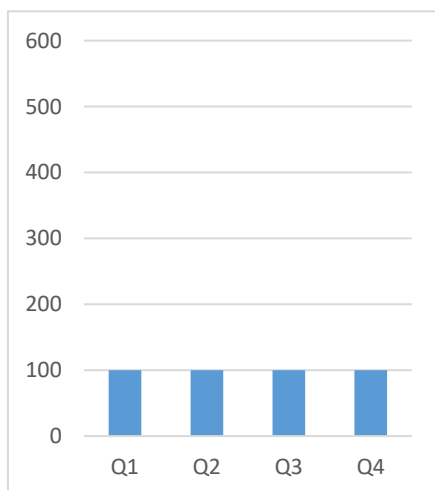
$$^{(b)} 42.93=100*[(1+23.87\%)*(1+34.66\%)-1]$$

$$^{(c)} 88.92=100*[(1+23.87\%)*(1+34.66\%)*(1+53.31\%)-1]$$

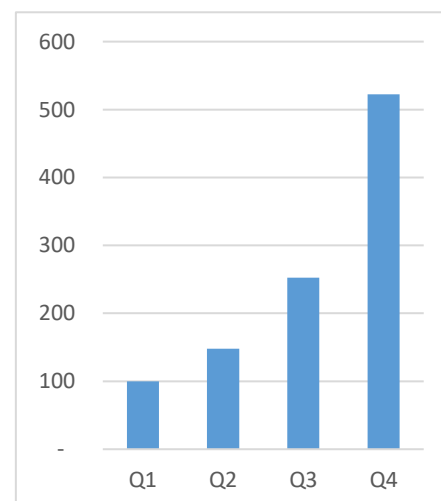
$$^{(d)} 42.93=100*[(1+23.87\%)*(1+34.66\%)-1]$$

$$^{(e)} 88.92=100*[(1+23.87\%)*(1+34.66\%)*(1+53.31\%)-1]$$

$$^{(f)} 88.92=100*[(1+23.87\%)*(1+34.66\%)*(1+53.31\%)-1]$$



Graph 3. Hypothetical quarterly sales  
without hyperinflation.



Graph 4. Hypothetical sales reported at  
the end of each Q with IAS 29

<https://inve>

Graph 4 demonstrated that it is counter intuitive to read and analyze figures reported under IAS 29, despite when those figures are expressed in local currency and have not been translated into Mexican Peso.

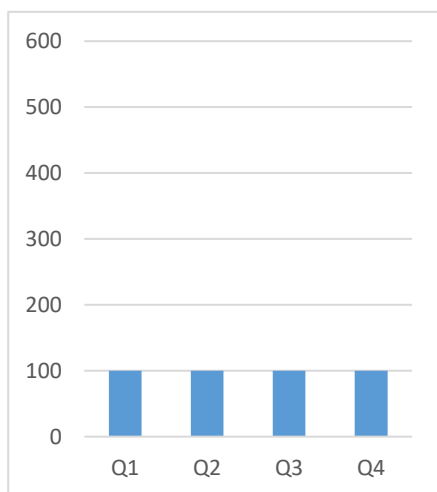
## Results- Non-IFRS business Proforma

Genomma suggests as supplementary information the use of the following “Proforma” figures where all numbers are expressed using the same purchasing power unit, that is ARS of December 31, 2023.

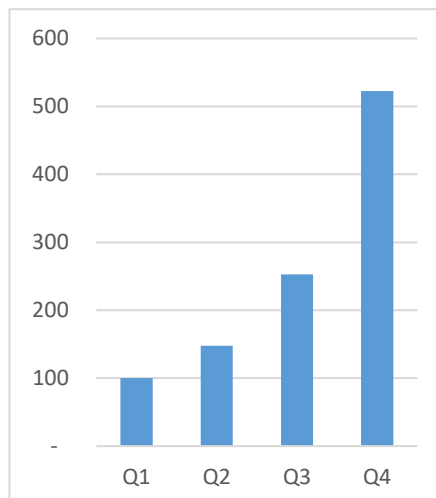
### PROFORMA

hyperinflationary world  
(All figures have same Purchasing power, as of Dec. 31)

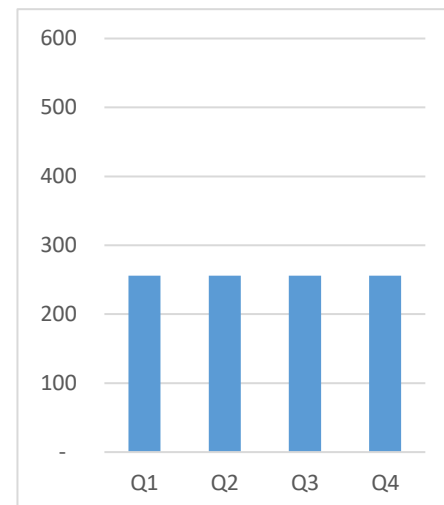
	Q1	Q2	Q3	Q4	FY
Net Revenues from the Current Q	100	124	167	256	646
Inflationary adjustments in each Q	156	132	89	-	
Net Revenues	256	256	256	256	1,023



Graph 3. Hypothetical quarterly sales **without** hyperinflation.



Graph 4. Hypothetical sales reported at the end of each Q **with IAS 29**



Graph 5. Hypothetical sales reported at the end of each Q **using Proforma with the same purchasing power of Dec 31<sup>st</sup>**

## 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:

- a) Currency of a **stable economy**; or
- b) 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 transactions<sup>2</sup>**;
- All resulting exchange differences are recognized as other comprehensive income.

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

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 of each reporting period (i.e. March 31, June 30, September 30 or December 31, 2023 respectively).**

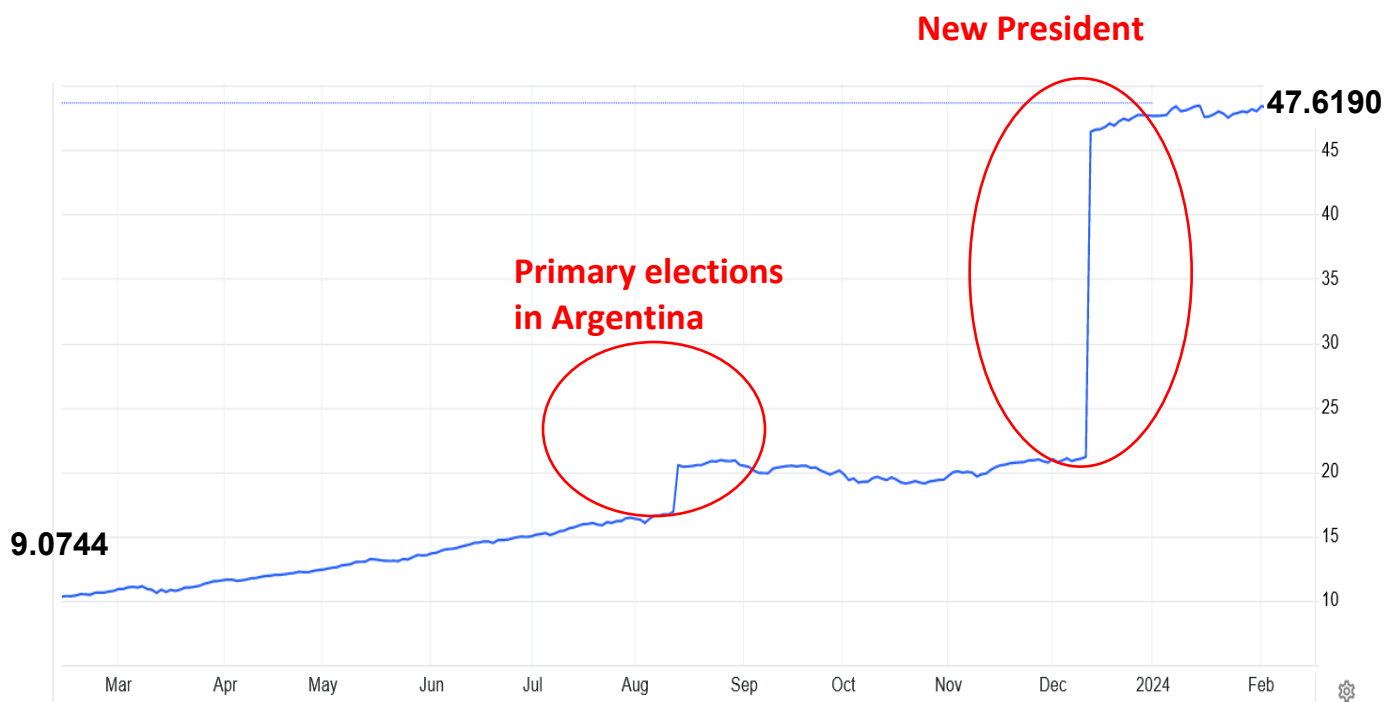
## Audited Financials Non-Cash Accounting Adjustments resulting from devaluation of the Hyperinflationary Subsidiary

External auditors require that the IAS-21 procedure for translating hyperinflationary entities must be used for full-year results when consolidating results of the Argentinian subsidiary, using the closing exchange rate as of December 31, 2023 (0.021 Mexican Peso “MXN” per 1.00 Argentinian Peso “ARS”).

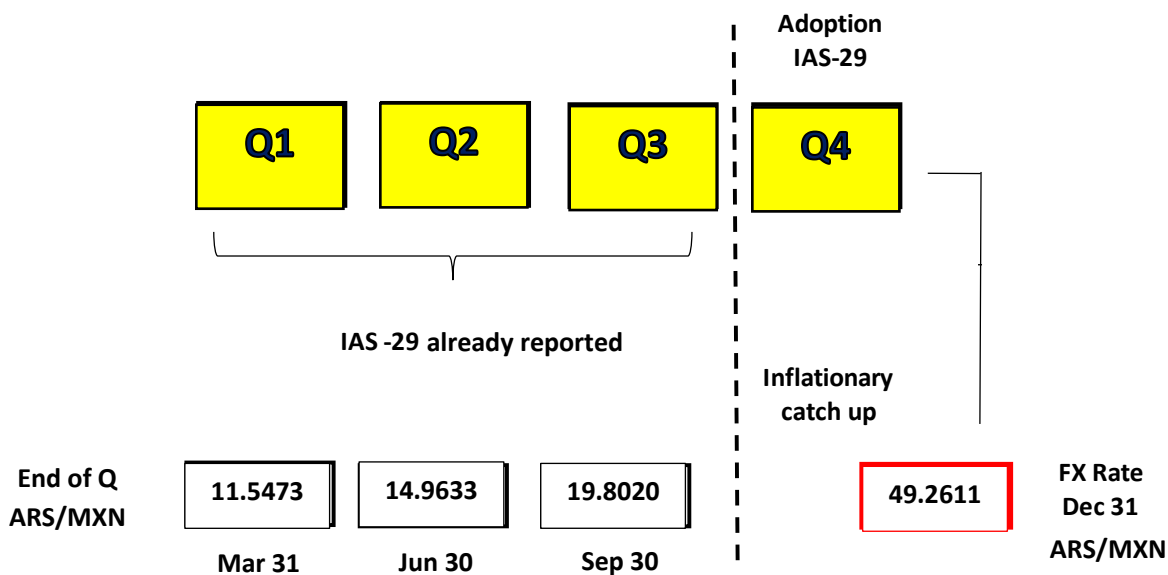
---

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

## Argentinian Peso (ARS) Devaluation in 2023



**ILLUSTRATION of FX rates used for interim quarterly results  
(Hyperinflationary accounting and IAS 21 in 2023)**



## Example of the mechanics of IAS 21 after IAS 29

Let us continue with our example, and translate the hyperinflationary results from ARS into Mexican Pesos.

### IAS 29 hyperinflationary accounting in local currency.

**IAS-29**  
hyperinflationary ARS  
(IFRS accounting  
rules)

**Reported in MXN  
Q1**

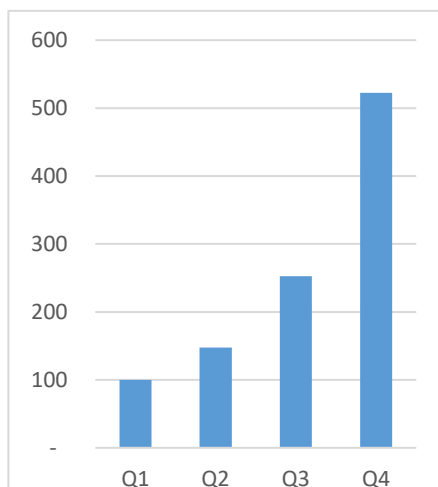
**Reported in MXN  
Q2**

**Reported in MXN  
Q3**

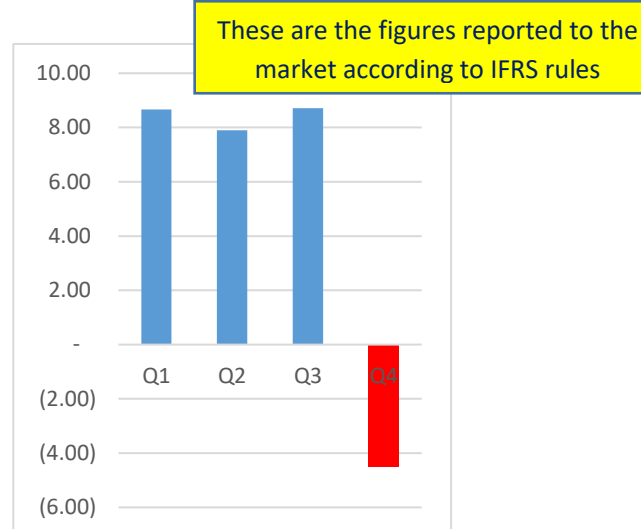
**Reported in MXN  
Q4**

	Q1	Q2	Q3	Q4	
Net Revenues from the Current Q	100	124	167	256	
IAS 29 Reporting	100	148	253	522	FY 1,023
Accumulated Sales in Q1	100				
divided by	11.5473				
	8.66				
Accumulated Sales in Q2	100+148=	248			
divided by	14.9633				
	16.56				
	- 8.66				
	7.90				
Accumulated Sales in Q3	100+148+253=	500			
divided by	19.8020				
	25.27				
8.66+7.90=	- 16.56				
	8.71				
Accumulated Sales in Q4	100+148+253+522=	1,023			
divided by	49.2611				
	20.76				
8.66+7.90+8.71=	- 25.27				
	- 4.50				
	Q1	Q2	Q3	Q4	
	8.66	7.90	8.71	- 4.50	FY 20.76

**IAS-29**  
hyperinflationary  
world  
(IFRS accounting  
rules)



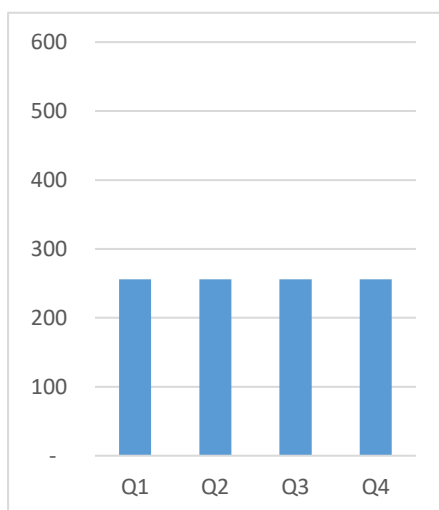
Graph 4. Hypothetical sales reported at the end of each Q with IAS 29



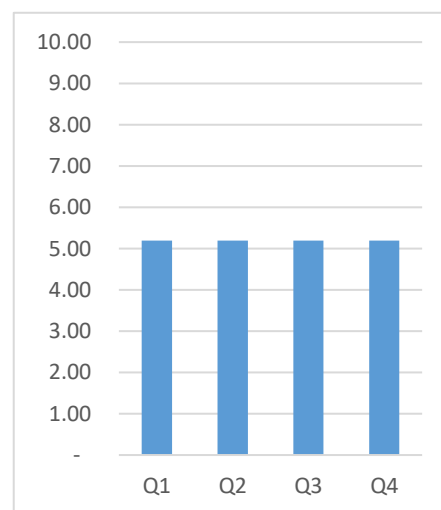
Graph 6. Hypothetical sales reported at the end of each Q in Mexican Pesos (MXN)

To better understand business performance, Genomma suggests the use of a non-IFRS *Proforma* where all figures are expressed using the same “Purchasing Power” and FX rate as of end of December 31<sup>st</sup>, 2023.

**PROFORMA**  
(All figures have  
same Purchasing  
power, as of Dec.  
31)



Graph 5. Hypothetical sales reported at the end of each Q using Proforma in ARS with the same purchasing power of Dec 31<sup>st</sup>



Graph 7. Hypothetical sales reported at the end of each Q using Proforma in MXN with the same purchasing power of Dec 31<sup>st</sup>



## Genomma Lab's Hyperinflation Subsidiary Sales

The following explains the hyperinflation accounting effect on its Argentine subsidiary sales figures:

(millions)

**IAS-29**  
(IFRS accounting rules)

IAS 29 Reporting	Q1	Q2	Q3	Q4	FY
Results reported in ARS	8,232	13,124	19,640	57,309	98,305
Purchasing power of	Mar 31	Jun 30	Sep 30	Dec 31	
Exchange Rate ARS/MXN at end of each Q	11.5473	14.9633	19.8020	49.2611	
	Q1	Q2	Q3	Q4	FY
Reported in MXN	712.93	714.31	643.06 -	74.71	1,995.58

The Company's Argentine subsidiary net revenues of each quarter have been expressed using the same purchasing power unit as of December 31, 2023, and applying the ARS/MXN exchange rate of the same date to better clarify the relative performance of every quarter. **The following table provides supplementary Proforma information from the Company's hyperinflation subsidiary.**

### PROFORMA

(All figures have same Purchasing power, as of Dec. 31)

PROFORMA	Q1	Q2	Q3	Q4	FY
Net Revenues in million ARS	21,052	23,037	18,763	35,452	98,305
All expressed in currency of December 31st (purchasing power)					
Exchange Rate ARS/MXN at end Q4- 2023	49.2611	49.2611	49.2611	49.2611	
	Q1	Q2	Q3	Q4	FY
Reported in million MXN	427.35	467.66	380.90	719.68	1,995.58

## About Genomma Lab Internacional

Genomma Lab Internacional, S.A.B. de C.V. is one of the fastest growing pharmaceutical and personal care products companies in Latin America. Genomma Lab develops, sells and markets a broad range of Premium branded products, many of which are leaders in the categories in which they compete in terms of sales and market share. The Company has a sound business model through a unique combination of a new product development process, consumer oriented marketing, a broad retail distribution network and a low-cost, highly flexible supply chain operating model.

For more information visit: [www.genommalab.com](http://www.genommalab.com) Genomma Lab's shares are listed on the Mexican Stock Exchange under the ticker "**LABB**" (Bloomberg: **LABB:MM**).

### 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. Risks and uncertainties include, but are not limited to: risks related to the impact of the COVID-19 global pandemic, such as the scope and duration of the outbreak, government actions and restrictive measures implemented in response, material delays, supply chain disruptions and other impacts to the business, or on the Company's ability to execute business continuity plans as a result of the COVID-19 pandemic, economic factors, such as interest rate and currency exchange rate fluctuations; competition, including technological advances, new products attained by competitors; challenges inherent in new product development; the ability of the Company to successfully execute strategic plans; the impact of business combinations and divestitures; manufacturing difficulties or delays, internally or within the supply chain; significant adverse litigation or government action, including related to product liability claims; changes to applicable laws and regulations, including tax laws; changes in behavior and spending patterns of purchasers of products and services; financial instability of international economies and legal systems and sovereign risk. A further list and descriptions of these risks, uncertainties and other factors can be found within the Company's related filings with the Bolsa Mexicana de Valores. Any forward-looking statement made in this release speaks only as of the date of this release. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.