Earnings Release 3Q18

Stock price as of October 26th, 2018: $40.0
Outstanding shares: 382.8 million

Year-to-date growth on EBIT and EBITDA of 13% and 6%, respectively, Net Debt to Ebitda ratio of 2.1x. Capex $632 million pesos.

Figures in millions of nominal Mexican Pesos. Figures may vary due to rounding.
Figures calculated under IFRS.

Income Statement	3 Q	3 Q		YTD	YTD	
	2017	2018	Var %	2017	2018	Var %
Net Sales	4,431	4,399	-1%	13,169	12,902	-2%
Cost of Sales	2,619	2,683	2%	8,210	7,683	-6%
Gross Profit	1,812	1,716	-5%	4,958	5,219	5%
Gross Margin	41%	39%		38%	40%	
Operating Expenses	1,007	1,048	4%	3,081	3,104	1%
Operating Income	800	680	-15%	1,856	2,094	13%
Operating Margin	18%	15%		14%	16%	
EBITDA	959	833	-13%	2,439	2,591	6%
EBITDA Margin	22%	19%		19%	20%	
Comprehensive Financing Cost	234	-152	-165%	-164	157	-196%
Net Income	626	512	-18%	1,307	1,275	-2%
Net Margin	14%	12%		10%	10%	

	3 Q	3 Q		YTD	YTD	
	2017	2018	Var %	2017	2018	Var %
Foreign Sales	1,498	1,364	-9%	4,423	4,063	-8%

	DEC	SEP	
	2017	2018	Var %
Net Debt	7,873	7,967	1%
Net Debt / EBITDA (1)	2.0	2.1	
Capex (2)	331	632	

(1) Ebitda Last Twelve Months.

(2) Referes to year-to-date investments as of September.

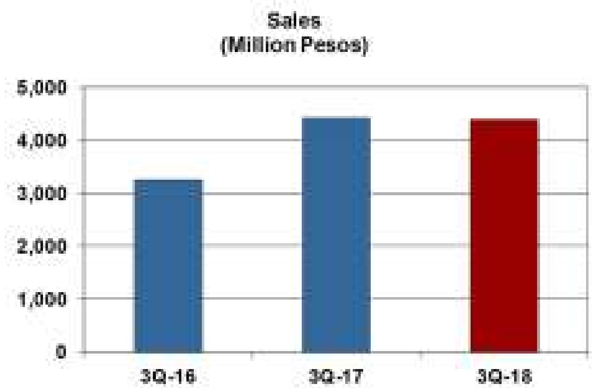
During the third quarter of the year Lamosa continued capitalizing on synergies and growth opportunities in South America, contributing to the growth in operating results. This, despite a context of low growth in Mexico, as well as significant increases in some of the main inputs of the company.

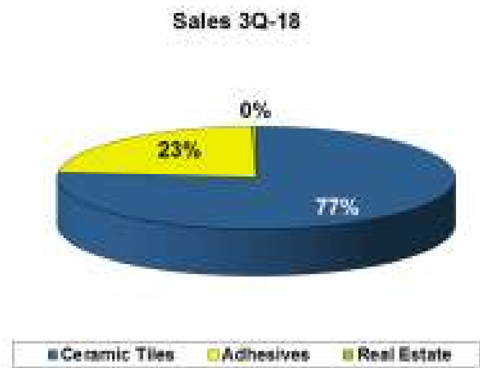
San Pedro Garza García, Nuevo León, México, october 26th, 2018. Grupo Lamosa, announces its results related to the third quarter of 2018.

Figures in millions of Mexican Pesos. Figures may vary due to rounding.

SALES

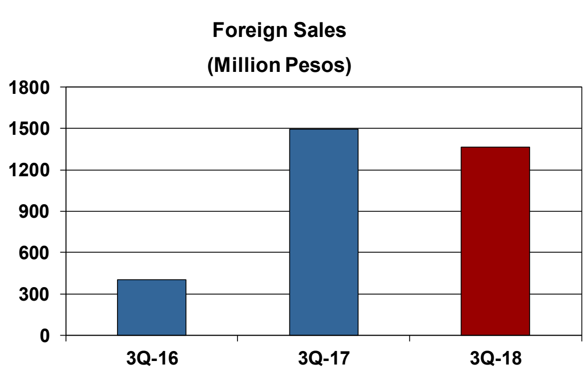
Accumulated sales at the end of the third quarter of the year amounted to $ 12,902 million pesos, a 2% reduction, when compared to the sales of $ 13,169 million recorded at the end of the third quarter of 2017. It is worth to mention, that the decrease in sales is derived in part, from a foreign currency translation net effect recognized for $ 322 million pesos, corresponding to the sales of Argentina, a country whose currency has devalued during the year by 128 percent with respect to the Peso. Excluding this effect, sales would amount to $ 13,224 million.

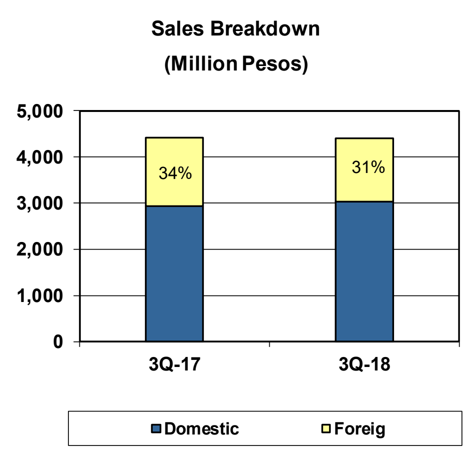




FOREIGN SALES

The sales abroad during the first nine months of 2018 ascended to $ 4,063 million pesos, representing 31% of total sales and a reduction of 8% when compared to the sales of $ 4,423 million posted during the same period of the previous year. Excluding the currency translation effect aforementioned, sales outside Mexico would be $ 4,385 million, representing 33% of total sales and a 1% reduction.





At the end of the third quarter of the year, Lamosa´s businesses showed mixed behavior in their income.

PERFORMANCE PER BUSINESS SEGMENT

	Ceramic Tiles			Adhesives			Real Estate			Total		
	3Q17	3Q-18	Var	3Q17	3Q-18	Var	3Q17	3Q-18	Var	3Q17	3Q-18	Var
Total Sales	3,503	3,364		930	1,035		0	0		5,253	5,251	
Intersegment Sales	0	0		-1	0		0	0		-822	-852	
Net Sales	3,503	3,364	-4%	928	1,034	11%	0	0		4,431	4,399	-1%
EBIT	580	436	-25%	220	244	11%	0	0		800	680	-15%
Dep. y Amort. & Others	113	125	11%	11	4	-67%	0	0		160	153	-4%
EBITDA	693	561	-19%	232	247	7%	0	0		959	833	-13%
%	20%	17%		25%	24%					22%	19%	

	Ceramic Tiles			Adhesives			Real Estate			Total		
	Sep-17	Sep-18	Var	Sep-17	Sep-18	Var	Sep-17	Sep-18	Var	Sep-17	Sep-18	Var
Total Sales	10,411	9,942		2,754	2,963		8	0		15,646	15,486	
Intersegment Sales	0	0		-4	-2		0	0		-2,477	-2,584	
Net Sales	10,410	9,942	-5%	2,750	2,960	8%	8	0		13,169	12,902	-2%
EBIT	1,219	1,454	19%	642	654	2%	0	0		1,856	2,094	13%
Dep. y Amort. & Others	465	401	-14%	33	24	-29%	0	0		584	497	-15%
EBITDA	1,685	1,855	10%	675	678	0%	0	0		2,439	2,591	6%
%	16%	19%		25%	23%					19%	20%	

CERAMIC TILE BUSINESS

The wall and floor tile business´s sales during the first nine months of the year were $ 9,942 million pesos, representing 77% of total sales and a 5% reduction in relation to the sales of $ 10,410 million recorded during the same period of 2017.

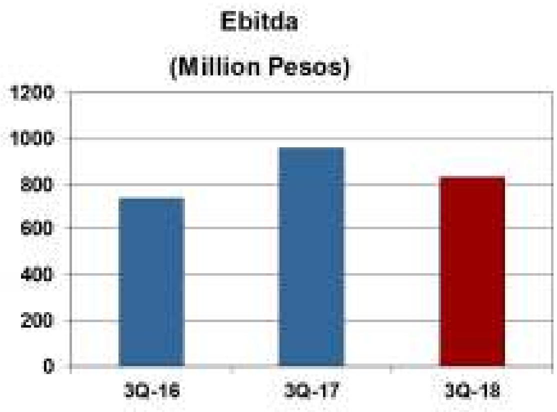
ADHESIVES BUSINESS

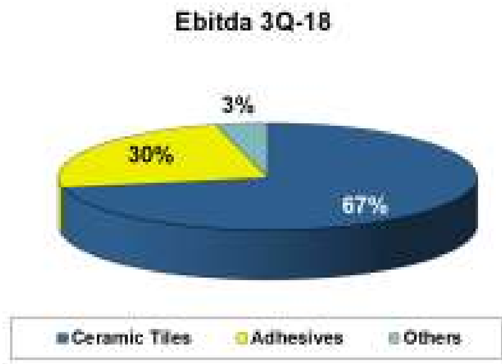
The adhesives business recorded accumulated revenues for $ 2,960 million pesos at the end of the third quarter of 2018, a figure that represented 23% of total sales and an increase of 8% when compared to the sales of $ 2,750 million posted during the same period of the previous year.

OPERATING INCOME

The diversification of the company through Ceramica San Lorenzo in South America, has made it possible to reduce dependence on the domestic market, favorably affecting the operating result. Accumulated operating income at the end of the third quarter of the year amounted to $ 2,094 million pesos, a growth of 13% when compared to the operating income of $ 1,856 million corresponding to the first nine months of 2017. The operating income to sales margin stood at 16%, higher than the margin of 14% showed at the end of the third quarter of the previous year.

The consolidated Ebitda of the company at the end of the third quarter of the year amounted to $2,591 million pesos, showing an increase of 6% in relation to the Ebitda of $ 2,439 million registered at the end of the third quarter of 2017. The EBITDA to sales margin stood at 20%, favorably comparing to the 19% margin recorded at the end of the third quarter of 2017.

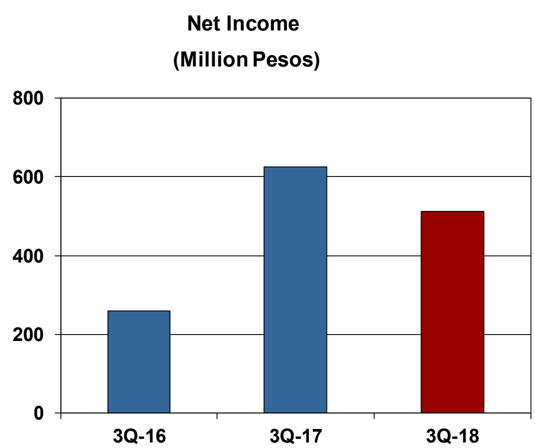




NET INCOME

During the first nine months of the year the net financial expenses of the company showed a significant reduction of 13%, reaching $ 433 million pesos in relation to the $ 500 million posted at the end of the third quarter of 2017. Despite the financial expense reduction, the comprehensive financing cost showed an increase of 196%, when moving from an income of $ 164 million pesos to a cost of $ 157 million. The latter, due to a lower foreign exchange gain of $ 264 million recorded at the end of the third quarter of the year, in relation to the gain of $ 664 million recorded at the end of the third quarter of 2017.

Nevertheless, the growth in operating results, the increase in the comprehensive financing cost impacted the net result of the company. Accumulated net income at the end of the third quarter of the year amounted to $ 1,275 million pesos, showing a reduction of 2% when compared to the net income of $ 1,307 million posted during the same period of the previous year. The net income to sales margin stood at 10%, similar to that registered at the end of the third quarter of 2017.

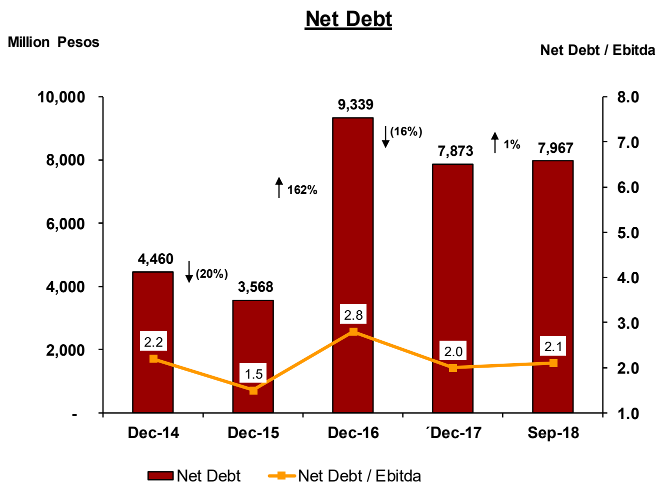


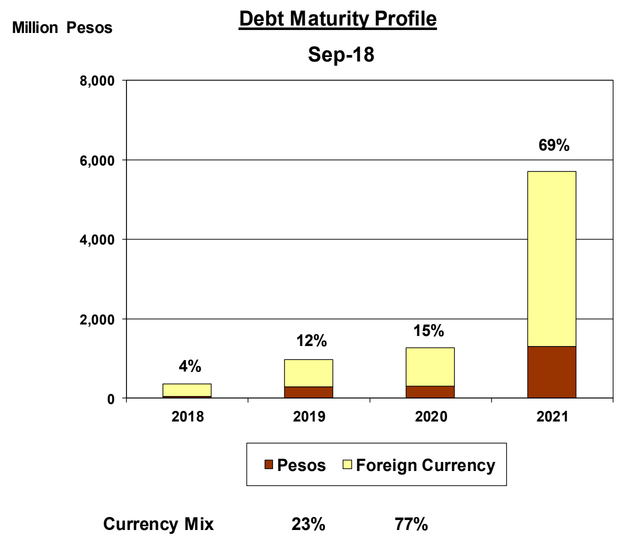
Net Comprehensive Financing Cost

	Sep-17	Sep-18	VAR
NET FINANCIAL EXPENSE	500	433	-13%
EXCHANGE (GAIN) LOSS AND OTHERS	(664)	(276)	-58%
	(164)	**157**	**-195%**

FINANCIAL PERFORMANCE

Grupo Lamosa ended up the third quarter of the year maintaining a healthy financial structure, showing a net debt to EBITDA ratio of 2.1, slightly higher than the 2.0 ratio recorded at the end of 2017. The cash flow generation allowed to keep pace with the investment plan of the company. The investments carried out during the first nine months of the year amounted to $ 632 million pesos, which were aimed to expand the capacity and productivity, as well as to the maintenance of the production plants of the different businesses, inside and outside of Mexico.





The perspectives in Mexico shows a better outlook forward. The renegotiation of the economic agreement between Mexico, Canada and the United States will be an important element that will reduce the level of uncertainty, allowing to reactivate investment in the construction sector in our country.

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