

# APPENDIX 5: FINANCIAL STATEMENTS

# INDEPENDENT AUDITORS' REPORT

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

## Opinion

We have audited the consolidated financial statements of Grupo Lamosa, S. A. B. de C. V. and Subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all the material respects, the consolidated financial position of Grupo Lamosa, S. A. B. de C. V. and Subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

## Basis for Opinion

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

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

## Key Audit Matters

Key audit maters are those matters that, in our professional judgment, were of most significance in our audit of the 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; therefore, we do not express a separate opinion on these matters.

- **Evaluation of impairment tests applied to intangible assets with an undefined useful life and goodwill**
  As described in Notes 4i., 4j. and 13 to the consolidated financial statements, the Company applies annual impairment tests to its intangible assets with an indefinite useful life and goodwill. The Company utilizes the "Discounted cash flows" ("DCF") valuation method with a revenue approach, which requires the Company's Management to utilize significant estimates and assumptions involving the selection of discount rates, future revenue forecasts, financial projections, cash flows, operating margins and profits to estimate the recovery value of cash generating units ("CGUs"). Changes to these assumptions could have a significant effect on their value and the amount of any impairment charge, or both. As of December 31, 2022, the balance presented in the Company's consolidated financial statements is composed by intangible assets with an indefinite useful life of $5,238,175 and goodwill of $1,411,599.

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

We applied the following audit procedures based on the significant assumptions considered by the Company in estimating future projections to evaluate the recovery value of intangible assets with an indefinite useful life and goodwill, as follows:

- We evaluated the design and implementation of internal controls to determine the value-in-use of cash generating units (CGUs).
- We verified that the models applied to determine the recovery value of assets consisted of methods that are utilized and recognized for the valuation of assets with similar characteristics.
- We evaluated the factors and variables utilized to identify CGUs, including: the analysis of operating cash flows and indebtedness policies, the analysis of its legal structure, production allocation and an understanding of the operation of the commercial and sales area.
- We reviewed and compared financial projections against performance and historical trends of the business and determined whether these projections were consistent with the budgets approved by the Board of Directors.
- We analyzed the projection methodology and assumptions utilized in the impairment model, specifically including projections of cash flows, operating margins, earnings before interest, taxes, depreciation and amortization ("EBITDA") and long-term growth. We tested for mathematical accuracy, completeness and precision of the impairment model. Fair value specialists performed a sensitivity analysis for all CGUs and an independent recovery value calculations to ascertain whether the assumptions utilized should be modified and the probability of these modifications arising.
- Specialist performed an independent evaluation of the discount rates utilized which were compared against the discount rates used by management.
- We tested and discussed the sensitivity calculations performed for the relevant assumptions utilized in all the CGUs with management.
- We compared the book values of the CGUs on which goodwill testing was based to observe completeness of long-lived assets included.

The results of our procedures were satisfactory, and we agree with the determination of the recovery value of the CGUs and the appropriateness of the assumptions.

- **Business combinations – Tiles Investments and Holdings, S.L. and Empresas Ruibal, S.A. de C.V**
  As mentioned in Note 2a. to the consolidated financial statements, the Company acquired all the shares representing the common stock of Tiles Investments and Holdings, S.L., together with those of its subsidiaries "Roca Tiles". The main business activity of this entity, which operates in Spain, the United States and Brazil, involves the manufacturing and marketing of ceramic floor and wall coverings. The total payment amount was $4,884,112 (US$241 million) and was settled on September 1, 2021. The fair value of the acquired assets and assumed liabilities determined and recognized at the acquisition date were $7,796,560 and $3,102,032, respectively. Goodwill of $189,584 was also recognized.

Similarly, as discussed in note 2b. to the consolidated financial statements, the Company acquired all the shares representing the common stock of Empresas Ruibal, S.A. de C.V. and subsidiaries, ("Fanosa"), which is primarily engaged in the manufacture and marketing of expanded polystyrene products in Mexico. The total payment amount was $1,884,328 (US$115 million), which was settled in pesos on January 4, 2022. The fair value of the acquired assets and assumed liabilities determined and recognized at the acquisition date were $2,460,531 and $1,158,514, respectively. Goodwill of $582,311 was also recognized.

Given the significant judgments used by management in the valuation models to determine the fair value of the acquired assets and assumed liabilities, we involved our valuation specialists to evaluate the assumptions and criteria used by management and its independent expert, and performed the following procedures:

- We evaluated the design and implementation of internal controls to the business acquisition.

- We evaluated the capacity and independence of the independent expert.

- We analyzed the projection assumptions utilized to determine fair value and ensure that they were consistent with those used to value assets with similar characteristics in the industry.

- We challenged the financial projections prepared by management and compared them with the performance and historical trends of the Company's businesses.

- We determined whether management's projections were consistent with those approved by the Company's Board of Directors.

- We evaluated the most relevant valuation assumptions (discount rate, assumptions used for the valuation of intangible assets and to determine the useful life of property, plant and equipment), and subsequently compared them against independent market sources.

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

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

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

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

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

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

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

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events, quantitatively and qualitatively, in a manner that achieves fair presentation.

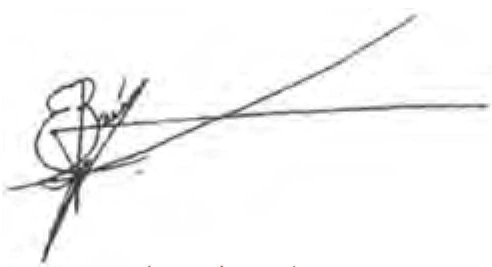
- Obtained sufficient appropriate audit evidence related to the financial information of the entities or the business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

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



C. P. C. Emeterio Barrón Perales
January 31, 2023

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
As of December 31, 2022 and 2021
(In thousands of Mexican pesos)

| | NOTES | | 2022 | | 2021 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | 7 | $ | 2,037,110 | $ | 3,413,435 |
| Accounts receivable, net | 8 | | 5,007,424 | | 4,762,991 |
| Inventories | 9 | | 4,380,312 | | 3,353,299 |
| Other current assets | 10 | | 359,013 | | 502,048 |
| Current assets | | | 11,783,859 | | 12,031,773 |
| Real estate inventories | 11 | | 80,155 | | 98,202 |
| Property, plant and equipment, net | 12 | | 13,826,843 | | 11,661,022 |
| Right-of-use assets, net | 17 | | 848,346 | | 873,702 |
| Intangible assets, net | 13 | | 7,696,957 | | 7,114,250 |
| Deferred income taxes | 22 | | 968,808 | | 142,121 |
| Derivative financial instruments | 6 | | 177,849 | | 106,735 |
| Other non-current assets | 14 | | 667,941 | | 332,070 |
| Total | | $ | 36,050,758 | $ | 32,359,875 |

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Grupo Lamosa, S. A. B. de C. V. y Subsidiarias
Al 31 de diciembre de 2022 y 2021
(En miles de pesos)

| | NOTES | | 2022 | | 2021 |
|---|---|---|---|---|---|
| **Liabilities and stockholders' equity** | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | 16 | $ | 918,204 | $ | 409,853 |
| Current portion of lease liability | 17 | | 208,846 | | 215,771 |
| Trade accounts payable | | | 2,974,525 | | 3,106,486 |
| Income taxes | 22 | | 338,703 | | 854,097 |
| Other current liabilities | 15 | | 3,348,813 | | 2,961,365 |
| Current liabilities | | | 7,789,091 | | 7,547,572 |
| Long-term debt | 16 | | 9,393,669 | | 9,468,423 |
| Finance leases | 17 | | 682,370 | | 678,698 |
| Employee benefits | 18 | | 670,287 | | 595,370 |
| Provisions | 24 | | 166,584 | | 155,335 |
| Income taxes | 22 | | - | | 148,058 |
| Deferred income taxes | 22 | | 1,475,407 | | 408,222 |
| Total liabilities | | | 20,177,408 | | 19,001,678 |
| Stockholders' equity: | | | | | |
| Capital stock | 19 | | 203,053 | | 203,053 |
| Repurchase of treasury stocks | 19 | | (1,588,547) | | (937,204) |
| Additional paid-in-capital | 19 | | 139,386 | | 139,386 |
| Retained earnings | | | 18,817,531 | | 15,027,523 |
| Other comprehensive loss items | 6 and 18 | | (1,698,073) | | (1,074,561) |
| Stockholders' equity attributable to controlling interest | | | 15,873,350 | | 13,358,197 |
| Total liabilities and stockholders' equity | | $ | 36,050,758 | $ | 32,359,875 |

See accompanying notes to these consolidated financial statements.

**Federico Toussaint Elosúa**
Chief Executive Officer

**Jorge Antonio Touché Zambrano**
Chief Financial Officer

# CONSOLIDATED STATEMENTS OF INCOME

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2022 and 2021.
(In thousands of Mexican pesos, except for the earning per share, which is in Mexican pesos)

| | NOTES | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Net sales | 25 | $ | 35,411,914 | $ | 27,186,757 |
| Cost and expenses: | | | | | |
| Cost of sales | | | 20,422,549 | | 14,666,359 |
| Operating expenses | 20 | | 8,293,374 | | 6,084,408 |
| Other operating (income) expenses, net | | | (70,807) | | 158 |
| | | | 28,645,116 | | 20,750,925 |
| Operating income | | | 6,766,798 | | 6,435,832 |
| Interest expense | | | 777,173 | | 471,721 |
| Interest income | | | (221,030) | | (166,866) |
| Hyperinflation effects on net monetary position | | | 396,370 | | 141,719 |
| Exchange (gain) loss, net | | | (359,062) | | 269,560 |
| Derivative financial instruments | 6 | | 45,245 | | 3,225 |
| | | | 638,696 | | 719,359 |
| Income before income taxes | | | 6,128,102 | | 5,716,473 |
| Income taxes | 22 | | 1,926,946 | | 2,287,384 |
| Net income of the year | | $ | 4,201,156 | $ | 3,429,089 |
| Earnings per basic and diluted share | 4.v | $ | 11.83 | $ | 9.49 |

See accompanying notes to these consolidated financial statements

# CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2022 and 2021
(In thousands of Mexican pesos)

| | NOTES | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Net income of the year | | $ | 4,201,156 | $ | 3,429,089 |
| Other comprehensive income items: | | | | | |
| Item that can be potentially reclassified to net income of the year: | | | | | |
| Valuation of derivative financial instruments, net of taxes | 22 | | 99,792 | | 169,379 |
| Cumulative translation adjustments | 19.h | | (705,399) | | (543,388) |
| | | | (605,607) | | (374,009) |
| Item that cannot be reclassified to net income of the year: | | | | | |
| Actuarial remeasurements of defined benefits obligation | 18 and 22 | | (17,905) | | 1,889 |
| | | | (17,905) | | 1,889 |
| Total other comprehensive items | | | (623,512) | | (372,120) |
| Total comprehensive income of the year | | $ | 3,577,644 | $ | 3,056,969 |

See accompanying notes to these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2022 and 2021.
(In thousands of Mexican pesos)

| | | | | | | Items of Other Comprehensive Income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Capital stock | repurchase of treasury stock | Additional Paid-In Capital | Retained Earnings | Valuation of Derivative Financial Instruments | Remeasurement of Defined Benefits Obligations | Cumulative Translation Adjustment | Total Controlling Interest | Non Controlling Interest | Total Stockholders' Equity |
| Balances as of January 1, 2021 | | $ 203,053 | $ (417,849) | $ 139,386 | $ 11,931,904 | $ (26,058) | $ (160,130) | $ (516,253) | $ 11,154,053 | $ 318,158 | $ 11,472,211 |
| Dividends declared | 19.d | - | - | - | (333,470) | - | - | - | (333,470) | - | (333,470) |
| Non-controlling interest in acquired business | | - | - | - | - | - | - | - | - | (318,158) | (318,158) |
| Repurchase of treasury stocks | 19.b | - | (519,355) | - | - | - | - | - | (519,355) | - | (519,355) |
| Comprehensive income | 19.h | - | - | - | 3,429,089 | 169,379 | 1,889 | (543,388) | 3,056,969 | - | 3,056,969 |
| Balances as of December 31, 2021 | | 203,053 | (937,204) | 139,386 | 15,027,523 | 143,321 | (158,241) | (1,059,641) | 13,358,197 | - | 13,358,197 |
| Dividends declared | 19.c | - | - | - | (411,148) | - | - | - | (411,148) | - | (411,148) |
| Repurchase of treasury stocks | 19.b | - | (651,343) | - | - | - | - | - | (651,343) | - | (651,343) |
| Comprehensive income | 19.h | - | - | - | 4,201,156 | 99,792 | (17,905) | (705,399) | 3,577,644 | - | 3,577,644 |
| Balances as of December 31, 2022 | | $ 203,053 | $ (1,588,547) | $ 139,386 | $ 18,817,531 | $ 243,113 | $ (176,146) | $ (1,765,040) | $ 15,873,350 | $ - | $ 15,873,350 |

See accompanying notes to these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Grupo Lamosa, S. A. B. de C. V. and Subsidiaries
For the years ended December 31, 2022 and 2021
(In thousands of Mexican pesos)

| | NOTES | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Income before income taxes | | $ | 6,128,102 | $ | 5,716,473 |
| Adjustment for: | | | | | |
| Depreciation and amortization | | | 1,309,910 | | 852,331 |
| Other expenses | 25 | | 338,266 | | 204,809 |
| Interest income | | | (221,030) | | (166,866) |
| Interest expense | | | 777,173 | | 471,720 |
| Derivative financial instruments | | | 45,245 | | 3,225 |
| Hyperinflation effects on net monetary position | | | 396,370 | | 141,719 |
| Exchange (income) loss, net | | | (359,062) | | 269,560 |
| Impairment of property, plant and equipment | 12 | | 25,065 | | 45,430 |
| Inflationary effect | | | (163,589) | | (126,220) |
| | | | 8,276,450 | | 7,412,181 |
| Changes in working capital: | | | | | |
| (Increase) in accounts receivable | | | (195,202) | | (840,721) |
| (Increase) in inventories | | | (1,215,226) | | (339,064) |
| (Decrease) increase in trade accounts payable | | | (187,596) | | 542,024 |
| (Decrease) in other current liabilities | | | (26,186) | | (91,253) |
| Income taxes paid | | | (2,836,365) | | (1,319,783) |
| Net cash flows generated by operating activities | | | 3,815,875 | | 5,363,384 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Grupo Lamosa, S. A. B. de C. V. y Subsidiarias
Por los años que terminaron el 31 de diciembre de 2022 y 2021
(En miles de pesos)

| | NOTES | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Cash flows from investing activities: | | | | | |
| Acquisition of property, plant and equipment | 25 | $ | (2,092,661) | $ | (632,214) |
| Interest income | | | 221,030 | | 166,866 |
| Acquisition of intangible assets | 25 | | (30,840) | | (2,619) |
| Net cash flows used in acquisition of subsidiaries | | | (1,884,328) | | (4,966,172) |
| Net cash flows used in investing activities | | | (3,786,799) | | (5,434,139) |
| Cash flows from financing activities: | | | | | |
| Bank loans | | | 1,817,775 | | 4,379,956 |
| Payments for bank liabilities and finance lease liability | | | (1,448,973) | | (1,986,412) |
| Interest paid | | | (645,105) | | (426,115) |
| Purchase of treasury stock | | | (651,343) | | (519,355) |
| Dividends paid | | | (388,512) | | (315,557) |
| Net cash flows (used in) financing activities | | | (1,316,158) | | 1,132,517 |
| Net (decrease) increase in cash and cash equivalents | | | (1,287,082) | | 1,061,762 |
| Cash and cash equivalents at beginning of year | | | 3,413,435 | | 2,609,180 |
| Effects from changes in cash value | | | (89,243) | | (257,507) |
| Cash and cash equivalents at end of the year | | $ | 2,037,110 | $ | 3,413,435 |

See accompanying notes to consolidated financial statements.