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Independent **auditors' report**

To the Board of Directors and Stockholders of Grupo Lamosa, S. A. B. de C.V

Opinion

We have audited the consolidated financial statements of Grupo Lamosa, S. A. B. de C. V. and Subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all the material respects, the consolidated financial position of the Grupo Lamosa, S. A. B. de C. V. and Subsidiaries (the Company) as of December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with the Ethics Code issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Emphasis of Matter

As mentioned in note 2b., on September 1, 2021, the Company acquired 100% of the shares representing the common stock of Tiles Investments and Holdings, S.L., together with those of its subsidiaries ("Roca Tiles"). Its main business activity involves the manufacture and marketing of ceramic coverings for floors and walls. As this acquisition classifies as a business combination according to the requirements of International Financial Reporting Standard 3, "Business combinations", the purchase method will be applied to measure the assets acquired and the liabilities assumed in the transaction. The acquisition amount, settled on a debt-free basis, was the equivalent of $241.1 million US dollars, net of received cash, thereby generating preliminary goodwill of $2,240,291. The Company is currently in the 12-month period established for obtaining the fair values of certain tangible and intangible assets with the support of independent expert appraisers. Accordingly, these headings and the goodwill heading must be considered as preliminary and may be modified according to the guidelines permitted by IFRS.

Key Audit Matters

Key audit maters are those matters that, in our professional judgment, were of most significance in our audit of the 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; therefore, we did not express a separate opinion on those audit matters.

- Evaluation of impairment tests applied to intangible assets with an undefined useful life and goodwill
  As described in Notes 4i., 4j. and 13 to the consolidated financial statements, the Company applies annual impairment tests to its intangible assets with an undefined useful life and goodwill. The Company utilizes the "Discounted cash flows" ("DCF") valuation method with a revenue approach, which requires the Company's Management to utilize significant estimates and assumptions involving the selection of discount rates, future revenue forecasts, financial projections, cash flows, operating margins and profits to estimate the recovery value of cash generating units ("CGUs"). Changes to these assumptions could have a significant effect on their value and the amount of any impairment charge, or both. As of December 31, 2021, the balance presented in the Company's consolidated financial statements is composed by intangible assets with an undefined useful life of $4,893,717 and goodwill of $2,997,201.

We have identified intangible assets with an undefined useful life and goodwill as a key audit matter, mainly because impairment testing requires the Management use of judgments and significant estimates to estimate the recovery value of the CGUs. This requires the auditor to utilize a high level of judgment, together with an increased audit effort, including the need to incorporate our fair value expert specialists.

We applied the following audit procedures to the significant assumptions considered by the Company when estimating future projections to assess the recovery value of intangible assets with an undefined useful life and goodwill, as follows:

- We evaluated the factors and variables used to identify the Cash Generating Units (CGU), including the analysis of cash flows and debt policies, an analysis of the legal structure and production allocation, while also obtaining an understanding of the operation of the commercial and sales area.
- We analyzed the methodology and projection assumptions used in the impairment model, specifically including cash flow, operating margin, earnings before interest, taxes, depreciation and amortization ("EBITDA") and long-term growth projections. We tested the mathematical exactness, completeness and accuracy of the impairment model. Our fair value specialists performed a sensitivity analysis of all the CGUs, while independently calculating the recovery value to evaluate whether the utilized assumptions should be modified, as well as the probability of these modifications arising.
- An independent valuation of the discount rates utilized, which were matched with the discount rates used by Management.

The results of our procedures were satisfactory and we agree with the recovery value determined for the CGUs and consider that the utilized assumptions are appropriate.

- Evaluation of the recoverability of the deferred income tax asset derived from tax losses and undeducted interest

The Company records a deferred income tax asset derived from tax loss carryforwards and undeducted interest. For this purpose, Management estimates the probability of applying these deferred income tax assets to generate a future economic benefit and supports their recognition in its consolidated financial statements.

Given the importance of the deferred income tax asset derived from tax losses and undeducted interest as of December 31, 2021, for the amount of $937,844 and $221,551, respectively, the determination of which require the use of significant judgments and estimates to calculate future projections of the Company's tax results, we focused on this heading and performed the following procedures, among others:

- We verified the fairness of the projections used to determine future tax results.
- We reviewed the projections utilized by matching them with the performance and historical trends of the business to verify variation explanations with Management.
- With the support of our tax experts, we evaluated the processes utilized to determine projected tax results, as well of the assumptions used by Management when preparing tax projections. We then discussed the sensitivity of these projections with Management.

The results of our audit procedures were satisfactory. The accounting policy established by the Company for recording deferred income taxes, together with details of their disclosure, are included in Notes 4t. and 22, respectively, to the accompanying consolidated financial statements.

- Business combination – Eurocerámica, S.A.S

As discussed in Note 2a., to the consolidated financial statements, the Company acquired all the shares representing the common stock of Eurocerámica, S.A.S. ("Eurocerámica"), which is primarily engaged in the manufacture and sale of ceramic products for walls and floors in Colombia. The total payment was the equivalent of US$35.6 million and was paid in Colombian pesos in two stages: 51% on October 1, 2020 and the remaining 49% on January 20, 2021. The fair value of the acquired assets and assumed liabilities determined and recognized at the acquisition date were $981,769 and $323,841, respectively. Goodwill of $94,713 was also recognized.

Given the significant level of judgment used by Management in the valuation models utilized to determine the payment and the fair values of the acquired assets and assumed liabilities, we involved our valuation experts to evaluate the premises and criteria used by Management and its independent expert, subsequently applying the following procedures:

- We evaluated the capacity and independence of the independent expert.
- We verified that the models used by management to determine the fair values were utilized and recognized for the valuation of assets with similar characteristics within the industry.
- We challenged management's financial projections and matched them with the performance and historical trends of the Company's businesses.
- We verified that management's projections were consistent with those approved by the Company's Board of Directors..
- We reviewed the most relevant valuation assumptions (discount rate, intangible asset valuation assumptions and the determination of the useful life of property, plant and equipment), which we matched with independent market sources.

The results of our procedures were satisfactory and we agree with the fair value amount determined for recognized assets and assumed liabilities.

Other matters

As mentioned in Note 2a., as of December 31, 2020, the preliminary figures reported for the fair values of acquired assets and assumed liabilities derived from the acquisition of Eurocerámica were reclassified to noncurrent assets to reflect the price allocation.

Information other than the Consolidated Financial Statements and Independent Auditors Report there on

The Company's Management is responsible for the other information. The other information will include the information that will be incorporated in the Annual Report that the Company must prepare pursuant to Article 33, Section I, Subsection b) of the Fourth Title, First Chapter of the General Provisions Applicable to Issuers and other Participants in the Mexican Stock Exchange and the Instructions attached to these provisions (the Provisions). The Annual Report will be available for our reading after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the other information, and we will not express any form of assurance about it.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or it appears to contain a material error. When we read the Annual Report, we will issue the legend on the reading of the annual report required by Article 33, Section I, Subsection b), number 1.2 of the Provisions. If, based on the work we have performed, we conclude that there is a material error in the information, we would have to report this fact. At the date of this report, we have nothing to report on this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

The objective of our audit is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

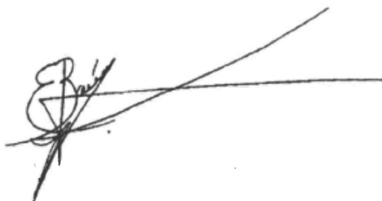
- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events, quantitatively and qualitatively, in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence related to the financial information of the entities or the business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We will also provide those responsible for the Company's government with a statement on our fulfillment of relevant ethical requirements regarding independence and will communicate any relationship and other matters that might be thought to affect our independence and, when applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

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



C. P. C. Emeterio Barrón Perales.
January 31, 2022

Consolidated statements of **financial position**

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
As of December 31, 2021 and 2020
(In thousands of Mexican pesos)

	NOTES		**2021**		2020
Assets					
Current assets:					
Cash and cash equivalents	7	$	3,413,435	$	2,609,180
Accounts receivable, net	8		4,762,991		3,144,228
Inventories	9		3,353,299		1,880,571
Other current assets	10		502,048		238,147
Current assets			12,031,773		7,872,126
Real estate inventories	11		98,202		114,545
Property, plant and equipment, net	12		9,532,195		8,681,142
Right-of-use assets, net	17		800,001		314,190
Intangible assets, net	13		8,279,269		6,149,541
Deferred income taxes	22		1,131,708		1,274,772
Other non-current assets	14		438,805		226,677
Total		$	32,311,953	$	24,632,993
Liabilities and stockholders' equity					
Current liabilities:					
Current portion of long-term debt	16	$	409,853	$	218,238
Current portion of finance lease liability	17		167,849		100,882
Trade accounts payable			3,106,486		1,905,321
Income taxes	22		854,097		559,534
Other current liabilities	15		2,961,365		2,016,800
Current liabilities			7,499,650		4,800,775
Long-term debt	16		9,468,423		6,694,914
Finance leases	17		678,698		205,015
Derivative financial instruments			-		80,045
Employee benefits	18		595,370		567,088
Long term provisions	24		155,335		120,795
Income taxes	22		148,058		348,064
Deferred income taxes	22		408,222		344,086
Total liabilities			18,953,756		13,160,782
Stockholders' equity:					
Capital stock	19		203,053		203,053
Purchase of treasury stock	19		(937,204)		(417,849)
Additional paid-in-capital	19		139,386		139,386
Retained earnings			15,027,523		11,931,904
Other comprehensive loss items	6 and 18		(1,074,561)		(702,441)
Stockholders' equity attributable to controlling interest			13,358,197		11,154,053
Non-controlling interest			-		318,158
Total stockholders' equity			13,358,197		11,472,211
Total liabilities and stockholders' equity		$	32,311,953	$	24,632,993

See accompanying notes to these consolidated financial statements.

Federico Toussaint Elosúa
Chief Executive Officer

Jorge Antonio Touché Zambrano
Chief Financial Officer

Consolidated statements of **income**

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2021 and 2020
(In thousands of Mexican pesos, except for the earning per share, which is in Mexican pesos)

	Notes		**2021**		2020
Net sales	25	$	27,186,757	$	19,473,442
Cost and expenses:					
Cost of sales			14,666,359		11,289,194
Operating expenses	20		6,084,408		4,639,232
Other operating income (expenses), net			158		(4,449)
			20,750,925		15,923,977
Operating income			6,435,832		3,549,465
Interest expense			471,721		569,495
Interest income			(166,866)		(118,915)
Hyperinflation effects on net monetary position			141,719		(4,349)
Exchange loss, net			269,560		347,749
Derivative financial instruments	6		3,225		138,463
			719,359		932,443
Income before income taxes			5,716,473		2,617,022
Income taxes	22		2,287,384		953,819
Net income of the year		$	3,429,089	$	1,663,203
Attributable to:					
Controlling interest		$	3,429,089	$	1,647,276
Non-controlling interest			-		15,927
		$	3,429,089	$	1,663,203
Earnings per basic and diluted share	4.v	$	9.49	$	4.46

See accompanying notes to these consolidated financial statements.

Consolidated statements of other **comprehensive income**

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2021 and 2020
(In thousands of Mexican pesos)

	Notes	**2021**	2020
Net income of the year		$ 3,429,089	$ 1,663,203
Other comprehensive income items:			
Item that can be potentially reclassified to net income of the year:			
Valuation of derivative financial instruments, net of taxes	22	169,379	(24,520)
Cumulative translation adjustments	19.h	(543,388)	59,817
		(374,009)	35,297
Item that cannot be reclassified to net income of the year:			
Actuarial remeasurements of defined benefits obligation	18 and 22	1,889	(24,878)
		1,889	(24,878)
Total other comprehensive items		(372,120)	10,419
Total comprehensive income of the year		$ 3,056,969	$ 1,673,622
Comprehensive income attributable to:			
Controlling interest		$ 3,056,969	$ 1,655,252
Non-controlling interest		-	18,370
		$ 3,056,969	$ 1,673,622

See accompanying notes to these consolidated financial statements.

Consolidated statements of
changes in stockholders' equity

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2021 and 2020
(In thousands of Mexican pesos)

	NOTES	Capital stock	Purchase of treasury stock	Additional Paid-In Capital	Retained Earnings
Balances as of January 1, 2020		$ 203,053	$ (130,180)	$ 139,386	$ 10,594,946
Dividends declared	19.d				(310,318)
Non-controlling interest in acquired business					
Purchase of treasury stock	19.b		(287,669)		
Comprehensive income	19.h				1,647,276
Balances as of December 31, 2020		203,053	(417,849)	139,386	11,931,904
Dividends declared	19.c				(333,470)
Non-controlling interest in acquired business					
Purchase of treasury stock	19.b		(519,355)		
Comprehensive income	19.h				3,429,089
Balances as of December 31, **2021**		$ 203,053	$ (937,204)	$ 139,386	$ 15,027,523

See accompanying notes to these consolidated financial statements.

Items of Other Comprehensive Income					
Valuation of Derivative Financial Instruments	Remeasurement of Defined Benefits Obligations	Cumulative Translation Adjustment	Total of participation controller	Total participation do not controller	Total Stockholders' Equity
$ (1,538)	$ (135,252)	$ (573,627)	$ 10,096,788	$ -	$ 10,096,788
			(310,318)		(310,318)
				299,788	299,788
			(287,669)		(287,669)
(24,520)	(24,878)	57,374	1,655,252	18,370	1,673,622
(26,058)	(160,130)	(516,253)	11,154,053	318,158	11,472,211
			(333,470)		(333,470)
			-	(318,158)	(318,158)
			(519,355)		(519,355)
169,379	1,889	(543,388)	3,056,969		3,056,969
$ 143,321	$ (158,241)	$ (1,059,641)	$ 13,358,197	$ -	$ 13,358,197

Consolidated statements of **cash flows**

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2021 and 2020
(In thousands of Mexican pesos)

		2021		2020
Cash flows from operating activities:				
Income before income taxes	$	5,716,473	$	2,617,022
Adjustment for:				
Depreciation and amortization		852,331		638,526
Other miscellaneous expenses		204,809		187,914
Interest income		(166,866)		(118,915)
Interest expense		471,720		569,495
Derivative financial instruments		3,225		138,463
Hyperinflation effects on net monetary position		141,719		(4,349)
Exchange loss, net		269,560		347,749
Asset impairment of property, plant and equipment		45,430		38,969
Inflationary effect		(126,220)		(23,449)
		7,412,181		4,391,425
Changes in working capital:				
Increase (decrease) in accounts receivable		(840,721)		116,722
Increase (decrease) in inventories		(339,064)		620,087
Increase in trade accounts payable		542,024		185,592
Increase (decrease) Other current liabilities		(91,253)		296,195
Income taxes paid		(1,319,783)		(769,054)
Net cash flows generated by operating activities		5,363,384		4,840,967
Cash flows from investing activities:				
Acquisition of property, plant and equipment		(632,214)		(271,129)
Interest income		166,866		118,915
Acquisition of intangible assets		(2,619)		(72,079)
Net cash flows used in acquisition in subsidiaries		(4,966,172)		(406,612)
Net cash flows used in investing activities		(5,434,139)		(630,905)
Cash flows from financing activities:				
Bank loans		4,379,956		3,957,222
Payments for bank liabilities and finance lease liability		(1,986,412)		(5,671,528)
Interest paid		(426,115)		(491,059)
Purchase of treasury stock		(519,355)		(287,669)
Dividends paid		(315,557)		(293,980)
Net cash flows (provided used) in financing activities		1,132,517		(2,787,014)
Net increase in cash and cash equivalents		1,061,762		1,423,048
Cash and cash equivalents at beginning of year		2,609,180		1,226,968
Effects from changes in cash value		(257,507)		(40,836)
Cash and cash equivalents at end of the year	$	3,413,435	$	2,609,180

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2021 and 2020
(In thousands of Mexican pesos)

1. ACTIVITIES

Grupo Lamosa, S.A.B. de C.V. and its subsidiaries (the "Company") are engaged in the manufacture and commercialization of ceramic products for floor and wall coverings, and adhesive for ceramic tiles. The Company's address is Avenida Pedro Ramírez Vázquez No. 200-1 Col. Valle Oriente C.P. 66269 San Pedro Garza García, Nuevo León, Mexico.

2. RELEVANT EVENTS

a. Acquisition of subsidiary – During on October, 2020, the Company acquired 51% of the shares representing the capital stock of Eurcocerámica, S.A.S. ("Eurocerámica"), which is primarily engaged in the manufacture and sale of ceramic tiles in Colombia, this date is considered as the moment on which the Company obtained control of Eurocerámica . The Company carried out this acquisition in order to expand its market, diversify risks, and strengthen its leadership in the industry. The amount paid in the debt-free acquisition was made in Colombian pesos and amounted to the equivalent of $18.1 million U.S. dollars net of the cash received, generating a preliminary goodwill of $67,510. Furthermore, on January 20, 2021, the Company completed the transaction to acquire the remaining 49% of the shares representing the common stock of Eurocerámica, S.A.S. denominated in Colombian pesos, the transaction amounted to an equivalent of $17.5 million US dollars.

The Company's consolidated financial statements include the entity's financial information since the acquisition date. The acquired business includes the wall and floor tiles segment.

As this acquisition is classified as a business combination pursuant to the requirements of IFRS 3, "Business Combinations", the purchase method will be applied to measure the assets acquired and liabilities assumed through the transaction. The allocation of the purchase price was determined in 2021. The fair values of the assets acquired and liabilities assumed as a result of this acquisition are as follows:

Consideration transferred net of cash received:	$	752,641
Identifiable assets acquired and liabilities assumed:		
Current assets	$	310,464
Long-term assets		671,305
Total assets	$	981,769
Liabilities		
Current liabilities	$	235,052
Long-term liabilities		88,789
Total liabilities	$	323,841
Net identifiable assets and liabilities	$	657,928
Share acquired		100%
Net acquisition identifiable assets and liabilities		657,928
Goodwill	$	94,713

As the allocation of the purchase price was determined in 2021, the preliminary figures recognized in 2020 have been reclassified to noncurrent assets to reflect this price allocation.

The main reclassifications in the statement of financial position as of December 31, 2020 resulting from the allocation of acquisition prices are as follows:

	Reported figures	Reclassifications	Reclassified figures
Property, plant and equipment, net	$ 9,044,348	$ (363,206)	$ 8,681,142
Intangible assets, net	5,868,627	280,914	6,149,541
Deferred income taxes	400,242	(56,156)	344,086
Non controlling interest	344,294	(26,136)	318,158

b. Acquisition of subsidiary – On September 1, 2021, the Company acquired 100% of the shares representing the common stock of Tiles Investments and Holding, S.L. ("Roca"), the holding company of a group of companies primarily engaged in the manufacture and sale of ceramic products for floors and walls in the United States, Brazil and Spain. This acquisition was made by the Company to expand its market, diversify risks and strengthen its industry leadership.

Given that this acquisition qualifies as a business combination according to the requirements of International Financial Reporting Standard 3, "Business combinations", the purchase method will be used to measure the assets acquired and liabilities assumed as a result of the transaction. The acquisition was made on a debt-free basis by considering a payment of $241.4 million US dollars, net of received cash, thereby generating preliminary goodwill of $2,240,291. A portion of the acquisition was financed by contracting a credit of US$200 million dollars, while the remainder was financed with the Company's own resources.

As of December 31, 2021 and with the support of independent appraisers, the Company is in the process of completing the allocation of the purchase price to the net assets identified in the transaction to determine their fair values at the acquisition date, accordingly, these headings and the goodwill heading may be modified. The values of the acquired net assets presented in these consolidated financial statements must be considered as preliminary in conformity with the provisions of International Financial Reporting Standard 3, which allows a 12-month period for completing the allocation of the purchase price as of the acquisition date.

The preliminary values of the acquired net assets condensed as of September 1, 2021 are presented below:.

Transferred payment, net of received cash:

Cash	$ 4,884,112
Identifiable acquired assets and assumed liabilities:	
Current assets	$ 2,367,589
Long-term assets	2,232,732
Total assets	$ 4,600,321
Liabilities	
Current liabilities	$ 1,304,015
Long-term liabilities	652,485
Total liabilities	$ 1,956,500
Net of identifiable assets and liabilities	$ 2,643,821
Acquired interest	100%
Acquisition net of identifiable assets and liabilities	2,643,821
Goodwill	$ 2,240,291

The sales and net profit of the four-month period ended December 31, 2021 contributed by the acquired business were $1,597,495 and $132,726, respectively.

If the acquisition of Roca had been completed on January 1, 2021, income would have increased by $4,734,517 (unaudited) and profit would have increased by $444,110 (unaudited).

Given that the results of the acquired operations have been included in the consolidated financial statements since the acquisition date, the 2021 consolidated statements of income and the statement of financial position are not comparable with those of the prior year. The 2021 consolidated statement of cash flows presents the Company's acquired operations as a single line item within investment activities, net of acquired cash.

3. BASIS OF PRESENTATION AND CONSOLIDATION

a. Statement of compliance – The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and their amendments as issued by the International Accounting Standards Board ("IASB").

b. Explanation for translation into English – The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. Certain accounting practices applied by the Company that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

c. Application of new or revised International Financial Reporting Standards ("IFRS" or "IAS") which are mandatory for the present or prior years and/or are not yet effective.

During the current year, the Company has applied a series of modified interpretations issued by the IASB, which are of mandatory application for the accounting period starting on or as of January 1, 2021. The conclusions related to their adoption are described below:.

Initial effect derived from the application of the interest rate benchmark reform

During the prior year, the Company adopted Phase 1 of the interest rate benchmark reform amendments: Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments specifically modify hedge accounting requirements to allow hedges to continue during a period of uncertainty before the hedged items or hedging instruments are modified as a result of the interest rate benchmark reform.

During the current year, the Company adopted Phase 2 of the interest rate benchmark reform amendments - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The adoption of these amendments allows the Company to reflect the transition effects of the Interbank Offered Rate (IBOR) at a benchmark interest rate (also known as a "risk-free rate" or RFR) without generating an effect that could result in information that is not useful for financial statement users. The Company has not reissued the prior period. However, the amendments have been applied retrospectively, with any adjustment recognized in the appropriate capital components as of January 1, 2021.

The Phase 1 and 2 amendments are relevant for the Group because it utilizes hedge accounting due to its benchmark interest exposure. During the current year, certain modifications have been made in response to the reform for derivative and non-derivative financial instruments (but not all) with maturities in 2021 (the date when this reform is expected to be implemented).

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform and a summary of the measures implemented by the Entity to manage the resulting risks and accounting effects, including the hedge accounting effect, are also presented.

The amendments are relevant for the following types of hedging relationships and financial instruments held by the Entity, all of which mature after 2021 when the reform is expected to be implemented:

- Fair Value Hedges in which the LIBOR rate is linked to derivatives designated as fair value hedges for fixed-rate debts related to the GBP LIBOR risk component;
- Cash Flow Hedges in which the IBOR rate is linked to derivatives designated as IBOR cash flow hedges associated with bank loans; and
- Bills of exchange and lease liabilities referenced to the LIBOR rate and subject to the interest rate benchmark reform.

The application of the amendments affects the Company's accounting in the following manner:

- The Company has issued debt denominated at a fixed rate whereby its fair value is hedged by using the fixed rate with LIBOR rate swaps. The amendments allowed the continuity of hedge accounting even when, at a future date, the LIBOR benchmark rate may not be separately identifiable and uncertainty may arise as regards the replacement of free, variable rates, including interest rate swaps. However, this measure does not extend to the requirement whereby interest rate risk components must continue to be reliably measured. If risk components cannot be reliably measured, the accounting relationship will be discontinued.

The following paragraph will be relevant for entities that apply the hedge accounting requirements of IAS 39.

- The Company will not discontinue hedge accounting, while retrospectively considering hedge effectiveness outside the range of 80-125% and when the hedging relationship is subject to the risk-free benchmark rate. In the case of derivatives that are not subject to the interest rate benchmark reform, the Company will continue to suspend hedging accounting if the retrospective effectiveness lies outside the range of 80-125%.

The Company will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty generated by the reform of benchmark reference rates ends as regards the duration and amount of the underlying cash flows to which the Company is exposed. The Company expects this uncertainty to continue until its contracts linked to an IBOR rate are amended at the specific date on which benchmark rates are replaced and the basis of the cash flows derived from alternative benchmark rates may be determined, including any fixed spread.

As a result of Phase 2 amendments:.

- When the contractual terms of the Company's loans are amended as a direct result of the interest rate benchmark reform and the new basis for determining contractual cash flows is equal to the basis immediately preceding the amendment, the Company will modify the basis used for determining contractual cash flows by prospectively revising the effective interest rate. If additional amendments not directly related to the reform are applied, the requirements of IFRS 9 are applied to other amendments.

- When a lease is modified as a result of the interest rate benchmark reform and a new basis used for determining lease payments is economically equivalent to the prior basis, the Company remeasures the lease liability to reflect the discounted lease payment by using a revised discount rate that reflects the modification of the basis used to determine contractual cash flows.

- When changes are made to hedging instruments, items and the hedged risk as a result of the interest rate benchmark reform, the Company updates the respective hedge documentation without discounting the hedging relationship and, in the case of a cash flow hedge, the amount accrued in the cash flow hedge reserve is considered in conformity with the Sterling Overnight Index Average ("SONIA").

- As regards the fair value of noncontractual benchmark interest rate hedges in transition to the alternative benchmark rate when the risk rate cannot be separately identified at the designation date, the Company considers that it has fulfilled the separate identification requirement at the designation date if it reasonably expects that a specific interest rate component will end within 24 months as of the date on which the alternative benchmark rate is designated, regardless of the period for which this hedge was determined. The 24-month period is applied on a rate-by-rate basis.

The initial effect of the COVID-19 Rent Concessions of IFRS 16 after June 30, 2021 - amendment of IFRS 16

During the prior year, the Company adopted the COVID-19 Rent Concessions of IFRS 16 (amendment of IFRS 16) ahead of time, which provides practical expedients when accounting for lessee concessions as a direct result of COVID-19, including a practical expedient in IFRS 16.

In March 2021, the IASB issued COVID-19 Rent Concessions after June 30, 2021 (amendment of IFRS 16). When the IASB published the amendments to IFRS 16 in May 2020, the lessor was allowed to apply the rent concession practical expedient to any lease payment reduction affecting original payments before or as of June 30, 2021. Given the nature of the COVID-19 pandemic, the amendment established a practical expedient for the application of these original payments before or as of June 30, 2022.

During the current year, the Company applied the amendments to IFRS 16 (as they were issued by the IASB in May 2021) prior to their effective date.

The practical expedient allows a lessee to decide not to evaluate whether a rent affected by COVID-19 constitutes a lease amendment. A lessee making this choice must account for any rent payment change resulting from the COVID-19 rent concession by applying IFRS 16 as though the change were not a lease amendment.

The practical expedient is only applicable to rent concessions directly related to COVID-19 and only if the following conditions are fulfilled:

a) The change in lease payments results in a consideration that is substantially the same or less than the lease consideration immediately preceding the change.

b) Any lease payment reduction only affects payments owed on or before June 30, 2022 (a rent concession fulfills this condition if it results in a payment reduction before June 30, 2022 or increases lease payments beyond June 30, 2022); and

c) There is no substantive amendment of any other lease clause or condition.

Accounting effect generated by the practical expedient on lease payment changes

The Company has applied the practical expedient retrospectively to all rent concessions that fulfill the conditions detailed in IFRS 16:46B and has not reissued prior periods.

The Company quantified the benefits and concluded that they are insignificant.

New and amended IFRS which are not yet effective

As of the authorization date of these financial statements, the Company has not applied the following new and revised IFRS, which have been issued but are not yet effective. The Company is in the process of determining the effect that the adoption of these amendments will have on its financial statements:

- Amendments to IAS 16 – Proceeds before the Intended Use of Property, Plant and Equipment
- Amendments to IAS 37 – Cost of Fulfilling an Onerous Contract
- Amendments to IFRS 1 – First Time Adoption of IFRS
- Amendments to IFRS 9, Financial Instruments
- Amendments to IAS 1 – Classification of Liabilities as Current and Non current
- Amendments to IAS and practical expedient 2 of IFRS – Disclosure of accounting policies
- Amendments to IAS 8 – Definition of accounting estimates
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction.
- IFRS 17 – Insurance contracts

d. Basis of preparation – The consolidated financial statements were prepared based on the historical cost, except for the net assets and the results of the operations of the Company in Argentina, an economy that is considered hyperinflationary, which are expressed in terms of the unit of current measurement to date of the end of the reporting period. In general, the historical cost is based on the fair value of the consideration given in exchange for the assets.

e. Impact of COVID 19 – During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared and was declared by the World Health Organization (WHO) as a Global Pandemic on March 11, 2020, its global expansion motivated a series of containment measures in the different geographies where the Company operates, and certain sanitary measures were taken by both the Mexican authorities and the different governments where the Entity operates to stop the spread of this virus.

Due to the uncertainty and duration of this pandemic, and given the prevailing complicated and uncertain environment, the Company maintained a focus on liquidity in order to ensure the proper functioning of its operations. During the year, special emphasis was placed on the efficient Management of working capital and the optimization of bank debt, allowing the Company to maintain a healthy financial structure.

Despite the sanitary measures implemented as a result of the global pandemic of COVID-19 in Mexico as well as in other countries where the company has a presence, which in some cases implied the stoppage of productive activities, the Company's results presented a positive performance at the end of 2021 and 2020.

The reorientation of family spending in the face of the pandemic towards items such as home remodeling, significantly boosted the demand for the Company's products, achieving results above those of the previous year, and even surpassing the projections made at the beginning of the year. This allowed the Company to maintain its workforce and even achieve record results, obtaining important achievements during the year. Among the main achievements are: a significant decrease in the Company's level of indebtedness and leverage, an improvement in the debt rating by HR Ratings, increasing it from AA- to AA, as well as the acquisition of the Colombian company Eurocerámica with internal cash flow, allowing the Company to strengthen its current positioning in Colombia through Cerámica San Lorenzo and Tiles Investment and Holding, S. L., and to continue with the Company's organic and inorganic growth strategy.

f. Local, functional and reporting currency – The individual financial statements of each subsidiary of the Company are prepared in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of these consolidated financial statements, the results and the financial position of each Company are converted into Mexican pesos, which is the functional currency of the operations of the Company, and the reporting currency of the consolidated financial statements.

Subsidiaries that operate abroad whose functional currency is different from the presentation currency of the consolidated financial statements convert their financial statements using the following exchange rates: 1) closing for assets and liabilities and 2) historical for capital accounting and 3) the date of the transaction for income, costs and expenses. Moreover, if the functional currency in which a foreign subsidiary operates corresponds to a hyperinflationary economy, its financial statements are restated by applying the requirements of IAS 29, *Financial Report in Hyperinflationary Economies*, using the price index of the country of origin of the functional currency, and subsequently converted using the closing exchange rate for all items for consolidation purposes. The conversion effects arising from the consolidation of the Company's subsidiaries are recorded in stockholders' equity, within the other comprehensive income items.

The following table shows the functional currencies of the main foreign operations of the Company, which are the record currency:

Country	Currency
Argentina	Argentinian Peso (ARS)
Chile	Chilean Peso (CLP)
Colombia	Colombian Peso (COP)
United States	U.S Dollar (USD)
Peru	Peruvian Sol (PEN)
Guatemala	Quetzal (GTQ)
Brazil	Brazilian Real (BRL)
Spain	Euro (EUR)

g. Inflationary effect recognition – The functional currency of the Company's subsidiaries corresponds to a non-hyperinflationary economy, except for the Argentine operation where, as of July 1, 2018, the cumulative inflation rate of the last three years approaches or exceeds 100%, qualifying as a hyperinflationary economy and in accordance with IAS 29, the financial information of that subsidiary is expressed in purchasing power as of that date and at the end of the fiscal year in the consolidated financial statements.

For the years ended December 31, 2021 and 2020, inflation in Argentina was 50.9% and 36.1%, respectively.

h. Classification of costs and expenses – The costs and expenses presented in the consolidated statements of income were classified based on their function, as that is the common practice of the industry the Company participates in. Thus, cost of sales was separated from the remaining costs and expenses.

i. Basis of consolidation – The financial statements of Grupo Lamosa, S.A.B. de C.V. ("Glasa") and those of the controlled companies were considered to prepare the consolidated financial statements. Control is achieved when the Company has the power over the investee, when it is exposed or has the rights to obtain variable returns from its participation, and has the capacity to govern the financial and operating policies of the investee so as to obtain benefits from its activities. Glasa owns 100% of the capital stock of its subsidiaries. For consolidation purposes, all the significant balances and transactions between affiliated companies have been eliminated.

The subsidiaries and associates grouped by business segment, which form part of the continuing operations of Glasa, are as follows:

Ceramic
Administradora Lamosa, S. A. de C. V. (previously Administradora Lamosa, S. A. de C. V. SOFOM E. N. R.)
Cerámica Belcaire, S.A. (1)
Cerámica Cordillera Comercial, S. A.
Cerámica San Lorenzo Colombia, S. A. S.
Cerámica San Lorenzo, I. C. S. A.
Cerámica San Lorenzo Industrial de Colombia, S. A.
Cerámica San Lorenzo, S. A. C.
Eurocerámica, S.A.S.(8)
Estudio Cerámico México, S. A. de C. V. (2)
Cerámica Cordillera, S.A. (previously Inversiones San Lorenzo, S. A.).
Incepa Revestimientos Cerámicos, Ltda. (1)
Italaise, S. A. de C. V.
Lamosa Revestimientos, S. A. de C. V.
PLG Ceramics, Inc.
Porcelanite Lamosa, S. A. de C. V. (3)
Lamosa Energía de Monterrey, S. A. de C. V.
Roca Tiles Inc. (1)
Roca Tiles Spain, S.L. (1)
Servigesa, S. A. de C. V. (2)
Tiles Investments and Holding, S.L. (1)
United States Ceramic Tile, Inc. (1)

Adhesives Business
Adhesivos Perdura, S. A. de C. V. (4)
Crest Norteamérica, S. A. de C. V. (5)
Ladrillera Monterrey, S. A. de C. V.
Niasa México, S. A. de C. V. (6)
Solutek Chile, S.p.A.
Tecnocreto, S.A.

Corporate and others
Lamosa Servicios Administrativos, S. A. de C. V. (7)
Inmobiliaria Revolución, S. A. de C. V.
Grupo Inmobiliario Viber, S. A. de C. V.
Servicios de Administración el Diente, S. A. de C. V.

(1) Companies acquired on September 1, 2021.

(2) Associated companies where the Company has a 49% share interest.

(3) Surviving Company after the merger of July 30, 2021 with Gres, S. A. de C. V., Gresaise, S. A. de C. V., Inmobiliaria Porcelanite, S. A. de C. V., Ital Gres, S. A. de C. V., Mercantil de Pisos y Baños, S. A. de C. V., Pavillion, S. A. de C. V., Porcel, S. A. de C. V, Revestimientos Lamosa México, S. A. de C. V., Revestimientos Porcelanite, S. A. de C. V., Revestimientos y Servicios Comerciales, S. A. de C. V. and Servicios Comerciales Lamosa, S. A. de C. V.

(4) Surviving Company after the merger of July 30, 2021 with Adhesivos de Jalisco, S. A. de C. V., Soluciones Técnicas para la Construcción, S. A. de C. V. and Soluciones Técnicas para la Construcción del Centro, S. A. de C. V.

(5) Surviving Company after the merger of July 30, 2021 with Crest, S. A. de C. V.

(6) Surviving Company after the merger of July 30, 2021 with Industrias Niasa, S. A. de C. V.

(7) Surviving Company after the merger of July 30, 2021 with Servicios Administrativos Lamosa, S. A. de C. V. and Servicios Industriales Lamosa, S. A. de C. V.

(8) Company acquired on October 1, 2020.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents – Cash and cash equivalents includes cash on hand, sight bank deposits, and short-term investments that are readily convertible to cash, not subject to significant risk of changes in their value. Cash and cash equivalents are measured at nominal value and yields are recognized in profit or loss as they are accrued.

b. Financial assets –The Company subsequently classifies and measures its financial assets based on the Company's business model to manage financial assets, and on the characteristics of the contractual cash flows of such assets. This way financial assets can be classified at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized at settlement date.

Financial assets are entirely written off when the right to receive the related cash flows expires or is transferred, and the Company has also substantially transferred all the risks and rewards of its ownership, as well as the control of the financial asset.

Amortized cost and effective interest method

The effective interest method is a method to calculate the amortized cost of a debt instrument and to allocate the interest income during the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured in the initial recognition less the repayments of the principal, plus the accumulated amortization using the effective interest method of any difference between that initial amount and the amount of maturity, adjusted for any loss. The gross book value of a financial asset is the amortized cost of a financial asset before adjusting any provision for losses.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at fair value through other comprehensive income. For financial assets acquired or originated that have credit impairment, the Company recognizes interest income by applying the adjusted effective interest rate for credit at the amortized cost of the financial asset as of its initial recognition. The calculation does not return to the gross base, even if the credit risk of the financial asset subsequently improves, so that the financial asset no longer has a credit deterioration.

Classes of financial assets

i. Financial assets at amortized cost

Financial assets at amortized cost are those that i) are held within a business model whose objective is to hold said assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal.

ii. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those whose business model is based on both collecting contractual cash flows and selling the financial assets; and their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal. As of December 31, 2021, and 2020, the Company does not hold financial assets to be measured at fair value through other comprehensive income.

iii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, in addition to those described in point i in this section, are those that do not meet the characteristics to be measured at amortized cost or fair value through other comprehensive income, since: i) they have a business model different to those that seek to collect contractual cash flows, or collect contractual cash flows and sell the financial assets, or otherwise ii) the generated cash flows are not solely payments of principal and interest on the amount of outstanding principal.

Despite the previously mentioned classifications, the Company may make the following irrevocable elections in the initial recognition of a financial asset:

a. Disclose the subsequent changes in the fair value of an equity instrument in other comprehensive income, only if such investment (in which no significant influence, joint control or control is maintained) is not held for trading purposes, or is a contingent consideration recognized as a result of a business combination.

b. Assign a debt instrument to be measured at fair value in profit or loss, if such election eliminates or significantly reduces an accounting mismatch that would arise from the measurement of assets or liabilities or the recognition of profits and losses on them in different basis.

As of December 31, 2021 and 2020, the Company has not made any of the irrevocable designations described above.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period, recognized in comprehensive income.

Impairment of financial assets

The Company recognizes lifetime expected credit loss (ECL) for trade receivables with clients and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience for a range of clients with the objective of determining a percentage of default risk, adjusted for factors that are specific to the debtors, such as possible guarantees, insurance policies, general economic conditions and an evaluation of both the current direction and the forecast conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant impairment in the financial instrument's external (if available) or internal credit rating;
- Significant impairment in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant impairment in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days for national customers, and 90 days for foreign customers.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers that a financial asset has low credit risk when the asset has an "investment grade" external credit rating, according to the globally accepted definition, or if an external rating is not available, that the asset has an internal "achievable" rating. Achievable means that the counterparty has a strong financial position, and there are no outstanding past amounts.

For financial guarantee contracts, the date on which the Company becomes part of the irrevocable commitment is considered to be the date of initial recognition for the purpose of assessing the impairment of the financial instrument. In assessing whether there has been a significant increase in credit risk since the initial recognition of financial guarantee contracts, the Company considers changes in the risk that the specified debtor will default the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk Management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full

Despite the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due for national customers and 90 days for foreign customers.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another company or where there is information indicating that the debtor is in serious financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed in liquidation or has entered a bankruptcy process, or in the case of receivables, when legal procedures that allow their recovery are exhausted, whichever comes first. Financial assets written off may still be subject to compliance activities under the Company's recovery procedures, taking into account legal advice where appropriate. When a financial asset measured at amortized cost is written off, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognized in income.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive, discounted at the original effective interest rate in case the value of money in time is a factor to consider.

c. Inventories – Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs of inventories are determined on a weighted average cost method basis and include the acquisition or production cost, which is incurred when purchasing or producing a product and other costs incurred in bringing inventories to their current location and condition. For inventories of finished goods and inventories in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

d. Real estate inventories – Real estate inventories mainly consist of land and materials incurred in the real estate business activity of the Company, and are valued at the lower of cost or net realizable value.

e. Property, plant and equipment – Property, plant and equipment are initially recorded at their cost of acquisition net of accumulated depreciation and/or accumulated impairment losses, if any. The borrowing costs related to the acquisition of qualifying asset are capitalized as part of the cost of that asset, according to the Company´s policy. The improvements that have the effect of increasing the value of the asset, either because they increase the service capacity, improve efficiency or extend the useful life of the asset, are capitalized. Lower maintenance costs are recognized directly in costs in the period they are made. Depreciation of assets begins when the asset is ready for use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Except for the depreciation of machinery and equipment, which is depreciated based on units produced with the total estimated asset during its service life, the depreciation of other fixed assets is calculated under the straight-line method based on the estimated useful lives, as follows:

	Years
Buildings and improvements	35 to 40
Transportation equipment	4 to 5
Computer equipment	4
Furniture and equipment	10

Gain or loss on the sale or retirement of property, plant and equipment is calculated as the difference between the net income from the sale and the carrying amount of the asset and is recorded in other income (expenses) of the operations, when all significant risks and rewards of ownership of the asset are transferred to the buyer, which normally occurs when ownership of the property is transferred.

f. Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, are added to the cost of those assets during the construction phase and up to the beginning of operation and / or exploitation. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

g. Investment in associates – An associate is an entity over which the Company 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, other comprehensive income items, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associated company recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the impairment test of the total carrying value of the investment (including goodwill) 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 cost of sales) against its carrying value. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

The balance of investments in associates is presented within the heading of other non-current assets in the consolidated statement of financial position..

h. Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Company uses incremental rates.

Lease payments included in the measurement of the lease liability consist of:

- Fixed lease payments (including fixed in-substance payments), less any lease incentives received;
- Variable annuity payments that are dependent on an index or rate, initially measured using the index or rate at the commencement date;
- The expected amount to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Penalty payments resulting from lease termination if the lease term reflects the exercise of a lease termination option.

Lease liabilities are presented as a separate item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest accrued on the lease liability (using the effective interest method) and reducing the carrying amount to reflect lease payments made.

The Company revalues the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term is changed or there is a significant event or change in the circumstances of the lease resulting in a change in the assessment of the exercise of the purchase option, in which case the lease liability is measured by discounting the discounted lease payments using an updated discount rate.
- Lease payments are changed as a result of index or rate changes or a change in the expected payment under a guaranteed residual value, in which case the lease liability is revalued by discounting the updated lease payments using the same discount rate (unless the change in lease payments is due to a change in a variable interest rate, in which case an updated discount rate is used).
- A lease is amended and the lease amendment is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the amended lease, discounting the updated lease payments using a discount rate updated to the effective date of the amendment.

The Company did not make any of the aforementioned adjustments in the periods presented.

Rights-of-use assets consist of the initial measurement of the related lease liability, lease payments made on or before the commencement date, less any lease incentives received and any initial direct costs. The subsequent valuation is the cost less accumulated depreciation and impairment losses.

If the Company incurs an obligation arising from the costs of dismantling and removing a leased asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37 should be recognized. To the extent that costs are related to a right-of-use asset, the costs are included in the related right-of-use asset, unless such costs are incurred to generate inventories.

Rights-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company plans to exercise a purchase option, the right-of-use asset is depreciated over its useful life. Depreciation begins at the commencement date of the lease.

Rights-of-use assets are presented as a separate item in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any impairment loss identified as described in the 'Property, plant and equipment' policy.

As a practical report, IFRS 16 permits not separating the non-lease components and instead accounting for any lease and its associated non-lease components as a single arrangement. The Company has not used this practical report. For contracts containing lease components and one or more additional lease or non-lease components, the Company allocates contract consideration to each lease component under the method of the relative independent selling price of the lease component and the relative independent selling price aggregated for all non-lease components (see Note 17).

i. Intangible assets – Intangible assets represent payments whose benefits will be received in future years. The Company classifies its intangible assets into definite and indefinite-lived assets according to the period in which the Company expects to receive benefits.

Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized and are subject to an annual evaluation to determine if there is impairment of assets.

The main intangible assets of the Company are trademarks, goodwill, and investments in software.

j. Goodwill – Goodwill arising from a business combination and recognized as an asset at the date that control is acquired (the acquisition date).

Goodwill is not amortized but assessed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

k. Impairment of tangible and intangible assets other than goodwill– At the end of each reporting period, the Company 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 Company 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.

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 is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated value at its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been recognized for that asset (or cash-generating unit) in prior years. The reversal of an impairment loss is immediately recognized in profit or loss.

l. Financial liabilities – Financial liabilities are classified as either financial liabilities ''at FVTPL'' or ''debt or other financial liabilities measured at amortized cost''.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement 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 the 'other gains and losses' line item in the consolidated statements of income.

Debt and other financial liabilities measured at amortized cost

This classification includes loans with banking institutions, and other financial liabilities, which are initially recognized at fair value net of the transaction costs and are subsequently measured at amortized cost using the effective interest rate method, recognizing the interest expenses on an effective yield basis.

Financial liabilities are classified as short- term and long-term according to their maturity.

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

The Company derecognizes financial liabilities only when the Company's obligations are fulfilled, cancelled or have expired. When the Company exchanges with the existing lender one debt instrument in another with substantially different terms, this exchange is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. Similarly, the Company considers the substantial modification of the terms of an existing liability or part of it as an extinction of the original financial liability and recognition of a new liability. It is assumed that the terms are substantially different if the present discounted value of the cash flows under the new terms, including any net paid rate of any rate received and discounted, using the original effective rate, is at least 10% different from the remaining cash flows of the original financial liability. The costs incurred in the refinancing are recognized immediately in results at the date of termination of the previous financial liability.

Meanwhile, if the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after the modification must be recognized in profit or loss as a result of changes in other gains and losses.

m. Derivative financial instruments – The Company values and recognizes all operations with derivative financial instruments in the consolidated statements of financial position as either an asset or liability at fair value, regardless of the purpose of holding them.

The fair value of these instruments is determined based on the present value of cash flows. This method involves estimating future cash flows of derivatives according to the fixed rate of the derivative and the forward curve at that date to determine the variable cash flows, using the appropriate discount rate to estimate the present value. All derivatives of the Company are classified in Level 2 of the fair value hierarchy.

Fair value measurements in Level 2 are those derived from different information than quoted prices included within Level 1 (fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities) that can be seen for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices).

At the inception of the hedge relationship of a derivate financial instrument, the Company ensures that all hedge accounting requirements are complied with, and documents its designation at the inception of the hedge, describing the objective, characteristics, accounting treatment and the way the measurement of effectiveness will be performed, applicable to that operation.

Derivatives designated as hedges for accounting purposes are accounted for based on the type of hedge: (1) for fair value hedges, changes in both the derivative and the hedged item are recognized at fair value and are recognized in profit or loss, (2) when cash flows hedges, the effective portion is temporarily recognized in other comprehensive income and in profit or loss when the hedged item affects it; the ineffective portion is recognized immediately in profit or loss.

The Company applies hedge accounting to foreign exchange risk arising from its investments in foreign operations due to changes in exchange rates originating between the functional currency of such operation and the functional currency parent company, regardless of whether the investment is maintained directly or through a sub-holder. The change in exchange rates is recognized in the other comprehensive income as a part of the foreign translation effect, when the foreign operation is consolidated.

Therefore, the Company designates as a hedging instrument the debt denominated in a foreign currency, so the foreign exchange effects arising from such debt are recognized in the other comprehensive income, in the translation effects, to the extent that the hedging is effective. When the hedge accounting is not effective, exchange rate differences are recognized in results.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, when it no longer qualifies for hedge accounting or effectiveness is not sufficient to compensate changes in fair value or cash flows of the hedged item.

When discontinuing cash flow hedge accounting, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When it is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. Where a hedge for a forecasted transaction is proved satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in other comprehensive income in equity are recognized in proportion to profit or loss, to the extent that the forecasted asset or liability affects it.

Certain derivative financial instruments contracted for hedging from an economic perspective that do not meet all the requirements under the standard, are designated for accounting purposes as FVTPL. The fluctuation in the fair value of these derivative instruments are recognized in the consolidated statements of income.

The Company mainly uses currency forwards and market price of generic goods (natural gas) swaps, to manage its exposure to fluctuations in interest rates, foreign exchange, and market prices of natural gas, respectively.

n. Short-term employee benefits – Short-term employee benefits are calculated based on the services provided, considering their current salaries and the liability is recognized as it accrues. It mainly includes workers' profit sharing (PTU) payable, vacations and vacation premiums, and incentives.

o. Statutory employee profit sharing (PTU) – PTU is recorded in the period's profit or loss in which it is incurred and presented in cost of goods sold and operating expenses.

p. Termination benefits – The Company provides benefits upon termination of employment under certain circumstances required. These benefits consist of a lump sum payment of three months' salary plus 20 days per year worked in the event of unjustified dismissal.

Termination benefits are recognized when the Company decides to terminate the employment relationship with an employee or when the employee accepts an offer of termination.

q. Long- term employee benefits – The Company provides its employees long-term benefits that consist of defined contribution plans and defined benefit plans.

Legal defined contribution plan – The Company makes contributions equivalent to 2% of the salary of their workers to their plan defined contribution plan based on the retirement savings requirements established by law. The expense recognized for this item was $28,150 in 2021 and $25,038 in 2020.

Defined contribution plan – The Company has a pension plan with defined contribution benefits for certain employees, equivalent to a maximum of 6.25% of their annual taxed wage.

The Company has two types of retirement: normal retirement, which applies when turning 65 years of age, and early retirement, which applies when turning 55 years of age with at least 5 years of service.

In the case of leaving prior to retirement, the employee's entitlements on contributions will be adjusted to the years of service with the Company.

Defined benefit plans – For defined 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. All remeasurements of the Company's defined benefit obligations such as actuarial gains and losses are recognized directly in other comprehensive income ("OCI") and shall not be recycled to profit or loss at any time. The Company presents service costs within cost of sales and operating expenses, and presents net interest cost within interest expense in the consolidated statements of income. The projected benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation as of the end of each reporting period.

The defined benefit plans that the Company provides to its employees are:

Seniority premium – In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

Pension plan – The Company maintains for certain employees a pension plan with defined benefits that consists of a one-time payment or a monthly payment determined based on their base pay according to age and years of service. The retirement ages are: normal. - Staff with 50 years of age and at least 5 years of service; advanced. - Staff with 45 years of age and at least 15 years of service, and early. – Staff with 40 years of age and a minimum of 10 years of service.

Additionally, for certain employees who are not subject to the pension plan, the Company recognizes, as specific benefits plan, an implicit obligation derived from the practices that are usually carried out, where it grants certain employees, when they have a retirement, an equivalent benefit to three months plus 20 days of salary for each year of service. This implicit obligation is related to the period of time in which an employee provided his services to the Company.

r. Provisions – Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

s. Revenue recognition – Revenues comprise the fair value of the consideration received or to receive for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated statement of income, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts.

To recognize revenues from contracts with customers, the comprehensive model for revenue recognition is used, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the Company satisfies a performance obligation.

Revenue from the sale of goods and products

Contracts with customers are formalized by commercial agreements complemented by purchase orders, whose costs comprise the promises to produce, distribute and deliver goods based on the contractual terms and conditions set forth, which do not imply a significant judgment to be determined. When there are payments related to obtaining contracts, they are capitalized and amortized over the term of the contract.

Performance obligations held by the Company are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term, with variable considerations including discounts given to customers, without financing components or guarantees. These discounts are recognized as a reduction in revenue; therefore, the allocation of the price is directly on the performance obligations of production, distribution and delivery, including the effects of variable consideration.

The Company recognizes revenue at a point in time, when control of sold goods has been transferred to the customer, which is given upon delivery of the goods promised to the customer according to the negotiated contractual terms. The Company recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue; moreover, the considerations received before completing the performance obligations of production and distribution are recognized as customer advances.

Dividend income from investments is recognized once the rights of stockholders to receive this payment have been established (when it is probable that the economic benefits will flow to the Company and the revenue can be reliably determined).

t. Income taxes – Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax corresponds to income tax ("ISR") and is recorded in the income of the year when incurred. Taxable profit differs from profit as reported in the consolidated statements of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized on the 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, including tax loss benefit. Deferred income tax asset is presented net of the reserve arising from the uncertainty of the realization of certain benefits.

On initial recognition, such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legal right and when they relate to income taxes relating to the same taxation authority and the Company intends to liquidate its assets and liabilities on a net basis.

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..

The business assets tax ("IMPAC"), expected to be recoverable is recorded as a tax credit and is presented in the consolidated statements of financial position increasing income tax deferred asset.

u. Foreign currency transactions – Foreign currency transactions are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise, except for capitalization of borrowing costs during the construction of assets, exchange rate differences arising from transactions related to foreign currency risk hedges. Management has determined that the functional currency of its Mexican operations is the Mexican peso and in the main foreign operations is the U.S. dollar, Argentine peso, Chilean peso, Colombian peso, Peruvian sol and quetzal, which do not differ of the record currency.

For the purposes of presenting the consolidated financial statements, the Company's assets and liabilities in foreign currency and its foreign currency transactions are expressed in Mexican pesos, using the foreign exchange rates in effect at the end of the period. Income and expense items are translated into the average exchange rates in effect of the period, unless they fluctuate significantly during the period, in which case the exchange rates at the transaction date are used. Differences arising in foreign exchange rates, if any, are recognized in other comprehensive income, and are accumulated in stockholders' equity.

The main closing exchange rates as of December 31, 2021 and 2020 for the consolidated statement of financial position and approximate average of 2021 and 2020 of the accounts of the consolidated statement of income, are as follows:

Currency	As of December 31, **2021** Closing	Average
U.S. Dollar	20.5835	20.9853
Colombian Peso	0.0051	0.0052
Peruvian Sol	5.1574	5.1942
Argentinian Peso	0.2003	0.2059
Chilean Peso	0.0242	0.0247
Quetzal	2.6053	2.6053
Euro	23.3135	23.7207
Brazilian real	3.6884	3.7139

Currency	As of December 31, 2020 Closing	Average
U.S. Dollar	19.9487	21.4885
Colombian Peso	0.0058	0.0058
Peruvian Sol	5.5122	6.1409
Argentinian Peso	0.2371	0.3071
Chilean Peso	0.0280	0.0271
Quetzal	2.5000	2.7300

v. Earnings per share ("EPS") – EPS is calculated by dividing the consolidated net income by the weighted average number of shares outstanding during the period. Earnings per share are based on 361,226,483 and 372,750,679 weighted average shares outstanding during 2021 and 2020, respectively. The Company does not have potentially dilutive instruments

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY UNCERTAINTY SOURCES IN ESTIMATES

In the application of the accounting policies mentioned in Note 4, the Company's Management makes judgments, estimates and assumptions about certain amounts of assets and liabilities of the consolidated financial statements. The estimates and associated assumptions are based on experience and other factors that are considered relevant. Actual results could differ from such estimates

The estimates and associated assumptions are continuously reviewed. Amendments to accounting estimates are recognized in the period in which the estimate is modified, future periods if the change affects both current and future periods

Discount rate estimation to calculate the present value of future minimum rent payments

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental loan rate ("IBR")

The Company uses a three-level model, with which it determines the three elements that make up the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In said model, Management also considers its policies and practices to obtain financing, distinguishing between that obtained at the corporate level (that is, by the holding company), or at the level of each subsidiary. Finally, for real estate leases, or in which there is significant and observable evidence of their residual value, the Company estimates and evaluates an adjustment for the characteristics of the underlying asset, taking into account the possibility that said asset may be granted as collateral or guarantee against the risk of default

Estimation of default probabilities and recovery rate to apply the model of expected losses in the calculation of impairment of financial assets

The Company assigns to customers with whom it maintains an account receivable at each reporting date, either individually or as a group, an estimate of the probability of default on the payment of accounts receivable and the estimated recovery rate, with the purpose of reflecting the cash flows expected to be received from the outstanding balances on said date. See Note 8

Useful lives of fixed and intangible assets

Useful lives and residual values of fixed and intangible assets are used to determine depreciation expense and amortization of such assets, except for machinery and equipment which are depreciated on the basis of units produced estimating a total production, and are defined in accordance with internal specialists. Useful lives and residual values are reviewed periodically at least once a year, based on the current conditions of the assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the related estimate, measurement of the net carrying amount of assets and the corresponding depreciation or amortization expense are affected prospectively. See Note 4.e and 4.i.

Valuations to determine the recoverability of deferred tax assets

As part of the tax analysis that the Company makes, on an annual basis it determines the projected taxable income based on the judgements and estimates of future operations, to conclude on the probability of recoverability of deferred tax assets, such as including tax losses and other tax credits. See Note 22.

Impairment of long lived assets

The carrying amount of long-lived assets is reviewed for impairment when situations or changes in circumstances indicate that it is not recoverable. If there are indicators of impairment, a review is carried out to determine whether the carrying amount exceeds its recoverable amount and whether it is impaired. The evaluation of impairment is estimated in accordance to what is mentioned in Note 4.k.

The Company reviews on an annual basis the circumstances that provoked an impairment loss derived from the cash generating units to determine if such circumstances have been modified and if they have generated reversal conditions. In case of a positive conclusion, the next step is to calculate the recoverable amount and, if it is appropriate the reversal of impairment previously recognized. In case of having recognized an impairment loss of goodwill, no reversal procedure is applied. See Notes 12 and 13.

Assumptions made in defined benefit plan obligations

The Company uses assumptions to determine the best estimate for its employee retirement benefits. Assumptions and estimates are established in conjunction with independent actuaries. These assumptions include demographic hypothesis, discount rates and expected increases in remunerations and future permanence, among others. Although the assumptions are deemed appropriate, a change in such assumptions could affect the value of the employee benefit liability and the results of the period in which it occurs. See Note 18.

Additionally, the Company’s management makes certain critical judgements, which are explained below:.

Significant influence

The Company holds a 49% interest in both Estudio Cerámico México, S.A. de C.V. and Servigesa, S.A. de C.V., but since it does not hold the majority of the substantive rights in these entities and does not have the power and the ability to affect variable returns, it has concluded that it does not have control over them. See Note 3.h. The balances of these investments in associates as of December 31, 2021 and 2020 were $ 37,481 and $37,447, respectively.

Identification of a general Price index in Argentina

As of July 1, 2018, the Company reflects the effects of hyperinflation on the financial information of its subsidiary in Argentina using price indexes that are considered appropriate in accordance with Resolution 539/19 JG (“the Resolution”) of the Argentine Federation of Professional Councils of Economic Sciences. This resolution establishes that a combination of price indexes should be used in the calculation of the effects of restatement of financial statements. Therefore, the Company has decided to use the CPI (Consumer Price Index) to restate balances and transactions.

The price indexes used to restate the financial statements of the subsidiary in Argentina are as follows:

Year	Index
2021	582.4575
2020	385.8826
2019	283.4442

Contingencies

The Company is subject to transactions or contingent events on which it uses professional judgment in the development of estimates of probability of occurrence. The factors considered in these estimates are the legal situation at the date of the estimate, and the opinion of legal advisors. See Note 21.

6. OBJECTIVES OF RISK MANAGEMENT IN FINANCIAL INSTRUMENTS

The Company is exposed to different financial risks inherent in its operation, which are evaluated through a risk Management program and are listed as follows: a) market risk which included foreign exchange risk, interest and price rates mainly natural gas, b) liquidity risk, and c) credit risk, for which it seeks to manage the potential negative effects thereof in its financial performance. According to the valuation of these risks and internal guidelines, the Company carries out operations with derivative financial instruments, which are only for purposes of hedging and must be previously approved by the Finance Committee, comprised of independent and related party members of the Company's Board of Directors.

6.1 Categories and fair value of financial instruments

Below are the financial instruments and their fair value based on their category:

	December 31, 2021		2020
Financial assets:			
Cash and cash equivalents [1]	$	3,413,435	$	2,609,180
Accounts receivable [1]		4,762,991		3,144,228
Derivative financial instruments [2]		131,394		16,305
Financial liabilities:				
Amortized cost liabilities [1][3]	$	13,831,310	$	9,124,370
Derivative financial instruments [2]		2,055		135,080

[1] Measured at amortized cost. The book value of cash and equivalents, accounts receivable and short-term financial liabilities, approximates their fair value because they are shot-maturity instruments.

[2] Instruments measured at fair value through profit or loss.

[3] The fair value of long-term debt and finance leases is similar to their book value as they reflect the amounts at which they might be exchanged and/or settled. Additionally, the contractual terms and conditions are similar to market conditions at the reporting date.

6.2 Market risk

6.2.1 Foreign exchange risk

The Company and its subsidiaries exposure to the volatility of the exchange rate of the Mexican peso against the U.S. dollar for the financial instruments is shown as follows (figures in this Note are expressed in thousands of U.S. dollars – US$):

		2021		2020
Financial asset	US$	47,978	US$	61,900
Financial liabilities		(458,669)		(329,404)
Liability position	US$	(410,691)	US$	(267,504)
Equivalent in Mexican pesos	$	(8,453,454)	$	(5,336,357)

The exchange rates in effect at the date of consolidated financial statements per U.S. dollar were as follows:

As of December 31, 2021	As of December 31, 2020
$ 20.5835	$ 19.9487

At January 31, 2022, the interbank exchange rate established by Banco de Mexico was $20.7283 Mexican pesos per U.S. dollar.

Sensitivity analysis of exchange risk

Because the Company has a borrowing position in foreign currency, mainly due to debt and finance leases in US dollars it is exposed to variations in exchange rates. In this position in foreign currency, if the exchange rate increases or decreases, the exchange effects would be against or in favor, respectively. Therefore, if as of December 31, 2021, the Mexican peso/U.S. dollar ratio increased by $3.00 Mexican pesos, then the amount of net monetary position in foreign currency would have increased by $1,232,072 impacting income before taxes and the Company's stockholders' equity would have resulted in an exchange loss. If additionally, such ratio had decreased by $3.00 Mexican pesos, the effect would have been the opposite. Both scenarios represent the amount that management considers reasonably possible to occur in a year given current market volatility.

Derivative financial instruments to hedge the exposure to the exchange rate, interest rate and translation effect

As of December 31, 2021 and 2020, the Company has a USD/MXN exchange rate call spread strategy to mitigate the exchange rate risk for a portion of its USD financing payments. In addition, the Company has designated seven Cross Currency Swaps (CCS) as accounting hedges, four of them with USD/MXN exchange rates and three of them with USD and various Latin American currencies (USD/COP, USD/PEN and USD/CLP). The objective of these hedges is to mitigate the exchange rate risk (USD/MXN) and the interest rate risk (Libor) derived from the payment of interest and principal of its foreign currency financing scheme. Another objective for the Latin American currency swaps is to hedge the translation effect of the net investment in its subsidiaries in Colombia, Peru and Chile. Both the CCS and Calls Spreads are in the Parent Company; therefore, the Company has formally documented these hedging relationships at the individual entity and consolidated level.

As of December 31, 2020, the Company had fifteen USD/MXN exchange rate Call Spread strategies to mitigate the exchange rate risk of a portion of its financing payments denominated in USD. This strategy was classified as a cash flow accounting hedge. During 2021, the Call Spread strategies designated by the Company were terminated ahead of time due to the total payment of the hedged financing scheme denominated in USD.

In 2020, four USD/MXN exchange rate CCS were designated as cash flow hedges for interest payments and amortization of its foreign currency financing scheme. The economic relationship is clear and the characteristics are aligned.

In addition, three CCS were designated as cash flow and net foreign investment hedges for USD and various Latin American currencies (COP, PEN and CLP) to mitigate interest rate risks, exchange rate fluctuations of the financing scheme, and the translation effect of the net investment in its subsidiaries in Colombia, Peru and Chile, since the presentation currency differs from its functional currencies. The Company contracted each CCS with the objective of reducing transaction costs; therefore, for accounting and hedge evaluation purposes, it divides the derivatives into synthetic derivatives to hedge each hedged item individually (financing and net investment scheme). Although the economic relationship of the strategy is clear, its characteristics are not closely aligned.

The characteristics of the CCS designated as accounting hedges of exchange rate, interest rate and translation effect risk (USD/COP, USD/PEN, USD/CLP) are as follows:

2021

Characteristics	CCS BBVA 175577	CCS BBVA 175137	CCS BBVA 177169	CCS Scotiabank C63496/ C63495
DFI heading in BS	[-]	[-]	[-]	[-]
Currency	USD	USD	USD	USD
Notional	$23,640,000	$23,640,000	$21,965,500	$23,640,000
Coupon receives	Libor 3M	Libor 3M	Libor 3M	Libor 3M
Currency	MXN	MXN	MXN	MXN
Notional	$501,026,160	$508,141,800	$461,275,500	$498,567,600
Coupon pays	1.978%	2.00%	1.939%	1.925%
Maturity	17-oct-24	17-oct-24	17-oct-24	17-oct-24
Amortization MXN	$205,991,280	$208,931,400	$189,661,500	$204,994,800
Amortization USD	$9,720,000	$9,720,000	$9,031,500	$9,720,000
Book value	$4,656	$1,465	$6,490	$6,386
Change in fair value to measure ineffectiveness	$4,400	$1,247	$6,235	$5,984
Effect recognized in IS for reclassifications	$(7,840)	$(10,817)	$(5,477)	$(6,774)
Recognized in OCI, net of reclassifications	$8,747	$8,597	$8,378	$9,212
Ineffectiveness recognized in results	-	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$(4,360)	$(1,181)	$(6,216)	$(5,992)

Characteristics	CCS Citibank C8TV20693368	CCS Citibank C9IB20693210	CCS Citibank C9IK20693365
DFI heading in BS	[-]	[-]	[-]
Currency	USD	USD	USD
Notional	$18,419,500	$60,000,000	$7,000,000
Coupon receives	Libor 3M	Libor 3M	Libor 3M
Currency	COP	PEN	CLP
Notional	$70,749,299,500	$215,400,000	$5,579,000,000
Coupon pays	1.445%	0.69%	0.452%
Maturity	17-oct-24	17-oct-24	17-oct-24
Amortization USD	$7,573,500	$24,300,000	$2,835,000
Amortization COP/PEN/CLP	$29,089,813,500	$87,237,000	$2,259,495,000
Book value	$15,958	$83,993	$9,648
Change in fair value to measure ineffectiveness	$17,505	$80,927	$9,669
Effect recognized in IS for reclassifications	$(9,834)	$(32,589)	$(3,802)
Recognized in OCI, net of reclassifications	$18,055	$81,607	$9,415
Ineffectiveness recognized in results	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$(17,429)	$(81,043)	$(9,683)

2020

Characteristics	CCS BBVA 175577	CCS BBVA 175137	CCS BBVA 177169	CCS Scotiabank C63496/ C63496
DFI heading in BS	[-]	[-]	[-]	[-]
Currency	USD	USD	USD	USD
Notional	$24,000,000	$24,000,000	$22,300,000	$24,000,000
Coupon receives	Libor 3M	Libor 3M	Libor 3M	Libor 3M
Currency	MXN	MXN	MXN	MXN
Notional	$508,656,000	$515,880,000	$468,300,000	$506,160,000
Coupon pays	1.978%	2.00%	1.939%	1.925%
Maturity	17-oct-24	17-oct-24	17-oct-24	17-oct-24
Amortization MXN	$213,621,120	$216,669,600	$196,686,000	$202,587,200
Amortization USD	$10,080,000	$10,080,000	$9,366,000	$10,080,000
Book value	$(18,390)	$(21,959)	$(14,586)	$(16,481)
Change in fair value to measure ineffectiveness	$(17,163)	$(20,600)	$(13,532)	$(15,246)
Effect recognized in IS for reclassifications	$(14,390)	$(17,476)	$(11,500)	$(13,269)
Recognized in OCI net of reclassifications	$(2,800)	$(3,138)	$(2,160)	$(2,249)
Ineffectiveness recognized in results	-	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$17,950	$21,498	$14,195	$15,981

Characteristics	CCS Citibank C8TV20693368	CCS Citibank C9IB20693210	CCS Citibank C9IK20693365
DFI heading in BS	[-]	[-]	[-]
Currency	USD	USD	USD
Notional	$18,700,000	$60,000,000	$7,000,000
Coupon receives	Libor 3M	Libor 3M	Libor 3M
Currency	COP	PEN	CLP
Notional	$71,826,700,000	$215,400,000	$5,579,000,000
Coupon pays	1.445%	0.69%	0.452%
Maturity	17-oct-24	17-oct-24	17-oct-24
Book value	$(23,517)	$(4,324)	$(7,471)
Change in fair value to measure ineffectiveness	$(20,888)	$(3,854)	$(6,708)
Effect recognized in IS for reclassifications	$(15,111)	$(49,548)	$(5,780)
Recognized in OCI net of reclassifications	$(5,884)	$31,656	$(1,183)
Ineffectiveness recognized in results	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$21,986	$5,965	$7,136

During 2021, the cash flow hedge contracted to cover financing payments denominated in USD was terminated because the hedged item (financing) was prepaid. Consequently, the call spreads were settled in advance. As of December 2021 closing, there is no call spread currently in effect.

2020

Characteristics	Call Spreads
DFI hedge in BS	[-]
Currency	USD/MXN
Notional	$50,625,000
Maturity	February, May, August and November of each year through August 2024
High strike	30 and 32
Low strike	25 and 27
Asset carrying amount	$16,305
Change in fair value to measure ineffectiveness	$16,305
Effect recognized in profit or loss	-
Recognized in other comprehensive income, net of reclassifications	$(567)
Ineffectiveness recognized in profit or loss	-
Change in fair value of hedged item to measure ineffectiveness	$16,305
Change in fair value of derivative financial instrument vs. 2019	$2,219

As of December 31, 2021, the results of the effectiveness of CCS hedges confirm that the hedging relationship is highly effective, as changes in fair value and cash flows of the hedged item are offset within the range of effectiveness established by the Company. The prospective effectiveness test resulted in an average of 98.99% for the exchange rate and interest rate hedges, and 99.61% for the hedge of net investment abroad, confirming that there is an economic relationship between the hedging instruments and the hedged instrument. As of December 31, 2020 the results of the effectiveness was 96.3% for the exchange rate and interest rate hedges and 97.02% for the hedge of net investment. To assess effectiveness, a hypothetical derivative is modeled with the characteristics of each hedged item. For those derivatives that hedge 3 risks (USD/COP, USD/PEN and USD/CPL), the hypothetical derivatives are modeled for each risk individually to assess them directly with each synthetic derivative. The hedging ratio as of December 31, 2021 and 2020 was on average 100% for the hedged risk of the financing scheme and 39%, 64%, and 8% for net investments in Colombia, Peru and Chile, respectively, and 58%, 64% and 10% in December 2020.

In these hedging relationships described above, the source of ineffectiveness can be caused by three main reasons: the difference in the settlement date of the derivatives and the hedged item, credit risk and synthetic derivative modeling and market rate definition. For the years ended December 31, 2021 and 2020 a ineffectiveness in results.

As of December 31, 2021 and 2020, there were forward currency contracts for a notional amount of the commitment for supplier invoices, all of which correspond to import hedges. The characteristics of these contracts are as follows:

Characteristics	**2021**	2020
Currency	USD/CLP	USD/CLP
Notional	$6,164,951	$10,104,352
Maturity	January, February, March	January, February,
March		
	and Abril 2022	and Abril 2021
Average strike	$837.03	$755.92
Book value Assets (Liabilities)	$2,800	$(28,352)
Effect recognized in profit or loss	$1,913	$(11,389)
Recognized in other comprehensive income, net of taxes and reclassifications	$647	$12,383

As of December 31, 2021, the Company has futures contracts for a nominal amount equal to its billing obligations denominated in foreign currency with suppliers. The characteristics of these contracts are as follows:

Characteristics	**2021**
Currency	USD/ARS
Notional	$24,394,000
Maturity	January 2022
Average strike	$107.13
Book value Assets (Liabilities)	$(2,055)
Effect recognized in profit or loss	$-
Recognized in other comprehensive income, net of taxes and reclassifications	$(1,337)

6.2.2 Interest rate risk

As of December 31, 2021, 80% of bank debt is contracted at a variable rate, which exposes the Company to interest rate risk. Exposure to risk lies mainly in the variations that could occur in the reference interest rate used as a base in Mexico and in the United States (Equilibrium Interchange Rate or "TIIE" at 28 days and the London Interbank Offered Rate or 3-month "LIBOR''.

The Company monitors trends in interest rates, specifically the 28-day TIIE and 3-month LIBOR, the TIIE level has increased during 2021, the LIBOR has reached its lowest level in June but ended in the same level as started in the year. As of December 31, 2021, the Company maintains a debt balance denominated in national currency for $ 2,000 million at a fixed rate of 9.12% and $ 39,816 with a 28-day TIIE rate plus a surcharge between 2.5% and 4%. Additionally, it maintains a debt denominated in US dollars for US $ 177.3 million, with a 3-month LIBOR rate plus a 1.60% surcharge; US $ 200 million with a 3-month LIBOR rate plus a 1.85% surcharge.

Sensitivity analysis of interest risk

If as of December 31, 2021, the interest rates on the Company's debt instruments had increased one percentage point, which represents the percentage that Management considers reasonably possible to occur in the coming year, the impact in income before income taxes and the Company's stockholders' equity would be an expense of $156,365. The increase of interest rates would generate a decrease of the income while a decrease in such rates would generate a benefit to the income.

6.2.3 Natural gas price risk

The Company is exposed to fluctuations in the price of natural gas. During the years ended December 31, 2021 and 2020, the Company consumed natural gas of approximately 15,245,198 and 11,994,476 million British Thermal Units ("MMBTUS"), respectively. Based on the guidelines established by the Finance Committee to hedge the risk of the rise in the price of gas, a strategy to hedge this input has been implemented by contracting derivative financial instruments that have been classified as cash flow hedges. As of December 31, 2021 and 2020, the Company does not have hedges for natural gas.

As of December 31, 2021 and 2020, and January 31, 2022, the issuance date of the consolidated financial statements, the market price of natural gas was US$5.5400, US$2.8300 and US$4.6600, U.S. dollars of MMBTUS respectively.

Sensitivity analysis of natural gas price risk

If as of the December 31, 2021, the gas price had increased by 10%, which represents the percentage that Management considers reasonably possible to occur in the coming year, the Company's income before taxes would have decreased by $164,094, having an effect in stockholders' equity of $114,866. If additionally, such ratio had decreased by 10%, then the effect would be the opposite.

6.3 Liquidity risk

The Company is exposed to different industry factors, as well as to economic factors, which could affect the cash flow of its operations. Some of these factors are not controllable by the Company; however, the Company manages the liquidity risk through the monthly review of actual and projected cash flows to anticipate and react to potential future events.

A contractual payments' analysis of non-derivative financial liabilities is disclosed in Note 16 and 17. This risk is managed by maintaining a proper cash balance for its operation and debt service, complemented by available lines of credit with various banks which as of December 31, 2021, are fully available.

6.4 Credit risk

The maximum exposure to credit risk is represented by accounts receivable as shown in the consolidated statements of financial position. The client portfolio is comprised mostly of moral persons with experience in construction finishes and with a considerable track record in the distribution of the products of the Company's brands, which generally constitute an important source in their business lines.

For its credit risk Management, the Company carries out a thorough review of customers interested in purchasing its products, as well as the annual evaluation of existing customers, considering both qualitative and quantitative variables and by establishing credit limits. The portfolio is based on the characteristics and conditions of customers, supported with promissory notes when necessary.

In addition, no customer individual or with affiliated companies represent more than 10% of sales or account receivables for the reported years in these consolidated financial statements.

7. CASH AND CASH EQUIVALENTS

		2021		2020
Cash and bank deposits	$	823,414	$	778,491
Cash equivalents- investments in money market fund		2,590,021		1,830,689
	$	3,413,435	$	2,609,180

8. ACCOUNTS RECEIVABLE, NET

		2021		2020
Accounts receivable	$	4,888,144	$	3,271,856
Allowance for doubtful accounts		(125,153)		(127,628)
	$	4,762,991	$	3,144,228

The following is the movement in the evolution due to the loss of customers on December 31, 2021 and 2020, with the new model of losses expected by the Company:

2021 Customer groups	Accounts receivable	Secured accounts receivable	Unsecured accounts receivable	Default probability range	Loss given default range	Opening balance Impairment allowance	Increases in the allowance	Cancellations in the allowance	Ending balance Impairment allowance
Construction / Ceramic	$ 4,796,021	$ 1,480,868	$ 3,315,153	.02% - .05%	1.0	$ (107,161)	$ (40,975)	$ 35,455	$ (112,681)
Construction / Adhesives	711,011	258,982	452,029	.03% - .05%	1.0	(20,467)	-	7,995	(12,472)
Total						$ (127,628)	$ (40,975)	$ 43,450	$ (125,153)

2020 Customer groups	Accounts receivable	Secured accounts receivable	Unsecured accounts receivable	Default probability range	Loss given default range	Opening balance Impairment allowance	Increases in the allowance	Cancellations in the allowance	Ending balance Impairment allowance
Construction / Ceramic	$ 3,061,950	$ 681,706	$ 2,380,244	.02% - .05%	1.0	$ (70,704)	$ (38,165)	$ 1,708	$ (107,161)
Construction / Adhesives	734,638	301,769	432,869	.03% - .05%	1.0	(23,086)	(187)	2,806	(20,467)
Total						$ (93,790)	$ (38,352)	$ 4,514	$ (127,628)

The increase in the allowance for doubtful accounts were derived by an application consisting of the probability of default on recurring sales to the Company's customers. Moreover, with respect to cancellations, these were made by recovering the amount previously considered uncollectible and, to a lesser extent, by considering some accounts receivable that are legally irrecoverable. The Company has guaranteed its portfolio for $164,254 and $204,264 as of December 31, 2021 and 2020, respectively.

9. INVENTORIES

		2021		2020
Finished goods	$	1,896,306	$	817,990
Work in process		195,259		132,126
Raw materials		859,290		645,561
Accessories and spare parts		402,444		284,894
	$	3,353,299	$	1,880,571

The amount of the inventories consumed and recognized as part of cost of sales for the years ended December 31, 2021 and 2020, amounted to $7,955,490 and $6,445,647, respectively.

Inventories recognized as an expense for the years ended December 31, 2021 and 2020 include $(6,033) and $12,015, respectively, for write-off of inventory to their net realizable value.

10. OTHER CURRENT ASSETS

		2021		2020
Recoverable taxes	$	13,862	$	61,506
Advance to suppliers		220,311		39,990
IVA recoverable		-		53,031
Derivative financial instruments		24,661		-
Other		243,214		83,620
	$	502,048	$	238,147

11. REAL ESTATE INVENTORIES

		2021		2020
Real estate for sale	$	20,856	$	20,856
Undeveloped land		77,346		93,689
	$	98,202	$	114,545

12. PROPERTY, PLANT AND EQUIPMENT, NET

		2021		2020
Land	$	1,449,417	$	1,521,764
Building and constructions		4,565,352		4,535,292
Machinery and equipment		11,491,386		10,875,647
Furniture and equipment		105,573		82,640
Vehicles		13,153		7,545
Computers		212,529		205,658
Investment in process		503,681		95,256
		18,341,091		17,323,802
Accumulated depreciation		8,808,896		8,642,660
	$	9,532,195	$	8,681,142

	Balances as of December 31, 2020	Acquisition	Translation effect	Inflationary effect	Additions	Depreciation	Disposals	Capitalization	Balance as of December 31,2021
Investments:									
Land [1]	$ 1,452,882	$ 78,062	$ (61,422)	$ 3,007	$ 12,391		$ 35,503		$ 1,449,417
Buildings and constructions [1]	4,546,376	210,461	(115,983)	30,582	8,594		115,824	$ 1,146	4,565,352
Machinery and equipment [1]	10,932,928	667,713	(325,876)	196,947	76,654		263,027	208,554	11,493,893
Furniture and equipment	82,761	25,679	(7,124)	-	8,321		7,594	1,022	103,065
Transport equipment	8,268	1,856	(185)	1,051	6,268		7,179	3,074	13,153
Computer equipment	205,331	9,739	(4,559)	5,282	15,163		29,142	10,715	212,529
Investments in process	95,255	135,025	(10,687)	10,313	504,823		6,537	(224,511)	503,681
Total investments	17,323,801	1,128,535	(525,836)	247,182	632,214		464,806	-	18,341,090
Depreciation:									
Buildings and constructions	1,875,136		(39,496)	6,562		117,433	4,490		1,955,145
Machinery and equipment	6,507,501		(176,220)	19,694		481,955	240,887		6,592,043
Furniture and equipment	78,545		(5,271)			7,481	7,336		73,419
Transport equipment	4,346		(141)	649		8,934	7,213		6,575
Computer equipment	177,131		(2,208)	1,891		29,513	24,614		181,713
Total accumulated depreciation	8,642,659		(223,336)	28,796		645,316	284,540		8,808,895
Investments, net	$ 8,681,142	$ 1,128,535	$ (302,500)	$ 218,386	$ 632,214	$ (645,316)	$ 180,266	$ -	$ 9,532,195

	Balances as of December 31, 2019	Acquisition	Translation effect	Inflationary effect	Additions	Depreciation	Disposals	Capitalization	Balance as of December 31,2020
Investments:									
Land	$ 1,381,380	$ 79,808	$ (11,696)	$ 2,177	$ 1,349	$ -	$ 174	$ 38	$ 1,452,882
Buildings and constructions	4,391,478	122,384	(24,242)	23,478	20,594		246	12,930	4,546,376
Machinery and equipment	10,828,116	114,408	(114,202)	132,428	34,929		177,443	114,692	10,932,928
Furniture and equipment	80,247	1,743	543		1,632		2,169	765	82,761
Transport equipment	14,499	875	(982)	834	-		10,226	3,268	8,268
Computer equipment	180,577	1,316	(1,268)	3,387	6,470		1,813	16,662	205,331
Investments in process	118,452	2,696	(2,441)	2,013	132,736		9,846	(148,355)	95,255
Total investments	16,994,749	323,230	(154,288)	164,317	197,710	-	201,917	-	17,323,801
Depreciation:									
Buildings and constructions	1,765,790		(2,246)	3,758		110,464	2,629		1,875,136
Machinery and equipment	6,357,248		(21,422)	10,489		334,555	173,369		6,507,501
Furniture and equipment	68,586		191	-		10,657	889		78,545
Transport equipment	13,997		(577)	689		(702)	9,061		4,346
Computer equipment	142,461		(458)	1,191		35,477	1,540		177,131
Total accumulated depreciation	8,348,082		(24,512)	16,127	-	490,451	187,488	-	8,642,659
Investments, net	$ 8,646,667	$ 323,230	$ (129,775)	$ 148,190	$ 197,710	$ (490,451)	$ 14,429	$ -	$ 8,681,142

During the years ended December 31, 2021 and 2020, the Company had idle capacity of 5.08% and 16.23%, respectively. On the other hand, the interest costs related to qualifying fixed assets as of December 31, 2021 and 2020 were not significant.

During the years ended December 31, 2021 and 2020, the Company impaired property, plant and equipment amounting to $45,430 and $38,969, respectively, of assets that were removed from use.

(1) See Note 2.a

13. INTANGIBLE ASSETS, NET

	2021	2020
Unamortized intangible assets:		
Brands	$ 4,893,717	$ 4,942,282
Goodwill	2,997,201	786,114
	7,890,918	5,728,396
Amortized intangible assets	388,351	421,145
	$ 8,279,269	$ 6,149,541

Cost	Brands	Goodwill	Total Unamortized Intangibles	Amortized Intangibles	Total
Balances as of December 31, 2019	$ 4,752,417	$ 690,153	$ 5,442,570	$ 283,697	$ 5,726,267
Reclassification	148,333	27,203	175,536	105,378	280,914
Acquisitions	-	67,510	67,510	77,988	145,498
Conversion effect	41,532	1,248	42,780	-	42,780
Amortization	-	-	-	(45,918)	(45,918)
Balances as of December 31, 2020	4,942,282	786,114	5,728,396	421,145	6,149,541
Acquisitions	-	2,240,291	2,240,291	34,091	2,274,382
Conversion effect	(48,565)	(29,204)	(77,769)	-	(77,769)
Amortization	-	.		(66,885)	(66,885)
Balances as of December 31, **2021**	$ 4,893,717	$ 2,997,201	$ 7,890,918	$ 388,351	$ 8,279,269

As of December 31, 2021 and 2020, intangible assets with finite useful lives mainly refer to expenses of the Company related to the implementation of an enterprise resource planning (ERP) system and mining concessions which began amortization in the corresponding exercise that was put into operation.

For purposes of impairment tests, the non-amortizable intangible asset of brands and goodwill was assigned to the Company's following cash generating units (CGU):

	2021	2020
North America ceramic tiles	$ 3,946,296	$ 3,946,296
South America ceramic tiles:		
Chile	524,054	599,252
Peru	47,347	50,604
Colombia San Lorenzo	482,485	496,289
Colombia Eurocerámica	212,879	243,046
Argentina	209,769	165,111
Roca ceramic tiles:		-
Spain	577,152	-
United States	942,431	-
Brazil	720,707	-
Adhesives	227,798	227,798
	$ 7,890,918	$ 5,728,396

The following factors are considered to assess the recoverable value of the CGU for impairment test purposes:

- Market share and expected price levels.
- Size of the market where the CGU operates for estimation of recoverable value purposes.
- Behavior of primary costs of raw materials and input, and the necessary expenses to maintain fixed assets in conditions to be used.
- Future cash flows discounted at present value based on 5-year financial projections and growth in perpetuity from the last year, considering estimations as of the valuation date based on the budget approved by the administration, including the latest known trends in the business and industry. The discount rate based on the weighted capital cost and the market participants' variables to be considered.
- Perpetuity growth rate estimated based on the inflation of the economy where the Company operates.

The discount and perpetuity growth rates used for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate		
North America ceramic tiles	8.77%	10.7%
Adhesives	8.77%	10.7%
South America ceramic tiles:		
Chile	7.91%	9.5%
Peru	7.6%	8.7%
Colombia San Lorenzo	8.93%	11.0%
Colombia Eurocerámica	8.93%	
Argentina	55.20%	44.0%
Perpetuity growth rate		
North America ceramic tiles and Adhesives	3.0%	3.0%
South America ceramic tiles:		
Chile	3.5%	3.5%
Peru	3.0%	3.0%
Colombia	3.0%	3.0%
Argentina	20.8%	20.8%

For the purposes of the calculation of the recoverable value of cash generating units, discount rates before taxes are used, which are applied to cash flows before taxes. Additionally, the perpetuity growth rate reflects a growth approximately equal to annual estimated inflation starting from the sixth year of cash flows.

Management concluded that there have been no impairment losses during the reporting periods as a result of the test performed on intangibles with indefinite useful lives.

The Company's Management believes that any possible reasonable change in the factors to assess the recoverable value will not cause the CGU value to exceed their recoverable value.

14. OTHER NON-CURRENT ASSETS

		2021		2020
Recoverable taxes	$	35,683	$	35,683
Other assets		123,145		56,188
Investments in shares		37,481		37,447
Account receivable selling part		49,144		47,978
Derivative financial instruments		106,735		16,305
Expenses to be amortized		86,617		33,076
	$	438,805	$	226,677

15. OTHER CURRENT LIABILITIES

		2021		2020
Contributions and taxes payable	$	199,958	$	196,841
Freights payable		561,538		473,596
Energy payable		350,463		249,591
Statutory employee profit sharing (PTU)		244,213		105,255
Provisions		279,610		262,162
Dividends payable		105,400		87,815
Derivative financial instruments		2,055		55,035
Sundry creditors		852,935		400,049
Other accounts payable		365,193		186,456
	$	2,961,365	$	2,016,800

16. LONG-TERM DEBT

a. According to established credit contracts, the bank debt as of December 31, 2021 and 2020 is composed as follows:

	2021	2020
Syndicated bank loan denominated in US dollars and with a variable interest rate based on the 3-month LIBOR rate. The maximum surcharge paid was 1.60% in 2021, with principal maturities on different dates until 2026.	$ 3,649,455	$ 3,590,766
Unsecured bank loan, denominated in US dollars and with a variable interest rate based on the 3-month LIBOR rate plus a surcharge of 2.85% in 2020, with principal maturities on different dates until 2029. [1]	-	1,368,980
Securitization certificates denominated in Mexican pesos and with a fixed interest rate of 9.12% based on the M-10 Bond rate and with principal maturity in 2029.	2,000,000	2,000,000
Syndicated bank loan denominated in US dollars and with a variable interest rate based on the 3-month LIBOR rate. The maximum surcharge paid was 1.85% in 2021, with principal maturities at different dates until 2026.	4,116,760	-
Unsecured loan denominated in Brazilian reales and with a variable interest rate based on the CDI plus a maximum surcharge of 2.5%, with maturities on different dates until 2023.	165,981	-
Unsecured revolving loan denominated in Euros with a variable rate based on the Euribor rate plus a maximum surcharge of 0.35% and maturity in 2022.	30,944	-
Total bank debt	9,963,140	6,959,746
Costs incurred to issue and obtain debt	(84,864)	(46,594)
Total bank debt, net	9,878,276	6,913,152
Current portion	(409,853)	(218,238)
Long term debt	$ 9,468,423	$ 6,694,914

[1] During 2021, the Company made payments on non-current bank debt in advance of its original maturity for an amount of US $ 63 million. This credit was fully settled at the September 2021 close.

These loans are unsecured and are guaranteed by a group of Company subsidiaries, which represent approximately 70% of total assets and consolidated EBITDA. EBITDA is defined as operating profit, plus depreciation, amortization and impairment of long-lived assets.

Long-term debt maturities as of December 31, 2021 are as follows:

Year	Principal	Interest [2]
2023	$ 721,095	$ 329,379
2024	1,192,550	310,628
2025	2,089,992	281,769
2026	3,466,189	217,268
2027	-	184,427
2028	-	184,427
2029	1,998,597	184,427
	$ 9,468,423	$ 1,692,325

[2] Interest is determined based on variable and fixed rates at the end of the period.

TIEE, LIBOR interest rates were as follow:

Year	TIIE %	LIBOR %
2021	5.715	0.214
2020	4.484	0.238

b. Certain restrictions are included in some clauses of the long-term debt agreements of the Company as well as the obligation to maintain certain financial ratios. Such restrictions have been met at December 31, 2021 and 2020.

17. LEASES

Right-of-use assets, net

The Company leases certain fixed assets, including buildings, machinery, transportation equipment, and computer equipment. The average term of the leases is 7 years.

a) The right-of-use recognized in the consolidated statement of financial position as of December 31, 2021 is integrated as follows:

	Transport equipment	Buildings	Computer equipment	Machinery and equipment	Total
Initial balance as of January 1, 2020	$ 38,376	$ 55,944	$ 4,723	$ 75,361	$ 174,404
Acquisition of Eurocerámica		2,839			2,839
New contracts	24,871	45,628	371	163,513	234,383
Depreciation of the year	(33,052)	(27,207)	(584)	(36,593)	(97,436)
Balance as of December 31, 2020	30,195	77,204	4,510	202,281	314,190
Acquisition of Roca	2,616	417,311		608	420,535
New contracts	21,241	136,004	788	47,373	205,406
Depreciation of the year	(13,376)	(58,213)	(3,796)	(64,745)	(140,130)
Final balance as of December 31, 2021	$ 40,676	$ 572,306	$ 1,502	$ 185,517	$ 800,001

b) Amounts recognized in the condensed consolidated statement of income for the year ended December 31, 2021 and 2020:

	2021	2020
Low value lease rent expense	$ 14,217	$ 2,057
Short-term lease rent expense	$ 50,248	$ 28,215

Lease liabilities

	December 31, 2021	2020
Current lease liability	$ 167,849	$ 100,882
Non-current lease liability	$ 678,698	$ 205,015

As of December 31, 2021 and 2020, the changes in the lease liability that derive from financing activities according to the cash flow are integrated as follows:

	2021	2020
Initial balance	$ 305,897	$ 180,341
Interest expense on lease liabilities	18,806	16,857
(-) Lease payments	(135,769)	(128,615)
Acquisition of Eurocerámica	-	2,931
Acquisition of Roca	452,207	-
New contracts	205,406	234,383
Final balance	$ 846,547	$ 305,897

Total future minimum lease payments, which includes unearned interest, are analyzed as follows:

	December 31, 2021	2020
- Less than 1 year	$ 174,676	$ 107,627
- More than 1 year	762,248	223,072
Total	$ 936,924	$ 330,699

18. EMPLOYEE BENEFITS

a) The main assumptions used for actuarial calculations of defined benefit plans:

	2021	2020
Discount of projected benefit obligation at present value	8.00%	7.25%
Salary increase	5.50%	5.50%

The determination of the discount rate of employee benefit obligations of the Company is based on the annual estimated cash flows, which are determined with zero coupon government M bonds for a period of twenty years, assuming an average working life of its employees.

b) The effects recognized in the consolidated statements of other comprehensive income for 2021 and 2020 are as follows:

	Net income		
2021	Current service cost	Net interest defined benefit liability	Other comprehensive items Actuarial remeasurements
Pension and retirement plans	$ 14,117	$ 16,884	$ 3,044
Seniority premium	20,859	19,457	(4,933)
Total	$ 34,976	$ 36,341	$ (1,889)

	Net income		
2020	Current service cost	Net interest defined benefit liability	Other comprehensive items Actuarial remeasurements
Pension and retirement plans	$ 10,850	$ 14,498	$ 15,415
Seniority premium	13,600	15,791	9,463
Total	$ 24,450	$ 30,289	$ 24,878

For the years ended in December 31, 2021 and 2020, $34,976 and $24,450 of costs for services, respectively, have been included in the consolidated statements of OCI as part of cost of sales and operating expenses. The remeasurement of the liability for defined benefits recognized in other comprehensive income items is as follows:

	2021	2020
Amount accumulated in OCI items at the beginning of the period, net of taxes	$ 160,130	$ 135,252
Actuarial remeasurements	(2,699)	35,540
Tax effect	810	(10,662)
Amount accumulated in OCI income items at the end of the period, net of taxes	$ 158,241	$ 160,130

c) Changes in the defined benefit obligation for pension and retirement plan and seniority premium plan:

Pension and retirement plan	2021	2020
Opening balance	$ 309,430	$ 280,656
Service cost	14,117	10,850
Interest cost	16,884	14,498
Actuarial losses	4,349	22,021
Benefits paid	(25,340)	(18,595)
Ending balance	$ 319,440	$ 309,430

Seniority Premium	2021	2020
Opening balance	$ 257,658	$ 222,219
Service cost	20,859	13,600
Interest cost	19,457	15,791
Actuarial losses	(7,048)	13,519
Benefits paid	(14,996)	(7,471)
Ending balance	$ 275,930	$ 257,658
Total liability for defined benefits	$ 595,370	$ 567,088

The average of the benefit obligation at December 31, 2021 and 2020 is 8.10 and 7.18 years, respectively.

19. STOCKHOLDERS' EQUITY

a) The minimum fixed capital stock, without the right to withdrawal, is composed by ordinary, nominative shares, without the expression of nominal value and the variable capital by ordinary, nominative shares, without the expression of nominal value. All shares are freely subscribed.

	2021	2020
	Number of shares	
Minimum fixed capital stock	360,000,000	360,000,000
Variable capital	25,843,423	25,843,423
	385,843,423	385,843,423

b) According to the current stock market regulations in effect and the Company's by-laws, each year the Annual Ordinary Stockholders' Meeting of Grupo Lamosa, S.A.B. de C.V. approves the maximum amount of resources that the Company can allocate to the acquisition of shares of its capital stock. The maximum amount of resources approved for 2021 and 2020 at the Annual Stockholders' Meetings held on March 10, 2021 and March 11, 2020 amounted to $2,000 million Mexican pesos for 2021 and $2,000 million Mexican pesos for 2020. In relation to the years ended December 31, 2021 and 2020 the Company carried out operations with shares of its capital stock balance, corresponding to the Purchase of treasury stock of 27,911,125 and 16,316,416 representative shares of its capital stock, respectively.

c) At the general stockholders' meetings held on March 10, 2021, dividends were declared for $333,470 from the net tax income account (CUFIN), equivalent $0.91 Mexican pesos per share.

d) At the general stockholders' meetings held on March 11, 2020, dividends were declared for $310,318, from the net tax income account (CUFIN), equivalent $0.83 Mexican pesos per share.

e) Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the Company is dissolved. The legal reserve must be replenished if it is reduced for any reason. At December 31, 2021 and 2020, the legal reserve, in historical pesos, was $480.

f) Stockholders' equity, except restated paid-in capital and tax-retained earnings, will be subject to income tax payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment against the tax of the year and the provisional payments.

g) The balances of the stockholders' equity tax accounts are:

		2021		2020
Contributed capital account	$	466,325	$	448,081
Net tax income account (CUFIN)		32,966,630		28,555,430
Total	$	33,432,955	$	29,003,511

h) Items of other comprehensive income consist of the following:

Derivative financial instruments valuation

The effective portion of the gains or losses arising from the measurement of financial instruments designated as cash-flows accounting hedges, net of income taxes, is recognized in other comprehensive income.

Actuarial remeasurements of defined benefit obligations

Actuarial remeasurements are recognized as other components of comprehensive income. During the period, the actuarial remeasurements corresponded solely to variations in actuarial assumptions for both the labor liability and the plan assets and are presented net of income taxes.

Effects of foreign currency translation

This reserve is generated by converting the financial statements from functional to reporting currency of the foreign subsidiaries. This effect is not subject to deferred taxes calculation since the Company controls the time of the temporary difference reversal and it is not probable that such temporary difference will be reversed in the foreseeable future. During the period, there were no other movements that affect the accumulated balance of this reserve.

i) Capital Management -For capital Management purposes, the Company considers, in addition to stockholders' equity and the items thereof, all the financing sources both internal and external, including liabilities with costs resulting from contracting short-term and long-term debt. Similarly, investment in working capital is considered by including items such as customers, inventories and suppliers, as well as cash and cash equivalents.

The Company is subject to obligations arising from the contracting of some loans given the refinancing of the total debt that was carried out during the second half of 2019. The main obligations contained in such agreements include the following financial covenants [1]:

a) Bank loan denominated in US dollars ("Club-Deal"):

- Consolidated Interest Coverage Ratio (EBITDA[2] / Financial Expenses) Greater than or equal to 3.0.
- Consolidated Leverage Ratio (Net Debt / EBITDA) Less than or equal to 3.5.

To calculate these ratios, the amounts are converted into US dollars using the average exchange rate for the corresponding period.

[1] According to the contracts, financial covenants are determined using figures from the financial statements under IFRS.

[2] EBITDA is defined as the operating income added to depreciation and amortization and other items such as statutory employee profit sharing, doubtful accounts estimate, inventory write-downs, employee obligations, and impairment for long-lived assets.

During 2021 and 2020, the Company carried out the Management of its capital by observing those requirements, fully complying with all its financial commitments and showing ratios with better performance to those previously described.

The Company is not subject to financial obligations derived from the issuance of stock certificates (CEBURES).

Below are some of the major items that are considered for the Management of the Company's capital as of December 31, 2021; a prior year comparison is presented below.

		2021		2020
Total debt	$	10,724,823	$	7,219,049
Cash and cash equivalents		3,413,435		2,609,180
Net debt		7,311,388		4,609,869
Stockholders' equity		13,358,197		11,154,053
Leverage measured as net debt to stockholders' equity		0.55		0.41
Total debt main items:				
Secured loan	$	9,963,140	$	6,959,746
Lease liability		846,547		305,897
Debt issuance costs		(84,864)		(46,594)
Total debt	$	10,724,823	$	7,219,049

The generation of operating cash flows helped the Company meet its debt maturities scheduled for the year.

20. OPERATING EXPENSES

		2021		2020
Selling	$	4,436,114	$	3,165,332
Administration		1,648,294		1,473,900
Total	$	6,084,408	$	4,639,232

21. CONTINGENCIES AND COMMITMENTS

a. The Company's assets are not subject to any pending legal proceeding for which a contingency might arise, except for some ordinary or incidental litigation against which the Company is duly insured or the amounts of them are unimportant.

b. Following the labor reform, on April 23, 2021, the Federal Official Gazette (DOF) published a Labor Outsourcing Decree to reform, that adds and rescind different provisions of the Federal Labor Law (LFT); Social Security Law (LSS); Law on the National Workers' Housing Fund (LINFONAVIT); Federal Tax Code (CFF); Income Tax Law (LISR) and Value Added Tax Law (LIVA), among others. The temporary articles of the Decree published in the DOF on July 31, 2021 were amended to allow this reform to become effective as of September 1. As a result of the labor reform, the Company has performed a series of mergers among its subsidiaries, as detailed in Note 3h.

22. INCOME TAXES

a. The Company is subject to ISR, with a tax rate of 30% in Mexico for 2021 and 2020, and 20% in the northern border strip, 31% in Colombia and 15% in duty free zones, 29.5% in Peru and 27% in Chile. For the United States, the applicable rate is 21%, 34% in Brazil and 25% in Spain. For Argentina, the applicable rate as of December 31, 2021 and 2020 is 35% and 25% respectively.

b. The Company incurred income taxes on a consolidated basis up to 2013 with its Mexican subsidiaries. As a result of the 2014 tax reform, the tax consolidation regime was eliminated, and the Company and its subsidiaries have the obligation to pay the deferred income tax determined as of that date during the subsequent five years beginning in 2014, as illustrated below, except for the income tax losses related to the sale of shares, which will be paid over a ten year period.

At the same time that the 2014 Mexican Law repealed the fiscal consolidation regime, an option was established to calculate the income tax jointly in groups of companies (tax integration regime). The new regime allows for the case of integrated companies owned directly or indirectly by more than 80% by an integrating company, to have certain benefits in the tax payments (when within the group of companies there are entities with profits or losses in the same year), which may be deferred for three years and be up-to-date, on the date on which the declaration corresponding to the fiscal year following the one in which the aforementioned period ends is to be filed.

The Company and its subsidiaries decided to adhere to this new regime, and therefore they have determined the income tax incurred in 2014 as described previously.

Reconciliation of income tax assets and liabilities balances as of December 31, 2021, and 2020, are as follows:

			ISR liabilities	
Item:		2021		2020
Recognition of:				
Income tax	$	638,917	$	321,475
Liabilities from losses on sale of shares		342,657		539,815
Liabilities from tax integration regime		20,581		46,308
Balance	$	1,002,155	$	907,598

The ISR liability relating to the tax consolidation and tax integration regime expires in the following years:

Year		ISR liabilities
2022	$	854,097
2023		148,058
	$	1,002,155

c. Income taxes for 2021 and 2020 consist of the following:

	2021	2020
Current income tax	$ 1,973,304	$ 1,179,127
Deferred income tax	314,080	(225,308)
Total	$ 2,287,384	$ 953,819

d. The reconciliation of the statutory and effective income tax rates, expressed as a percentage of income before income taxes in 2021 and 2020 is:

	2021	2020
	%	
Effective rate	40	36.4
Effect of inflation	(2.6)	0.1
Nondeductible	(4.5)	(4.7)
Others	(2.9)	(1.8)
Statutory rate	30.0	30.0

Other comprehensive income (OCI) amounts and items and deferred taxes affected during the period are:

	Amount before income taxes	Income taxes in OCI	Amount net of income taxes
As of December 31, **2021**:			
Derivative financial instruments	$ 241,970	$ (72,591)	$ 169,379
Remeasurement of defined benefits obligation	2,699	(810)	1,889
Cumulative translation adjustment	(543,388)	-	(543,388)
	$ (298,719)	$ (73,401)	$ (372,120)
As of December 31, 2020:			
Derivative financial instruments	$ (35,029)	$ 10,509	$ (24,520)
Remeasurement of defined benefits obligation	(35,540)	10,662	(24,878)
Cumulative translation adjustment	57,374	-	57,374
	$ (13,195)	$ 21,171	$ 7,976

e. The main items that give rise to a deferred income tax balance, as of December 31, are:

	2021	2020
Deferred income tax asset:		
Allowance for doubtful accounts	$ 29,858	$ 21,031
Provisions	404,488	278,024
Employee benefits	88,350	118,720
Tax loss carryforwards	929,959	819,511
Financial instruments	-	36,895
Interest to be deducted	221,551	329,558
Other	-	68,008
Total	1,674,206	1,671,747
Deferred income tax liability:		
Inventories	(8,013)	(21,590)
Real estate inventories	(12,345)	4,308
Property, plant and equipment	(230,182)	(267,523)
Intangible assets	(138,343)	(98,191)
Financial instruments	(75,867)	-
Commissions paid for debt restructuring	(20,158)	(13,979)
Others	(57,590)	-
Total	(542,498)	(396,975)
Deferred income tax asset, net	$ 1,131,708	$ 1,274,772

Items that vary deductible temporary differences		**2021**		2020
Provisions		-	$	3,915
Tax loss carryforward benefits	$	7,885		29,039
Total		7,885		32,954
Items that generate taxable temporary differences				
Property, plant and equipment		(283,885)		(272,488)
Brands		-		(48,576)
Others		(116,492)		9,932
Total		(400,337)		(311,132)
Deferred income tax liability, net	$	(408,222)	$	(344,086)

The benefits of restated tax loss carryforwards for which the deferred income tax asset has been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2021 are:

Year		Amount
2022	$	49,405
2026		347,940
2027		618,090
2028		1,052,182
2029		341,953
2030 and more.		996,735
	$	3,406,305

23. RELATED PARTY BALANCES AND TRANSACTIONS

a. The transactions with related parties as of December 31, 2021 and 2020 were as follows:

		2021		2020
Sales of finished goods	$	19,061	$	14,081
Lease income		8,032		7,786
Other income, net		4,674		3,011

b. For the years ended December 31, 2021 and 2020, the direct short-term benefits granted to the key management personnel of the Company for $133,255 and $117,444 , respectively.

24. LONG-TERM PROVISIONS

Long-term provisions shown in the Company's financial position mainly represent legal affairs with third parties and authorities to the detriment of one of the subsidiaries in Argentina, which will probably give rise to outflow of economic resources, which are not expected to be realized in the following twelve months. Once these issues are entirely solved, the Company will be indemnified by the seller under the share purchase-sale agreement for the shares of Cerámica San Lorenzo and Cordillera.

25. INFORMATION BY OPERATING SEGMENTS

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods provided. These segments are managed separately; each requires its own system of production, technology, and marketing and distribution strategies. Each market serves to different customer bases.

Transactions between segments are determined based on comparable prices to those that would be used with or between independent parties in comparable transactions.

The accounting, administrative and operating policies are the same as those described by the Company, which evaluates the performance of its segments based on operating income. Sales and transfers between segments are recorded in each segment as if they were made to third parties; i.e. at market prices.

The Company's main products by segment are as follows:

Segment:	Main products:
Ceramic	Floor tiles, Wall tiles
Adhesive	Adhesives for floors and walls

The Company's segments to be reported pursuant to IFRS 8, Operating Segments, are as follows:

December 31, **2021**:	Ceramic	Adhesive	Corporate and other	Consolidated
Total net sales	$ 21,610,043	$ 5,576,714	$ 3,214,158	$ 30,400,915
Intersegment sales	-	-	(3,214,158)	(3,214,158)
Net sales to third parties	21,610,043	5,576,714	-	27,186,757
Operating income (loss)	5,230,318	1,334,627	(129,113)	6,435,832
Depreciation and amortization	704,783	66,841	80,707	852,331
Other expenses (income) without flow use	158,101	24,206	22,502	204,809
Acquisition of property, plant and equipment and intangible assets	568,397	62,488	3,948	634,833
Total assets	23,961,146	1,611,442	6,739,365	32,311,953
Total liabilities	7,561,799	1,180,558	10,211,399	18,953,756

December 31, 2020:	Ceramic	Adhesive	Corporate and other	Consolidated
Total net sales	$ 14,719,824	$ 4,753,618	$ 3,770,200	$ 23,243,642
Intersegment sales	-	-	(3,770,200)	(3,770,200)
Net sales to third parties	14,719,824	4,753,618	-	19,473,442
Operating income (loss)	2,551,866	1,181,494	(183,895)	3,549,465
Depreciation and amortization	515,061	70,876	52,589	638,526
Other (income) expenses without flow use	26,512	(627)	162,029	187,914
Acquisition of property, plant and equipment and intangible assets	217,440	42,523	83,245	343,208
Total assets	15,612,254	1,577,224	7,443,515	24,632,993
Total liabilities	4,124,648	952,648	8,083,486	13,160,782

Information by geographic region

The information of the Company by geographic region is presented below:

	Revenues from third parties		Non-current assets	
	2021	2020	**2021**	2020
North America	$ 18,955,312	$ 15,052,078	$ 15,615,912	$ 12,868,248
Central America	249,403	191,454	23,744	6,319
South America	7,613,836	4,229,910	4,115,043	3,886,300
Europe	368,206	-	525,481	-
	$ 27,186,757	$ 19,473,442	$ 20,280,180	$ 16,760,867

26. SUBSEQUENT EVENTS

On January 4, 2022, the Company concluded the transaction to acquire 100% of shares from the common stock of Empresas Ruibal, S.A. de C.V. which holds 100% of the shares of FANOSA Company. This transaction was performed in Mexican pesos for an amount equivalent to $93 million US dollars.

27. AUTHORIZATION OF FINANCIAL STATEMENTS

On January 31, 2022, the issuance of the consolidated financial statements was authorized by Federico Toussaint Elosúa, Chief Executive Officer, and Jorge Antonio Touché Zambrano, Chief Financial Officer. These consolidated financial statements are subject to the approval of the ordinary stockholders' meeting, where they may be modified, based on the provisions set forth by the General Corporate Law.

GRUPO LAMOSA, S.A.B. DE C.V.

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