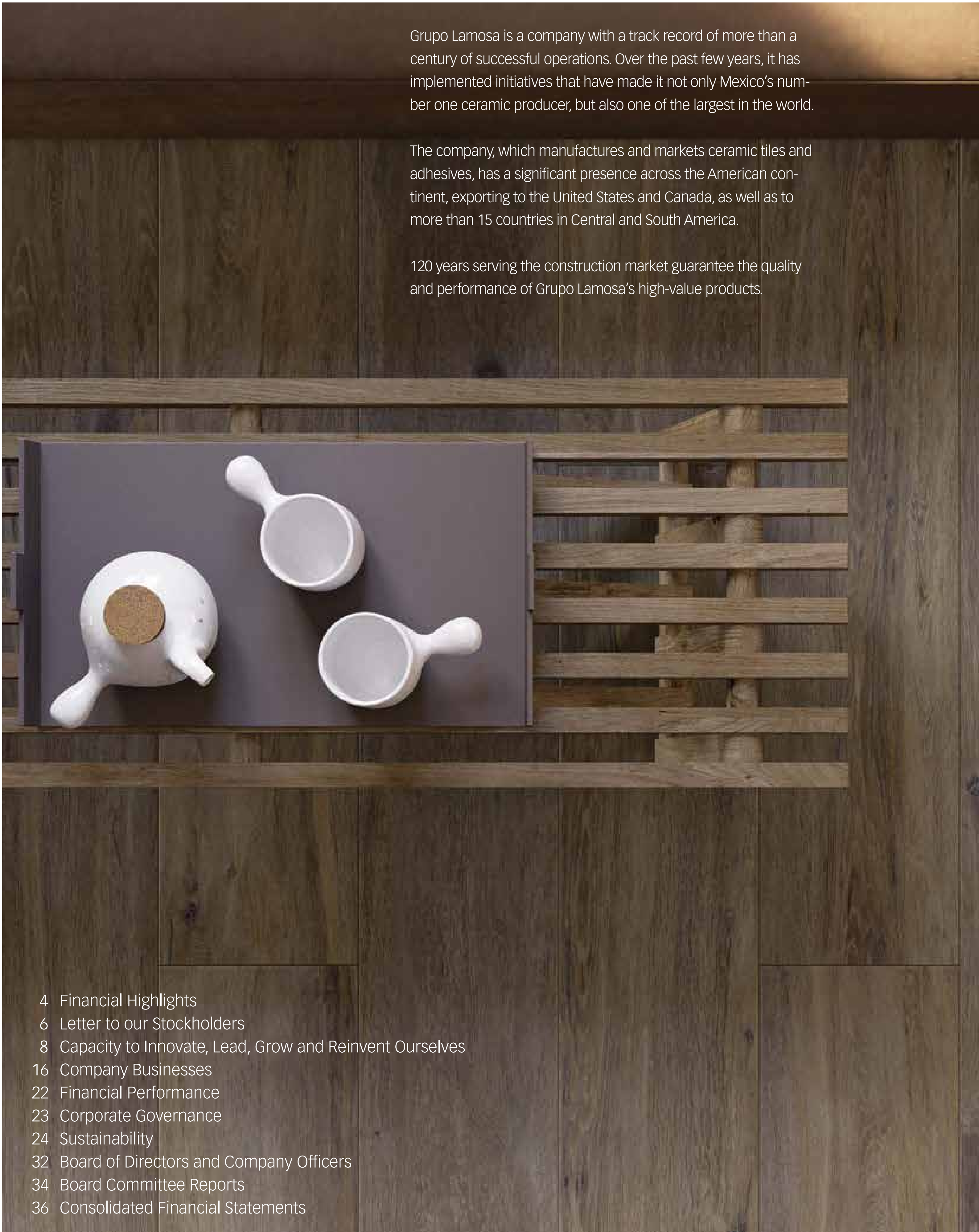
LAMOSA

Capacity to SURPRISE

2014 ANNUAL REPORT



Grupo Lamosa is a company with a track record of more than a century of successful operations. Over the past few years, it has implemented initiatives that have made it not only Mexico's number one ceramic producer, but also one of the largest in the world.

The company, which manufactures and markets ceramic tiles and adhesives, has a significant presence across the American continent, exporting to the United States and Canada, as well as to more than 15 countries in Central and South America.

120 years serving the construction market guarantee the quality and performance of Grupo Lamosa's high-value products.

Technological developments have radically transformed the ceramic tile segment, revolutionizing products and focusing them more decidedly on the end consumer. In addition, product life cycles have been significantly shortened, making continuous innovation a must for success in the industry.

Ceramic tile marketing has become a business in which fashion plays a growing role, so having the capacity to continuously surprise the consumer with new products is a distinct competitive advantage which Grupo Lamosa is leveraging.

The past years' capital expenditure program has given Grupo Lamosa world-class technology and a solid leadership position. Today, the company boasts the size, positioning and muscle needed to step up its growth. To drive this forward, it has decided to concentrate on its core businesses, Wall and Floor Tiles and Adhesives, which represent a solid platform to expand into new markets.

CAPACITY TO INNOVATE, LEAD, GROW AND REINVENT OURSELVES

CAPACITY TO SURPRISE!

PRODUCTS AND SERVICES

- Floor tiles
- Wall tiles
- Baseboards
- Porcelain enamel tiles
- Special pieces

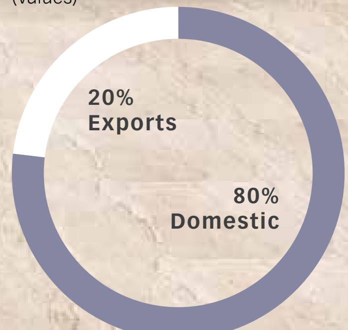
WALL AND FLOOR TILES

COMPETITIVE ADVANTAGES

- Innovative, market-leading, world-class products
- Ceramic tiles that contribute to sustainable construction by providing points for Leadership in Energy and Environmental Design (LEED) Certification
- First Mexican producer to have its products certified under the Green Squared sustainable standard of the Tile Council of North America (TCNA)
- Strategically located to serve North, Central and South America
- State-of-the-art production platform

9 production centers strategically located across Mexico for better market coverage

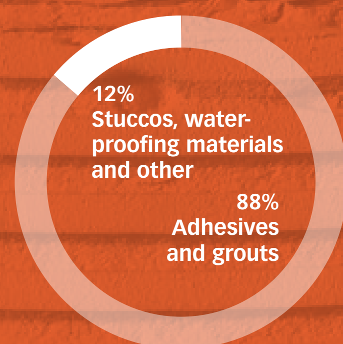
SALES BREAKDOWN
(Values)



COMPETITIVE ADVANTAGES

- Products with the most outstanding characteristics, performance and quality standards in the market
- Comprehensive portfolio of products with extensive geographic coverage in Mexico
- Customer-oriented organization
- Technological leadership through research and development of specialized products for the construction industry
- Environmentally-friendly product line

SALES BREAKDOWN
(Values)



ADHESIVES

PRODUCTS AND SERVICES

- Adhesives for installing wall and floor tiles
- Grouts
- Stuccos
- Texturized finishes
- Waterproofing materials
- Specialized products
- Mortars specifically designed for construction industry needs

14 production plants strategically located to be closer to the client

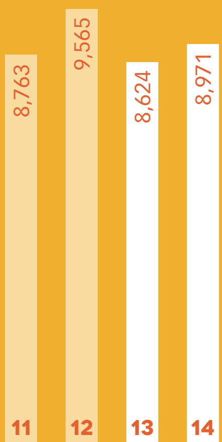
Financial **HIGHLIGHTS**

Grupo Lamosa,
S.A.B. de C.V. and Subsidiaries
(Figures expressed in millions of nominal Mexican pesos)

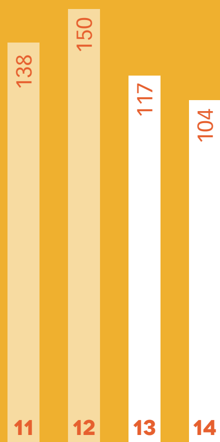
	2013	2014	VAR %
RESULTS [1]			
Net sales	8,624	**8,971**	4
Export sales (millions of USD)	117	**104**	(11)
Export sales / net sales	17%	**15%**	
Operating income	1,415	**1,566**	11
Operating income / net sales	16%	**17%**	
Comprehensive financing cost	377	**603**	60
Consolidated net income	630	**442**	(30)
FINANCIAL POSITION			
Total assets	15,043	**15,077**	0
Total liabilities	9,290	**9,105**	(2)
Stockholders' equity	5,753	**5,972**	4
Book value per share [2]	15.2	**15.8**	4
CASH FLOW			
Operating cash flow [3]	1,809	**2,011**	11
Capital expenditures	494	**295**	(40)
NUMBER OF EMPLOYEES			
Total personnel	5,521	**5,600**	2

1. Because of the signing in 2014 of an agreement to spin off the Sanitaryware Business and in accordance with International Financial Reporting Standards, the results exclude sanitaryware operations, considering them to be discontinued.
2. On a total of 378.3 million shares.
3. Operating income plus depreciation, amortization and other virtual items.

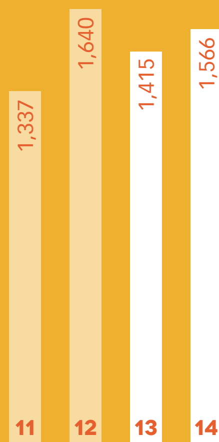
NET SALES
(Millions of Mexican pesos)



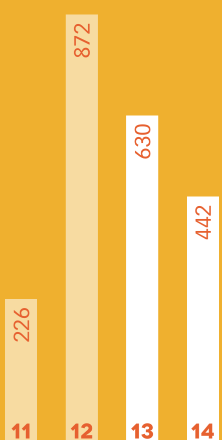
EXPORT SALES
(Millions of U.S. dollars)



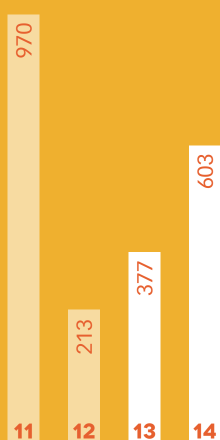
OPERATING INCOME
(Millions of Mexican pesos)



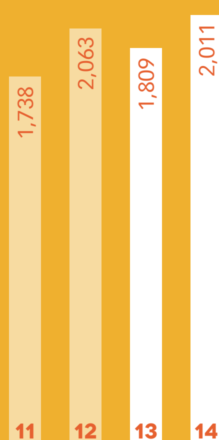
CONSOLIDATED NET INCOME
(Millions of Mexican pesos)

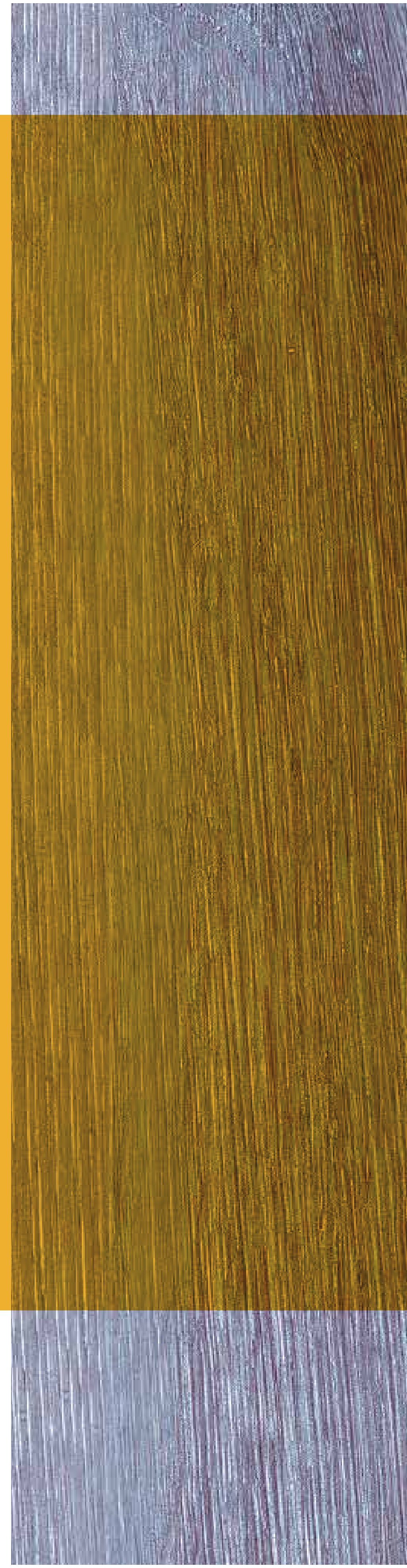


COMPREHENSIVE FINANCING COST
(Millions of Mexican pesos)



OPERATING CASH FLOW (EBITDA)
(Millions of Mexican pesos)





Note: Figures in the results corresponding to 2013 and 2014 exclude sanitaryware operations, since they are considered to be discontinued operations in accordance with International Financial Reporting Standards.

To our STOCKHOLDERS

GROWTH IN OPERATING RESULTS EXCEEDING THE PERFORMANCE OF THE INDUSTRY IN GENERAL

In 2014, Grupo Lamosa posted growth in operating results and exceeded the performance of the industry in general, despite a continued sluggishness in the construction and building segments and the environment of low economic growth that has prevailed in Mexico over the past two years.

Because of the reduced market activity and a significant increase in the cost of a number of inputs, such as energy, during the year, the company kept a strict control of its costs and expenses. As a result, profitability levels were maintained in the complex environment of uncertainty and little growth.

Grupo Lamosa implemented major initiatives in 2014, largely focused on identifying and understanding the customer better, protecting and maintaining financial viability, and assuring the company's future growth. Capital expenditures were made to update the technology of the company's production centers and introduce information technology.

During the year, the company worked closely with the market in order to anticipate consumers' needs and expectations, developing and launching high-value, market-leading

GRUPO LAMOSA IMPLEMENTED MAJOR INITIATIVES IN 2014, LARGELY FOCUSED ON IDENTIFYING AND UNDERSTANDING THE CUSTOMER BETTER, PROTECTING AND MAINTAINING FINANCIAL VIABILITY, AND ASSURING THE COMPANY'S FUTURE GROWTH

ceramic products with innovative characteristics that would have been unimaginable only a short time ago and leveraging the qualities and possibilities for use of today's ceramic. During the third quarter of the year, Grupo Lamosa refinanced its debt, achieving more favorable credit conditions with a reduced financing cost and a repayment profile better suited to the company's expansion plans.

In order to strengthen the company's business processes by integrating them into a robust platform of information technology in preparation for the company's future growth, in 2014 the SAP System was successfully implemented without affecting the operations of the different business units.

At the end of 2014, Grupo Lamosa announced the signing of an agreement with the Colombian company Corona to spin off its Sanitaryware Business. This strategic transaction, still subject to the approval of the Federal Economic Competition Commission (COFECE), will position Grupo Lamosa to focus on its core tile and adhesives businesses, in order to continue consolidating its presence and leadership in Mexico and other regions of the world.

In accordance with applicable international financial reporting standards and taking into consideration the aforementioned agreement, consolidated sales for the year totaled $8,971 million pesos, an increase of 4% compared to 2013. The company's operating income and EBITDA totaled $1,566 and $2,011 million pesos respectively, growing 11% year-over-year.

Today, Grupo Lamosa has a more robust financial position. Going forward, the company will concentrate on its core businesses and leverage its new state-of-the-art technology and innovative, market-leading designs to capitalize on the positive environment and growth cycle that is beginning to be perceived in the Mexican construction industry. The size and positioning of its businesses will also be important for significant growth in markets such as the United States and South America.

Grupo Lamosa is grateful once more for the trust of its stockholders, the support of its creditors, suppliers, distributors, customers and friends, and the commitment of its people to achieve the objectives that have been set. On behalf of the Board of Directors, I would like to thank you all.

FEDERICO TOUSSAINT ELOSÚA
Chairman of the Board and Chief Executive Officer

- NEW USES FOR CERAMIC
- ULTRA-THIN FAÇADE COVERINGS
- ANTI-BACTERIAL CERAMIC PRODUCTS WITH NANOTECHNOLOGY
- PRODUCT LINES FOR SUSTAINABLE CONSTRUCTIONS

Capacity to INNOVATE

Having the capacity to innovate is a key asset for a business that is focused on satisfying the needs and fashion trends of consumers that are becoming increasingly demanding.

The evolution of ceramic tile production processes has unleashed the ingenuity of Grupo Lamosa's designers who have created products that would have been unimaginable just a few years ago. With increasingly shorter life cycles, the company's continuous development of new concepts, lines and products has become an important competitive advantage.

Maintaining a position of market leadership in innovation gives Lamosa the capacity to continuously surprise its customers with new products, uses and applications to satisfy the changing needs of their continuously evolving life styles.

- **MORE THAN 120 YEARS SERVING THE CONSTRUCTION INDUSTRY**
- **MARKET BENCHMARK WITH HIGH-PERFORMANCE PRODUCTS**
- **PRESENCE ACROSS THE AMERICAN CONTINENT**
- **ONE OF THE WORLD'S LARGEST CERAMIC PRODUCERS**

Capacity to LEAD

Grupo Lamosa is today one of the world's most important ceramic tile producers. The product lines of its Wall and Floor Tiles and Adhesives Businesses position it at the forefront of the Mexican market.

The size and vision of its operations gives it the muscle to influence the markets it serves and grow its capacity to lead them. As a result, the company has decided to concentrate its efforts on its two core businesses, focusing its growth strategy on them.

With a business model based on being close to the customer, constant innovation and cutting-edge technology, Grupo Lamosa is positioned to consolidate its leadership across all its markets and embark on a new phase of successful expansion.

- SHORT- AND LONG-TERM FINANCIAL VIABILITY
- CASH FLOW GENERATION TO PROMOTE GROWTH
- EXTENSIVE PORTFOLIO OF HIGH VALUE ADDED PRODUCTS
- HIGHLY QUALIFIED PEOPLE WITH THE REQUIRED EXPERIENCE AND CAPABILITIES

With a consolidated presence across Mexico, Grupo Lamosa has the capacity to expand beyond its borders.

The company's strategic geographic location gives it a clear competitive advantage, positioning it to grow its presence both in the United States and in South America, not just in marketing, but also as an important manufacturer recognized for its culture, values and capacity to satisfy the needs of different consumers.

The experience, infrastructure and networks that have been constructed over the past years will without doubt drive the company's growth across the American continent.

- CONSTANT INNOVATION OF PRODUCT LINES
- INTERNATIONAL RECOGNITION AT FAIRS AND EXHIBITIONS
- ENVIRONMENTALLY FRIENDLY SUSTAINABLE PRODUCT LINES
- CAPACITY TO ADAPT TO DIFFERENT MARKET ENVIRONMENTS AND REQUIREMENTS

Capacity to REINVENT OURSELVES

Over 120 years of successful operations, Grupo Lamosa has continuously evolved. Since its founding in 1890 as a small brick factory satisfying local needs, it has grown to become a key player both in domestic markets and in the international arena.

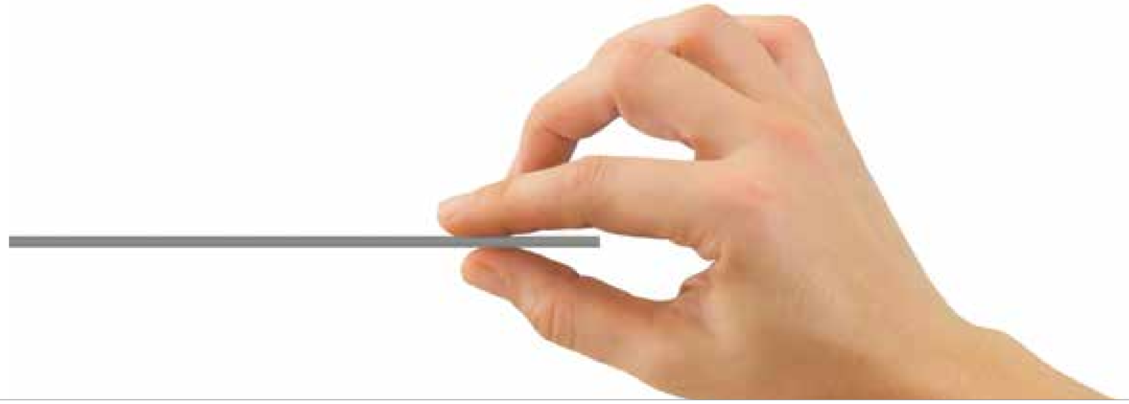
Grupo Lamosa is convinced that this is the ideal time to begin a new phase of development, taking advantage of the demographic factors that continue to be favorable in Mexico and of the fact that construction is currently at an inflection point, poised to begin positive growth after some very difficult years in the industry.

Most of all, the company has the vocation to innovate, the strength to lead, the drive to grow and the talent to reinvent itself, taking its development to the next level.

Without doubt, Grupo Lamosa has the capacity to surprise!

WALL AND FLOOR TILES

ONE OF THE CHALLENGES THAT THIS BUSINESS FACED DURING THE YEAR WAS THE ORDERLY MANAGEMENT OF PRODUCTION CAPACITY TO ADAPT TO NEW CONSUMER DEMANDS WHICH AFFECTED THE TRADITIONAL PRODUCT MIX

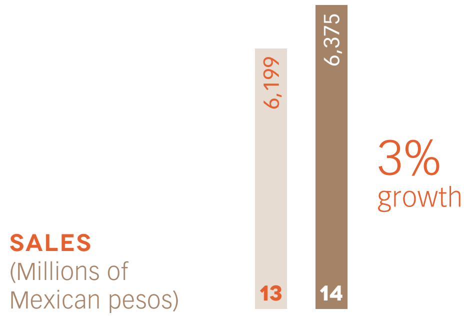


For the Wall and Floor Tiles Business, the uncertainty and limited growth expectations at the beginning of the year gradually dissipated during the course of 2014. By yearend, the domestic market had begun to recover and demand to grow.

The Business responded rapidly and effectively to the improvement, exceeding the average growth rate of the industry. As a result, the upswing in the domestic market more than offset the sales decline in foreign markets, such that total sales for 2014 grew 3% year-over-year.

One of the challenges of the year was the orderly management of production capacity to adapt to new consumer demands which affected the traditional product mix. Continuous innovation, with the development and rollout of new products, has given the Wall and Floor Tiles Business more robust product lines that include large porcelanite tiles and offerings with novel properties, designs, textures and high-quality digital decorations.

The investments Grupo Lamosa has made in technology allowed it to rollout new products with industry-leading styles and applications in accordance with the latest trends. These included "Striato," "Basaltina" and "Marino," market leading, large-sized (60cm X 90cm and 60cm X 120cm) tiles that look like marble and natural stone. The Business also launched a wide variety of ceramic high value added products that have the appearance of wood but the superior properties of ceramic.



The continuous search for innovation and to offer products with superior properties resulted in the launch of “Slim” tiles through the high-value “Firenze” brand. These porcelain tiles are light, ultra-thin, with a thickness of three millimeters, and perfect for commercial areas and vertical residential constructions. Porcelain tiles have recently found a new use in construction: for façades, and this represents a source of potential growth for the Business in the institutional market.

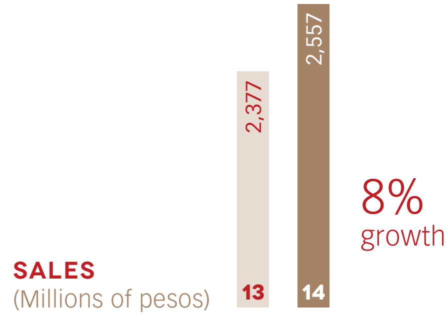
As in previous years, in 2014 the Business participated in trade fairs and exhibitions both in Mexico and abroad. Some of these events included the Coverings Trade Show, one of the world’s most important construction industry fairs. It was held during the second quarter of the year in Las Vegas, Nevada, in the USA. During the fourth quarter of the year, the Wall and Floor Tiles Business took advantage of its presence at Expo CIHAC in Mexico City to present new lines of products across its different brands.

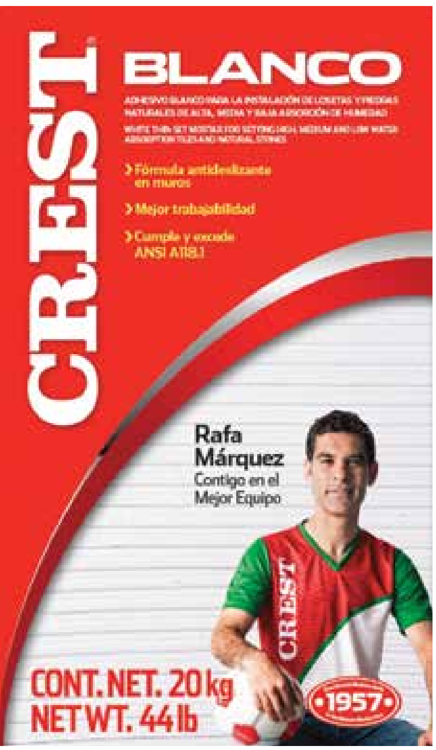
In order to assure that the regulations currently applicable to the ceramics industry are followed, during 2014 the Wall and Floor Tiles Business, through the corresponding associations and government agencies, made a great effort to promote a culture of legality and healthy competition in the porcelain tiles market. The objective of such actions is to prevent companies cheating the consumer, since on occasions ceramic products are sold that fail to comply with the required characteristics and technical specifications.

The Business is aware that it will face significant challenges in the future. The search for opportunities for organic and inorganic growth, both in Mexico and export markets, will provide avenues of expansion that Grupo Lamosa, with its leadership and positioning, will know how to leverage successfully.

ADHESIVES

TAKING ADVANTAGE OF NEW AVENUES OF GROWTH, IN THE FOURTH QUARTER OF THE YEAR THE ADHESIVES BUSINESS ENTERED THE SPECIALIZED MORTARS SEGMENT, LAUNCHING A ROBUST PORTFOLIO OF 18 NEW PRODUCTS THAT OFFER HIGH VALUE SOLUTIONS FOR CONSTRUCTION AND INFRASTRUCTURE PROJECTS





Despite the adverse environment of low growth, the Adhesives Business's 2014 results surpassed those of the industry in general, with an 8% rise in sales during the year.

After a complicated first six months, the market began to show signs of improvement, creating positive expectations that materialized towards the end of the year, positively impacting the results of the Business.

Growth was largely driven by the outstanding performance of its adhesives and stucco lines. In addition, initiatives to increase the Business's presence in other markets were reflected in a significant rise in export sales.

Taking advantage of new avenues of growth, in the fourth quarter of the year the Adhesives Business entered the specialized mortars segment, launching a robust portfolio of 18 new products that offer high value solutions for construction and infrastructure projects.

The Adhesives Business took part in a number of specialized events in 2014, taking advantage of the visibility to inform the market of its new products. These included Coverings, in the United States, and Expo CIHAC in Mexico City.

During 2014, a wide variety of initiatives to drive the value of the Business's different brands and enhance installers' preference were implemented across Mexico. These included a campaign for Crest called "Contigo en el mejor Equipo" (With you in the Best Team) which appeared in a wide range of magazines and social networks, as well as on billboards and buses, and featured the captain of the Mexican national football team.

In order to continue supporting installers by offering them high value products to make their work easier and better, the Business held 39 workshops in 18 different Mexican cities, including Monterrey, Mexico City, León, Oaxaca and Guadalajara. In addition, 2,150 participants took advantage of "Installer Day" in Mexico City.

The Adhesives Business has many distinct differentiating attributes, including a leadership position and elevated profitability, that provide a solid platform for growth. This, together with the inauguration of a new technological platform and innovative commercial models, will become the basis for continued and accelerated growth as it goes forward.

Financial
PERFORMANCE

Because of the company's capacity to generate and administer cash flow, it complied with all financial and operating commitments during the year and continued to make progress in reducing its level of debt. At the close of 2014, debt totaled $4,750 million pesos, 8% below the $5,148 million pesos posted at yearend 2013. The leverage ratio in terms of Net Debt to EBITDA was 2.2 times as of December 31, 2014, comparing favorably to the ratio of 2.5 as of yearend 2013.

During the third quarter of the year, in accordance with its loan contracts, the company's reduced leverage enabled it to pay dividends for the second consecutive year.

In order to capitalize on the company's reduced level of financial risk, during the third quarter of the year Grupo Lamosa refinanced its debt through a syndicated loan of $365 million dollars. The transaction, led by Scotiabank, improved the company's credit conditions. Among the benefits achieved were a reduction in financing cost, the liberation of guarantees, the calendarization of the debt service over five years with a one-year grace period, and a repayment schedule more in line with the company's projected expansion.

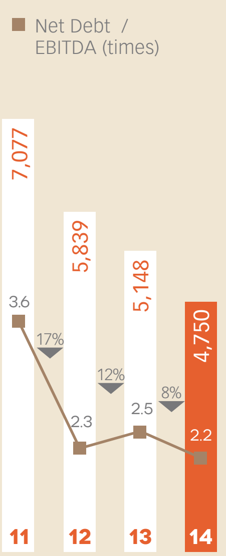
During 2014, Grupo Lamosa made capital expenditures of $295 million pesos, mainly to assure that its production facilities continue to operate with leading-edge technology and to develop and implement new information technologies.

Aware of the need to enhance the volume of Lamosa* shares traded, in August 2014, 22 million shares, equivalent to 6% of the company's stockholders' equity, were issued with the support of the Actinver brokerage firm. This transaction expanded the company's shareholder base and increased the availability and trading volume of Lamosa shares on the Mexican Stock Market (BMV).

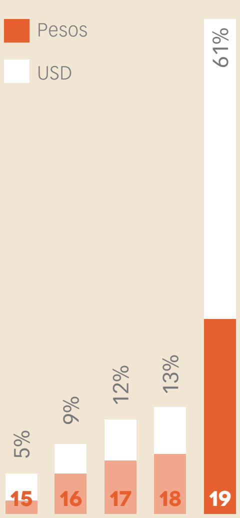
In an effort to raise domestic and international investors' interest in the company, during the fourth quarter of 2014 Grupo Lamosa took part in the BMV's Independent Analyst Program. Being involved in this initiative expanded analysts' coverage of the company.

During 2014, Grupo Lamosa made no purchase or selling transactions with the shares that represent its capital stock.

DEBT
Millions of Mexican pesos



DEBT PROFILE
(Dec. 2014)



In 2014, Grupo Lamosa followed all applicable stock market guidelines and regulations related to the implementing of best practices in corporate governance. During the first half of the year, it sent the Mexican Stock Market an analysis of the company's level of adhesion to the Code of Corporate Best Practices issued by the Business Coordinating Council (Consejo Coordinador Empresarial), proving a compliance of more than 90% with its practices and recommendations.

In 2014, complaints received via the Grupo Lamosa Transparency Line were attended by the Ethics Committee which then informed the Audit Committee. An effective attention given to these grievances meant that they could be resolved through the appropriate channels, promoting the values and principles contained in the company's Code of Ethics.

In order to further enable the company's transparency before its different stakeholders, during the year improvements were made to its electronic complaints mechanisms. People who have placed a complaint may now follow up on their grievance and give valuable information anonymously, thereby improving the resolution process.

During the year, internal auditing, in coordination with the comptroller's office, reviewed the business processes that had been mapped during the implementation of the SAP information system. The process enabled the company to assure its compliance with established guidelines and requirements, resulting in an adequate level of confidence in the internal control systems.

Corporate GOVERNANCE

MEMBERS OF THE AUDIT COMMITTEE
CARLOS ZAMBRANO PLANT
Chairman
EDUARDO PADILLA SILVA
EDUARDO GARZA T FERNÁNDEZ
MAXIMINO JOSÉ MICHEL GONZÁLEZ

MEMBERS OF THE CORPORATE PRACTICES COMMITTEE
EDUARDO ELIZONDO BARRAGÁN
Chairman
BERNARDO ELOSÚA ROBLES
ARMANDO GARZA SADA

SUSTAINABILITY

MESSAGE FROM THE CEO

Since Grupo Lamosa believes that it is very important to report on the company's social and environmental activities, as well as on financial aspects, for the second consecutive year it is presenting a report on sustainability.

In 2014, in accordance with GRI (Global Reporting Initiative) guidelines, specific objectives were set for all economic, social and environmental indicators contained in Grupo Lamosa's Sustainability Model. These objectives were disseminated across all levels of the organization, enabling their appropriate implementation and periodic monitoring.

Important actions were implemented during the year in this area, underscoring the company's commitment to sustainable development and promoting a culture of transparency and accountability toward the different stakeholders.

During the fourth quarter of the year, Grupo Lamosa formally committed to the United Nations Global Compact, one of the world's most important and effective sustainability initiatives that boasts more than 8,000 member companies from 135 nations. This entirely voluntary commitment implies an ongoing pledge to work to promote human rights, labor rights and environmental protection and to combat corruption.

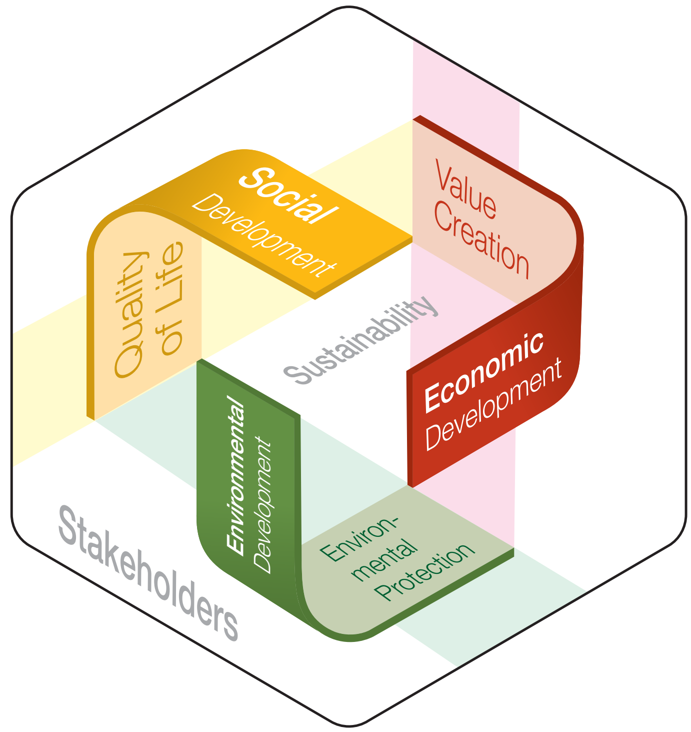
Grupo Lamosa's track record in the construction industry for more than a century would not have been impossible if, from the very beginning, the company had not placed sustainability as a focus of its actions. This focus, incorporated into the company's vision and strategy, has positioned it to meet the demands of investors who expect an increasing amount of information on the social and environmental effects of the company's activities.

ACTION AREAS

ECONOMIC DEVELOPMENT
- Innovation in business model, products and processes
- Creation of economic value
- Development of local suppliers
- Investments in the community

SOCIAL DEVELOPMENT
- Quality of life for associates and their families
- Respect for human rights and diversity
- Anti-corruption initiatives
- Social investment

ENVIRONMENTAL DEVELOPMENT
- Innovation
- Energy
- Water
- Reduction of emissions, spills and waste
- Product recovery



STAKEHOLDERS

Stockholders/Investors	Customers	Employees and workers	Suppliers
• Stockholders' meetings • Area of investor relations • Transparency line • Meetings with analysts • Reports on results	• Focus groups • Transparency line • Visits by commercial advisors • Website	• Evaluation of the work environment • Transparency line • Career development plans	• Transparency line • Signing of agreements and clauses in favor of human rights and sustainability • Development of local suppliers and Small and Medium-sized Enterprises
Community	**Government**	**Academia**	**Communication media**
• Transparency line • Donations program • Dialogs with neighbors • Volunteer projects	• Participation in meetings and consultation forums on sustainability • Relations with government agencies	• Agreements related to research projects • Plant visits • Support for students through work experience programs	• Press conferences • Participation in interviews and reporting

SOURCING

During 2014, Grupo Lamosa's nationwide network of production facilities allowed it to continue to drive the development of new alternatives for the sourcing of goods and services in the regions where it operates. New suppliers of raw materials, such as clay, pallets and cardboard boxes, were incorporated during the year and the company made agreements with new suppliers of spare parts and services to satisfy the needs of its plants.

- More than 90% of Grupo Lamosa's suppliers are domestic.

Grupo Lamosa, through institutions such as the Mexican Chamber of Industry (CAINTRA) and the Mexican Center for Competitiveness (CCMX), continued to actively participate in the promotion of programs for the development and professionalization of Small and Medium-sized Enterprises (SMEs). In partnership with CCMX in Tlaxcala, Querétaro, Tizayuca and Monterrey, the company was involved in different kinds of advisory services and training events, with the participation of suppliers to the Wall and Floor Tiles and Adhesives Businesses.

Participation of Grupo Lamosa suppliers in diploma courses and professionalization programs:

	2013	2014	Main Topics
Diploma Courses	10	6	Organizational culture, strategy, planning and innovation
Advisory Services	21	27	Administration, markets, finance, business operating processes and human resources

Health Day at the Perdura Adhesives Plant in Guadalajara

Brigades and simulations at the Italgres II Tile Plant in Guanajuato

Training in WSA techniques and machinery risks at the Porcel Tile Plant in Tlaxcala

HEALTH AND SAFETY

During the year, all Grupo Lamosa's production facilities, across its different business units, presented clear objectives and goals for activities related to health and safety.

The main initiatives carried out in 2014 include:

- **Safety Week**. Topics related to health and best safety practices were promoted during this event, which included campaigns for the early detection of health problems, such as high blood pressure, cholesterol, color-blindness and diabetes. Some facilities, such as the Perdura Adhesives Plant in Guadalajara, received support from government institutions, including the Jalisco Health Ministry, the State Council against Addition and the State Council against Accidents and Disasters, for this initiative.

- **Safety Training**. Grupo Lamosa personnel were trained in Work Safety Analysis (WSA) during 2014, helping them to identify potential workplace risks and develop solutions to eliminate or control these risks. Best practices were promoted in such areas as how to lift heavy objects and the use of masks and safety glasses.

- **Brigades and Simulations**. The company set up safety brigades and held simulations to train employees and workers in how to behave in times of crisis, covering such topics as what to do in a fire, first aid, evacuations, search and rescue, and the use and handling of extinguishers. In some cases, municipal and state authorities took part in the simulations, such as at the Benito Juárez Tile Plant where the initiative involved the participation of Civil Protection and the Health Ministry of the state of Nuevo León.

- **Sports Events.** Sports events were held for operating and administrative personnel, with the promotion of family togetherness through Family Day, Children's Day, the Safety Week Marathon, summer courses and family visits to work centers.

Sports events at the Kerámika Tile Plant in the state of Tlaxcala

2014 Loyalty Recognition Event

Grupo Lamosa retirees visit the Benito Juárez Tile Plant

DIVERSITY

The implementation of personnel recruiting and selection practices based solely on the requirements of the different jobs in question has given the company's workforce diversity and the flexibility to adapt effectively to the changing environment.

Grupo Lamosa Personnel

	2014			2013
	Employees	Union Workers	Total	Total
Total personnel	2,220	3,380	5,600	5,521
Men	1,716	3,052	4,768	4,762
Women	504	328	832	759
By age range				
Less than 20 years old	1	45	46	44
20-29 years	428	1,185	1,613	1,518
30-39 years	958	1,341	2,299	2,106
40-49 years	536	685	1,221	1,364
50-59 years	272	115	387	461
More than 60 years old	25	9	34	28
Nationality				
Mexican	2,208	3,380	5,588	5,517
Other	12	0	12	4

- Implementation of actions and initiatives to promote a culture of inclusion.

The company's workforce includes handicapped employees and workers.

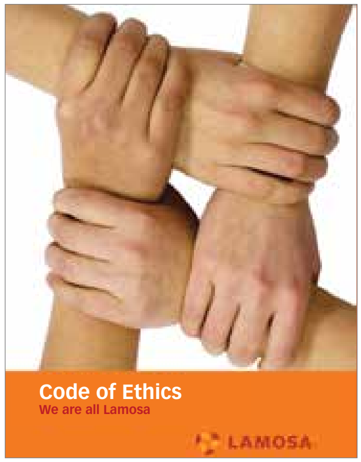
No. of people	Kind of handicap	Area
7	Physical, motor, visual or auditory	Enameling, furnaces and warehouse

During 2014, Grupo Lamosa held a ceremony to recognize workers and employees with 10 or more years of service, thanking them for their efforts and dedication and promoting employee and worker loyalty.

In addition, different events were held to recognize the participation of women in the company's operations and the contribution of retired workers to the growth of the organization.

RECOGNITION

The Mexican Ministry of Labor and Social Welfare recognized the Pavilion Tile Plant in Tlaxcala as an "Inclusive Company."



Training on carrying heavy loads at the Italgres II Tile Plant in Guanajuato

CORRUPTION

In order to promote the values and principles included in the Grupo Lamosa Code of Ethics, during the year diverse activities were held to strengthen institutional practices in relation to conflicts of interest and complaints mechanisms.

- Lamosa personnel reiterated their written commitment to abide by the guidelines of the Code of Ethics.
- People who were new to the company were given instruction on the standards of conduct that they must observe while working at Grupo Lamosa.
- Electronic complaints mechanisms related to the Transparency Line were improved during the year.

	Complaints handled through the Transparency Line	Complaints related to acts of corruption handled during the year
2013	101	34
2014	97	27

TRAINING

To guarantee equal opportunities and in accordance with Grupo Lamosa's employee and worker development plans, during 2014 personnel from the different business units participated in training programs on topics related to their work area and focused on the competencies they require to carry out their different function.

	2013	2014
Hours of training	115,726	133,451
Amount invested (millions of Mexican pesos)	Ps $ 9.4	Ps $ 4.9

HUMAN RIGHTS

Grupo Lamosa is committed to voluntarily aligning its strategies and operations to the principles of the United Nations Global Compact. Being a member of the Global Compact means the company endorses the principles of the agreement and promotes a culture of transparency and accountability in human rights, labor rights, corruption and environmental protection.

Adhesion to the United Nations Global Compact in 2014

Personnel from the Crest Santa Clara Plant enjoying time with children at the Center for Children's Adaptation and Attention (CAYAM)

Personnel from the Perdura Plant in Guadalajara visiting and helping to repair the facilities of the Escalar Children's Home

SOCIAL INVESTMENT

Grupo Lamosa's sustainability objectives for 2014 defined a wide range of volunteer and social investment projects focused on helping the company's neighboring communities. These initiatives were implemented with the active participation of personnel from the different plants and company support.

Personnel from the Porcel Tile Plant helping to repair a nursery school in San Marcos Contla, Tlaxcala

Business	Plant	Project	Location	Activities
Adhesives	Santa Catarina Crest Plant	Support for the Center for Children's Adaptation and Attention (CAYAM)	Nuevo León	Administrative and operating personnel took part in Children's Day activities and helped distribute toys to more than 50 children.
Adhesives	Tizayuca Crest Plant	Support for the Rosas Rojas Children's Home	Hidalgo	Employees and workers collected food, clothes and toys for 70 mistreated, abandoned or orphaned children.
Adhesives	Guadalajara Perdura Plant	Support for the Escalar Children's Home	Jalisco	Plant personnel took part in wall- and fence-painting activities at the Escalar Children's Home (dedicated to the rehabilitation of at-risk children).
Adhesives	Chihuahua Niasa Plant	Renovation of a local primary school	Chihuahua	Plant personnel donated materials and labor for school repair.
Adhesives	Navojoa Niasa Plant	Support for the San Juan de Dios Home	Sonora	Plant personnel visited senior citizens with motor difficulties.
Tiles	Tlaxcala Porcel Plant	Renovation of a local pre-school	Tlaxcala	Plant personnel helped to repair a pre-school in San Marcos Contla.
Tiles	Tlaxcala Pavillion Tile Plant	Participation in a food bank program	Tlaxcala	In coordination with the San Luis Teolocholco municipal authorities, plant personnel took part in a program for donating food to people in a vulnerable position.
Tiles	Tlaxcala Kerámika Plant	Visit to the Edad de Oro Old People's Home	Tlaxcala	Plant personnel visited an Old People's Home in San Judas Tadeo, with a population of 80 people.
Tiles	San Luis Potosí Tile Plant	Participation in activities of the Rino-Q Foundation	San Luis Potosí	Plant personnel took part in activities of the Rino-Q Foundation to help children with burn injuries.

ENERGY, WATER AND CO_2 EMISSIONS

In 2014, Grupo Lamosa carried out and evaluated activities and projects to enhance its energy efficiency, including:

- Cogeneration systems.
- The use of electricity from renewable sources.
- The implementation of recommendations in energy diagnostics.
- The installation of LED lighting.

During the year, a battery collection and recycling campaign (Ponte las Pilas Lamosa – 2014) was instituted at the company's plants and offices in Nuevo León, with the active participation of employees and workers.

Total number of batteries collected	Environmental impact
4,892	817 million liters of water * (that were not contaminated)

* Estimation based on one alkaline battery contaminating 167 liters of water.

Grupo Lamosa continued its reforestation activities in 2014, with personnel from the Crest Plant in Guadalajara, together with their families, planting trees in the Centinela Forest in Jalisco in partnership with the Mexican National Forestry Commission and the Zapopan municipal authorities.

- 450 trees planted.

Grupo Lamosa continues to take part voluntarily in the Mexican National Environmental Audit Program. In 2014, the Kerámica Tile Plant in the state of Tlaxcala was certified as a Clean Industry.

During the year, the company implemented initiatives across its different businesses to identify areas of opportunity for reducing the consumption of wooden pallets.

- In conjunction with a client from the Home Centers channel, the Tlaxcala tile business introduced a program for recycling pallets.
- The Niasa Adhesives Plant in Navojoa introduced a pallet reuse program, reducing consumption by 10%.

PRODUCT RECOVERY

All Grupo Lamosa plants operate with programs for recovering materials in accordance with internally established procedures. At its corporate headquarters, in 2014 the company continued the program for recycling paper, cardboard, aluminum and PET in conjunction with Copamex Reciclados.

	2013	2014
Wood	1,104,626	898,790
Cardboard / paper	932,750	832,961
Metal	540,895	424,451
Plastics	242,400	225,623
Other	55,668	30,213
Total material recovered (Kg)	2,876,339	2,412,038

Board of **DIRECTORS**

FEDERICO TOUSSAINT ELOSÚA
Chairman of the Board and Chief Executive Officer of Grupo Lamosa
Member since 1989
Related

BERNARDO ELOSÚA ROBLES
Independent Consultant
Member since 1993
Related
Corporate Practices Committee

GUILLERMO BARRAGÁN ELOSÚA
CEO of Hidrobart
Member since 1993
Related

JAVIER SAAVEDRA VALDÉS
Professional Painter
Member since 1998
Related

JOSÉ MANUEL VALVERDE VALDÉS
CEO of Financiera Educativa de México, SOFOM
Member since 1998
Related

MARÍA DEL CARMEN ELOSÚA GONZÁLEZ
Director of María Elosúa Diseño
Member since 2013
Related

EDUARDO ELIZONDO BARRAGÁN
Chairman of the Board and CEO of CRIOTEC and Subsidiaries
Member since 1992
Independent
Corporate Practices Committee

ARMANDO GARZA SADA
Chairman of the Board of Grupo ALFA
Member since 1997
Independent
Corporate Practices Committee

CARLOS ZAMBRANO PLANT
Consultant
Member since 1991
Independent
Audit Committee

EDUARDO PADILLA SILVA
CEO of FEMSA Comercio
Member since 2004
Independent
Audit Committee

EDUARDO GARZA T. FERNÁNDEZ
President of Grupo Frisa Industrias
Member since 2012
Independent
Audit Committee

MAXIMINO JOSÉ MICHEL GONZÁLEZ
Operations Manager of Liverpool
Member since 2009
Independent
Audit Committee

According to the Stockholders' Assembly of March 13, 2014

Main Company

OFFICERS

From left to right:

JULIO RAFAEL VARGAS QUINTANILLA
Human Resources Vice-President

JORGE MANUEL ALDAPE LUENGAS
Adhesives Vice-President

TOMÁS LUIS GARZA DE LA GARZA
Chief Financial Officer

ALEJANDRO JAVIER NOSTI BUSQUETS
Sanitaryware Vice-President

FEDERICO TOUSSAINT ELOSÚA
Chief Executive Officer and Chairman
of the Board of Directors of Grupo Lamosa

SERGIO NARVÁEZ GARZA
Ceramic and Wall and Floor Tiles Vice-President

AUDIT COMMITTEE
Report

February 24, 2015

To the Board of Directors of
Grupo Lamosa, S.A.B. de C.V. ("the Company")

As Chairman of the Audit Committee, I would like to present to you the report on this Committee's activities in relation to the financial year ended December 31, 2014, pursuant to Company Statutes and the current Law:

1. We reviewed the reports of the external auditor and on the results of the internal audit for the year of 2014.
2. To date, this Audit Committee has no knowledge of any incompliance with the operating and accounting guidelines and policies of the Company and its Subsidiaries.
3. This Committee has met with the representative of the firm of external auditors and evaluated the performance both of the firm and the auditor responsible therefor. The firm is responsible for expressing an opinion on the fairness of the Company's financial statements and their compliance with International Financial Reporting Standards. At the current time, we believe the performance of the firm and its auditors to be satisfactory.
4. This Committee authorized payment to the firm that supplied external auditing and additional services to the Company for the fiscal year of 2014.
5. We reviewed the progress that the Company has made with the implementation of the SAP Project across its Businesses, ensuring that the control objectives of the processes were appropriately met.
6. We reviewed the improvements in functionality and the report on the operations of the Grupo Lamosa Transparency Line, ensuring that the cases received are being treated in accordance with the principles set out in the Company's Code of Ethics.
7. During the year, nothing worthy of note was observed with regard to the accounting, internal controls, or internal and external auditing, nor were there any complaints relating to irregularities on the part of Management. In the opinion of this Committee, the Company continues to make significant progress with its corporate governance and internal control systems.
8. This Committee gave the Board of Directors a favorable opinion on the Annual Report of the Chief Executive Officer and on the report on operations and activities in which the Board was involved, corresponding to the fiscal year of 2014.
9. On the basis of the external auditors' report, this Committee believes that the accounting and information policies and criteria followed by the Company are adequate and sufficient, and have been applied consistently in the information presented by the Chief Executive Officer and by the Board of Directors, reflecting fairly the Company's financial position and results.

CARLOS ZAMBRANO PLANT
Chairman

CORPORATE PRACTICES COMMITTEE
Report

February 24, 2015

To the Board of Directors of
Grupo Lamosa, S.A.B. de C.V. ("the Company")

As Chairman of the Corporate Practices Committee, I would like to present to you the report on this Committee's activities in relation to the financial year ended December 31, 2014 pursuant to Company Statutes and the current Law.

1. We reviewed the previously defined goals and individual and Company performance during the year and, where applicable, any observations on the performance of Company officers.
2. We reviewed the conditions and structure used to determine the total salary and benefit packages of the Chief Executive Officer and Company officers on the basis of market trends.
3. We reviewed and analyzed the fiscal impact of the Company's pension plan.
4. This Committee gave no authorization for any board member, Company officer or person in a position of command to take advantage of business opportunities – either for themselves or for third parties – that correspond to the Company or its Subsidiaries, and is not aware that the Board of Directors or any other Committee has done so.
5. The Corporate Practices Committee will continue carrying out all the actions necessary to comply with the legal and statutory requirements that govern it.

EDUARDO ELIZONDO BARRAGÁN
Chairman

CONSOLIDATED FINANCIAL
Statements

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GRUPO LAMOSA, S. A. B. DE C. V.

We have audited the accompanying 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, 2014 and 2013, and the consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Lamosa, S. A. B. de C. V. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the IASB.

GALAZ, YAMAZAKI, RUIZ URQUIZA, S. C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. A. ALEJANDRA VILLAGÓMEZ G.
February 6, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	NOTES	2014	2013
ASSETS			
Current assets:			
Cash and cash equivalents	7	$ 290,270	$ 626,945
Accounts receivable, net	8	2,310,886	2,376,266
Inventories	9	1,366,338	1,393,244
Other current assets	10	857,818	726,136
Assets classified as held for sale	19	804,109	
Current assets		5,629,421	5,122,591
Real estate inventories	11	155,759	193,916
Property, plant and equipment, net	12	4,467,479	5,048,131
Intangible assets, net	13	4,396,039	4,279,337
Deferred income taxes	22	353,976	329,081
Other non-current assets		74,292	69,778
Total		**$ 15,076,966**	**$ 15,042,834**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	15	$ 141,872	$ 327,349
Current portion of finance lease liability	16	33,030	36,818
Current portion of derivative financial instruments	6	93,394	
Trade accounts payable		939,072	1,010,972
Income taxes for tax consolidation	22	157,621	570,814
Other current liabilities	14	658,400	664,239
Liabilities associated with assets classified as held for sale	19	267,428	
Current liabilities		2,290,817	2,610,192
Long-term debt	15	4,412,310	4,726,924
Finance leases	16	107,294	57,679
Employee benefits	17	281,593	283,749
Derivative financial instruments	6	63,283	13,378
Income taxes for tax consolidation	22	1,949,393	1,598,348
Total liabilities		9,104,690	9,290,270
Stockholders' equity:			
Capital stock	18	203,003	202,978
Additional paid-in capital	18	139,386	139,386
Retained earnings		5,780,845	5,438,701
Other comprehensive income items	6,17	(150,958)	(28,501)
Total stockholders' equity		5,972,276	5,752,564
Total		**$ 15,076,966**	**$ 15,042,834**

ING. FEDERICO TOUSSAINT ELOSÚA
Chief Executive Officer

ING. TOMÁS LUIS GARZA DE LA GARZA
Chief Financial Officer

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2014 and 2013
(In thousands of Mexican pesos, except for earning per share, which is in Mexican pesos)

	NOTES		2014		2013
Continuing operations:					
Net sales	24	$	8,970,883	$	8,623,661
Costs and expenses:					
Cost of sales			5,380,952		5,069,912
Operating expenses	20		2,069,045		2,159,732
Other operating income, net			(44,835)		(20,670)
			7,405,162		7,208,974
Operating income			1,565,721		1,414,687
Interest expense			296,086		346,455
Interest income			(24,541)		(13,802)
Exchange loss, net			331,633		27,287
Effects of valuation of financial instruments					16,987
			603,178		376,927
Income before income taxes			962,543		1,037,760
Income taxes	22		319,727		370,573
Income from continuing operations			642,816		667,187
Loss from discontinued operations, net of income taxes	19		200,359		37,626
Net income of the year		**$**	**442,457**	**$**	**629,561**
Earning per basic and diluted share from continuing operations	4v		1.73		1.80
Earning per basic and diluted share from discontinued operations	4v		(0.54)		(0.10)
Earning per basic and diluted share	**4v**	**$**	**1.19**	**$**	**1.70**

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

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

	NOTES	2014	2013
Net income of the year		$ 442,457	$ 629,561
Other comprehensive income items:			
Item that can be potentially reclassified to net income of the year from continuing operations, net of taxes:			
Valuation of derivative financial instruments		(100,714)	2,931
Item that can be potentially reclassified to net income of the year from discontinued operations, net of taxes:			
Valuation of derivative financial instruments		(5,043)	(654)
Valuation of derivative financial instruments from continuing and discontinued operations	6.2.5	(105,757)	2,277
Item that cannot be reclassified to net income of the year from continuing operations, net of taxes:			
Actuarial remeasurements of defined benefits obligation		(15,245)	5,344
Item that cannot be reclassified to net income of the year from discontinued operations, net of taxes:			
Actuarial remeasurements of defined benefits obligation		(1,455)	3,118
Actuarial remeasurements of defined benefits obligation from continuing and discontinued operations	17	(16,700)	8,462
Total other comprehensive items		(122,457)	10,739
Total comprehensive income of the year		**$ 320,000**	**$ 640,300**

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	CAPITAL STOCK	PAID-IN CAPITAL	ADDITIONAL RETAINED EARNINGS	VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	REMEASUREMENT OF DEFINED BENEFITS OBLIGATION	TOTAL STOCKHOLDERS' EQUITY
Balances as of January 1, 2013	$ 202,953	$ 139,386	$ 4,882,702	$ (11,891)	$ (27,349)	$ 5,185,801
Capital increase	25					25
Dividends declared			(73,562)			(73,562)
Comprehensive income			629,561	2,277	8,462	640,300
Balances as of December 31, 2013	202,978	139,386	5,438,701	(9,614)	(18,887)	5,752,564
Capital increase	25					25
Dividends declared			(100,313)			(100,313)
Comprehensive income			442,457	(105,757)	(16,700)	320,000
Balances as of December 31, 2014	**$ 203,003**	**$ 139,386**	**$ 5,780,845**	**$ (115,371)**	**$ (35,587)**	**$ 5,972,276**

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2014	2013
Cash flows from operating activities:		
Income before taxes	$ 962,543	$ 1,037,760
Adjustment for:		
Depreciation and amortization	331,356	291,771
Other provisions	83,770	71,396
Interest income	(24,541)	(13,802)
Interest expense	296,086	346,455
Exchange loss, net	331,633	27,287
Disposal of property, plant and equipment	30,000	30,960
Effect of valuation of derivative financial instruments		16,987
	2,010,847	1,808,814
Changes in working capital:		
Increase in customers	(72,377)	(37,019)
Increase in inventories and real estate inventories	(115,197)	(157,904)
Increase (decrease) in suppliers	110,863	(64,124)
Other liabilities	(157,486)	24,709
Income taxes paid	(413,587)	(409,882)
Operating activities of the discontinued operation	(136,726)	14,566
Net cash flows provided by operating activities	1,226,337	1,179,160
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(184,996)	(413,184)
Interest income	24,541	13,802
Acquisition of intangible assets	(109,971)	(81,180)
Investing activities of the discontinued operation	(24,076)	(9,955)
Net cash flows used in investing activities	(294,502)	(490,517)
Cash flows from financing activities:		
Payments for bank liabilities	(828,002)	(757,776)
Interest paid	(288,868)	(297,012)
Dividends paid	(95,147)	(73,565)
Other financing activities	(67,959)	
Net cash flows used in financing activities	(1,279,976)	(1,128,353)
Net decrease in cash and cash equivalents	(348,141)	(439,710)
Cash and cash equivalents at beginning of year	626,945	1,064,900
Effects from changes in cash value	11,466	1,755
Cash and cash equivalents at end of the year	**$ 290,270**	**$ 626,945**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013
(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 of ceramic products for wall and floor coverings, adhesive for ceramic tiles and real estate projects for sale. 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) On September 30, 2014, the Company carried out the refinancing of its debt through a syndicated loan of $365 millions of dollars. The total debt of the Company was rescheduled for a term of five years with a one year grace period and a mix of 50% in U.S. dollars and 50% in Mexican pesos. In addition to ensuring financial stability in the medium and long term, the transaction will allow optimize the financial cost of the Company, derived from the lower leverage achieved by the Company in recent years, as well as from the liquidation of a subordinated loan that it held for $155 million U.S. dollars with a higher cost. The new terms contained in the credit agreements use a range of surcharges between 2.65% and 1.25%, depending on the leverage ratio of the Company, as well as gradual increasing payments with an average life of 3.9 years (see Note 15).

b) On December 19, 2014, the Company announced the sale of 100% of its shareholding interest in its sanitaryware business, subject to applicable legal approvals, including those of the Federal Comission of Economic Competition. Derived from this, the Company has classified the assets and liabilities to be disposed as held for sale and as a discontinued operation, which has an impact on the presentation of the consolidated financial statements (see Note 19).

3. BASIS OF PRESENTATION AND CONSOLIDATION

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

b. New accounting pronouncements - In the current year, the Company has applied a number of new and revised IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IAS 32, Offsetting financial assets and financial liabilities-
Amendments to IAS 32, clarify meanings and existing application issues related to the offsetting requirements of financial assets and financial liabilities and related disclosures (net presentation of financial assets and liabilities). Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The Company did not have any significant impacts since it does not mantain significant balances that are compensated in its consolidated financial statements.

Amendments to IAS 36, Impairment of assets-
Amendments to IAS 36, reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Company adopted these amendments and did not have any impacts since it has not used a present value technique to determine the recoverable amount of its cash-generating units.

Amendments to IAS 39, Financial instruments: recognition and measurement-
Amendments to IAS 39 clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated when certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The Company did not have any impacts in the adoption of these amendments because it does not mantain derivative financial instruments that are novated.

IFRIC 21, Levies-
IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. The Company did not have any significant impacts in its consolidated financial statements derived from the adoption of this interpretation since the obligations to which is subject, other than income taxes and consumption taxes, and that represent the recognition of a provision under the scope of IAS 37, are recognized at the moment in which the past event that gives rise to the payment obligation arises.

Additionally, the Company early adopted a series of new and modified IFRS issued by the IASB:

Annual improvements 2010-2014 cycle
Annual Improvements cycles comprising the period from 2010 to 2014 make the following amendments:

IFRS 8 Operating segments, requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13 Fair value measurement, clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). Also clarifies the scope of the portfolio exception that is set out in paragraph 52 of the standard, which allows an entity to measure the fair value of a group of financial assets and financial liabilities based on the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which adds specific guidance for cases in which (1) an entity reclassifies an asset from "held for sale" to "held for distribution" or vice versa and (2) cases in which held-for-distribution accounting is discontinued.

IFRS 7 Financial Instruments: Disclosures clarifying (1) whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and (2) the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

IAS 19 Employee Benefits indicating that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid and requering cross-references in such reports.

The adoption of these amendments did not have any impacts in the consolidated financial statements of the Company.

Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investements in associates-
Amendments to IAS 28 require that gains and losses resulting from transactions between an entity and its associate relate only to assets that constitute a business. The Company did not have impacts in its consolidated financial statements because it does not make contributions of assets with its associates.

New standards and interpretations not yet adopted
The Company has not applied the following new, revised and issued IFRS, which are not yet effective as of December 31, 2014:

IFRS 9, Financial instruments-
IFRS 9, issued in July 2014, is the replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this face of the project was separated from the IFRS 9 project.

The Company is in the process of evaluating the potential impacts that could derive from the adoption of this standard.

IFRS 15, Revenue from contracts with customers-
IFRS 15, was issued in May 2014 and applies to periods beginning on or after January 1, 2017, with early adoption permitted. Under this standard, revenue recognition is based on control, by using the notion of control to determine when a good or service is transferred to the customer. The standard also outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance.

The Company is in the process of evaluating the potential impacts in its financial statements that could derive from the adoption of this standard.

c. Basis of preparation – The consolidated financial statements were prepared based on the historical cost, except for that mentioned in the accounting policies in Note 4. The historical cost is generally based on the fair value of the consideration granted in exchange of the assets.

d. 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 entity operates (its functional currency). For the purpose of these consolidated financial statements, the results and the financial position of each entity 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.

e. 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 way how it is used by the industry the Company participates in. Thus, cost of sales was separated from the remaining costs and expenses.

f. 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 BUSINESS

Administradora Lamosa, S. A. de C. V. Sofom E. N. R. (6)
Estudio Cerámico México, S.A. de C.V. (1)
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.
Italaise, S.A. de C.V.
Lamosa Revestimientos, S.A. de C.V.
Lamosa USA Inc.
Mercantil de Pisos y Baños, S.A. de C.V.
Pavillion, S.A. de C.V.
PLG Ceramics, Inc.
PL Ceramics Group, Inc.
Porcel, S.A. de C.V.
Porcelanite Lamosa, S.A. de C.V.
Productos Cerámicos de Querétaro, 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.
Servicios Administrativos Porcelanite, S.A. de C.V. (2)
Servicios Comerciales Lamosa, S.A. de C.V.
Servigesa, S.A. de C.V. (1)

ADHESIVES BUSINESS

Adhesivos de Jalisco, S.A. de C.V.
Adhesivos Perdura, S.A. de C.V. (3)
Crest, S.A. de C.V.
Crest Norteamérica, S.A de C.V.
Industrias Niasa, S.A. de C.V.
Ladrillera Monterrey, S.A. de C.V
Niasa México, S.A. de C.V. (3)
Servicios de Administración de Adhesivos, S.A. de C.V. (5)
Servicios Industriales de Adhesivos, S.A. de C.V. (4)
Soluciones Técnicas para la Construcción, S.A. de C.V.
Soluciones Técnicas para la Construcción del Centro, S. A. de C. V.
Tecnocreto, S.A.

REAL ESTATE BUSINESS

Fideicomiso de actividades empresariales para el desarrollo de inmuebles No. 851-00103
Grupo Inmobiliario Viber, S.A. de C.V.
Servicios de Administración el Diente, S.A. de C.V.

CORPORATE AND OTHERS

Lamosa Servicios Administrativos, S.A. de C.V.
Servicios Administrativos Lamosa, S.A. de C.V.
Servicios Lamosa S.A. de C.V. Sofom E. N. R. (6)
Servicios Industriales Lamosa, S.A. de C.V. (antes Revestimientos Porcelanite Lamosa, S.A. de C.V.)
Inmobiliaria Revolución, S.A. de C.V.

(1) Associated companies where the Company has a 49% shared interest.

(2) Company merged with Lamosa Servicios Administrativos S.A. de C.V. on November 10, 2014.

(3) Constituted companies in January 2013.

(4) Company merged with Servicios Industriales Lamosa, S.A. de C.V. on October 30, 2013.

(5) Company merged with Servicios Administrativos Lamosa, S.A. de C.V. on October 30, 2013.

(6) Companies spun off on December 7, 2013.

Subsidiaries that form part of the discontinued operations of Glasa, are as follows:

CERAMIC BUSINESS

Activos Inmobiliarios Sanitarios Lamosa, S.A. de C.V. (1)
North American Plumbing Products, Inc. (2)
Sanitarios Azteca, S. A. de C. V.
Sanitarios Lamosa, S.A. de C.V.

(1) Company constituted on June 2014.

(2) Company spun off on September 17, 2013, changed residence abroad on November 27, 2013.

g. Reclasifications – As part of the effects that are described in note 2 b), the consolidated statements of income, comprehensive income, cash flows and the corresponding notes, for the year ended December 31, 2013 have been reclassified to present the discontinued operations as mentioned in Note 19.

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 – Financial assets are recognised and derecognised on the trade date where there is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset during a period which is generally regulated by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

It is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payable (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument (or, where appropriate), a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as financial assets at fair value through profit or loss (FVTPL).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Probability that the borrower will enter bankruptcy or financial re-organisation.

Certain categories of financial assets, such as trade receivables, are not assessed for impairment on an individual basis but on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period between 70 and 130 days, that is in the legal process, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When a financial asset is considered available for trade is impaired, the cumulative gain or loss previously recognized in other comprehensive income items is reclassified to the period's profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statements of income.

Held to maturity investments
Bills of exchange and debt bonds with fixed or determinable payments and fixed maturities for which the Company has both the positive intention and the ability to hold to maturity are classified as investments held to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, recognising revenue on an effective yield basis.

Available-for-sale financial assets (AFS financial assets)
Are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, except for impairment losses, interest calculated using the effective interest method, and gains and losses on exchange, which are recognised in profit or loss. Where an investment is disposed or determined to impairment, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to income.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Accounts receivable and other receivables
Accounts receivable and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as "accounts receivable". Accounts receivable and other receivables (including trade accounts receivable, other receivables, cash and bank account balances) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be insignificant.

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 ad condition. For inventories of finished goods and inventories in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The Company reviews the carrying value of inventories, the presence of any indication of impairment that would indicate that the carrying amount may not be recoverable. Impairment is recorded if the net realisable value is less than the carrying value. The impairment indicators considered are, among others, obsolescence, low market prices, damage and firm sales commitments.

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.

Directly related borrowing costs, incurred from loans related to the construction process are capitalised. See more detail in note 4.f for policy of capitalization of borrowing costs.

e. Property, plant, and equipment – Property, plant and equipment are initially recorded at their cost of acquisition and/or construction net of accumulated depreciation and/or accumulated impairment losses, if any. The borrowing costs related to the acquisition or construction 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 capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

g. Investments 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 recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise 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 recognising its share of further losses. Additional losses are recognised 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 associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. 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 recognised immediately in profit or loss.

Requirements of IAS 39 are applied to determine whether it is necessary to recognize an impairment loss in respect of the Company's investment in an associate. 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 recognised is part of the carrying amount of the investment. Any reversal of that impairment loss is recognised 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 recognised in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

h. Leases – Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee
Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation. Lease payments are apportioned between interest expenses and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognised immediately in profit or loss under the effective interest rate, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see Note 4.f). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Company as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company has no finance leases as lessor.

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 measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised 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 recognised 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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately 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 recognised in profit or loss. The net gain or loss recognised 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
Include loans from financial institutions and other financial liabilities, which are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, and the interest expense is recognised 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 amortised 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 derecognises financial liabilities only when the Company's obligations are discharged, cancelled or they expire.

m. Derivative financial instruments – The Company values and records 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 curve at that date to determine the variable 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 established by IFRS 13 from 2014 and IFRS 7, "Financial Instruments – Disclosure", in 2013. 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 (eg. , as prices) or indirectly (eg., derived from prices).

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

Derivatives designated as hedge accounting are recognized valuation changes according to the type of coverage involved: (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 recognised 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.

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 high enough to compensate changes in fair value or cash flows of the hedged item.

When discontinuing cash flow hedge accounting, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised 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 recognised 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 to meet all the requirements under the regulations, are designated for accounting purposes as held for trading. The fluctuation in the fair value of these derivative instruments are recognised in the consolidated statements of income.

The Company uses interest rate swaps, foreign exchange and commodity market prices (natural gas), to manage its exposure to fluctuations in interest rates, foreign exchange, and market prices of natural gas, respectively (see Note 6.2.5).

n. Short-term employee benefits – Short-term employee benefits are calculated based on the services provided, considering their current salaries and the liability is recognised 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.

Defined contribution legal plan – The Company legally makes payments that are equivalent to 2% of the salary of their workers integrated (met), to the plan defined contribution for the system of retirement savings established by law. The expense recognised for this item was $22,388 in 2014 and $20,485 in 2013.

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 mantains 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.

Defined contribution plan – The Company, for certain employees, has a pension plan with defined contribution benefits which such contributions equivalent to a maximum of 6.25% of the 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 old and 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.

r. Provisions – Provisions are recognised 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 recognised 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 recognised 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 – Revenue is measured at the fair value of the consideration received or receivable, reduced for estimated customer returns, rebates and other similar allowances granted by the Company.

Revenue from the sale of goods and real estate is recognised when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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. Until December 31, 2013, current tax was calculated as the higher of ISR and business flat tax ("IETU") (this tax was eliminated for years subsequent to December 31, 2013). 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 recognised 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 realisation of certain benefits.

On initial recognition, such deferred tax assets and liabilities are not recognised 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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 realised, 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 to offset short-term assets with short-term liabilities 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 recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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 recognised in profit or loss in the period in which they arise except for capitalisation of borrowing costs during the construction of assets on construction financing

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 373,037,305 and 369,653,594 weighted average shares outstanding during 2014 and 2013, 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 made judgments, estimates and assumptions about certain amounts of assets and liabilities of the 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 review affects both current and future periods.

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 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.

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 circumsntances 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 17.

Additionally, 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 most of the substantive rights in these entities, and it does not have the power and the ability to affect variable returns that arise from its participation, it has concluded that it does not exercise control over them. See Note 3.f.

Classification of an operation to be disposed as held for sale
The Company's management assesses whether a group of assets and liabilities can be classified as held for sale, considering if their carrying amount will be recovered through a sale transaction rather that its continued use. For this to be the case, the disposal group must be available for immediate sale in its present conditions, subject only to usual transaction terms and the sale must be considered by management as highly probable to occur. See Note 19.

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 THE RISK MANAGEMENT IN FINANCIAL INSTRUMENTS

The Company is exposed to different financial risks inherent in its operation, which are mainly: a) market risk (foreign exchange, 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. These risks are evaluated through a program of risk management. 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 coverage and must be previously approved by the Finance Committee, comprised of independent and related directors of the Company's Board of Directors or the Board of Directors itself.

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

	DECEMBER 31, 2014	2013
Financial assets:		
Cash and cash equivalents [1]	$ 290,270	$ 626,945
Accounts receivable [1]	2,310,886	2,376,266
Derivative financial instruments [2]		2,040
Financial liabilities:		
Derivative financial instruments [2]	156,677	13,378
Amortized cost liabilities [1][3]	5,633,578	6,159,742

[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.

[3] The fair value of long-term debt and capital leases is equal to their book value because most of the debt was recently restructured as mentioned in note 2 a.

6.2 Market risks

6.2.1 Foreign exchange risk

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

	2014	2013
Financial assets	US$ 35,307	US$ 47,088
Financial liabilities	(220,601)	(275,157)
Liability position	US$ (185,294)	US$ (228,069)
Equivalent in Mexican pesos	$ (2,731,493)	$ (2,984,123)

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

AS OF DECEMBER 31, 2014	AS OF DECEMBER 31, 2013
$ 14.74	$ 13.08

At February 6, 2015, the interbank exchange rate established by Banco de México was $14.90 Mexican pesos per U.S. dollar.

6.2.2 Sensitivity analysis of exchange risk

As of December 31, 2014, had the Mx. peso/U.S. dollar ratio increased by $1.00 Mexican peso, then the amount of the net monetary position in foreign currency would have increased by $185,294 impacting income before taxes and the Company's stockholders' equity would have resulted in a monetary position loss. If on the other hand, such ratio had decreased by $1.00 Mexican peso, then the effect would have been the opposite. Both scenarios represent the amount that management considers reasonably possible to occur in a year.

6.2.3 Interest rate risk.

All of the bank debt is contracted at a variable rate, which exposes the Company to interest risk. The risk exposure mainly lies in variations that could occur in the reference interest rate used as a base in Mexico and in the United States, (28-day Interbank Equilibrium Interest Rate or "TIIE" and the 3-month London Interbank Offered Rate or "LIBOR").

The Company monitors trends in such interest rates, in recent years the trend of 28-day TIIE and 3 M LIBOR has gone down; the 28-day TIIE was at its lowest level in September 2014 (3.29%), while 3 M LIBOR was at its lowest level in May 2014 (0.22%). As of December 31, 2014, the Company recorded a bank debt balance denominated in Mexican pesos of $2,279,780, with a 28-day TIIE rate plus 2% and one in U.S. dollars of $2,497,911 with a 3 month LIBOR rate plus (2.15%). The interest expense recorded at the end of 2014 and 2013 was $245,756 and $293,179, respectively.

6.2.4 Sensitivity analysis of interest rate risk

If as of December 31, 2014, the interest rates on the Company's debt instruments had increased one percentage point, which represents the percentage that Management considers reasonably likely to occur in the coming year, the impact in the income before income taxes and the Company's stockholders' equity would be of $56,010. The increase in a ratio would be generating a decrease in the income, and instead a decrease in such ratio would be generating an increase in the income.

6.2.5 Natural gas price risk:

The Company is exposed to fluctuations in the price of natural gas. During the years ended December 31, 2014 and 2013, the Company consumed natural gas by approximately 8,774,732 and 8,805,360 million British Thermal Units ("MMBTUS"), respectively. Based on the guidelines established by the Finance Committee to cover the risk of the rise in the price of gas, a permanent strategy to hedge this input has been implemented by contracting derivative financial instruments that have been classified as cash flow hedges.

During the years ended December 31, 2014 and 2013, a total of 6,900,000 and 7,010,000 MMBTUS were hedged, respectively. The effect for the aforementioned hedging transaction represented charges of $3,196 and $4,298 in the 2014 and 2013 consolidated statements of income, respectively, which was presented within cost of sales.

As of December 31, 2014 and 2013, the Company has derivatives that hedge the natural gas price by approximately 12,360,000 and 9,020,000 MMBTUS, respectively. At the same date, the fair value of such hedges was as follows:

TYPE OF TRANSACTION	NOTIONAL MMBTU IN EFFECT	MATURITY	AVERAGE PRICE (1)	FAIR VALUE ASSET (LIABILITY)
In 2014:				
Swaps	5,160,000	2015	4.23	$ (93,394)
Swaps	2,400,000	2016	4.23	(26,875)
Swaps	2,400,000	2017	4.50	(22,794)
Swaps	2,400,000	2018	4.50	(13,614)
	12,360,000			(156,677)
In 2013:				
Swaps	2,580,000	2017	4.50	$ 13,378
Options	6,440,000	2014	5.75	$ 2,040
	9,020,000			15,418

(1) In the case of options, the Company has the right, but not the obligation, to buy at the established price in exchange for the payment of a premium, paid at the beginning of each transaction; in the case of swaps, the Company has the right and the obligation to purchase at the established price. This transaction has no initial cost.

As of December 31, 2014 and 2013 and February 6, 2015, date of issuance of the consolidated financial statements, the natural gas market price is US$4.1320, US$3.6725 and US$2.75, U.S. dollars of MMBTUS, respectively.

The valuation of the effective portion of derivative financial instruments recognised in other comprehensive income for the years ended December 31, 2014 and 2013 is as follows:

ACTIVITY OF THE YEAR:	2014	2013
Opening balance	(9,614)	$ (11,891)
Period movement	(151,081)	3,253
Tax effect	45,324	(976)
Ending balance	(115,371)	$ (9,614)

6.2.6 Sensitivity analysis of natural gas price risk

If as of the December 31, 2014, the gas price had increased by 10%, which represents the percentage that Management considers reasonably likely to occur in the coming year, the Company's income before taxes would have decreased by $62,259, having an effect in stockholders' equity of $43,581. If on the other hand, such ratio had decreased by 10%, then the effect would be the opposite. Such effects consider the aforementioned hedging strategy and the effect of the corresponding derivative financial instruments.

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 subsidiaries. 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 control any eventuality. A contractual payments'analysis of non-derivative financial liabilities is disclosed in Note 15 and the maturity analysis for derivative financial liabilities is disclosed in Note 6.2.5, which will be settled in the short-term. This risk has been managed maintaining a proper cash balance for its operation and debt service, complemented by available lines of credit with various banks which to date, have not been needed to use.

6.4 Credit risk

The customer portfolio is composed predominantly by legal entities with roots and experience in the field of the construction finishing and with a considerable history in the distribution of the products of the Company's brands, which usually constitute an important source in its line of business. For its credit risk management, the Company carries out a thorough selection of prospects interested in the accreditation for the purchase and distribution of products, as well as the annual evaluation of customers already established, through the analysis of qualitative and quantitative variables, including the analysis of financial statements, based on which and on the implementation of the regulations contained in the credit policy, credit limits are restated. 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

	2014	2013
Cash and bank deposits	$ 194,101	$ 119,017
Cash equivalents – investments in money market fund	96,169	507,928
	$ 290,270	$ 626,945

8. ACCOUNTS RECEIVABLE, NET

	2014	2013
Trade accounts receivable	$ 2,343,999	$ 2,409,284
Allowance for doubtful accounts	(33,113)	(33,018)
	$ 2,310,886	$ 2,376,266

AGE OF DUE PORTFOLIO, NOT UNCOLLECTIBLE	2014	2013
60 to 90 days	$ 49,587	$ 162,595
90 to 120 days	42,507	65,967
Over 120 days	147,566	141,398
	$ 239,660	$ 369,960

MOVEMENTS IN THE DOUBTFUL ACCOUNT ESTIMATE	2014	2013
Opening balance	(33,018)	$ (58,609)
Allowance for doubtful accounts of the year	(14,519)	(11,447)
Write-offs	14,424	37,038
Ending balance	$ (33,113)	$ (33,018)

9. INVENTORIES

	2014	2013
Finished goods	$ 902,641	$ 924,630
Work in process	83,375	107,357
Raw materials	256,731	209,402
Accessories and spare parts	123,494	151,855
Merchandise in transit	97	
	$ 1,366,338	$ 1,393,244

The amount of the inventories consumed and recognised as part of cost of sales for the years ended December 31, 2014 and 2013, amounted to $2,938,474 and $2,850,700, respectively.

Inventories recognised as an expense for the years ended December 31, 2014 and 2013 include $3,428 and $4,871, respectively, for write-downs of inventory to the net realizable value.

10. OTHER CURRENT ASSETS

	2014	2013
Recoverable taxes	$ 632,850	$ 500,265
Derivative financial instruments		2,040
Advance to suppliers	108,392	54,491
Other	116,576	169,340
	$ 857,818	$ 726,136

11. REAL ESTATE INVENTORIES

	2014	2013
Real estate for sale	$ 59,595	$ 97,691
Undeveloped land	96,164	96,225
	$ 155,759	$ 193,916

12. PROPERTY, PLANT AND EQUIPMENT, NET

	2014	2013
Lands	$ 583,392	$ 745,655
Buildings and constructions	3,150,689	3,273,912
Machinery and equipment	7,799,995	8,034,011
Furniture and equipment	66,805	77,275
Vehicles	99,691	103,208
Computers	111,949	129,080
Investments in process	84,895	134,498
	11,897,416	12,497,639
Accumulated depreciation	7,429,937	7,449,508
	$ 4,467,479	$ 5,048,131

	BALANCE AS OF DECEMBER 31, 2013	ADDITIONS	DEPRECIATION	DIVESTITURES	CAPITALIZATION	ASSETS AVAILABLE FOR SALE	BALANCE AS OF DECEMBER 31, 2014
Investment							
Lands	$ 745,655					$ 162,263	$ 583,392
Buildings and constructions	3,273,912	$ 1,930			$ 28,520	153,673	3,150,689
Machinery and equipment	8,034,011	97,288		$ 574	169,694	500,424	7,799,995
Furniture and equipment	77,275	573		356	1,007	11,694	66,805
Vehicles	103,208	25,610		24,935	606	4,798	99,691
Computers	129,080	4,199		25	8,714	30,019	111,949
Investments in process	134,498	180,218			(208,541)	21,280	84,895
Total investment	12,497,639	309,818		25,890		884,151	11,897,416

Depreciation:							
Buildings and constructions	1,305,427		$ 70,281	334		6,724	1,368,650
Machinery and equipment	5,930,131		252,697	644		329,444	5,852,740
Furniture and equipment	59,703		2,959	373		9,447	52,842
Vehicles	68,903		21,031	10,134		3,558	76,242
Computers	85,344		15,667	10		21,538	79,463
Total accumulated depreciation	7,449,508		362,635	11,495		370,711	7,429,937
Investment, net	$ 5,048,131	$ 309,818	$ 362,635	$ 14,395		$ 513,440	$ 4,467,479

	BALANCE AS OF DECEMBER 31, 2012	ADDITIONS	DEPRECIATION	DIVESTITURES	CAPITALIZATION	BALANCE AS OF DECEMBER 31, 2013
Investment						
Lands	$ 745,655					$ 745,655
Buildings and constructions	3,234,965	$ 3,267		$ 3,256	$ 38,936	3,273,912
Machinery and equipment	7,705,145	14,796		5,386	319,456	8,034,011
Furniture and equipment	74,702	1,761		1,528	2,340	77,275
Vehicles	97,576	17,464		11,832		103,208
Computers	104,328	16,823		3,683	11,612	129,080
Investments in process	135,365	371,487		10	(372,344)	134,498
Total investment	12,097,736	425,598		25,695		12,497,639
Depreciation:						
Buildings and constructions	1,240,808		66,086	1,467		1,305,427
Machinery and equipment	5,679,022		253,021	1,912		5,930,131
Furniture and equipment	58,588		2,690	1,575		59,703
Vehicles	65,800		12,910	9,807		68,903
Computers	79,217		9,564	3,437		85,344
Total accumulated depreciation	7,123,435		344,271	18,198		7,449,508
Investment, net	$ 4,974,301	$ 425,598	$ 344,271	$ 7,497	$	$ 5,048,131

During the years ended December 31, 2014 and 2013, the Company had idle capacity of 14.13% and 13.43%, respectively.

During the years ended December 31, 2014 and 2013, borrowing costs related to fixed asstets were not significant.

During the years ended December 31, 2014 and 2013, the Company canceled property, plant and equipment amounting to $30,000 and $30,960, respectively, of assets that were removed from use.

13. INTANGIBLE ASSETS

	2014	2013
Unamortised intangible assets:		
Brands	$ 3,791,459	$ 3,791,459
Goodwill	382,636	365,368
	4,174,095	4,156,827
Amortised intangible assets	221,944	122,510
	$ 4,396,039	$ 4,279,337

COST	BRANDS	GOODWILL	TOTAL UNAMORTISABLE	AMORTISABLE INTANGIBLES	TOTAL
Balances as of December 31, 2013	$ 3,791,459	$ 365,368	$ 4,156,827	$ 122,510	$ 4,279,337
Acquisitions		17,268	17,268	109,971	127,239
Amortization				(10,537)	(10,537)
Balances as of December 31, 2014	$ 3,791,459	$ 382,636	$ 4,174,095	$ 221,944	$ 4,396,039

As of December 31, 2014, intangible assets with finite useful lives mainly refer to expenses of the Company related to the implementation of an Enterprise Resource Planning (ERP) system which began amortisation in 2014, when the Company estimates said item to be ready for its intended use.

For the years ended December 31, 2014 and 2013, borrowing costs related to intangible asstets were no significant.

For purposes of impairment tests, goodwill was assigned to the Company's following cash generating units (CGU):

	2014	2013
Ceramic tiles	$ 3,946,296	$ 3,929,028
Solutek	227,799	227,799
	$ 4,174,095	$ 4,156,827

The following factors are considered to assess the recovery 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.
- Cash flows projections, discounted to present value based on financial projections, based on the estimates at the date of the valuation using the budget approved by Management, which includes the latest trends.
- 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, 2014 and 2013, are as follows:

	2014	2013
Discount rate		
Ceramic tiles	11.63%	13.75%
Solutek	11.43%	12.96%
Perpetuity growth rate		
Ceramic tiles and adhesives	3.70%	3.80%

For the purposes of the calculation of the recover value of cash generating units, discount rates before tax are used, which are applied to cash flows before tax.

Derived from the test performed to intangibles with indefinite useful lives, management concluded that there have been no impairment losses recognized during the reporting period.

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

14. OTHER CURRENT LIABILITIES

	2014	2013
Contributions and taxes payable	$ 204,194	$ 324,586
Freights payable	181,125	143,803
Energy payable	84,334	84,534
Statutory employee profit sharing (PTU)	11,922	8,512
Other accounts payable	176,825	102,804
	$ 658,400	$ 664,239

15. LONG-TERM DEBT

a. According to the long-term loan agreements, the bank debt as of December 31, 2014 and 2013, is as follows:

	2014	2013
Secured bank loans denominated in U.S. dollars, bearing variable interest based on LIBOR plus a maximum rate of 2.65% for 2014 and 3.50% for 2013 with principal maturities at different dates through 2019.	$ 2,497,912	$ 1,064,247
Secured bank loan denominated in Mexican pesos, bearing variable interest based on the interbank equilibrium interest rate ("TIIE") plus a maximum surcharge interest rate of 2.50% for 2014 and 3.50% for 2013. The principal matures at different dates through 2019.	2,279,780	2,160,007
Unsecured bank loans denominated in U.S. dollars, bearing variable interest based on LIBOR plus a maximum interest rate surcharge of 9.95% in 2014 and 2013. The principal matures in 2019.		2,028,066
Total financial debt	4,777,692	5,252,320
Debt issuance costs	(223,510)	(198,047)
Total net financial debt	4,554,182	5,054,273
Current portion	(141,872)	(327,349)
Long-term debt	$ 4,412,310	$ 4,726,924

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

YEAR	PRINCIPAL	INTEREST (1)
2016	$ 384,274	$ 105,577
2017	544,703	93,246
2018	595,999	79,333
2019	2,887,334	48,476
	$ 4,412,310	$ 326,632

(1) Interest is determined based on variable rates at the end of the period.

TIIE and LIBOR interest rates were as follows:

YEAR	TIIE %	LIBOR %
2014	3.300	0.2556
2013	3.790	0.2461

b. As mentioned in Note 2 a), the Company signed an amendment to credit agreements; such amendment was classified as debt restructuring and transaction costs and expenses incurred are presented net of the debt balance, and are recognized in the income statement under the effective interest method in the term of the credit. As of December 31, 2013, the debt was secured by real estate inventory, fixed assets, current assets, trade marks and patents owned by the Company. As of December 31, 2014, as a result of the amendment, guarantees held at the previous year end were eliminated, and the debt is now only backed by a group of subsidiaries of the Company.

c. Certain restrictions are placed on some clauses of the contracts long-term debt of the Company as well as the obligation to maintain certain financial ratios. Such clauses have been met at December 31, 2014.

d. During 2014, the Company made some payments in advance of the original maturity related to the long-term credit for $518,931.

16. FINANCE LEASES

The Company has obligations for finance leases contracted in local and foreign currency with different financial institutions to purchase machinery and equipment, and vehicles, which consist of the following:

	2014	2013
Finance lease denominated in US dollars, bearing variable interest based on LIBOR plus a surcharge interest rate of 2.24% for 2014, with maturities of principal on different dates through 2019.	$ 113,033	
Finance lease denominated in U.S. dollars, bearing variable interest based on LIBOR plus a surcharge interest rate of 2.24% in 2014 and 3.50% in 2013. The principal matures at different dates through 2016.	3,126	$ 65,691
Finance lease denominated in Mexican pesos, bearing variable interest based on TIIE plus a surcharge interest rate between 2.75% and 5.00% for 2014 and 2013. The principal matures at different dates through 2018.	24,165	28,806
Total net finance lease	140,324	94,497
Current portion	(33,030)	(36,818)
Long-term finance lease	$ 107,294	$ 57,679

	MINIMUM RENT PAYMENTS		PRESENT VALUE OF MINIMUM RENT PAYMENTS	
	2014	2013	2014	2013
Less than one year	37,056	$ 39,769	33,030	$ 36,818
More than one year	113,154	61,367	107,294	57,679
	150,210	101,136	140,324	$ 94,497
Less amounts representing future financial charges	(9,886)	(6,639)		
Present value of minimum rent payments	140,324	$ 94,497		

The expiration of long-term finance leases as of December 31, 2014 is as follows:

YEAR		PRINCIPAL		INTEREST (1)
2016	$	30,215	$	2,694
2017		27,068		1,644
2018		25,924		857
2019		24,087		712
	$	107,294	$	5,907

(1) Interest is determined based on variable rates at the end of the period.

These contracts are denominated in U.S. dollars and the other, in Mexican pesos, the interest rate is variable and their base rate is LIBOR and TIIE. The average effective interest rate is approximately 3.79% in 2014 and 4.86% in 2013.

17. EMPLOYEE BENEFITS

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

	2014	2013
Discount of the projected benefit obligation at present value	6.75%	7.25%
Salary increase	4.50%	4.50%

The determination of the discount rate of employee benefit obligations of the Company is based on the anual estimated cashflows 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 amounts included in the consolidated statements of financial position arising from the Company's obligations related to the defined benefit plans are:

	2014		2013
Vested benefit obligation	119,591	$	112,874
Nonvested benefit obligation	162,002		170,875
Defined benefit obligation	281,593	$	283,749

c) The effects recognized in the consolidated statements of other comprehensive income for 2014 and 2013 are as follows:

	NET INCOME												OTHER COMPREHENSIVE INCOME	
	CURRENT SERVICE COST						NET INTEREST DEFINED BENEFIT LIABILITY							
2014		CONTINUING OPERATIONS		DISCONTINUED OPERATIONS		TOTAL		CONTINUING OPERATIONS		DISCONTINUED OPERATIONS		TOTAL		ACTUARIAL REMEASUREMENTS
Pension and retirement plans	$	3,617	$	320	$	3,937	$	6,696	$	199	$	6,895	$	2,173
Seniority premium		7,398		2,677		10,075		7,447		2,580		10,027		14,527
Total	$	11,015	$	2,997	$	14,012	$	14,143	$	2,779	$	16,922	$	16,700

	NET INCOME												OTHER COMPREHENSIVE INCOME	
	CURRENT SERVICE COST						NET INTEREST DEFINED BENEFIT LIABILITY							
2013		CONTINUING OPERATIONS		DISCONTINUED OPERATIONS		TOTAL		CONTINUING OPERATIONS		DISCONTINUED OPERATIONS		TOTAL		ACTUARIAL REMEASUREMENTS
Pension and retirement plans	$	3,540	$	326	$	3,866	$	5,355	$	173	$	5,528	$	(5,051)
Seniority premium		7,627		2,969		10,596		6,566		2,327		8,893		13,513
Total	$	11,167	$	3,295	$	14,462	$	11,921	$	2,500	$	14,421	$	8,462

For the years ended in December 31, 2014 and 2013, $11,015 and $11,167 respectively, of costs for services have been included in the statements of comprehensive income 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:

	2014	2013
Amount accumulated in other comprehensive income items at the beginning of the period, net of taxes	$ 18,887	$ 27,349
Actuarial remeasurements	23,857	(12,089)
Tax effect	(7,157)	3,627
Amount accumulated in other comprehensive income items at the end of the period, net of taxes	35,587	$ 18,887

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

PENSION AND RETIREMENT PLAN	2014	2013
Opening balance	$ 142,299	$ 130,932
Service cost	3,937	3,866
Financial cost	6,895	5,528
Actuarial losses and gains	3,103	7,215
Benefits paid	(4,321)	(5,242)
Obligation associated with assets classified as held for sale	(3,311)	
Ending balance	148,602	$ 142,299

SENIORITY PREMIUM	2014	2013
Opening balance	$ 141,450	$ 152,059
Service cost	10,075	10,596
Interest cost	10,027	8,893
Actuarial losses and gains	20,753	(19,304)
Benefits paid	(5,757)	(10,794)
Obligation associated with assets classified as held for sale	(43,557)	
Ending balance	$ 132,991	$ 141,450

18. STOCKHOLDERS' EQUITY

a. The minimum non-withdrawal fixed capital stock consists of ordinary shares, at no par value, and variable capital of ordinary shares, at no par value. All the shares are freely subscribed.

	2014	2013
	NUMBER OF SHARES	
Minimum fixed capital stock	360,000,000	360,000,000
Variable capital	18,301,614	14,617,444
	378,301,614	374,617,444

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 2014 and 2013 at the Annual Stockholders' Meetings held on March 13, 2014 and March 12, 2013 amounted to $ 90 million Mexican pesos for each of the aforementioned years. In relation to the year ended December 31, 2014 and 2013, the Company did not conduct transactions with shares of its capital stock.

c. At the general stockholders' meetings held on March 13, 2014, dividends were declared for $100,313, from the net tax income account (CUFIN), equivalent 0.27 Mexican pesos per share; in adition, dividends were declared of 1%, equivalent a new share for every 100 shares in circulation. This dividend resulted in an increase in a variable portion of the capital, amounting to $25 issuing 3,715,025 shares of single series.

d. At the general stockholders' meetings held on March 12, 2013, dividends were declared for $73,562, from the net tax income account (CUFIN), equivalent 0.20 Mexican pesos per share; in adition, dividends were declared of 1%, equivalent a new share for every 100 shares in circulation. This dividend resulted in an increase in a variable portion of the capital, amounting to $25 issuing 3,709,084 shares of single series.

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 entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. At December 31, 2014 and 2013, 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.

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

	2014	2013
Contributed capital account	$ 357,568	$ 341,191
Net tax income account (CUFIN) [(1)]	13,936,505	7,234,256
Total	$ 14,294,073	$ 7,575,447

[(1)] The balance as of December 31, 2013 corresponds to the CUFIN from tax consolidation; as a result of the elimination of the tax consolidation regime, the balance presented in 2014, corresponds to the CUFIN of each of the companies individually.

h. Items of other comprenhensive 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.

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 contacting a secured loan, whose balance as of December 31, 2014 amounted to $4,777,692. The main obligations contained in such agreements include the following financial covenants [1]:

- Debt service coverage (EBITDA[2] / Net Financial Expenses plus the current portion of long-term debt) greater than or equal to 1.25.
- Leverage of total debt (total debt / EBITDA) less than or equal to 3.50.
- Minimum stockholders' equity greater than or equal to $5,052,564.

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

[2] The 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 2014, the Company carried out the management of its capital, fully complying with all of its financial commitments and showing ratios with better performance than those described above.

Below are some of the major items that are considered for the management of the Company's capital as of December 31, 2014, showing them in comparison to those of the prior year.

	2014	2013
Total debt	$ 4,694,506	$ 5,148,770
Cash and cash equivalents	290,270	626,945
Net debt	4,404,236	4,521,825
Stockholders' equity	5,972,276	5,752,564
Leverage measured as net debt to stockholders' equity	0.74	0.79

	2014	2013
Total debt main items:		
Secured loan	$ 4,777,692	$ 3,224,254
Subordinated debt		2,028,066
Other	140,324	94,497
Debt issuance costs	(223,510)	(198,047)
Total debt	$ 4,694,506	$ 5,148,770

The decrease in the total debt of $428,801 during 2014 arose mainly from the generation of cash flow of the Company. This cash flow allowed supporting the Company's operations and cope with debt maturities scheduled for the year. In addition, debt prepayments of $518,931 were made, which helped to reduce the Company's level of leverage and improve its financial structure.

19. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

As mentioned in note 2 b) the Company classified its sanitaryware business as discontinued operation since December 19, 2014. As a result, the Company recognized an impairment loss of $147,951 generated by recognizing the value of its investment in such business at the lower of the carrying amount and the fair value (the expected value of sale) less costs to sell.

The main activity of the sanitaryware business, entity that was part of the Ceramic operating segment was the design, manufacturing and trading of bathroom ceramic furniture.

Below it is shown the condensed financial information of the statement of financial position and income statement, whose operations have been reclassified and identified separately as discontinued operations. Additionally, the consolidated statements of income, other comprehensive income and cash flows for 2013 have been reclassified for comparability purposes as required by IFRS. The consolidated statement of financial position as of December 31, 2013 has not been reclassified since at such date the sanitaryware business did not qualify as held for sale.

Statement of financial position as of December 31, 2014:

Assets:		
Cash and cash equivalents	$	9,234
Accounts receivable		124,912
Inventories		206,291
Other accounts receivable		63,632
Non-current assets		302,081
Deferred income taxes		97,475
Other non-current assets		484
Total asset		804,109
Liabilities:		
Current portion of long-term debt		595
Trade accounts payable		173,104
Other current liabilities		38,143
Current portion of derivative financial instruments		5,434
Long-term portion of finance leases		580
Employee benefits		46,868
Derivative financial instruments		2,704
Total liabilities		267,428
Net assets	$	536,681

Statements of income corresponding to the discontinued operation for the years ended December 31, 2014 and 2013:

	2014	2013
Net sales	$ 853,777	$ 931,489
Cost of sales	793,583	724,701
Gross profit	60,194	206,788
Operating expenses	130,771	253,651
Loss before other income	(70,577)	(46,863)
Other income, net	2,831	3
Operating loss	(67,746)	(46,860)
Finance cost, net	8,223	2,929
Loss before income taxes	(75,969)	(43,931)
Income taxes	23,561	6,305
Net loss	(52,408)	(37,626)
Loss in the disposal process, net of income taxes	(147,951)	
Loss from discounted operations, net	$ (200,359)	$ (37,626)

Cash flows related to discontinued operations are shown in the consolidated statements of cash flows in operating, investing and financing activities.

20. OPERATING EXPENSES

	2014	2013
Sales	1,557,774	$ 1,551,597
Administration	511,271	608,135
Total	$ 2,069,045	$ 2,159,732

21. CONTINGENCIES AND COMMITMENTS

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.

22.INCOME TAXES

a. The Company is subject to ISR and until December 31, 2013, to IETU. Therefore, current income tax relates to ISR and the higher between ISR and IETU until 2013.

ISR - Under the new 2014 ISR law (2014 Tax Law), the rate was 30% in 2014 and 2013, and will continue at 30% and thereafter. The Company incurred ISR 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 Entity 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.

At the same time in which the 2014 Tax Law eliminated the tax consolidation regime, it was established an option to jointly calculate ISR in groups of legal entities (tax integration regime). Under this scheme, integrated entities owned either directly or indirectly in more than an 80% by an integrative entity, will be able to individually defer in 3 years part of the tax determined, which must be paid on the same date as the deadline for filing the return of the year following that in which the three-year period ends

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

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded. Additionally, different to ISR, IETU until 2013 was incurred individually by the holding company and its subsidiaires.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The rate was 17.5%.

Reconciliation of ISR assets and liabilities balances as of December 31, 2014, derived from such tax reforms, are as follows:

ITEM:	DEFERRED TAX ASSETS	ISR LIABILITIES
Recognition of:		
Assets and liabilities from tax losses	$ 536,445	$ (391,312)
Assets and liabilities from losses on sale of shares		(1,573,054)
Liabilities from tax integration regime		(142,648)
Balance after the tax reform	$ 536,445	$ (2,107,014)

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

YEAR	ISR LIABILITIES
2015	$ 157,621
2016	126,096
2017	94,572
2018	237,220
2019 and subsequent	1,491,505
	$ 2,107,014

b. Income taxes for 2014 and 2013 consist of the following:

	2014	2013
Current ISR	$ 278,749	$ 13,838
Current IETU		48,321
Deferred ISR	40,978	308,414
Total	$ 319,727	$ 370,573

c. The reconciliation of the statutory and effective ISR rates, expressed as a percentage of income before income taxes in 2014 and 2013 is:

	2014	2013
	%	
Effective rate	33.0	31.0
Effect of permanent differences, mainly nondeductible expenses	(3.0)	(1.0)
Statutory rate	30.0	30.0

d. Other comprehensive income amounts and items and deferred taxes affected during the period are:

	AMOUNT BEFORE INCOME TAXES	INCOME TAXES	AMOUNT NET OF INCOME TAXES
As of December 31, 2014:			
Derived from cash flows	$ (151,081)	$ 45,324	$ (105,757)
Remeasurement of defined benefits obligation	(23,857)	7,157	(16,700)
	$ (174,938)	$ 52,481	$ (122,457)
As of December 31, 2013:			
Derived from cash flows	$ 3,253	$ (976)	$ 2,277
Remeasurement of defined benefits obligation	12,089	(3,627)	8,462
	$ 15,342	$ (4,603)	$ 10,739

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

	2014	2013
Deferred ISR asset:		
Allowance for doubtful account	$ 6,580	$ 8,647
Derivative financial instruments	47,003	4,119
Accounting provisions	58,431	49,897
Employee benefits	86,866	85,722
Benefits from tax loss carryforwards	536,445	701,001
Other	83,103	83,621
Total	818,428	933,007
Deferred income tax liability:		
Inventories	(68,500)	(93,528)
Real estate inventories	(15,206)	(15,553)
Property, plant and equipment	(337,250)	(470,400)
Commissions paid for debt restructuring	(67,039)	(59,408)
Total	(487,995)	(638,889)
Tax on assets	23,543	34,963
Deferred income tax asset, net	$ 353,976	$ 329,081

The benefits of restated tax loss carryforwards for which the deferred ISR asset has been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2014, are:

YEAR	AMOUNT
2018	$ 42
2019	1,722
2020	2,629
2021	7,435
2022	25,473
2023	285,974
2024	213,170
	$ 536,445

23. RELATED PARTY BALANCES AND TRANSACTIONS

a. The accounts receivables as of December 31, 2014 and 2013 were as follows:

	2014	2013
Accounts receivable - Estudio Cerámico de México, S.A. de C.V.	$ 7,965	$ 2,953

b. The transactions as of December 31, 2014 and 2013 were as follows:

	2014	2013
Sales of finished goods	$ 6,275	$ 6,671
Lease income	5,582	5,852
Other income, net	1,236	3,292
Purchase of finished goods	1,636	905

c. For the years ended December 31, 2014 and 2013, the direct short-term benefits granted to the key management personnel of the Company for $83,362 and $ 87,440, respectively. The Company does not have agreements or programs share-based payments.

d. On December 30, 1998, a subsidiary member of the real estate business segment, through contract No. 851-00103 established before the fiduciary institution Banco Regional de Monterrey, SA, with the character of Settlor "A" and Trustee, an irrevocable Trust agreement of business activities (Fideicomiso "Fidudisa") to another company (U-Calli Capital, SA de CV), which is a related party and who acts in the capacity of Settlor "B" and Trustee. The Trust's purpose is to serve as a vehicle to facilitate the operation and commercial development of real estate.

The result from the operations of the trust will be fully distributed among the trustees in accordance with the provisions of the trust agreement.

The share of profit of the Business Trust Fidudisa's trustees was as follows:

	2014	2013
Grupo Inmobiliario Viber, S.A. de C.V.	$ (7,181)	$ (1,820)
U-Calli Capital, S.A. de C.V.	5,750	(506)
	$ (1,431)	$ (2,326)

24. INFORMATION BY OPERATING SEGMENT

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
Real estate	Commercial and residential developments

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

DECEMBER 31, 2014:	CERAMIC	ADHESIVE	REAL ESTATE	CORPORATE AND OTHER	CONSOLIDATED
Total net sales	$ 6,374,927	$ 2,558,698	$ 39,392	$ 2,500,298	$ 11,473,315
Intersegment sales		(2,134)		(2,500,298)	(2,502,432)
Net sales to third parties	6,374,927	2,556,564	39,392	0	8,970,883
Operating income (loss)	952,110	592,644	(3,145)	24,112	1,565,721
Depreciation and amortization	255,965	28,000		47,391	331,356
Loss from discounted operations, net of taxes	200,359				200,359
Other provisions	15,419	14,739		53,612	83,770
Acquisition of property, plant and equipment and intangible assets	(152,866)	(30,784)		(111,317)	(294,967)
Assets	8,015,955	1,807,196	180,177	5,073,638	15,076,966
Liabilities	1,738,876	513,094	(3,070)	6,855,790	9,104,690

DECEMBER 31, 2013:	CERAMIC	ADHESIVE	REAL ESTATE	CORPORATE AND OTHER	CONSOLIDATED
Total net sales	$ 6,199,415	$ 2,380,440	$ 46,993	$ 1,740,916	$ 10,367,764
Intersegment sales		(3,187)		(1,740,916)	(1,744,103)
Net sales to third parties	6,199,415	2,377,253	46,993		8,623,661
Operating income (loss)	843,417	580,272	7,681	(16,683)	1,414,687
Depreciation and amortization	246,515	27,206		18,050	291,771
Loss from discounted operations, net of taxes	37,626				37,626
Other provisions	48,634	14,142		8,620	71,396
Acquisition of property, plant and equipment and intangible assets	(359,599)	(20,752)		(114,013)	(494,364)
Assets	7,781,913	1,140,171	231,810	5,888,940	15,042,834
Liabilities	1,628,691	584,308	(2,372)	7,079,643	9,290,270

25. APPROVAL OF FINANCIAL STATEMENTS

On February 6, 2015, the issuance of the consolidated financial statements was authorized by Ing. Federico Toussaint Elosúa, Chief Executive Officer, and Ing. Tomás Luis Garza de la Garza, Chief Financial Officer. These consolidated financial statements are subject to the approval of the Board of Directors at the ordinary stockholders' meeting, where they may modify the consolidated financial statements, based on the provisions set forth by the Mexican General Corporate Law.

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