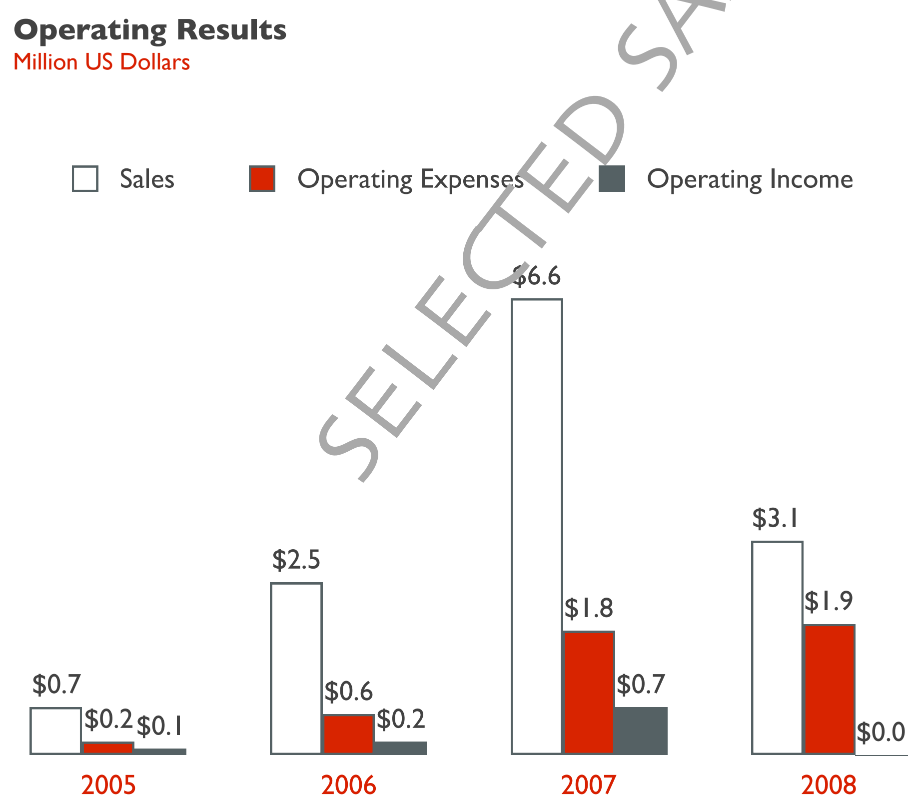
Financial Valuation of **CIA**

Report Z1014 elaborated by Enterprise Valuation SC for CIA on Noviembre 26, 2008 - www.evalue.com.mx

Comments

CIA had growing operating results from 2005 to 2007, the tendency will revert however in 2008

Financial results of CIA are highly dependent on the outcome of IMSS bids



CIA generated positive operating cash flows for the first time in 2007

Historic Cash Flows

Million US Dollars

	2006	2007
Net Income	$197	$499
Depreciation & Amortization	$54	$56
Non Cash Items	($1)	$1
Financial Expenses	$14	$201
Taxes		
Gross Operating Income	$264	$757
Working Capital	$275	$551
Tax Cash Flow	($49)	$116
Net Operating Income	($60)	$322
Cash From Investing Activities	($9)	($17)
Financial Cash Flow	$71	($27)
Non Operating Cash		
Total Cash Flow	$2	$278
Increase Cash	$2	$278

The three growth scenarios developed for CIA are based on the company's cost structure

In addition of the 3 growth scenarios developed by eValue, the table includes CIA's expectations and historic values

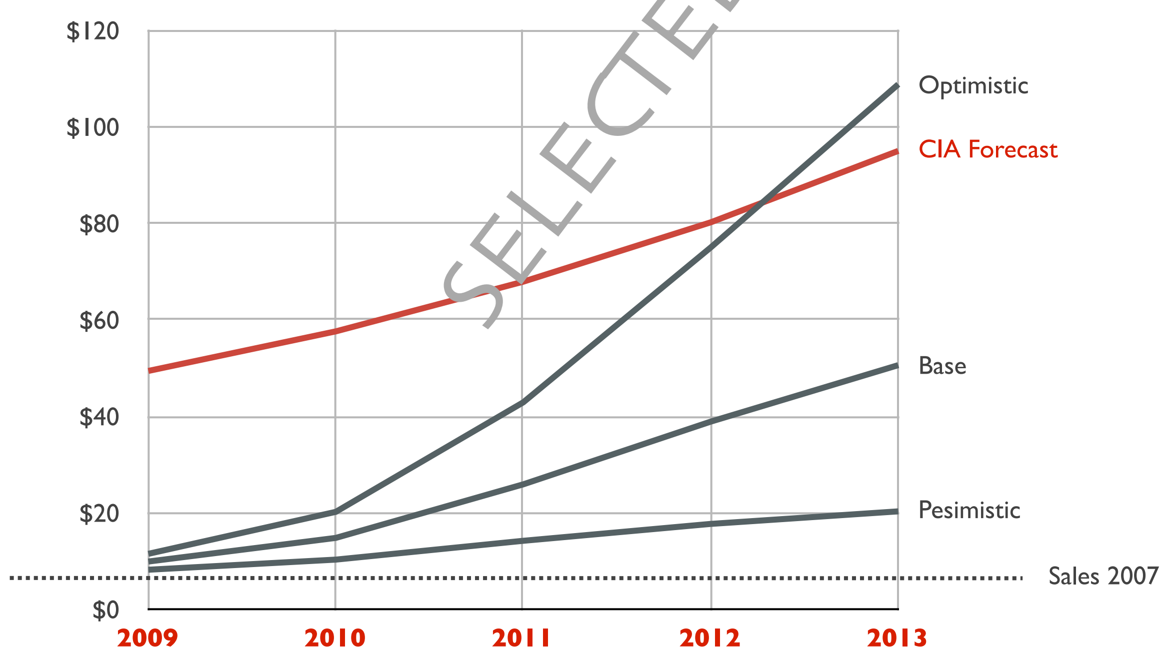
We assume CIA rents a 50,000 square feet facility instead of buying one for US$5 million dollars

Growth Scenarios

	Scenario				
	Pesimistic	**Base**	**Optimistic**	**CIA**	**2005 - 2007**
Annual Sales Growth	25% yearly compounded	50% yearly compounded	75% yearly compounded	730% in year one and 18% subsequent years	270%
Gross Margin	40%	40% + 1% per year	40% + 2% per year	60%	38%
Administrative Expenses Growth	15%	25%	35%	US$1M in year one and 0% subsequent years	280%
CAPEX	US$3.8M	US$3.8M	US$3.8M	US$8.8M	US$0.1M
Last Cash Flow Growth	1%	3%	5%		
Probability of Success	15%	70%	15%		

We expect sales will gradually grow as opposed to CIA's forecast of initial explosive growth

Sales Projections
Million US Dolars



Enterprise value for CIA after using the Discounted Future Economic Income valuation technique for the Optimistic Scenario is US$34.8 million

Company Value - Optimistic Scenario
Milion US Dollars

Discount rate	30.0%		Last Cash Flow Growth		5.0%

	2009	2010	2011	2012	2013
Revenues	$11,531	$20,179	$42,880	$75,040	$108,808
Cost of Sales	$7,191	$12,158	$24,438	$40,947	$56,982
Operating Expenses	$4,193	$5,494	$7,469	$9,800	$12,523
Operating Income	$147	$2,527	$10,973	$24,293	$39,303
Depreciation	$273	$454	$425	$425	$402
Working Capital	($422)	($1,119)	($2,918)	($4,056)	($4,152)
CAPEX	($3,810)				
Operating Taxes		($624)	($3,320)	($7,824)	($13,128)
Operating Cash Flow	($3,812)	$1,238	$5,160	$12,838	$22,425
Discount Factor	1.30	1.69	2.20	2.86	3.71
Discounted Cash Flows	($2,932)	$733	$2,349	$4,495	$6,040

∑ Present Value Cash Flows	$10,684	31%
Terminal Value	$24,159	69%
Enterprise Value	**$34,842**	

5 public companies in the Orthopedic, Prosthetic, and Surgical Appliances and Supplies sector were used to compute the value of CIA

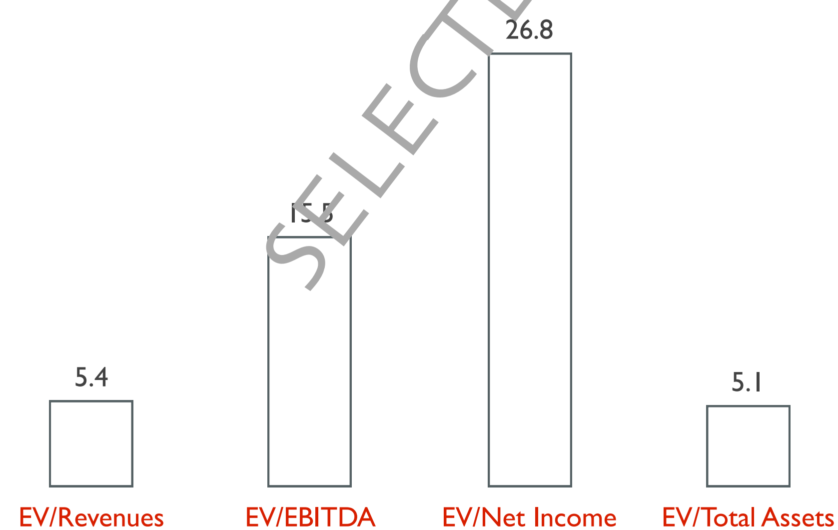
Benchmark Companies

Guideline Publicly Traded Company

Benchmark Company	Stock Exchange / Ticker	Revenues Million US Dollars 2007
Orthofix International NV	NASDAQ / OFIX	$490
Stryker Corporation	NYSE / SYK	$6,001
Zimmer Holdings, Inc	NYSE / ZMH	$3,898
Wright Medical Group, Inc	NASDAQ / WMGI	$387
Smith & Nephew plc	NYSE / SNN	$3,369

Combined multiples of these 5 M&A transactions are used to calculate the value of CIA

Multiples of M&A Transactions of Similar Companies
Times



Final Value of CIA

CIA final value combines the results of the 3 valuation techniques that result in US$11.1 – US$12.2 million

Financial Value of CIA
Million US Dollars