LAMOSA®

INTEGRATION AND GROWTH

2022 INTEGRATED ANNUAL REPORT

CONTENTS

LETTER TO OUR STOCKHOLDERS

GRI 2-22

Federico Toussaint Elosúa
Chairman of the Board of Directors
and Chief Executive Officer
of Grupo Lamosa S.A.B. de C.V.

2022 was a very favorable year for Grupo Lamosa from many different perspectives, despite complicated macroeconomic and geopolitical conditions, and a volatile and uncertain environment in the different countries where the company operates, both in Latin America and recently in Europe.

The results of Grupo Roca's tile business, acquired during the third quarter of 2021, and of Fanosa, acquired at the beginning of 2022, have been incorporated into the 2022 consolidated results. These companies performed outstandingly, as did the other Grupo Lamosa companies, and this was reflected in remarkable 2022 overall growth.

Total 2022 sales reached $35,412 million pesos, an annual increase of 30%. Operating income was $6,767 million pesos, a growth of 5% year-over-year, and EBITDA was $8,102 million pesos, 10% more than the previous year.

The reduced post-pandemic demand and high inflation rates and global disruptions in supply chains which impacted the cost of the company's main inputs were factors that led to a normalization of Grupo Lamosa's operating margins. Nonetheless, the operating income and EBITDA to sales margins remained high, being 19% and 23%, respectively.

One of the great challenges of the year was operating the new acquisitions and integrating them into the "Lamosa Culture", in its many different aspects, from the exchange of values and work styles to the homologation of systems. The incorporation of the new businesses is an ongoing process but, as with previous acquisitions, is going in the right direction, and in some cases even generating better-than-expected results.

The ability of Grupo Lamosa's tile segment to incorporate new businesses and capitalize on synergies in different countries was once again demonstrated with the integration throughout 2022 of Grupo Roca's tile operations in Spain, Brazil and the United States. This business, that produces and markets a wide range of high value-added products, faced changing environments in its different markets, enabling it to leverage important opportunities across the world's main ceramics markets.

Consistent with the company's growth and diversification strategy, the adhesives business furthered the integration of the operations of Fanosa, a Mexican company that manufactures and markets expanded polystyrene (EPS) products mainly used as insulation and lighteners in the construction industry. This integration implied significant growth for the adhesives business, and opens up a great opportunity for leveraging synergies in the different stages of construction, from the sitework and foundations to finishing and fittings.

The resizing of Grupo Lamosa and the results achieved in 2022 enabled it to continue with the more than $500-million-dollar investment plan approved for the last two years and to maintain its healthy financial structure. These achievements were recognized by different securities rating agencies, which favorably increased the company's risk rating.

During the year, Grupo Lamosa made progress with its sustainable development plan, managing the different Environmental, Social and Governance (ESG) indicators in accordance with its sustainability strategy. This made it possible to offer the market its first integrated annual report under GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) standards, thereby satisfying the requirements of the company's different stakeholders.

Grupo Lamosa reaffirms its voluntary commitment to adhere to the principles of the United Nations Global Compact and will continue to carry out actions to promote social responsibility, fight corruption, and respect human and labor rights. It will also continue to promote sustainable practices for the benefit of the environment and its neighboring communities.

Grupo Lamosa appreciates once again the trust of its stockholders and the support of its people, suppliers, distributors, customers and friends.

Federico Toussaint Elosúa
Chairman of the Board of Directors
and Chief Executive Officer
of Grupo Lamosa S.A.B. de C.V.
February 15, 2023

ABOUT GRUPO LAMOSA

GRI 2-1, 2-6

With a track record of more than 130 years in the construction industry, Grupo Lamosa is a leading Mexican company that produces and markets ceramic tiles, adhesives and, more recently, insulation and lightening materials. The growth and expansion strategy that the company has implemented in recent years has positioned it as one of the world's main benchmarks in the ceramics industry and given it a wide geographical footprint across nine countries.

Grupo Lamosa constantly invests in research and development to improve its products and production processes. It also has a team of highly trained experts and technicians who work in collaboration with architects, designers and builders to create products that are tailored to the needs of specific projects. In this way, the company ensures that it offers products that meet the demands of its customers.

In parallel, the company focuses on making its production processes and choice of materials sustainable, which translates into the incorporation of technologies that reduce its impact on the environment and the creation of eco-friendly products.

Mission:

To maintain Grupo Lamosa's leadership position in the construction industry by offering products that preserve our customers' investment and the reputation of professionals and installers, generating growing and sustainable value for distributors, employees and stockholders, always committed to the community and the environment.

Vision:

To be the leading company in the global tile and adhesives markets, recognized for the excellence of its products and services, its commitment to sustainability and its constant innovation to meet customer needs.

Grupo Lamosa's corporate values are:

- Responsibility
- Honesty
- Spirit of service
- Teamwork
- Continuous improvement

These values are the basis of the Grupo Lamosa business culture and guide all its actions and decisions, from the development of products and services to its relations with employees, customers and local communities. Its commitment to the values that characterize it has consolidated its position as a leading, sustainable company that generates value for all stakeholders.

PROFITABILITY

Grupo Lamosa has managed its finances well in recent years, which has translated into a constant growth in profits, as well as the proper management of its debt level. As a result, the company has received positive ratings from important financial ratings agencies, such as Fitch Ratings and HR Ratings, improving investor confidence in the company.

Grupo Lamosa's good financial performance reflects a number of factors, including a focus on improving operational efficiency, reducing costs and growing revenue streams. Moreover, the company has implemented measures to optimize its production and distribution processes, which has enabled better resource management and greater operating efficiency, and constantly diversified its portfolio.

GEOGRAPHIC COMPLEMENTARINESS

In recent years, Grupo Lamosa has acquired a number of companies, of which Grupo Roca's tile business and Fanosa are of particular note, enabling it to reach markets in countries such as Mexico, Brazil, Spain and the United States, consolidating it as a global company and strengthening its position in the construction industry.

The company has diversified its product portfolio as a result of this geographic growth, adapting its products to the needs and demands of its different markets and providing innovative and high-quality solutions for its customers. Undoubtedly, this has been one of the keys to its success and a strategy that will allow it to continue consolidating its market positioning.

SUSTAINABILITY

Grupo Lamosa has made a great effort in the area of sustainability. In 2021, it carried out its first materiality analysis with the aim of identifying the main Environmental, Social and Governance (ESG) issues that are a priority for the company. This enabled the design of a roadmap for the year 2025 with objectives, which is in the process of being defined.

For more information, see the ESG Strategy section of this report.

The company has also been developing products with sustainability criteria that respond to the best certifications in the sector, such as UL GREENGUARD for its adhesives and Porcelain Tile Certification Agency (PTCA) certification for its tiles.

STRATEGIC PRIORITIES

	WALL AND FLOOR TILES		ADHESIVES	INSULATORS AND LIGHTENERS
Description	Ceramic and porcelain wall and floor tiles		Adhesives for installing wall and floor tiles	Expanded polystyrene (EPS) products for thermal insulation and the lightening of roof and floor slab
Main brands	Lamosa Porcelanite Firenze Cerámica San Lorenzo Cordillera	Cerámica Scop Eurocerámica Roca Gala Incepa USCT	Crest Niasa Perdura	Fanosa
Innovation and sustainability	Thanks to their production with state-of-the-art technology, Grupo Lamosa tiles contribute to sustainable construction, providing points for LEED (Leadership in Energy and Environmental Design) certification. Moreover, some of the company's porcelain products boast Porcelain Tile Certification Agency (PTCA) certification, recognizing that much less water is used in the manufacturing processes.		Products aimed at environmental protection. UL GREENGUARD certification for some products, recognizing low-emission materials, additives and finishes.	Products certified under the highest standards: UL (Underwriter Laboratories) for thermal and acoustic insulation products. Energy Star for a wide portfolio of recycled and low-carbon products.
Infrastructure	20 tile production plants (9 in Mexico, 3 in Peru, 2 in Colombia, 3 in Brazil, 2 in Argentina and 1 in Spain). 213 million m² produced		14 adhesives production plants (12 in Mexico, 1 in Guatemala and 1 in Chile). 1.4 million tons produced	15 plants (in Mexico) 24 thousand tons of EPS produced
Sales	53% foreign 47% domestic		89% adhesives 11% stuccos and other	71% lighteners and insulators 29% other products

BUSINESSES AND PRESENCE

SASB CG-BF-000.A, EM-CM-000.A, RT-CH-000.A

GEOGRAPHICAL PRESENCE

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

(Figures expressed in millions of current pesos)

Results[1]	2019	2020	2021	2022	VAR %
Net Sales	17,928	19,473	27,187	**35,412**	30%
Foreign Sales[2]	5,247	5,735	10,363	**14,868**	43%
Foreign Sales / Net Sales	29%	29%	38%	**42%**	
Operating Income	2,812	3,549	6,436	**6,767**	5%
Operating Income / Net Sales	16%	18%	24%	**19%**	
Comprehensive Financing Cost	492	932	719	**639**	-11
Consolidated Net Income	1,427	1,663	3,429	**4,201**	23%
Total Assets	23,247	24,633	32,360	**36,051**	11%
Total Liabilities	13,150	13,161	19,002	**20,177**	6%
Stockholders' Equity	10,097	11,472	13,358	**15,873**	19%
Book Value per Share[3]	26.2	29.7	34.6	**41.1**	19%
EBITDA[4]	3,523	4,277	7,334	**8,102**	10%
Capital Expenditures[5]	540	343	5,601	**4,008**	-28%
Total Personnel	6,725	7,325	9,737	**11,299**	16%

[1] In accordance with applicable International Financial Reporting Standards.

[2] Includes sales of subsidiaries in foreign markets and export sales from Mexico.

[3] On a total of 385.8 million shares.

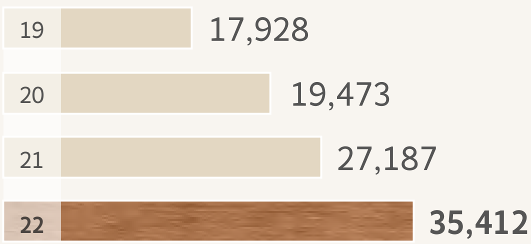
[4] Operating income plus asset depreciation, amortization and deterioration.

[5] Including the acquisition of subsidiaries.

FINANCIAL HIGHLIGHTS

GRI 203-1 3-3

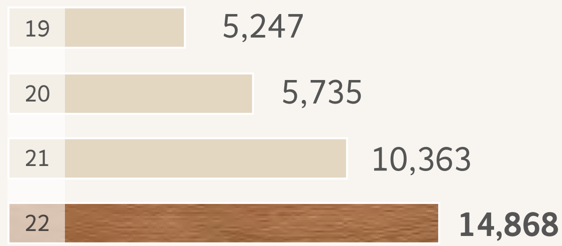
Net Sales
millions of pesos



+25%
Compound annual growth '19-'22

+30%
2022 vs. 2021 growth

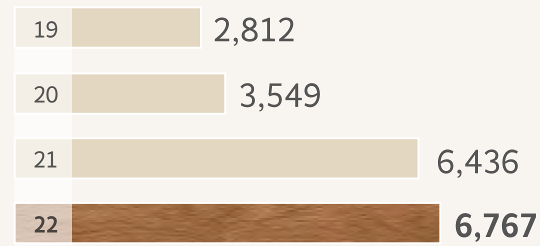
Foreign Sales
millions of pesos



+42%
Compound annual growth '19-'22

+43%
2022 vs. 2021 growth

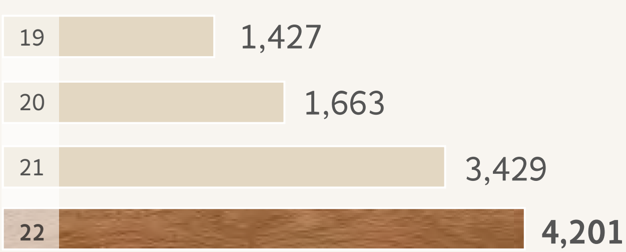
Operating Income
millions of pesos



+34%
Compound annual growth '19-'22

+5%
2022 vs. 2021 growth

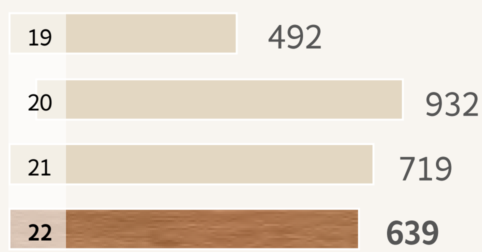
Consolidated Net Income
millions of pesos



+43%
Compound annual growth '19-'22

+23%
2022 vs. 2021 growth

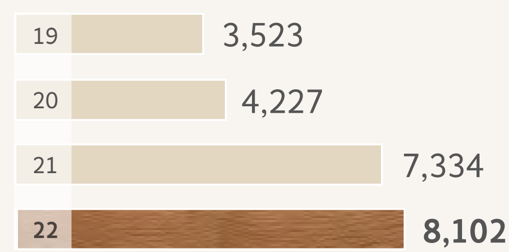
Comprehensive Financing Cost
millions of pesos



+9%
Compound annual growth '19-'22

-11%
2022 vs. 2021 growth

EBITDA
millions of pesos



+32%
Compound annual growth '19-'22

+10%
2022 vs. 2021 growth

WALL AND FLOOR TILES BUSINESS

The tile business posted notable growth in its results for the year, despite a highly uncertain global business context, where, in addition to incorporating Roca's tile operations in Spain, Brazil and the United States, the segment had to face extraordinary increases in energy, production and transportation costs.

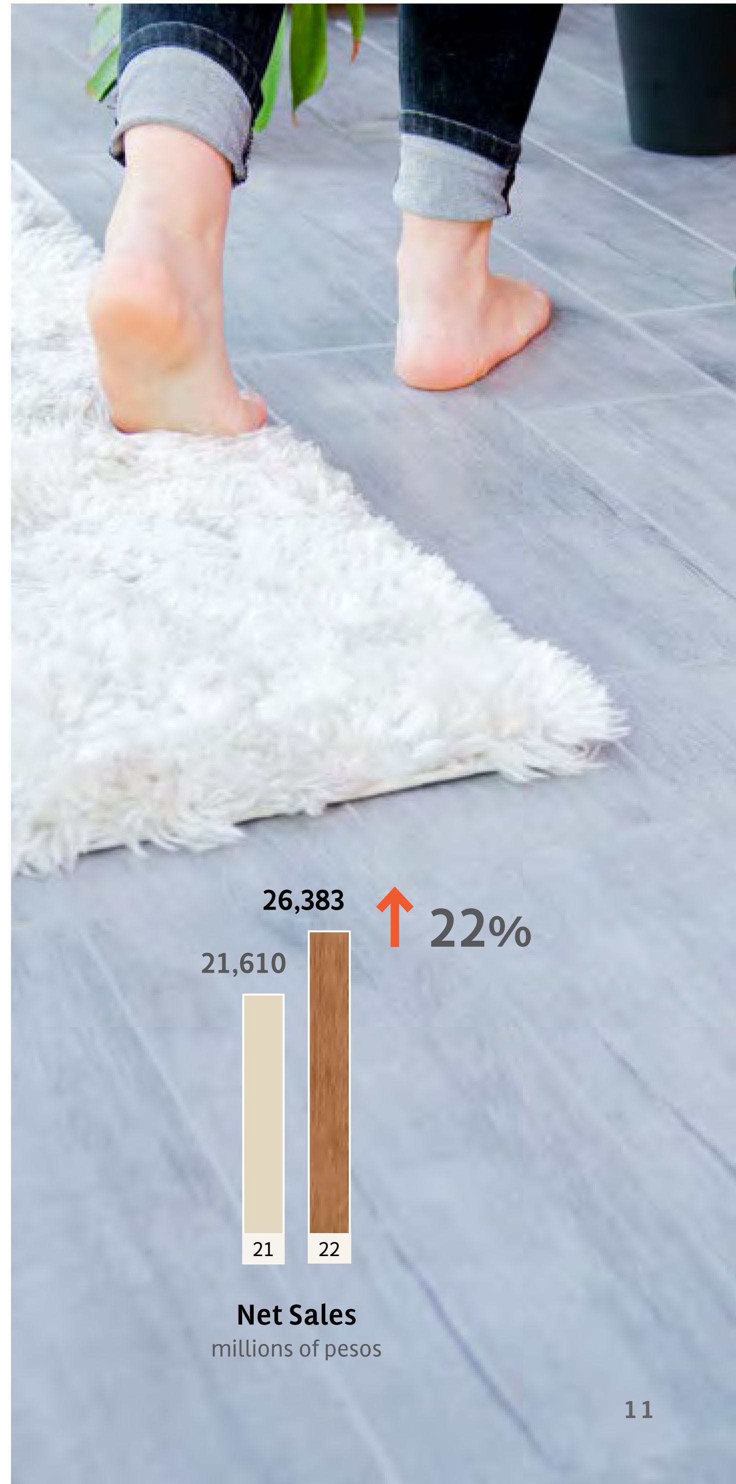
Sales of the tile business grew 22%, to $26,383 million pesos, in 2022.

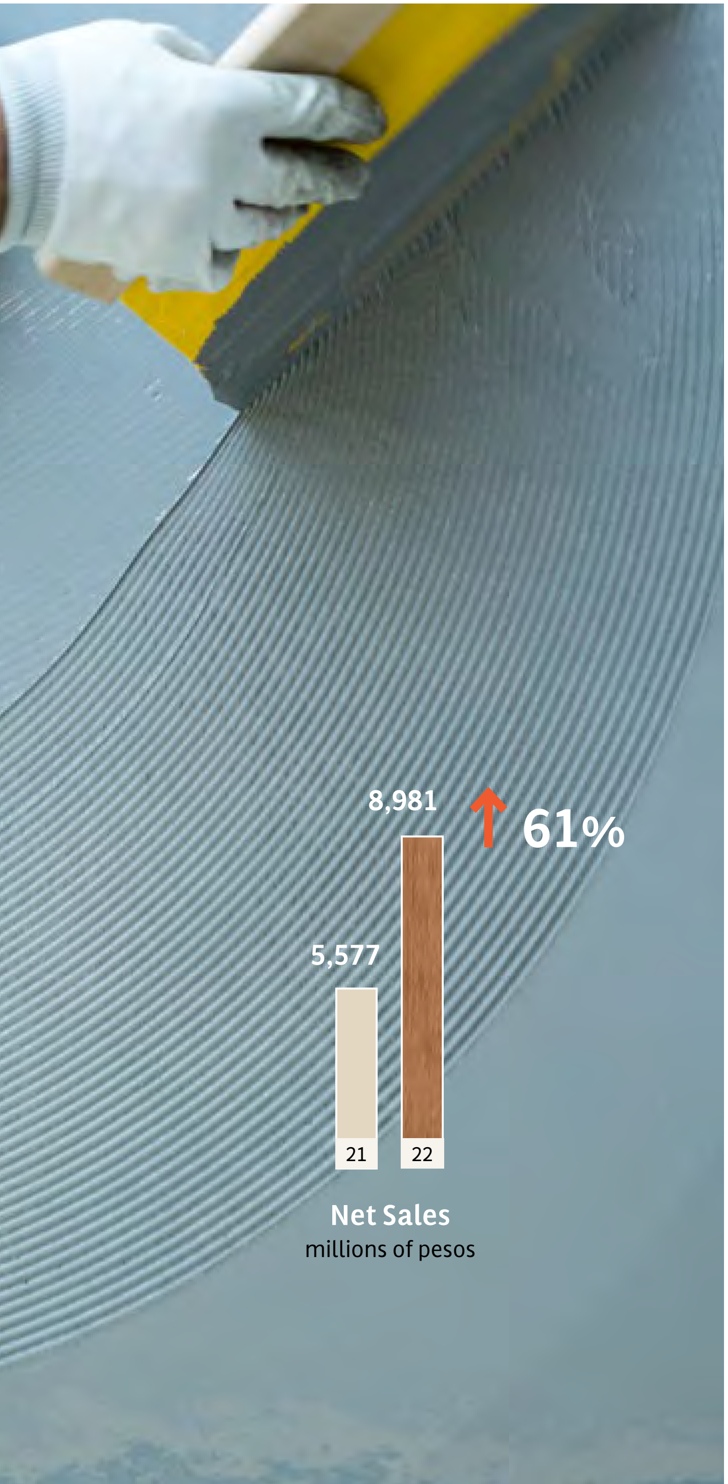
One of the important challenges that the business faced during the year was the normalization of the consumer spending profile to pre-pandemic levels as COVID intensity declined, particularly during the second half of the year. This implied a slowdown in product demand, which was reflected in distinct ways and rates in the different countries where the business operates.

During 2022, the tile business made a great effort to enhance the digitization of its commercial and operational processes. In the commercial area, progress was made in coming closer to final consumers, through open channels and communication networks that improve the company's understanding of their decision-making and guide them appropriately. With regard to operations, AI-supported digitalization processes were implemented for all production lines, to measure variables and generate information for better decision making.

Important business events of the year included the Sixth Edition of the Firenze Entremuros Award in Mexico City, as well as the business's presence and participation in different construction-industry fairs and exhibitions in Mexico and abroad.

Grupo Lamosa's diversification strategy has given the tile business a great competitive advantage, reducing the risks associated with a dependence on a single market. Additionally, it now has greater operational flexibility and proximity to its main markets, further enhancing its leadership and positioning.





ADHESIVES BUSINESS

After an extraordinary year such as 2021, the adhesives business's 2022 results were impacted by the normalization of sales volumes. Notwithstanding the lower demand and significant increases in the cost of its main inputs, such as cement and chemical products, the segment's performance was positive and in line with planned objectives.

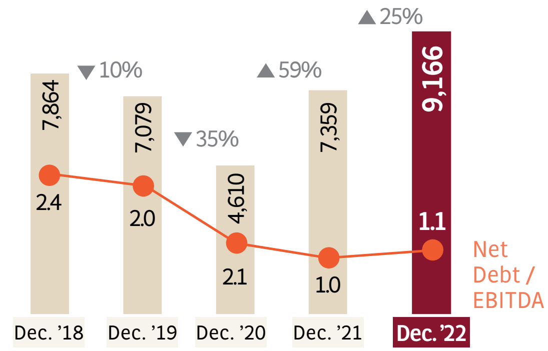
The acquisition and integration of Fanosa, completed at the beginning of the year through the adhesives business, was an important event that boosted the segment's results. The business's 2022 sales totaled $8,981 million pesos, a growth of 61% year-over-year.

One of the adhesives business's most significant challenges in 2022 was undoubtedly the integration of Fanosa into Grupo Lamosa's practices and culture. Through a detailed work plan and with the support of teams created in the different areas, new employees with the company's way of working were identified, enabling the natural flow of the incorporation of operations.

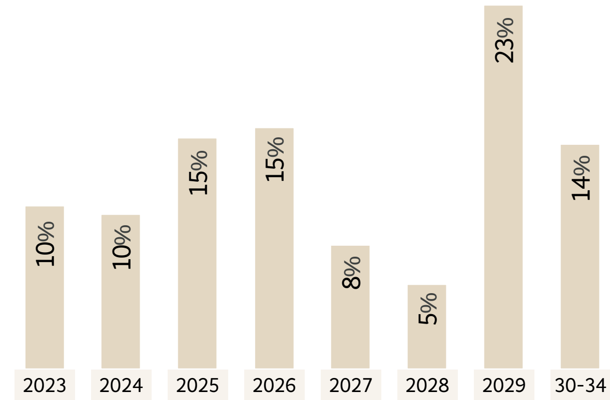
During 2022, the adhesives business implemented campaigns in both traditional and digital media to reinforce the positioning of its brands; participated in the Obra Blanca Expo in Mexico City, which brings together the most prestigious construction professionals and material distributors; and continued to hold product use and application workshops for installers.

Innovation initiatives aimed at improving the environment during the year included the launch of “Oximuro”, a specialized stucco for covering large buildings and infrastructure works that helps to remove air pollutants produced mainly by vehicle engines and industrial activities.

Going forward, the segment's growth and diversification strategy will continue to bear fruit, enabling it to leverage synergies and participate more fully in the construction materials industry.



Net Debt
millions of pesos



Debt Maturity Profile
Dec. 2022

FINANCIAL PERFORMANCE

Grupo Lamosa's continued financial strength during the year was reflected in outstanding operating growth, higher levels of cash flow generation and low leverage ratios, providing ample opportunity to continue supporting the company's growth strategy.

Once again in 2022, the favorable financial performance had a positive impact on securities rating agencies' risk assessment of Grupo Lamosa. HR Ratings upgraded its rating from "HR AA+" to "HR AAA" on a local scale and from "HR BBB" to "HR BBB+" on a global scale, while Fitch Ratings upgraded its rating from "AA-(mex)" to "AA(mex)" on a local scale.

The growth in operating results during the year enabled the company to continue making significant capital expenditures without compromising its level of indebtedness. Investments made in 2022 amounted to $4,008 million pesos, used both for the acquisition of Fanosa in Mexico and for the growth and modernization of diverse production centers in Mexico and other nations. Grupo Lamosa's net debt as of yearend 2022 was $9,166 million pesos, with a Net Debt to EBITDA ratio of 1.1 times.

In 2022, Grupo Lamosa continued to support the liquidity of the Lamosa* share (single series), through the operations of the Repurchase Fund. During the year, it acquired 5,610,064 shares representing the company's capital stock, ending 2022 with a balance of 33,521,189 shares in the Treasury.

Grupo Lamosa's resizing of recent years has given it comparative advantages in the different markets where it participates. The proximity to consumers, product availability and wide value offer of all its products are some of the variables that have enabled the company to face complicated environments better, for the benefit of customers, consumers and all other stakeholders.

ESG STRATEGY

GRI 2-23

As part of Grupo Lamosa's commitment to sustainability and to all its stakeholders, the company strategically manages its most relevant Environmental, Social and Governance (ESG) aspects, always adhering to a culture of compliance and guided by the ethical values that give the company its identity.

These priorities were identified through an initial materiality analysis carried out in 2021, and are reflected in the company's sustainability model and strategy. The cooperation and efforts of all the work areas that make up Grupo Lamosa have led to a significant consolidation of this strategy.

During 2022, different initiatives were implemented and new actions gradually integrated in response to the strategy. These will be continuously monitored and adjusted, thus underpinning the company's firm commitment to become increasingly sustainable. To this end, Grupo Lamosa is currently working on the creation of a Sustainability Committee with accountability to the Board of Directors to enable the timely monitoring of the performance of the different areas.

Additionally, the company is in the process of defining relevant objectives and indicators. In subsequent reports, Grupo Lamosa will analyze them in greater depth, thus enhancing transparency and its accountability to the different stakeholders.

Grupo Lamosa's strategic sustainability model is presented below. It has five main focuses: Business integrity and robustness; Customer focus; Driving talent; Product innovation, quality and safety; and Environmental management: circularity and climate action.

SUSTAINABLE DEVELOPMENT GOALS (SDGs) RELATED TO THE STRATEGY

LINES OF ACTION

1.1 Corporate governance
1.2 Culture of compliance
1.3 Supply chain

2.1 Sustainable housing
2.2 Customer experience

3.1 Health and safety
3.2 Employee development
3.3 Work environment
3.4 Community support

4.1 Materials and technology

5.1 Climate action: energy and emissions
5.2 Circularity: water and waste

Each of these focal points results in diverse lines of action, which are materialized through different initiatives and contribute to the specific Sustainable Development Goals.

FOCUS	PURPOSE	RELATION WITH MATERIAL TOPICS
1. Business integrity and robustness	Ensure the company's sustainability through decisions that consider a comprehensive medium- and long-term value proposition for all stakeholders, by promoting ethical practices and a culture of compliance that permeates all levels of the organization, including the supply chain.	Economic performance Supply chain
2. Customer focus	Improve the quality of life of customers by offering products which are adapted to their needs and which also contribute to making home/work centers more sustainable (using fewer energy resources, for example).	Customer service Digital transformation Omni-channel and distributor relations Data protection
3. Driving talent	Guarantee the safety, health and well-being of our employees, promoting their professional and personal development, creating teams that operate in a positive work environment based on trust, and encouraging them to participate in the development of our communities as part of our responsibility as a good neighbor.	Employee health and safety Talent attraction and retention Work environment Diversity and inclusion in the workforce
4. Product innovation, quality and safety	Offer products that meet the highest quality standards, guaranteeing customer safety and product durability, and making use of technology for process efficiency and product portfolio innovation.	Managing product chemicals Product innovation Product quality Operating process automation and efficiency
5. Environmental management: circularity and climate action	Optimize energy use and reduce GHG emissions, lowering the environmental impact, and work under circularity criteria in the design of processes, products and services, minimizing waste generation.	Energy management Product lifecycles

Appendix 1.1 shows the materiality process, Appendix 1.2 the stakeholders that are a priority for the organization and Appendix 1.3 specific contributions to the Sustainable Development Goals (SDGs).

CORPORATE GOVERNANCE

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-15, 2-19, 2-20

Grupo Lamosa's corporate governance structure is the set of practices, processes and policies that guarantee its compliance with business objectives, and thereby a robust performance for the organization, creating value for stockholders and other stakeholders. Grupo Lamosa has been listed on the Mexican Stock Exchange since 1951 and abides by Mexican stock market legislation and the Code of Best Corporate Practices of the Business Coordinating Council.

The Ordinary Annual General Stockholders' Assembly is the ultimate governance body in charge of approving the different annual reports on results that the Chief Executive Officer and Board of Directors present. It is also responsible for appointing and ratifying the members of the Board and their alternates, with the exception of those who are directly appointed because they own more than 10% of the capital stock and the members of the Audit and Corporate Practices Committees.

The most important functions of the company's Board of Directors are defining Grupo Lamosa's business strategy, managing and mitigating the possible risks associated with its operations, assigning an annual budget and evaluating the performance of the management team. It is made up of twelve members, six of whom are independent, selected on the basis of their skills and areas of expertise. Most of them have exceptional backgrounds in different sectors of the industry and management positions in prestigious Mexican companies.

The directors hold ordinary meetings at least once a quarter, and receive a fixed remuneration for their assistance equivalent to $46,000 M.N. (forty-six thousand 00/100 Mexican pesos), net of taxes, which was approved by the Ordinary Annual General Stockholders' Assembly held on March 16, 2022. Five ordinary meetings were held during 2022, with an average attendance at sessions of 88%.

To ensure correct decision-making, every issue raised is addressed and communicated to the members before and after the sessions. Additionally, each decision goes through a voting process where the majority vote is followed.

If the Chairman and Secretary of the Board are not expressly designated by the Ordinary Annual General Stockholders' Assembly, the Board of Directors has the power to designate them, as well as the members of the aforementioned committees.

With regard to the term of office, board members are elected annually and may be reelected indefinitely, without any limit on the number of renewals. The election of each member is carried out in accordance with the guidelines established in Grupo Lamosa's Corporate Bylaws. For independent members, the requirements of the Mexican Securities Market Law are also taken into consideration, in order to avoid any kind of conflict of interest.

With the exception of the Chairman, who is also the company's CEO, none of the companies where the directors work has any relationship with Grupo Lamosa.

The composition of Grupo Lamosa's Board of Directors as of 2022 is presented below. This year, Mr. Rodrigo Fernández Martínez joined as a new Independent Director, replacing Mr. Eduardo Elizondo Barragán. The average seniority of the members of the Board of Directors is 18 years.

Members of the Board of Directors	Position	Years on the Board	Audit Committee	Corporate Practices Committee
Federico Toussaint Elosúa Chairman of the Board and Chief Executive Officer of Grupo Lamosa	**Chairman** Related member	34		
Guillermo Barragán Elosúa CEO of Hidrobart	Related member	30		
Bernardo Elosúa Robles Independent Consultant	Related member	30		
Armando Garza Sada Chairman of the Board of ALFA	Independent member	26		**Chairman**
Javier Saavedra Valdés Professional Painter	Related member	25		
José Manuel Valverde Valdés Independent Consultant	Related member	25		
Miguel Eduardo Padilla Silva Ex-CEO of FEMSA	Independent member	19	**Chairman**	
Maximino José Michel González CEO of 3H Capital Corporate Services	Independent member	14		
Eduardo Garza T Fernández Chairman of the Board of Grupo Frisa Industrias	Independent member	11		
Antonio Elosúa González Co-Chairman of the Board of Directors of U-calli	Related member	5		
Eugenio Clariond Rangel CEO of Grupo Cuprum	Independent member	2		
Rodrigo Fernández Martínez CEO of Sigma Alimentos	Independent member	1		

The Board is supported by two main committees, composed mostly of independent members. These bodies contribute to the performance of its functions in accordance with current legal provisions and the bylaws of Grupo Lamosa.

Audit Committee: This is the body in charge of reviewing the internal control and audit system of the company and its subsidiaries. It also evaluates and advises on the company's financial information, legal compliance, possible risks and applicable accounting policies, and acts as a link between the Board of Directors and the company's different internal and external auditors.

Corporate Practices Committee: This is the body in charge of appointing and evaluating the members of the management team. It also determines the remuneration of all of them, which is made up of a fixed part and a variable part associated with the achievement of previously set objectives in relation to the company's financial results and the performance of their particular area. When Mr. Elizondo left the Board of Directors, the Chairmanship of the Corporate Practices Committee passed to Mr. Armando Garza Sada.

The Board of Directors is also supported by a Finance Committee for advisory purposes. An ESG Committee, with the participation of Grupo Lamosa's different businesses, is currently in the process of being created. Its functions will include the supervision, monitoring and compliance with the sustainability strategy developed during 2022. It will meet at least once a year, and progress will be communicated directly to the CEO and the Board itself.

Grupo Lamosa's management team is made up of professionals with extensive experience in the construction sector. The appointment of the CEO, as well as the different senior management positions, is in the hands of the Board of Directors. The corresponding remuneration is directly related to the performance of the functions of each particular position.

MANAGEMENT TEAM

Federico Toussaint Elosúa
Chief Executive Officer
and Chairman of the Board

Jorge Antonio Touché Zambrano
Chief Financial Officer

Jorge Manuel Aldape Luengas
Adhesives Vice-President

Sergio Narváez Garza
Wall and Floor Tiles Vice-President

Germán Alvarado Paredes
Human Resources Vice-President

Grupo Lamosa promotes an organizational culture based on the values that identify the company and on the compliance required by its internal regulations and applicable local laws, and continuously implements best practices in ethics and integrity.

The values on which Grupo Lamosa bases its actions are:

- **RESPONSIBILITY**
- **HONESTY**
- **SPIRIT OF SERVICE**
- **TEAMWORK**
- **CONTINUOUS IMPROVEMENT**

The company's Code of Ethics contains the guidelines for conduct that is expected of directors, management and employees, and for guaranteeing a correct relationship with the external stakeholders with whom it has a relationship, including distributors and suppliers, who must also be committed to such compliance.

CULTURE OF COMPLIANCE

GRI 2-23, 2-24, 2-25, 2-26, 2-27, 205-1, 205-2

Employees receive training on the Code in their induction to the company. Subsequently, they sign a commitment letter (confirming no conflicts of interest), which they renew at least every two years.

This document is complemented by policies that reinforce the company's ethical culture:

- **Anti-Corruption and Anti-Money-Laundering Policy**
- **Privacy Policy**
- **Conflict of Interest Policy**
- **Diversity Policy**

In order to identify possible undesirable practices in the organization, Grupo Lamosa has an ethical complaints line called the "Transparency Line" available for the use of employees, where they can anonymously report possible violations of the Code or institutional policies. Other stakeholders may also use the Transparency Line.

The Ethics Committee is the body responsible for following up on any cases of non-compliance that may arise and their respective resolution, and for receiving feedback to guarantee the constant revision and updating of the Code.

Additionally, this Committee makes continuous efforts to raise awareness and communicate the contents of the Code to employees, encouraging them to commit to the established guidelines. The related communication campaigns, such as the application of satisfaction surveys that measure the effectiveness and acceptance of the Transparency Line, are also noteworthy.

The Ethics Committee is made up of the CEO, the Human Resources Vice-President, the CFO and the Internal Audit Director. This Committee reports directly to the Audit Committee which, in turn, is accountable to the Board of Directors. In the event that any issue involves a member of the Ethics Committee, the Audit Committee is responsible therefor.

It should be noted that Grupo Lamosa did not file any case of legal non-compliance during 2022.

Appendix II: Main ESG indicators specifies the cases reported to the complaints line during 2022.

RELATIONS WITH THE SUPPLY CHAIN

GRI 2-6, 3-3

Grupo Lamosa recognizes the value of its suppliers, who make a great contribution to its development of world-class products.

Relations with the company's value chain are based on two main pillars. On the one hand, Grupo Lamosa seeks to align its business partners to its values by asking them to sign and acknowledge its Code of Ethics. On the other hand, all supplier candidates are evaluated in terms of expected quality standards, such as the compliance of their operations with local legislation.

DEVELOPMENT OF LOCAL SUPPLIERS

To guarantee the continuity of operations, the company has implemented different local-supplier support programs focused on evaluating their performance in order to identify good practices and areas of opportunity in their production processes.

Additionally, the company has a Local Sourcing Policy which encourages the contracting of suppliers close to the production plants and makes ongoing efforts to professionalize small and medium-sized companies in the sector.

For example, Grupo Lamosa takes part in the initiatives of the Nuevo León Chamber of Industry (CAINTRA), which offers training sessions focused on business management and consolidation, contributing to an increasing number of SMEs being incorporated into the production chains of the large companies in the region.

These efforts have a marked impact on local economic development, significantly improving the quality of life of the people in the neighboring communities.

CUSTOMER FOCUS

GRI 3-3; SASB CG-BF-410A.1

The customer is the center of Grupo Lamosa's business strategy, so the company ensures that it leads market trends, offering the best solutions and anticipating new product developments and preferences.

SUSTAINABLE HOUSING

In 2022, Grupo Lamosa promoted the development of new products with sustainable criteria across the portfolio of its different brands, especially in the adhesives sector. One example of this was

the launch of OxiMuro, a cement-based powder mortar that can be used as a coating on smooth surfaces exposed to the sun. Thanks to its photo-catalytic properties, it transforms nitrogen oxides (NOx) from the environment into non-polluting compounds, which are then eliminated by rainwater.

The adhesives business has gradually integrated recycled blown glass as a raw material and additive for some of its insulators, using it to create world-class products. Moreover, complementary materials are used in the production processes to reduce cement use, thus decreasing the carbon footprint, and Grupo Lamosa's adhesives boast UL GREENGUARD certification that recognizes materials, additives and finishes manufactured with low emissions.

All these efforts respond to international standards such as Green Squared from the Tile Council of North America (TCNA) to which Grupo Lamosa remains aligned.

The tile business also maintains its certification from the Porcelain Tile Certification Agency (PTCA) for a number of porcelain products that are manufactured with much less water.

The aforementioned certifications for Grupo Lamosa's adhesives and tiles help its customers obtain international construction-sector sustainability certifications, such as LEED.

Grupo Lamosa is developing strategies for training and publicizing the benefits of its sustainable products, targeting groups such as the sales force, distributors and final consumers.

DISTRIBUTOR DEVELOPMENT

In addition, Grupo Lamosa has implemented initiatives to co-create prototype products with the network of distributors, enabling an assessment of the feasibility of a given product before it goes on the market. Through the "Obra Blanca Expo" finishings exhibition, the brands of the tile business in Mexico present new products that have been developed, with the objective of receiving feedback and, if necessary, making changes to their characteristics.

Grupo Lamosa also operates a series of programs to improve the capabilities of its distributors. For example, for more than five years, a management skills development program has been offered in partnership with the Pan-American Institute of Senior Business Management (IPADE) with the direct participation of Grupo Lamosa's CEO and members of the management team. The program is mainly aimed at family businesses.

Some of the most important topics addressed in the sessions are: the company and its environment, profitability and resource efficiency, relations with suppliers and distribution channels, family businesses, commercial strategy, leadership and decision-making, the political environment, and innovation and strategy in the face of adversity.

CUSTOMER EXPERIENCE

Different initiatives are being implemented to bring the company closer to final consumers and understand their needs. One of them is the development of the Lamosa App for the tile business, which uses augmented reality to enable customers and potential customers to visualize and interact with the company's different floor options.

Efforts are also being made in the area of online purchasing, with some specific products already available online, while the company is strengthening its customer service capabilities in digital channels such as social networks.

Finally, Grupo Lamosa carries out an annual brand perception study to find out how it is positioned compared to its competitors. The process consists of a digital and physical consultation with people who intend to purchase ceramic items or who have purchased one in the last twelve months. The exercise helps the company to identify main purchase motivators in order to improve communication strategies aimed at the final consumer.

INFORMATION PRIVACY AND SECURITY

GRI 3-3, 418-1; SASB CG-MR-230A.1

Grupo Lamosa has a Corporate Policy on Information Security, Security Risk Management and Confidentiality, which establishes guidelines to ensure the correct use of information related to both customers and company assets.

The information protection strategy is based on the recommendations of the ISO 27000 standard, using three fundamental pillars: personnel, technology and processes. Grupo Lamosa has a preventive approach, where possible associated risks are analyzed and managed in conjunction with the Information Security Committee.

In 2022, internal staff awareness campaigns were strengthened through the Information Security Program with monthly simulated phishing tests and diverse technological measures, such as web content filters, authentication processes, and electronic devices protected against computer viruses.

Grupo Lamosa will continue to provide ongoing training for specialized and non-specialized personnel. No claim for the violation of personal data was registered in 2022.

The company recognizes the value of its workforce and the efforts of all members of the Grupo Lamosa team. Thus, continuous efforts are made to improve the work culture and sense of belonging, with the offering of open, safe and diverse collaborative spaces where employees always have the opportunity to grow both personally and professionally.

SAFETY, HEALTH AND WELL-BEING

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 3-3;
SASB RT-CH-320A.2

Guaranteeing the safety of the people who work at Grupo Lamosa is paramount. To this end, the company has management systems to identify possible work risks, both in office areas and at the production plants.

These systems are based on the methodology of the international Occupational Safety and Health Administration (OSHA), with three main focuses: training for leaders who hold positions in upper and middle management; awareness and involvement of their work teams; follow-up and control, thus promoting the continuous improvement of processes to minimize accidents at work.



The general well-being of the workforce is also sought. In response to the COVID-19 pandemic, a medical hotline was set up to monitor active cases and mental healthcare is promoted through diagnoses based on NOM-035-STPS-2018, in order to identify psychosocial risks that could affect the work team.

EMPLOYEE DEVELOPMENT

GRI 404-2, 3-3

The Grupo Lamosa Leadership Model is aimed at improving the skills of team leaders, in order to improve the performance of the people who make up their respective work teams.

2022 was a year of important achievements with the first implementations of this new professional training model. Throughout the year, 71 executives were trained using a leadership skills program made up of five hybrid-format modules.

Additionally, the development of executive skills in the company is encouraged through mentoring and coaching programs for managers given by executives from all parts of Grupo Lamosa. In 2022, approximately 40 executives from the different businesses and countries where the company operates participated in the program.

Finally, the company encourages proactivity and self-learning. To this end, digital training programs are available on platforms such as “LinkedIn Learning”, where all employees can enhance both their hard skills and their soft ones, and “Coursera”, available to any Grupo Lamosa employee.

In 2023, efforts will be made to improve the monitoring of the results of the new training model, incorporating new programs and improvements, according to the needs of the organization and the performance evaluations.

WORK ENVIRONMENT AND DIVERSITY

GRI 2-30, 401-2, 3-3

Through its work environment management system, every year the company identifies the strengths in the area and, more importantly, possible areas of opportunity in relation to the level of employee satisfaction, and action plans are generated to reduce or even eliminate them.

As a fundamental part of its organizational culture, Grupo Lamosa respects diversity in the workforce, and seeks equality and inclusion in job opportunities, from the hiring processes to internal promotions. The company insists on conduct free of any type of discrimination through the institutionalization of the values that characterize it. These are expressed in both the Code of Ethics and the Diversity Policy.

Health, safety and well-being processes, training programs and work environment surveys are in the process of being implemented for the employees of Fanosa, acquired in January 2022.

Moreover, employees are given benefits above and beyond the legal ones, including maternity leave, grocery vouchers, savings funds, scholarships, cafeteria services, transportation and death benefits.

Finally, Grupo Lamosa recognizes the freedom of association of its employees with whom it maintains a relationship based on respect and trust. At the end of 2022, 55% of its personnel worked under a collective bargaining agreement.

COMMUNITY SUPPORT

SASB RT-CH-210A.1

Concerned about the social development of the communities where Grupo Lamosa has operations, in 2015 the company created the Escuela Digna program, focused on supporting local educational institutions and improving their facilities.

The program began in the state of Tlaxcala, one of the company's main areas of operations in Mexico. Due to its success and acceptance, in 2022 the program was redesigned for replication, and pilot programs were set up in other states, including the State of Mexico and Nuevo León.

In partnership with the schools and with their commitment, the program provides training and evaluations that contribute to improving or maintaining the academic level. Since its implementation, preschools, and elementary, middle and high school institutions have been supported.

Over the coming year, the company will continue promoting volunteer activities, with the participation of employees at every production plant, both in Mexico and in the other countries where it has operations.

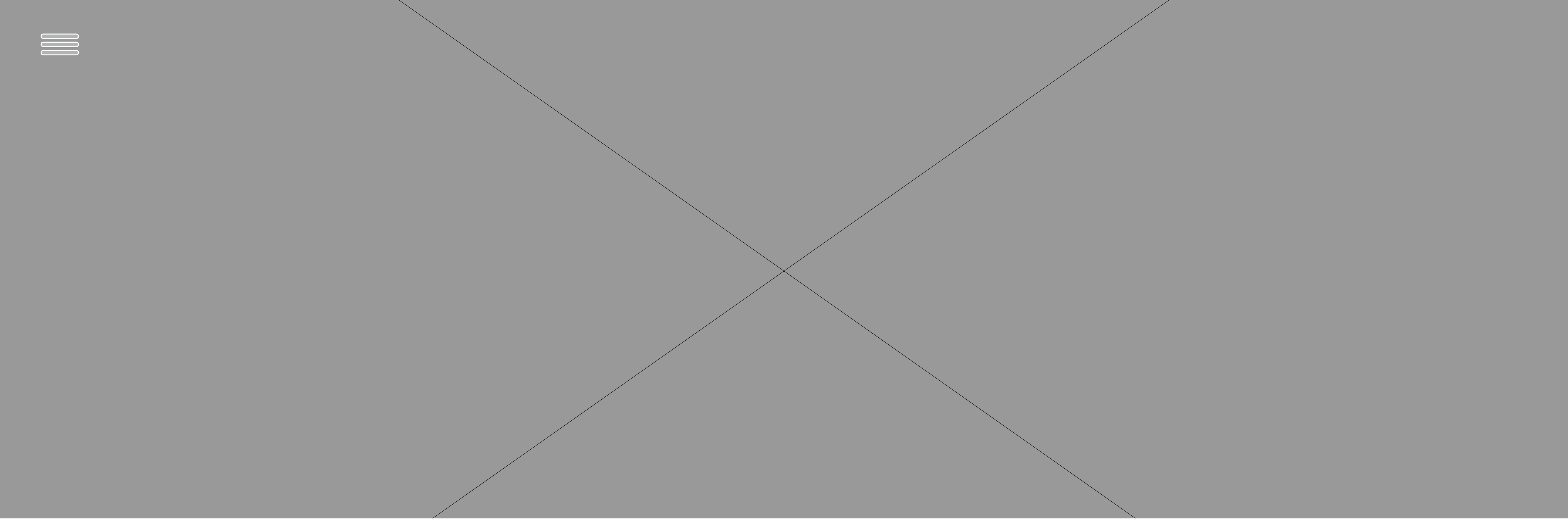
Grupo Lamosa focuses on the continuous improvement of its internal operating processes, thereby ensuring that it always has the highest quality and safety standards.

The company has a model of operational excellence based on eight main pillars:

- LEADERSHIP
- COMPETENCIES
- STRATEGY
- MANAGEMENT SYSTEMS
- LEAN THINKING
- OPERATING EFFICIENCY
- CONTINUOUS IMPROVEMENT
- CUSTOMER EXPERIENCE

PRODUCT INNOVATION, QUALITY AND SAFETY

GRI 3-3, 416-1; SASB CG-MR-410A.2, CG-BF-250A.1, RT-CH-410B.2



This model enables internal certification based on a process of evaluation of indicators and behaviors across the different production plants and businesses. Evaluations are simultaneously carried out at the production centers in order to identify areas of opportunity. Moreover, all the company's Mexican tile plants have ISO 9001 quality management system certification, while 77% of the adhesives business's production plants are similarly certified.

Additionally, Grupo Lamosa has introduced the Kaizen Awards, which recognize the best internal process-innovation projects every year.

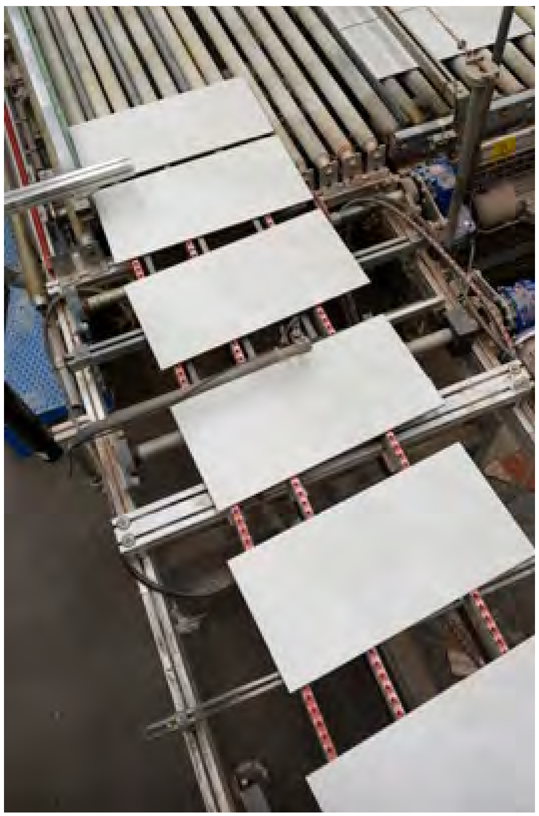
Efforts are currently being made to introduce this model of operational excellence into the newly acquired businesses.

Grupo Lamosa's innovation initiatives spring from a desire to diversify its portfolio with the latest technology in the industry, in order to maintain consumer preference. In addition, development committees are responsible for keeping abreast of the latest trends in the sector.

Product safety is guaranteed through an exhaustive analysis of the materials used and the assurance that they respond to the operational model and quality standards. In order to avoid accidents, every adhesive product is accompanied by a technical sheet with clear instructions for its proper use. Moreover, all adhesive products comply with VOC standards regarding the content of volatile organic compounds. As for Lamosa tiles, antifungal and antibacterial components have been incorporated, contributing to customer safety.

ENVIRONMENTAL MANAGEMENT: CLIMATE ACTION AND CIRCULARITY

SASB RT-CH-530A.1



In recent years, different initiatives have been launched with the aim of reducing the environmental impact of the company's operations, especially in relation to Scope 1 emissions, waste management and water resources.

Grupo Lamosa strictly adheres to environmental legislation in each of the countries where it is present. As of the close of this report, one tile plant in Mexico had Clean Industry certification from the Federal Environmental Protection Agency (PROFEPA) and two plants already had an action plan and were in the midst of the certification process.

Additionally, the company participates in the Green Matters Initiative, with the aim of transforming its manufacturing processes into a low-carbon operating system.

CLIMATE ACTION

GRI 3-3

The company maintains its focus on reducing Scope 1 emissions through energy cogeneration at three tile plants in Mexico, the last one inaugurated in 2016 in the city of Monterrey. These plants run mostly on natural gas, one of the fuels with the least environmental impact.

Moreover, the tile production processes are designed to take advantage of the heat produced both in the kilns and in the atomizer (spray dryer) which is used for the drying process.

Grupo Lamosa is also making efforts to reduce firing temperatures, seeking a substantial reduction in energy consumption. To date, the company has invested more than US$12 million in cogeneration projects.

Additionally, the company's energy consumption diagnoses have resulted in the replacement of less-efficient lights with much more efficient ones at the production plants.

CIRCULARITY

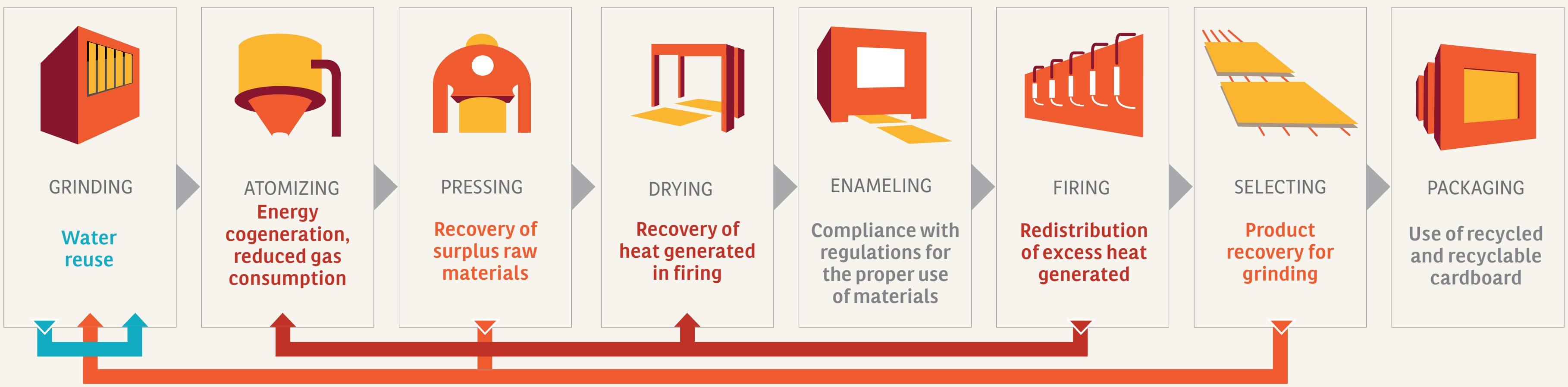
GRI 303-1, 303-2, 306-1, 306-2, 3-3; SASB RT-CH-140A.3, CG-BF-410A.1, CG-MR-410A.3

Grupo Lamosa responsibly manages the materials and water resources used to make its products. The company operates with the infrastructure necessary to use water correctly, prioritizing its reuse through wastewater treatment plants in 100% of its Mexican tile production centers. For water recycling and discharge, exhaustive quality and safety analyses are carried out.

In addition, efforts are made to recover diverse materials throughout the production cycle, reducing the extraction of virgin materials and their disposal in landfills. Such materials include wood, cardboard, paper, metals and plastics. Assisted by external third parties, Grupo Lamosa facilitates the efficient identification and recovery of materials at its facilities. It is also important to note that all product packaging is mostly made of recycled cardboard.

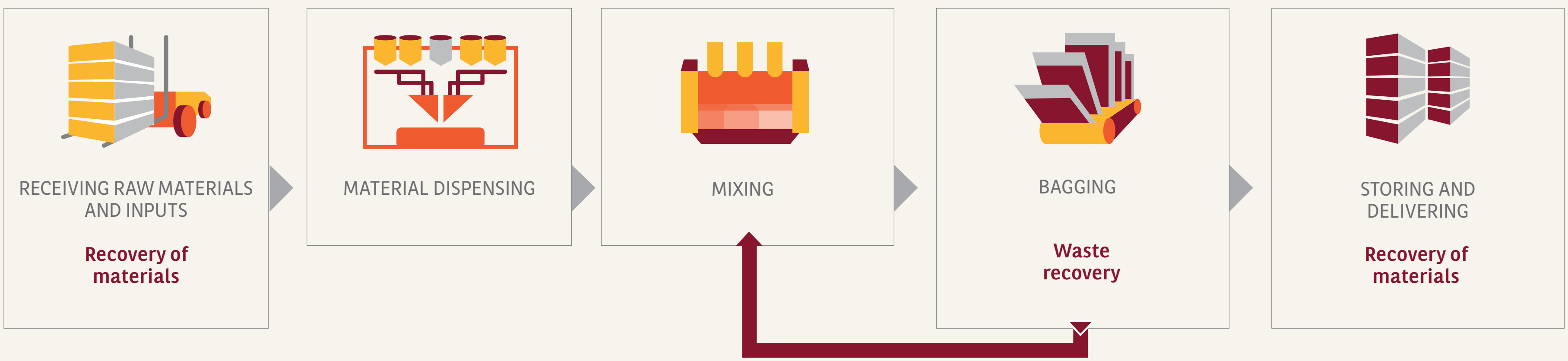
TILE PRODUCTION PROCESS

- High operational performance based on technological leadership and a sustainable vision.
- Full-definition technology, which has enabled the production of tiles that look like wood and natural stone.
- New developments in ceramics: facades, bactericidal ceramic products and the incorporation of ceramic solar panels, among others.



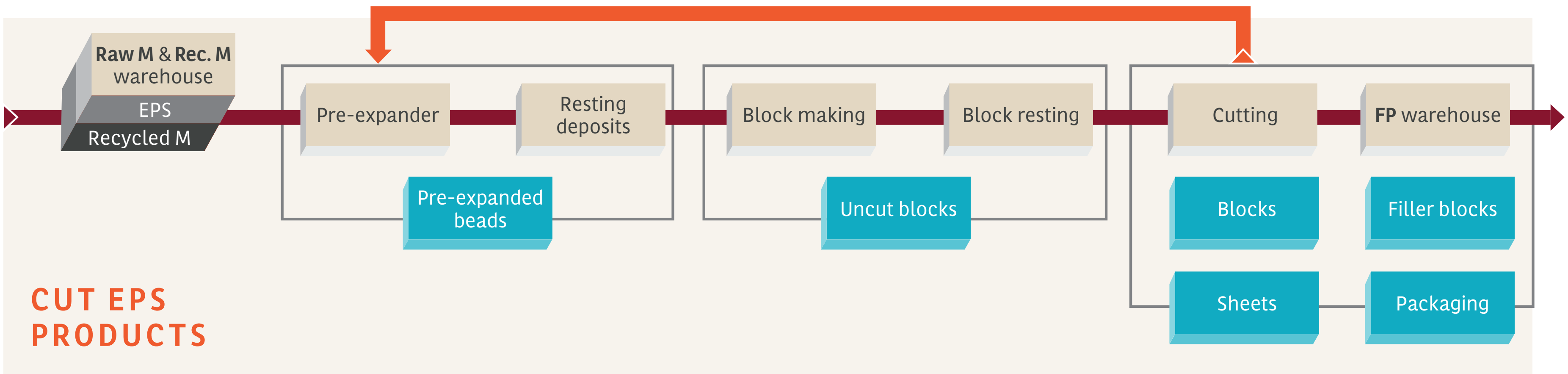
ADHESIVES PRODUCTION PROCESS

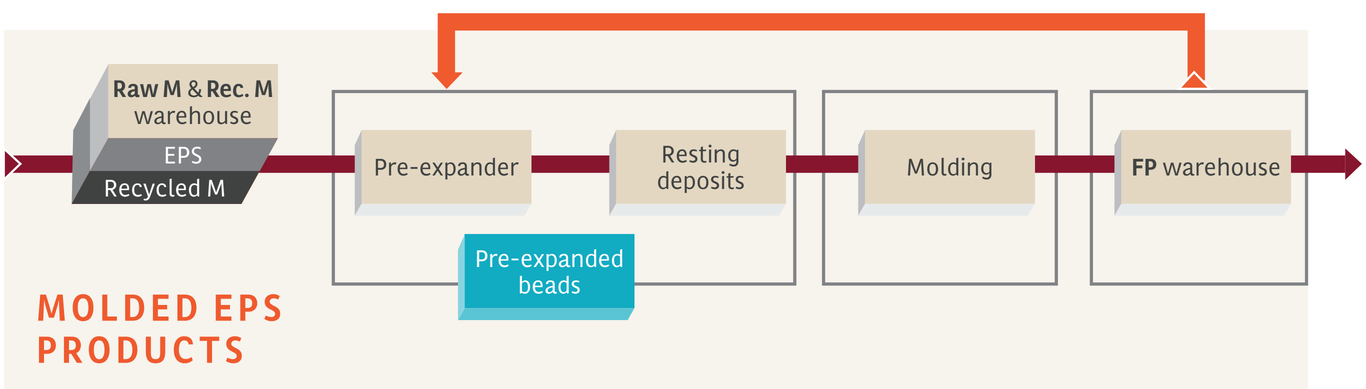
- Products with the market's highest quality and performance characteristics and standards.
- Technological leadership through research and development of specialized products for the construction industry.
- Product lines aimed at protecting the environment.



INSULATING AND LIGHTENING MATERIALS PRODUCTION PROCESS

- FANOSA® complies with applicable Environmental Legislation and Regulations.
- FANOSA® has recycling centers at each of the plants that receive Expanded Polystyrene (EPS).
- FANOSA® uses alternate energy sources.





Production and FP warehouse (20% recycled materials)

Products on sale

For Grupo Lamosa, the management of the different risks inherent in its operations is a fundamental aspect to guarantee business continuity. To this end, the company operates with solid internal processes set out in its Comprehensive Risk Management Policy, which contains the guidelines and procedures required to establish probabilities based on quantitative and qualitative calculation methodologies.

The different areas of operation are responsible for mapping the possible risks in each of the areas of Grupo Lamosa and its subsidiaries, and the Internal Audit team collaborates with the follow-up. More than 40 executives participate in a survey to prioritize a series of categories that represent some type of threat to the operations. Given the proven effectiveness of the process, from 2023 it will be carried out more frequently.

The results of this process are communicated to the Corporate Comptroller's Office, which is responsible for validating and proposing a work plan with mitigation measures, in conjunction with the areas responsible for risk management. The main findings and risks identified during the internal audit reviews are presented to the Audit Committee.

In 2023, the already-identified risks, presented below, will be updated.

RISK MANAGEMENT

GRI 2-12, 2-13

MAIN RISKS - GRUPO LAMOSA		
Risk	**Description**	**Management details**
Financial		
Fluctuations in the exchange rate	There is a potential risk due to Grupo Lamosa having a commercial presence in different countries and obtaining revenue streams in the local currency of each of them. Given that the financial results are reported in Mexico, the company's income and financial performance could be affected by the strength of the peso against other currencies.	The Finance Committee, which supports the Board of Directors, manages financial risks. Ultimately, financial derivative schemes are contracted to link debt repayments to the local currencies where revenue is generated.
Business liquidity and control of credit debt	There is a potential risk related to the company's capacity to ensure the liquidity necessary to cover operating expenses and to settle the debt acquired by each of its subsidiaries in the different countries.	Periodically, the company seeks to mitigate its businesses' liquidity risk and control credit debt through its debt reprofiling strategy. This strategy consists of renegotiating debt conditions to obtain better terms and interest rates, thereby freeing up cash flow and contributing to company growth.
Increase in product prices	There is a potential risk related to product price increases reflecting possible rises in the cost of natural gas and electricity, the company's main energy sources, the cost of local primary inputs (inflation) and diverse other costs related to the production processes.	Ultimately, with the support of the Finance Committee, the need to hedge natural gas consumption through financial instruments is evaluated, to provide certainty in the cost of supply.

MAIN RISKS - GRUPO LAMOSA		
Risk	**Description**	**Management details**
Strategic		
Customer satisfaction and brand value	There is a potential risk related to the company's ability to anticipate possible changes in tile trends, which would mainly affect the tile business. However, Grupo Lamosa encourages the development of new products that provide a differentiating value. It also focuses on product quality and safety, especially for the adhesive business, avoiding any potential negative impact on the health and safety of the final customer.	Specific innovation committees identify new market trends; co-creation initiatives are implemented with distributors in order to improve product quality and attributes; the company is opening digital sales channels; and brand perception studies are carried out annually.
Local and international competition	There are companies in Mexico and in countries such as the United States, Spain and Brazil whose products could compete with Grupo Lamosa's in terms of quality and price, which could decrease customer preference and reduce the company's market share.	Grupo Lamosa's good financial performance has enabled it to grow geographically, with the acquisition of well-known companies such as Grupo Roca and Fanosa. This has enhanced the company's competitiveness in new countries.
Intellectual property	The company's property rights may be affected by potential imitations and replicas of its products and/or manufacturing designs and/or processes. Any of these possibilities could have an adverse effect on the business's operating and financial results.	Grupo Lamosa has a legal team specialized in the protection of intellectual property, in charge of registering patents and trademarks. It also has confidentiality policies which are communicated to Grupo Lamosa's different commercial partners and to company personnel.

MAIN RISKS - GRUPO LAMOSA		
Risk	Description	Management details
Operating		
Attraction and retention of specialized technical talent	The lack of specialized personnel in the sector could significantly affect production processes and result in a potential loss of the company's existing talent.	Specific training and career development models are in place, as well as a complete compensation scheme for employees. The company also participates in sectoral initiatives, such as that of CAINTRA (Mexican Chamber of Industry), for the training of specialized technical personnel in Nuevo León.
Collective labor contracts	In order to avoid any type of interruption in the production processes, it is important to guarantee robust, fair and transparent relations with all employees who have a collective contract or are part of a workers' organization.	The company complies with, and respects, the right of employees to form part of a labor organization, as indicated by Mexican Federal Labor Law and the applicable legislation in the countries where it operates. A legal team is in charge of preparing and transparently communicating the terms and conditions of collective contracts.
Raw materials shortage	There is a potential risk from the possibility of interruptions in the supply chain, reflecting the lack of qualified local suppliers to guarantee a continuous and efficient supply both in Mexico and the other countries where the company operates.	Grupo Lamosa operates with commercial strategies that enable the diversification of its portfolio of suppliers, as well as effective planning of inputs and inventory management. In addition, efforts are continuously made to train and strengthen local suppliers.

MAIN RISKS – GRUPO LAMOSA		
Risk	Description	Management details
Regulatory		
Political and economic context	There is a potential risk that events, such as new trade agreements between countries or economic regulations, could affect or limit the company's commercial activities, and that social or political instabilities that may arise in the different markets where Grupo Lamosa operates.	The company is present in nine countries, which reduces the impact that social, political and economic aspects in a given country can have on the business. It also constantly monitors the situation in the different countries.
Legal, environmental, health and safety incompliance	Grupo Lamosa operates with policies and procedures related to the health and safety of its employees and regulatory compliance. However, risks related to the health and safety of employees may arise, as well as those related to possible impacts on the environment, especially in the management and use of water and the generation of waste.	Grupo Lamosa strictly adheres to the regulatory and legal framework in force in the countries where it operates. Through the Grupo Lamosa Code of Ethics, company employees are trained to avoid possibly undesirable practices in the organization that could lead to any legal incompliance. The Code also applies to the company's business partners. Audit processes are also carried out to identify possible internal risks. Regarding environmental issues, the company has implemented a sustainability strategy, which addresses environmental management aspects over and above compliance with the law, for the benefit of society. In terms of health and safety, Grupo Lamosa has a management system based on international Occupational Safety and Health Administration (OSHA) certification.

In addition to the previously mentioned risks, Grupo Lamosa has identified three possible emerging risks that have become relevant in recent years, both at the sectorial level and in other related industries, and for which measures will be taken for the short and medium term.

- **CLIMATE CHANGE:** Climate change effects range from physical risks, such as floods or natural events that affect production centers and that at the same time compromise the availability of raw materials due to permanent damage to local biodiversity, to transition risks that progressively limit and/or penalize the use of traditional energies and fuels, while at the same time hindering access to renewable energies in some countries.
- **CYBERSECURITY:** The protection of the personal data of distributors, suppliers, business partners and customers, as well as the company's documents, processes and information, is of vital importance.
- **TECHNOLOGY FOR PRODUCTION PROCESSES:** The company must keep abreast of technological changes and innovations in the sector that require the acquisition of new techniques, materials or tools.

Grupo Lamosa is presenting this first integrated report to communicate its main financial results and the company's progress with its sustainability strategy, covering environmental, social and governance aspects.

The information corresponds to the different subsidiaries of Grupo Lamosa, S.A.B de C.V. in the nine countries where the company operates for the period of January 1st to December 31st, 2022.

The selection of topics addressed in the report responds to a double-impact materiality exercise that considers priority socio-environmental and financial topics, making use of international standards such as those of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), which are explained later.

The contents have been validated by the different areas of the company involved, as well as by senior management.

ABOUT THIS REPORT

GRI 2-2, 2-3, 2-14

APPLIED INTERNATIONAL STANDARDS

For the first time, GRI 1, 2 and 3 universal standards have been used in their latest version updated in 2021, and their material topic standards, responding to the materiality of the socio-environmental impact.

The report also follows SASB standards, which respond to the financial materiality and which meet the information requirements requested particularly by investors. The standards used are shown below:

- Construction materials
- Building products and furnishings
- Chemicals
- Multi-line and specialty retailers and distributors

For more information, see **Appendix 3: Reporting Standards**.

The company's contribution to the Sustainable Development Goals (SDG) that are a priority for its businesses is also communicated. These are:

- **SDG 3:** Good health and well-being
- **SDG 4:** Quality education
- **SDG 7:** Affordable and clean energy
- **SDG 8:** Decent work and economic growth
- **SDG 9:** Industry, innovation and infrastructure
- **SDG 10:** Reduced inequalities
- **SDG 12:** Responsible consumption and production
- **SDG 13:** Climate action
- **SDG 16:** Peace, justice and strong institutions

For more information, see the section on "Contribution to the SDGs" in **Appendix 1: ESG Approach.**

The report responds to the company's commitment to the ten principles established in the United Nations Global Compact, one of the world's pioneering sustainability initiatives.

For more information, consult the section "Progress with the Principles of the Global Compact" in **Appendix 1: ESG Approach.**

How to identify the contents:

- The contents of the GRI Standards and the parameters of the SASB Standards are indicated at the beginning of each chapter.
- At the end of the report, the section of appendices details the progress regarding the indicators of the GRI and SASB standards, as well as the contribution to the SDGs and the Global Compact.

APPENDIX 1: ESG APPROACH

Appendix 1.1: Materiality analysis (GRI 3-1, 3-2)

With the aim of improving its sustainability performance, in 2022 Grupo Lamosa carried out its first materiality analysis, identifying the ESG priorities that are strategic for the organization.

The concept of double materiality was used to prepare the analysis. This concept is based, on the one hand, on an evaluation of the most significant impacts of Grupo Lamosa on its external settings: the environment, society and other stakeholders (socio-environmental materiality); and, on the other hand, taking into account those ESG topics that are most likely to affect the company's financial condition, operating performance and cash flows, while, at the same time, responding to market demands (financial materiality).

The process of identifying material topics was based on the methodology of the Global Reporting Initiative (GRI). To this end, one of the first steps for a correct understanding of what is expected in sustainability was a documentary review of different international references in the management of ESG topics.

Once a list of potentially material topics had been identified, senior management and the different stakeholders (employees, customers, distributors and suppliers) were consulted. Through interviews, focus groups and surveys, the previously identified topics were prioritized.

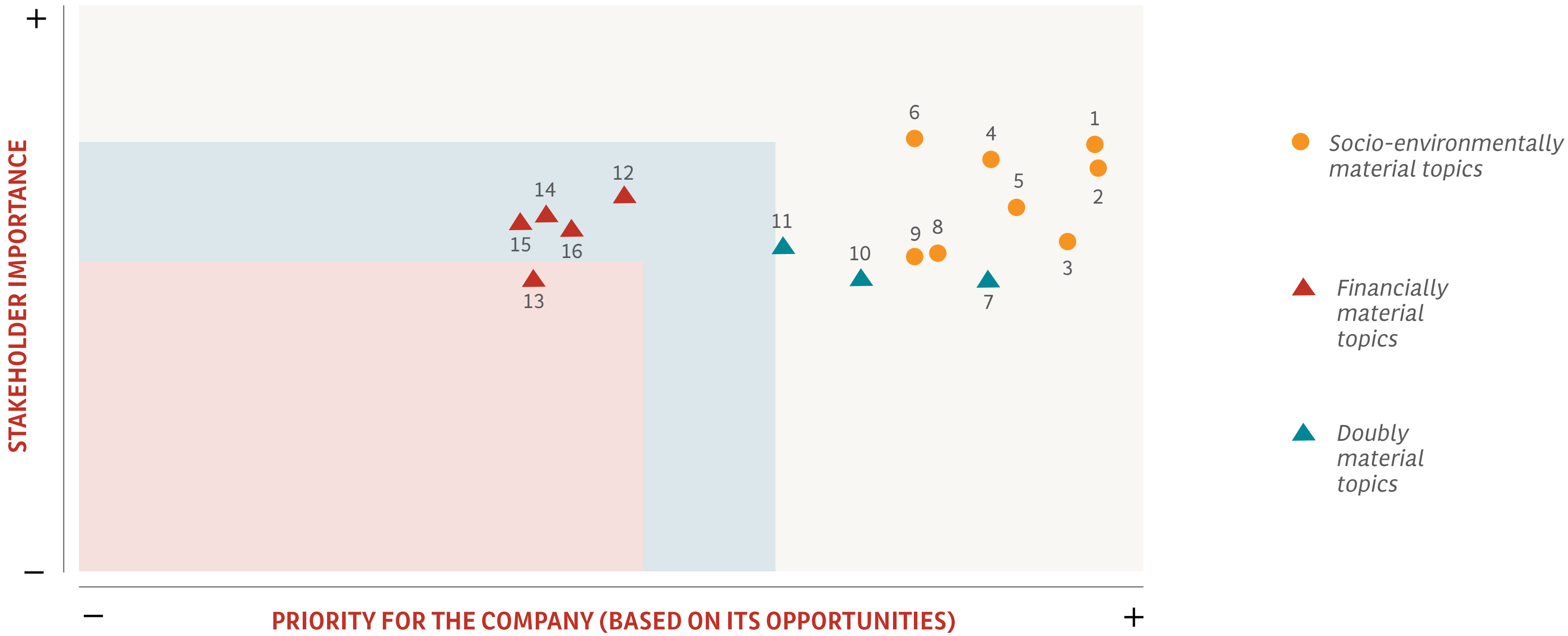
As a result, 16 material impact topics were identified, which were then internally validated by senior management.

The financial materiality recommended by the Sustainability Accounting Standards Board (SASB) was also added. The SASB is an organization that provides a series of industry standards, which were previously defined through a process of analysis and international consultation. Specifically, the standards that the initiative has identified as relevant for those sectors in which Grupo Lamosa is active were applied:

- Construction materials
- Building products and furnishings
- Chemicals
- Multi-line and specialty retailers and distributors

In addition, important aspects of the operations (main revenue streams and inputs for value creation) and the operating environment (economic, regulatory, operational and business environments) were reviewed, in order to identify additional indicators that had not been identified in the aforementioned standards.

Finally, both processes were consolidated to obtain the integrated materiality matrix, as shown below:



Materiality		Material topics	Materiality		Material topics
Socio-environmental	1	Customer service	Socio-environmental	9	Operating process automation and efficiency
Socio-environmental	2	Product innovation	Double	10	Supply chain
Socio-environmental	3	Digital transformation	Double	11	Energy management
Socio-environmental	4	Employee health and safety	Financial	12	Data protection
Socio-environmental	5	Economic performance	Financial	13	Product lifecycles
Socio-environmental	6	Quality products (customer health)	Financial	14	Work environment
Double	7	Talent attraction and retention	Financial	15	Managing product chemicals
Socio-environmental	8	Omni-channel and distributor relations	Financial	16	Workforce diversity and inclusion

Appendix 1.2: Details of the channels and stakeholder engagement

(GRI 2-29)

Grupo Lamosa is committed to maintaining a transparent dialogue with its stakeholders, who actively contribute to its operations. Therefore, the relationship and ongoing dialogue with them are essential for the company to achieve its objectives.

The value proposition and main channels for each of the stakeholder groups are presented below.

Stakeholder	Value proposition	Channels
Investors, stockholders and other capital providers	Generate economic value, guaranteeing the financial sustainability of the company over time and advancing in accordance with the approved strategic plan. Identify and address risks and opportunities. Be transparent about results, including ESG performance.	• Stockholders' assembly • Investor relations area • Transparency Line • Meetings with analysts • Reports on results
Distributors	Work together to make it easier for products to reach the final consumer, in a coordinated manner in inventory management, and with innovative products and the support of the company's brands.	• Distribution agreements • Visits from area and/or product managers
Customers	Contribute to making the best conditions in homes and work spaces, with quality materials that meet different needs. Innovatively address changes in lifestyles.	• Third-party stores • Visits from commercial advisors • Websites of the company's brands and commercial apps • Transparency Line • Focus groups and other consultations
Employees	Offer employment opportunities and professional development, safeguarding health and safety. Create teams that consider the well-being of their members and encourage their commitment.	• Work environment evaluation • Intranet • Transparency Line
Suppliers	Partner to offer quality products, with behaviors aligned to principles and values. Build an efficient relationship that guarantees the continuity of Grupo Lamosa's production and the corresponding financial return for the supplier.	• Transparency Line • Contracts and purchase orders • Development of local suppliers and SMEs (small and medium-sized companies)

Stakeholder	Value proposition	Channels
Government	Operate in accordance with the law and ethically.	• Participation in topic-centered meetings and consultation forums • Response to requirements
Academia	Offer opportunities to materialize innovation in materials, technology and products and generate jobs for different professionals.	• Agreements for research projects and/or internships • Participation in job fairs • Presence in topic-centered events
Communication media	Respect the interest and pay close attention to transactions and relationships with the different stakeholders. Accurately describe the company's performance to expand the scope of the stakeholders reached.	• Press conferences • Press releases • Participation in reports and/or interviews
Communities	Be a good neighbor, generating job and development opportunities, and protecting the environment and local living conditions.	• Transparency Line • Donations program • Dialogue with neighbors • Volunteer projects

Appendix 1.3: Membership in associations and initiatives

(GRI 2-28)

Grupo Lamosa is committed to sustainability, working comprehensively on the principle ESG topics, and is therefore aligned with the Sustainable Development Goals (SDG) and the United Nations Global Compact.

It belongs to the Tile Council of North America (TCNA), a non-profit organization, which develops and publishes quality standards for the ceramics industry, including Green Squared, a certification that evaluates the sustainability of ceramic products. Some tiles in Grupo Lamosa's portfolio boast this certification, as well as Porcelain Tile Certification Agency (PTCA) certification, which guarantees water absorption levels below 0.5%.

Grupo Lamosa is also part of the Green Matters initiative, aimed at improving operational performance by minimizing possible environmental impacts.

Sectorial alliances

In 2022, Grupo Lamosa joined the CAINTRA (Mexican Chamber of Industry) Business Alliance Program, in order to support technical education in the state of Nuevo León. In partnership with recognized companies in the state, the initiative seeks to contribute to the development of qualified technical personnel in the region.

The intervention model consists of providing comprehensive support to students of the National College of Technical Professional Education (CONALEP), thus contributing to the successful completion of their studies. There is also a special program for women who are enrolled in a technical education course.

Grupo Lamosa supports these students with both economic donations for the payment of tuition fees and school supplies, and volunteer time from its employees, who in 2022 participated with the students' tutors in professional and socio-emotional skills training.

For more information on the social impact activities that Grupo Lamosa carries out, see the Community support section of the Driving talent chapter.

Firenze Awards

Grupo Lamosa, through its Firenze porcelain tile brand, annually organizes the Firenze Awards in collaboration with Entremuros, a magazine specializing in architecture and interior design. Since 2015, these awards have recognized the best projects in different categories, including:

- Corporate buildings
- Public architecture
- Residential buildings
- Commercial interior design
- Residential interior design
- Sustainable architecture

This year, nine projects received awards, out of 400 that were registered.

Appendix 1.4: Contribution to the SDGs

Grupo Lamosa contributes to the 2030 Agenda of the United Nations as a roadmap to address the great social and environmental challenges at a global level.

The materiality analysis carried out in 2022 identified relevant business issues and also made it possible to prioritize those objectives that will have the greatest impact.

The main contributions are presented below:

SDG	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	7 AFFORDABLE AND CLEAN ENERGY
Contribution	Occupational health and safety management system based on the guidelines of the Occupational Safety and Health Administration (OSHA), aimed at accident prevention. Medical hotline for employees. Continuation of COVID protocols.	Training approach focused on developing capabilities for the correct performance of functions. Access to online training through platforms such as LinkedIn Learning and Coursera.	Use of renewable energy, both self-generated and cogenerated in the production processes, to operate.
Indicators	Partial Frequency Index of lost-time accidents (PFI): Tiles: 0.78 Adhesives: 1.84 Insulators and Lighteners: 9.15	1.09 hours of training / employee for women on average. 1.05 hours of training / employee for men on average.	The company is currently calculating how much clean energy it produces.

SDG	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES
Contribution	Numerous job opportunities as a result of the company's domestic and international presence.	The tile and adhesives businesses offer products with sustainable characteristics and international certifications, such as Porcelain Tile Certification Agency (PTCA) and UL GREENGUARD certifications.	The company addresses one of the most urgent needs in its communities, education, supporting primary, secondary and high schools, mainly in the state of Nuevo León, Mexico, through the Escuela Digna program.
Indicators	11,299 total employees in the workforce across nine countries.	$193.2 million Mexican pesos in certified products.	Grupo Lamosa is making a specific analysis of the impact of the Escuela Digna program.

SDG	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Contribution	Waste management process aimed at reducing waste and optimizing the use of materials through reuse and recycling processes. Efficient water use prioritized through reuse and treatment in the production processes.	Grupo Lamosa's operations use mainly natural gas, a fuel that produces fewer greenhouse gas emissions than other alternatives. The heat generated in some processes is used as energy in others. Efforts are being made to reduce firing temperatures, thus lowering energy consumption.	The company has a robust compliance culture as set out in its corporate values, Code of Ethics and policies, which are periodically communicated to employees and business partners. Both suppliers and distributors must commit in writing to Lamosa's Code of Ethics, that they are given a copy of.
Indicators	**Non-hazardous waste** 92.8% reused or recycled in the tile business. 85.2% reused or recycled in the adhesives business. 66.3% reused or recycled in the insulators and lighteners business. **Hazardous waste** 94.6% reused or recycled in the tile business. **Water** 0.39% reused in the tile business. 0.11% reused in the adhesives business. 2.82% reused in the insulators and lighteners business.	Grupo Lamosa is currently preparing a calculation of Scope 1 and Scope 2 emissions.	100% of employees trained in the Code of Ethics. 269 complaints responded to through the Transparency Line during 2022.

Appendix 1.5: Progress with the principles of the Global Compact

HUMAN RIGHTS

PRINCIPLE	COMMITMENT	ACTIONS
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	Grupo Lamosa commits to respect and comply with the declaration of human rights established by the General Assembly of the United Nations in all its operations and areas of action, across all the countries where it operates.	• The Code of Ethics establishes the organization's commitment to respect human rights.
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	Grupo Lamosa is committed to ensuring that more and more of its business partners, including suppliers and distributors, adhere to its Code of Ethics.	• The Code of Ethics establishes the organization's commitment to respect human rights.

LABOR STANDARDS

PRINCIPLE	COMMITMENT	ACTIONS
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Grupo Lamosa is committed to respecting employees' legal right to collective labor association in the countries where it operates.	• As of yearend 2022, 55% of Grupo Lamosa's personnel was affiliated to a trade union. • The decision of employees to affiliate to, or disaffiliate from, a union is respected.
Principle 4. Businesses should support the elimination of all forms of forced and compulsory labor.	Under no circumstances is forced labor allowed at any of the company's production centers.	

LABOR STANDARDS

PRINCIPLE	COMMITMENT	ACTIONS
Principle 5. Businesses should support the effective abolition of child labor.	Under no circumstances is child labor allowed at any of the company's production centers.	• The Code of Ethics establishes the organization's commitment to the prevention of child labor.
Principle 6. Businesses should support the elimination of discrimination with respect to employment and occupation.	The company undertakes to deal with any cases of discrimination that occur under due process and to implement reporting and resolution measures.	• Employees are offered ethics awareness programs in order to reduce possible cases in the organization.

ENVIRONMENT

PRINCIPLE	COMMITMENT	ACTIONS
Principle 7. Businesses should support a precautionary approach to environmental challenges.	Grupo Lamosa commits to always act in accordance with environmental legislation.	• Care is taken to ensure that the production processes have no adverse impacts.
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	Grupo Lamosa is committed to promoting a green culture among its employees.	• The company is part of the international Green Matters initiative, aimed at helping companies such as Grupo Lamosa achieve a low-carbon operating system.
Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Grupo Lamosa is committed to continue promoting practices that contribute to reducing the environmental impact of its operations.	• Products with sustainable criteria. • Cogeneration and self-generation of energy in production processes.

ANTI-CORRUPTION

PRINCIPLE	COMMITMENT	ACTIONS
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Grupo Lamosa commits to continue promoting its corporate values among its employees and business partners, as well as to reinforce the mechanisms for the prevention and management of non-compliance.	• Grupo Lamosa offers employees and other stakeholders its Transparency Line, through which possible cases of corruption are assessed, and corrective measures potentially taken. • The Ethics Committee is responsible for following up on the cases of non-compliance presented.

APPENDIX 2: MAIN SDG INDICATORS

2.1 Social dimension

Labor demographics

(GRI 2-7, 2-30, 401-1, 405-1; SASB CG-MR-310a.2, CG-MR-330a.1)

2022 BREAKDOWN OF EMPLOYEES ACCORDING TO TYPE OF CONTRACT AND SEX

		2022	
		Women	Men
Corporate		34	114
	Indefinite contract	34	114
	Temporary contract	-	-
Tiles		1,373	7,025
	Indefinite contract	1,293	6,732
	Temporary contract	80	293
Adhesives		187	1,147
	Indefinite contract	186	1,111
	Temporary contract	1	36
Insulators and Lighteners		377	1,042
	Indefinite contract	377	1,042
	Temporary contract	-	-
% personnel unionized (2022)		55	

Note: Due to the incorporation of new businesses, Grupo Lamosa is still in the process of standardizing the information related to the number of employees by type of contract; therefore, presented figures are estimated.

DEMOGRAPHICS: SEX, AGE AND WORK CENTER 2022

	<30 years		30-50 years		>50 years	
	Women	Men	Women	Men	Women	Men
Corporate	3	18	28	71	3	25
Executives		1	1	12	0	11
Employees	3	17	27	59	3	14
Operators						
Tiles	348	1,790	893	4,255	132	980
Executives	1		19	64	6	46
Employees	175	541	518	1,638	76	397
Operators	172	1,249	356	2,553	50	537
Adhesives	43	339	126	702	18	106
Executives				8	1	17
Employees	35	109	122	391	12	58
Operators	8	230	4	303	5	31
Insulators and Lighteners	114	340	229	561	34	141
Executives				7	1	5
Employees	80	108	172	243	22	42
Operators	34	232	57	311	11	94
TOTAL	**508**	**2,487**	**1,276**	**5,589**	**187**	**1,252**
Total personnel 2022:			**11,299**			

DEMOGRAPHICS: INTERANNUAL COMPARISON – SEX AND WORK CENTER

	2021	2022	Δ'22-'21
Corporate	135	148	9.6%
Women	26	34	30.7%
Men	109	114	4.6%
% Women	24%	23%	
Tiles	8,326	8,398	0.86%
Women	1,352	1,373	1.5%
Men	6,974	7,025	0.73%
% Women	19%	16%	
Adhesives	1,276	1,334	4.5%
Women	179	187	4.5%
Men	1,097	1,147	4.5%
% Women	16%	14%	
Insulators and Lighteners	-	1,419	-
Women	-	377	-
Men	-	1,042	-
% Women	-	27%	-
TOTAL	**9,737**	**11,299**	**16%**
% Women	16%	17%	

Note: Due to the recent incorporation of Fanosa, employee data for 2021 is unavailable.

HIRING 2022

	<30 years		30-50 years		>50 years		TOTAL
	Women	Men	Women	Men	Women	Men	
TOTAL	189	961	210	704	14	46	2,124

% WOMEN HIRED 2022

TOTAL	19%

% TURNOVER 2022

	<30 years		30-50 years		>50 years	
	Women	Men	Women	Men	Women	Men
TOTAL	41%	33%	13%	12%	5%	11%

Formula: [(Number of people leaving)/(Personnel at beginning of year + Personnel at yearend)/2]*100

Training and career development

(GRI 404-1)

HOURS OF TRAINING PER LABOR CATEGORY AND SEX 2022

	Women	Men
Executives	84	4,407
Employees	1,063	3,344
Operators	1,021	2,102
TOTAL	**2,168**	**9,853**

	Average hours of training women	Average hours of training men
TOTAL	1.09	1.05

Work environment
(GRI 3-3)

All Grupo Lamosa companies have a work environment management system that uses annual anonymous electronic surveys to measure personnel satisfaction and possible areas of opportunity in different segments, such as security, supervision, working conditions and communication. With the results obtained, action plans and commitments are generated to improve employee satisfaction.

Performance evaluation
(GRI 404-3)

Executives and other employees undergo annual evaluations to assess their fulfillment of objectives and soft skills. Operating personnel are given more specific evaluations according to the type of function they carry out and the category to which they belong.

Retirement plans
(GRI 201-3)

Some Grupo Lamosa companies have retirement plans for executives and employees, with defined benefits and contributions. In addition, the company offers training programs for retirement.

Employee health and safety
(GRI 403-8, 403-9; SASB EM-CM-320a.1, RT-CH-320a.1, RT-CH-320a.2)

All Grupo Lamosa employees are covered by the health system that corresponds to the legislation of each country where the company operates. Additionally, Grupo Lamosa has its own Health and Safety Management system, which guarantees that production centers have safe working environments.

OCCUPATIONAL HEALTH AND SAFETY 2022

	Tiles	Adhesives	Insulators and Lighteners
Deaths – employees (number)	0	0	0
Partial Frequency Index - (PFI)	0.78	1.84	9.15

PFI: Lost-time Accidents, and the formula is:
PFI = 240,000*Incidents/Hours worked (OSHA)

Focus on training, prevention and risk management in production plants

Risk management in work areas is carried out through the internal HIRAC methodology (Hazard Identification, Risk Assessment and Controls), where a team made up of people from Operations, Maintenance, Management and SHE (Safety, Health and Environment) carry out an analysis to determine the optimal controls for the operations.

Risks fall into different risk identification categories, with the ones ranked as "high" being the priority to be addressed.

Additionally, internal training is carried out for "Safe Operations" through the monitoring of Procedures and Methodologies for all the activities carried out at the different work centers.

2.4 Product sustainability and innovation

(SASB CG-MR-410a.1, EM-CM-410a.1, CG-BF-250a.2)

REVENUE FROM PRODUCTS WITH SUSTAINABILITY CERTIFICATION

	2022
Tiles	
UL GREENGUARD certification (million USD)	115.8
VOC products (SKUs)	3,203
Adhesives	
Porcelain Tile Agency Certification (million USD)	77.4
VOC products (SKUs)	44

Note: VOC products refers to the products that comply with emissions and/or content standards for volatile organic compounds.

Waste

(GRI 306-3, 306-4; SASB EM-CM-150a.1, RT-CH-150a.1)

Grupo Lamosa has implemented procedures to optimize the use of materials in the production processes of its different businesses, thus reducing the amount of waste generated. Reuse and recycling are encouraged.

NON-HAZARDOUS WASTE GENERATED IN 2022 (tons)

	Tiles	Adhesives	Insulators and Lighteners
TOTAL (ton)	**73,215**	**7,411**	**4,718**
Landfill (%)	7.2	14.8	33.7
Reuse (%)	82.4	0.2	18.8
Recycled (%)	10.4	85.0	47.5

Note: Recycled waste includes wood, cardboard and iron.

HAZARDOUS WASTE GENERATED IN 2022 (tons)

	Tiles	Adhesives	Insulators and Lighteners
TOTAL (ton)	**10,543**	**2**	**622**
Reused hazardous waste (%)	13.0	-	0.1
Recycled hazardous waste (%)	81.6	-	0.2
Hazardous waste disposed of by a specialized third party (%)	0.4	100	99.7

Water

(GRI 303-3, 303-4, 303-5; SASB RT-CH-140a.1, RT-CH-140a.3, EM-CM-140a.1)

Grupo Lamosa is aware of the importance of water resources for its operations. It uses them responsibly, always adhering to the legal framework and carrying out processes that help reduce and reuse part of the water that is consumed.

WATER EXTRACTION BY SOURCE TYPE IN 2022 (m^3)

	Tiles	Adhesives	Insulators and Lighteners
TOTAL (m^3)	**193,510,315**	**18,977**	**132,148**
Municipal network (%)	0.08	82.73	52.91
Wells (%)	99.88	6.32	46.89
Trucks (%)	0.04	10.95	-

WATER DISCHARGE BY DESTINATION IN 2022 (m^3)

	Tiles	Adhesives	Insulators and Lighteners
TOTAL (m^3)	**13,043,463**	**570**	**30,462**
Surface water (%)	98.80	-	-
Underground water (%)	0.23	-	0.24
Third-party location (%)	0.97	100%	99.76

WATER CONSUMPTION AND REUSE IN 2022 (m^3)

	Tiles	Adhesives	Insulators and Lighteners
Total consumption	**180,466,852**	**18,407**	**101,685**
Total reuse (%)	**0.39**	**0.11**	**2.82**

Note: The percent of water reused considers both treated and recycled water divided by total water extracted.

3. Governance

3.1 Integrity

(GRI 205-3, 406-1, 418-1; SASB CG-MR-230a.2)

TRANSPARENCY LINE 2022

	2022
Number of complaints addressed through the Transparency Line	269
Policy violations	38%
Inappropriate conduct	35%
Conflicts of interest	12%
Incorrect use of information	9%
Other	6%

Note. The complaints addressed included cases of corruption and discrimination, which were duly resolved and the corresponding disciplinary measures imposed.

At Grupo Lamosa, we work every day to assure an ethical work culture and adherence to the company's values. Nevertheless, timely follow-up is given to any incidents that may arise.

When a complaint is received, an exhaustive investigation is carried out to determine the veracity of the facts and take the necessary steps to resolve the problem. Depending on the nature of the case, the company may take disciplinary action against the employees, suppliers or other parties involved, and implement corrective measures to prevent future violations.

ETHICS 2022

	2022
Percentage of employees trained in the Code of Ethics	100%

Grupo Lamosa customers' and suppliers' adherence to the Code of Ethics is formalized in the contracts they sign in their commercial transactions with the company.

3.2 Value chain

(GRI 204-1)

% OF SPENDING ON LOCAL SUPPLIERS 2022 (USD$ millions)

Tiles	Adhesives	Insulators and Lighteners
65.4	72.5	97.3

Note: The percentage of spending on local suppliers is made up by business considering the spending allocated to suppliers located in the same state or province where the production plants are located.

3.3 Economic value generated and distributed

(GRI 201-1)

ECONOMIC VALUE GENERATED AND DISTRIBUTED 2022 (millions of Mexican pesos)

Direct Economic Value Generated	**35,704**
Total revenues	35,412
Financial income	221
Other income	71
Economic value distributed	**31,831**
Cost of sales	20,423
Operating expenses (including salaries and benefits)	8,293
Income taxes	1,927
Dividends	411
Financial expenses	777
Economic Value Retained	**3,873**

Economic value retained: Direct economic value generated – total economic value distributed

APPENDIX 3: REPORTING STANDARDS

GRI CONTENTS

UNIVERSAL STANDARDS

GRI 1: 2021 FOUNDATION				
Guides the application of GRI Standards throughout the report.				
GRI 2: 2021 GENERAL DISCLOSURES				
Section	**GRI content**	**GRI description**	**Reason for omission**	**Page**
Organization profile and report practices	2-1	Organizational details		5
	2-2	Entities included in sustainability reporting		45
	2-3	Reporting period, frequency and point of contact		45
	2-4	Information updating	Does not apply. Being the first annual report in which Grupo Lamosa reports under GRI standards, this indicator does not apply.	
	2-5	External verification	Does not apply. Being the first annual report in which Grupo Lamosa reports under GRI standards, this indicator does not apply; however, the company has verified it internally.	

Section	GRI content	GRI description	Reason for omission	Page(s)
Activities and employees	2-6	Activities, value chain and other business relationships		5, 23
	2-7	Employees		57
	2-8	Workers who are not employees	Information unavailable	
Governance	2-9	Governance structure and composition		17
	2-10	Appointment and selection of the highest governance body		17
	2-11	Chairman of the highest governance body		17
	2-12	Role of the highest governance body in overseeing impact management		17, 39
	2-13	Delegation of responsibility for managing impacts		17, 39
	2-14	Role of the highest governance body in sustainability reporting		45
	2-15	Conflicts of interest		17
	2-16	Communication of critical concerns	Confidential information	
	2-17	Collective knowledge of the highest governance body	Information unavailable	
	2-18	Evaluation of the performance of the highest governance body	Information unavailable	
	2-19	Remuneration policies		17
	2-20	Process for determining remuneration		17
	2-21	Annual compensation ratio	Confidential information	

Section	GRI content	GRI description	Reason for omission	Page(s)
Strategy, policies and practices	2-22	Sustainable development strategy statement		3
	2-23	Commitments and policies		14, 21
	2-24	Incorporation of commitments and policies		21
	2-25	Processes to remedy negative impacts		21
	2-26	Mechanisms for advice and raising concerns		21
	2-27	Compliance with laws and regulations		21
	2-28	Affiliation to associations		50
Stakeholder participation	2-29	Approach to stakeholder engagement		49
	2-30	Collective bargaining agreements		30, 57
GR 3: MATERIAL TOPICS 2021				
	3-1	Process for determining material topics		47
	3-2	List of material topics		47
	3-3	Management of material topics	See table with GRI content by material topic	

GRI CONTENT PER MATERIAL TOPIC – SPECIFIC STANDARDS PER TOPIC

Topic	GRI standard	GRI content	Reason for omission	Page
Economic performance	GRI 3 Material topics 2021	GRI 3-3: Management of material topics		9
	GRI 201 Economic performance 2016	201-1: Direct economic value generated and distributed		66
	GRI 201 Economic performance 2016	201-2: Financial implications and other risks and opportunities derived from climate change	Information unavailable	
	GRI 201 Economic performance 2016	201-3: Obligations of the defined benefit plan and other retirement plans		61
	GRI 201 Economic performance 2016	201-4: Financial assistance received from the government	Grupo Lamosa does not receive any type of monetary or in-kind contributions from government entities.	
	GRI 205 Anti-corruption 2016	205-1: Transactions assessed for risks related to corruption		21
	GRI 205 Anti-corruption 2016	205-2: Communication and training on anti-corruption policies and procedures		21
	GRI 205 Anti-corruption 2016	205-3: Confirmed cases of corruption and measures taken		65

Topic	GRI standard	GRI content	Reason for omission	Page
Supply chain	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		23
	GRI 204 Procurement practices 2016	204-1 : Proportion of expenses for local suppliers		66
	GRI 308 Environmental management of suppliers 2016	308-1: New suppliers who have passed evaluation and selection filters in accordance with environmental criteria	Information unavailable	
	GRI 308 Environmental management of suppliers 2016	308-2: Negative environmental impacts in the supply chain and measures taken	Information unavailable	
	GRI 414 Social management of suppliers 2016	414-1: New suppliers that have passed evaluation and selection filters in accordance with social criteria	Information unavailable	
	GRI 414 Social management of suppliers 2016	414-2: Negative social impacts in the supply chain and measures taken	Information unavailable	
Customer service	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		24
Digital transformation	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		24
Omnichannel and distributor relations	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		24

Topic	GRI standard	GRI content	Reason for omission	Page(s)
Data protection	GRI 3: Material topics 2021			27
	GRI 418 Customer privacy 2016	418-1: Substantiated complaints regarding breaches of customer privacy and loss of customer data	During 2022, there were no third-party claims; internal cases of information mishandling are reported on page 65	27, 65
Employee health and safety	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		28
	GRI 403 Occupational health and safety 2016	403-1: Occupational health and safety management system		28
	GRI 403 Occupational health and safety 2016	403-2: Hazard identification, risk assessment and incident investigation		28
	GRI 403 Occupational health and safety 2016	403-3: Occupational health services		28
	GRI 403 Occupational health and safety 2016	403-4: Worker participation, consultation and communication on occupational health and safety		28
	GRI 403 Occupational health and safety 2016	403-5: Training of workers on occupational health and safety		28

Topic	GRI standard	GRI content	Reason for omission	Page
Employee health and safety	GRI 403 Occupational health and safety 2016	403-6: Promotion of workers' health		28
	GRI 403 Occupational health and safety 2016	403-7: Prevention and mitigation of impacts on workers' health and safety directly linked to commercial relations		28
	GRI 403 Occupational health and safety 2016	403-8: Coverage of the occupational health and safety management system		61
	GRI 403 Occupational health and safety 2016	403-9: Injuries in work-related accidents		61
	GRI 403 Occupational health and safety 2016	403-10: Occupational illnesses and diseases	Information unavailable	
Talent attraction and retention	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		29
	GRI 401 Jobs 2016	401-1: New employee hires and personnel turnover		51
	GRI 401 Jobs 2016	401-2: Employee benefits given to full-time employees but not to part-time or temporary ones		30

Topic	GRI standard	GRI content	Reason for omission	Page(s)
Talent attraction and retention	GRI 401 Jobs 2016	401-3: Parental permissions	Information unavailable	
	GRI 404 Training and education 2016	404-1: Average hours of training per year per employee		60
	GRI 404 Training and education 2016	404-2: Programs to improve employee skills		29
	GRI 404 Training and education 2016	404-3: Percent of employees receiving regular performance reviews and professional development		61
	GRI 406 Non-discrimination 2016	406-1: Cases of discrimination and corrective actions taken		65
	GRI 413 Local communities 2016	413-1: Operations with local community participation, impact assessments and development programs	Information unavailable. Grupo Lamosa continues to make efforts to measure the impact of its external social impact initiatives, including the Escuela Digna program.	
	GRI 413 Local communities 2016	413-2: Operations with significant negative impacts – real or potential – on local communities	Information unavailable	
Labor climate	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		30, 61

Topic	GRI standard	GRI content	Reason for omission	Page
Diversity and inclusion in the workforce	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		30
	GRI 405 Diversity and inclusion in the workforce 2016	405-1: Diversity in governing bodies and employees		57
	GRI 405 Diversity and inclusion in the workforce 2016	405-2: Ratio of base salaries and remuneration of women compared to men	Information unavailable	
Management of chemical substances in products	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		32
Product innovation	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		32
Quality products (customer health)	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		32
	GRI 416 Customer health and safety 2016	416-1: Assessment of the impacts of product and service categories on health and safety		32
	GRI 416 Customer health and safety 2016	416-2: Cases of non-compliance related to the impact on health and safety of the company's categories of products and services	Information unavailable	
Automation and efficiency of operational processes	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		32

Topic	GRI standard	GRI content	Reason for omission	Page
Energy Consumption Management	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		34
	GRI 302 Energy 2016	302-1: Energy consumption in the organization	Information unavailable. Grupo Lamosa is calculating its internal energy consumption for the fuels and electricity it uses.	
	GRI 302 Energy 2016	302-2: Energy consumption outside the organization	Information unavailable	
	GRI 302 Energy 2016	302-3: Energy intensity	Information unavailable. Grupo Lamosa is calculating its internal energy consumption for the fuels and electricity it uses.	
	GRI 302 Energy 2016	302-4: Reduction in energy consumption	Information unavailable. Grupo Lamosa is calculating its internal energy consumption for the fuels and electricity it uses.	
	GRI 302 Energy 2016	302-5: Reduction in the energy requirements of products and services	Information unavailable	
	GRI 305 Emissions 2016	305-1: Direct greenhouse gas emissions (Scope 1)	Information unavailable. Grupo Lamosa is currently calculating its Scope 1 emissions.	
	GRI 305 Emissions 2016	305-2: Indirect greenhouse gas emissions from energy generation (Scope 2)	Information unavailable. Grupo Lamosa is currently calculating its Scope 2 emissions.	
	GRI 305 Emissions 2016	305-3: Other indirect greenhouse gas emissions (Scope 3)	Information unavailable	
	GRI 305 Emissions 2016	305-4: Intensity of greenhouse gas emissions	Information unavailable. Grupo Lamosa is currently calculating its Scope 1 and Scope 2 emissions.	

Topic	GRI standard	GRI content	Reason for omission	Page
Energy consumption management	GRI 305 Emissions 2016	305-5: Reduction of greenhouse gas emissions	Information unavailable. Grupo Lamosa is currently calculating its Scope 1 and Scope 2 emissions.	
	GRI 305 Emissions 2016	305-6: Emissions of substances that deplete the ozone layer (ODSs)	Information unavailable	
	GRI 305 Emissions 2016	305-7: Energy consumption management	Information unavailable	
Product life cycles	GRI 3: Material topics 2021	GRI 3-3: Management of material topics		35
	GRI 306 Waste 2020	306-1: Waste generation and significant impacts		35
	GRI 306 Waste 2020	306-2: Management of significant impacts related to waste		35
	GRI 306 Waste 2020	306-3: Waste generated		63
	GRI 306 Waste 2020	306-4: Waste disposal that the company has avoided		63
	GRI 306 Waste 2020	306-5: Waste that is to be avoided	Information unavailable	
	GRI 303 Water and effluents 2018	303-1: Interaction with water as a shared resource		35
	GRI 303 Water and effluents 2018	303-2: Management of impacts related to water discharge		35

Topic	GRI standard	GRI content	Reason for omission	Page
Product life cycles	GRI 303 Water and effluents 2018	303-3: Water extraction		64
	GRI 303 Water and effluents 2018	303-4:Water discharge		64
	GRI 303 Water and effluents 2018	303-5: Water consumption		64

INDEX OF SASB METRICS

STANDARDS FOR CONSTRUCTION PRODUCTS AND FURNITURE – 2018 VERSION

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Activity metrics					
Activity metric	CG-BF-000.A	Annual production	Unit of measure for annual production used by the entity		7
Activity metric	CG-BF-000.B	Area of manufacturing facilities	Square meters (m²)	Information not available	
Accounting metrics					
Energy management in manufacturing	CG-BF-130a.1	(1) Total energy consumed, (2) percentage of electricity from the grid, (3) percentage of renewable energy.	Gigajoules (GJ), percentage (%)	Information not available. Grupo Lamosa is calculating its electricity consumption.	
Handling of chemical substances in products	CG-BF-250a.1	Analysis of the processes to evaluate and manage risks or hazards associated with chemical substances in products.	N/A		32
	CG-BF-250a.2	Percentage of such products that comply with emission standards and those related to the content of volatile organic compounds (VOCs).	Percentage by revenue (%)		62

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page(s)
Environmental effects of the life cycle of the products	CG-BF-410a.1	Description of efforts to manage the effects of the life cycle of products and meet the demand for sustainable products.	N/A		24, 35
	CG-BF-410a.2	(1) Weight of material recovered at the end of their useful life, (2) percentage of recovered materials recycled.	Metric tons (t), percentage by weight (%)	Information not available	
Wood supply-chain management	CG-BF-430a.1	1) Total weight of purchased wood fiber materials, (2) percentage of forests certified by third parties, (3) percentage by standard, and (4) percentage certified according to other wood fiber standards.	Metric tons (t), percentage by weight (%)	Does not apply	

INDEX OF SASB METRICS

STANDARDS FOR DISTRIBUTORS, SPECIALIZED RETAILERS AND MULTI-LINE – 2018 VERSION

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Activity metrics					
Activity metric	CG-MR-000.A	Number of: (1) retail locations and (2) distribution centers.	Number	(1) Grupo Lamosa does not have its own direct sales locations, 2) information not available.	
Activity metric	CG-MR-000.B	Total area of: (1) retail space and (2) distribution centers.	Square meters (m^2)	(1) Grupo Lamosa does not have its own direct sales locations, 2) information not available.	
Accounting metrics					
Energy management in retail trade and distribution	CG-MR-130a.1	(1) Total energy consumed, (2) percentage of electricity from the grid, (3) percentage of renewables.	Gigajoules (GJ), percentage (%)	Information not available. Grupo Lamosa is calculating its electricity consumption.	
Data security	CG-MR-230a.1	Description of the approach to identify and address data security risks.	N/A		27
	CG-MR-230a.2	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected.	Number, percentage (%)	(1) There were no data breaches, (2) the percentage of internal cases related to bad management of information is presented, (3) no customers or third parties were affected.	65

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Labor practices	CG-MR-310a.1	1) Average salary per hour and 2) percentage of store employees earning the minimum wage, by region.	Reference currency, percentage (%)	Information not available	
	CG-MR-310a.2	Turnover rate, (1) voluntary and (2) involuntary, of store employees.	Ratio	(1)The total Grupo Lamosa turnover rate is presented, (2) not available.	57
	CG-MR-310a.3	Total amount of monetary losses as a result of legal proceedings related to infringements of labor law.	Reference currency	Grupo Lamosa did not present monetary losses for this reason.	
Diversity and inclusion in the workforce	CG-MR-330a.1	Percentage representation of genders and racial/ethnic groups in (1) management and (2) all other employees.	Percentage (%)	(1) Not available, (2) a breakdown by gender and labor category is presented in the corresponding table.	57
	CG-MR-330a.2	Total amount of monetary losses as a result of legal proceedings related to job discrimination.	Reference currency	Information not available	
Product sourcing, packaging and marketing	CG-MR-410a.1	Revenue from third-party-certified products according to environmental or social sustainability standards.	Reference currency		62
	CG-MR-410a.2	Analysis of the processes to evaluate and manage the risks or dangers associated with chemical substances in products.	N/A		32
	CG-MR-410a.3	Analysis of strategies to reduce the environmental impact of the packaging.	N/A		35

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STANDARDS FOR CONSTRUCTION MATERIALS – 2018 VERSION

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Activity metrics					
Activity metric	EM-CM-000.A	Production by main product line	Metric tons (t)		7
Accounting metrics					
Greenhouse gas emissions	EM-CM-110a.1	Gross Scope 1 global emissions and percentage covered by emission cap regulations.	Metric tons (t) of CO_2e, percentage (%)	Information not available. Grupo Lamosa is calculating its Scope 1 emissions.	
	EM-CM-110a.2	Analysis of the long- and short-term strategy or plan to manage Scope 1 emissions, emission reduction targets, and analysis of the results in relation to those goals.	N/A	Information not available. Grupo Lamosa is calculating its Scope 1 emissions.	
Air quality	EM-CM-120a.1	Emissions of the following pollutant gases: (1) NOx (excluding N_2O), (2) SO_x, (3) particulate matter (PM10), (4) dioxins/furans, (5) volatile organic compounds (VOCs), (6) polycyclic aromatic hydrocarbons (PAHs), and (7) heavy metals.	Metric tons (t)	Information not available. Grupo Lamosa is calculating its Scope 1 emissions.	

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Energy management	EM-CM-130a.1	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage alternative (4) Percentage renewable.	Gigajoules (GJ), percentage (%)	Information not available. Grupo Lamosa is calculating its electricity consumption.	
Water management	EM-CM-140a.1	(1) Total water extracted, (2) percentage recycled, (3) percentage from regions with high or extremely high initial water stress.	Thousands of cubic meters (m^3), percentage (%)	1) Total water extracted according to source, (2) percentage of water reused in the three businesses, (3) not available.	64
Waste management	EM-CM-150a.1	Amount of waste generated, percentage hazardous, percentage recycled.	Metric tons (t), percentage (%)		63
Effects on biodiversity	EM-CM-160a.1	Description of the environmental management policies and practices in the operating facilities.	N/A	N/A	
	EM-CM-160a.2	Land area altered, percentage of affected area recovered.	Acres (ac), porcentaje (%)	N/A	
Occupational health and safety	EM-CM-320a.1	(1) Total Recordable Incident Rate (TRIR) and (2) Incident Frequency Rate (IFR) for (a) full-time employees and (b) contract employees.	Ratio	(1) Information not available, (2) the IFR index is reported by business.	61
	EM-CM-320a.2	Number of cases of silicosis notified.	Number	Information not available	

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Product innovation	EM-CM-410a.1	Percentage of products that qualify for sustainable building design and construction certification credits.	Reference currency, percentage (%)		62
	EM-CM-410a.2	Total addressable market and share of market for products that reduce energy, water, and/ or material impacts during usage and/or production.	Reference currency, percentage (%)	Information not available	
Price integrity and transparency	EM-CM-520a.1	Total amount of monetary losses as a result of legal proceedings related to cartel actions, price fixing or antitrust activities.	Reference currency	Grupo Lamosa did not have monetary losses related to these issues.	

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STANDARDS FOR CHEMICAL SUBSTANCES – 2018 VERSION

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Activity metrics					
Activity metric	RT-CH-000.A	Production per segment	Cubic meters (m^3) or metric tons (t)		7
Accounting metrics					
Greenhouse gas emissions	RT-CH-110a.1	Gross Scope 1 global emissions, percentage covered by emission cap regulations.	Metric tons (t) of CO_2, percentage (%)	Information not available. Grupo Lamosa is calculating its Scope 1 emissions.	
	RT-CH-110a.2	Analysis of the long- and short-term strategies and plans to manage Scope 1 emissions, emission reduction targets, and analysis of results compared to those goals.	N/A	Information not available. Grupo Lamosa is calculating its Scope 1 emissions.	
Air quality	RT-CH-120a.1	Emissions of the following pollutant gases: (1) NOx (except N_2O), (2) SO_x, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs).	Metric tons (t)	Information not available. Grupo Lamosa is calculating its Scope 1 emissions.	

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Energy management	RT-CH-130a.1	(1) Total energy consumed, (2) percentage of electricity from the grid, (3) percentage of renewables, (4) total self-generated energy.	Gigajoules (GJ), percentage (%)	Information not available. Grupo Lamosa is calculating its electricity consumption.	
Water management	RT-CH-140a.1	(1) Total water extracted, (2) total water consumed, percentage of each from regions with high or extremely high initial water stress.	Thousands of cubic meters (m^3), percentage (%)		64
	RT-CH-140a.2	Number of non-compliance incidents related to water quality permits, standards and regulations.	Number	Grupo Lamosa has not violated the law in relation to water use and management.	
	RT-CH-140a.3	Description of water management risks and analysis of strategies and practices to mitigate them.	N/A		64
Hazardous waste management	RT-CH-150a.1	Amount of hazardous waste generated, percentage recycled.	Metric tons (t), percentage (%)		63
Community relations	RT-CH-210a.1	Analysis of engagement processes to manage risks and opportunities associated with community interests.	N/A		31

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Occupational health and safety	RT-CH-320a.1	(1) Total Recordable Incident Rate (TRIR) and (2) fatality rate for a) direct employees and b) contract employees.	Ratio	(1) Not available, (2) presents the number of fatalities in 2022, which was zero.	63
	RT-CH-320a.2	Description of initiatives undertaken to assess, monitor, and reduce employee and contract worker exposure to long-term (chronic) health risks.	N/A		61
Design of products for efficiency in the use phase	RT-CH-410a.1	Revenue from products designed for resource efficiency in the use phase.	Reference currency	Information not available	
Safety and environmental stewardship of chemicals	RT-CH-410b.1	1) Percentage of products that contain chemical substances that are hazardous to health and the environment, belonging to Categories 1 and 2 of the Globally Harmonized System of Classification and Labeling of Chemical Products (GHS), 2) percentage of these products that have been subjected to a risk assessment.	Percentage per revenue stream (%)	Information not available	
	RT-CH-410b.2	Analysis of the strategy for 1) managing the chemicals of concern and 2) developing alternatives that have a reduced impact on humans and the environment.	N/A		32

SASB Topic	Code	Description	Unit of measure	Reason for omission	Page
Genetically modified organisms	RT-CH-410c.1	Percentage of products, by revenue, that contain genetically modified organisms (GMOs).	Percentage by revenue (%)	Does not apply	
Management of the legal and regulatory environment	RT-CH-530a.1	Analysis of corporate positioning related to government regulations and policy proposals that address environmental and social factors that affect the sector.	N/A		34
Occupational safety, preparation and response to emergencies	RT-CH-540a.1	Process Safety Incident Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR).	Number, ratio	Information not available	
	RT-CH-540a.2	Number of transportation incidents	Number	N/A	

APPENDIX 4: AUDIT COMMITTEE REPORT

Audit Committee Report
February 15, 2023
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 the report on this Committee's activities in relation to the financial year ended December 31, 2022, pursuant to Company bylaws and the current Law:

1. We reviewed the reports of the external auditor on the basis of the Sole Circular for External Auditors and the report on results of the internal audit for the year of 2022.

2. To date, this Committee has no knowledge of any significant incompliance with the operating and accounting guidelines and policies of the Company and its Subsidiaries.

3. This Committee 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 approved the designation of the External Auditor and the payment for auditing and additional services, ensuring that the independence thereof in no way appears to be compromised.

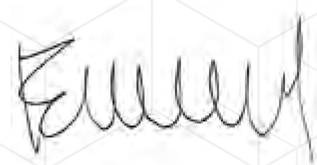
5. During the year, this Committee reviewed diverse issues, such as operating risk management for ROCA and FANOSA, and the evaluation of, and progress with, the Company's information security program.

6. We reviewed the performance of the Grupo Lamosa Transparency Line, ensuring that 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 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 2022.

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.



Miguel Eduardo Padilla Silva
Chairman

APPENDIX 4: CORPORATE PRACTICES COMMITTEE REPORT

Corporate Practices Committee Report
February 15, 2023
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, 2022 pursuant to Company bylaws and the current Law. .

1. We reviewed the previously defined goals, the individual and Company performance during the year and any observations on the performance of the 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 the talent succession strategy for the organization's key positions.

4. During the year, there were no transactions with related parties.

5. 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 Committee has done so.

6. The Corporate Practices Committee will continue carrying out all the actions necessary to comply with the legal and statutory requirements that govern it.

Armando Garza Sada
Chairman

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.

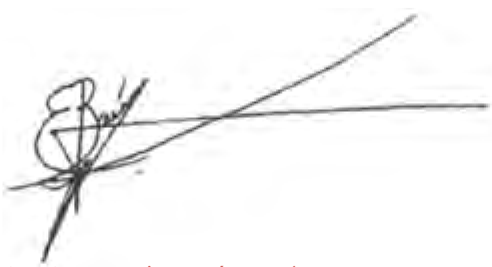
- Obtained sufficient appropriate audit evidence related to the financial information of the entities or the business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit.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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. ACTIVITIES

Grupo Lamosa, S.A.B. de C.V. and its subsidiaries (the "Company") are engaged in the manufacture and commercialization of ceramic products for floor and wall coverings, and adhesive for ceramic tiles and from 2022 manufacture expanded polystyrene. 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. BUSINESS COMBINATIONS

a. Acquisition of "Roca" – On September 1, 2021, the Company acquired 100% of the shares representing the common stock of Tiles Investments and Holding, S.L. ("Roca"), the holding company of a group of entities primarily engaged in the manufacture and sale of ceramic and floor coverings in the United States, Brazil, and Spain. The Company made this acquisition to expand its market, diversify risks and strengthen its industry leadership.

As this acquisition qualified as a business combination according to the requirements of International Financial Reporting Standard ("IFRS") 3, *Business combinations*, the purchase method was applied to measure the assets acquired and liabilities assumed as a result of the transaction. The acquisition payment amount, on a cash free, debt free basis, was $4,884,112 (US$241 million), thereby generating preliminary goodwill of $2,240,291, which was recognized in the statement of financial position as of December 31, 2021. The acquisition was financed by a combination of cash flows generated by existing businesses and bank loans.

As the allocation of the purchase price was concluded in 2022; subsequently, the preliminary figures recognized in 2021 have been adjusted to reflect the fair value of the acquired assets and assumed liabilities. In the purchase price allocation process, goodwill was adjusted by the amount of $2,050,707, thus resulting in a final goodwill amount of $189,584. As of September 1, 2021, the fair value of the assets acquired and liabilities assumed as a result of this acquisition were as follows:

	Preliminary figures	Adjustments	Final figures
Transferred payment, net of cash received	$ 4,884,112	$ -	$ 4,884,112
Identifiable acquired assets and assumed liabilities:			
Current assets	$ 2,367,589	$ -	$ 2,367,589
Noncurrent assets [1]	2,232,732	3,196,239	5,428,971
Total assets	**$ 4,600,321**	**$ 3,196,239**	**$ 7,796,560**
Current liabilities [2]	$ 1,304,015	$ 33,623	$ 1,337,638
Noncurrent liabilities [3]	652,485	1,111,909	1,764,394
Total liabilities	**$ 1,956,500**	**$ 1,145,532**	**$ 3,102,032**
Net of identifiable assets and liabilities	$ 2,643,821	$ 2,050,707	$ 4,694,528
Goodwill	**$ 2,240,291**	**$ (2,050,707)**	**$ 189,584**

(1) The adjustment of noncurrent assets is composed by $2,059,559, $952,925 and $183,755 for property, plant and equipment, intangible assets and right-of-use assets, respectively.

(2) The adjustment of current liabilities is composed by $33,623 for lease liabilities.

(3) The adjustment of noncurrent liabilities is composed by $985,362 and $126,547 for deferred income tax and lease liabilities, respectively.

The main adjustments to the consolidated statement of financial position as of December 31, 2021 to allocate the purchase price were as follows:

	Reported figures	Adjustments	Final figures
Property, plant and equipment, net	$ 9,532,195	$ 2,128,827	$ 11,661,022
Right-of-use assets, net	800,001	73,701	873,702
Intangible assets, net	8,279,269	(1,165,019)	7,114,250
Deferred income taxes	1,131,708	(989,587)	142,121
Current portion of lease liability	167,849	47,922	215,771

The adjustments to the consolidated statement of income for the year ended December 31, 2021 were insignificant.

The sales and net profit of the period from September 1, 2021 through December 31, 2021 and which contributed the acquired business were $1,597,495 and $132,726, respectively.

The results of the acquired operations have been included in the accompanying financial statements as of the acquisition date. Accordingly, the consolidated financial statements as of and for the year ended December 31, 2021 are not comparable with those of prior years. The consolidated statement of cash flows for the year ended December 31, 2021 presents the expense incurred to acquire Roca on a single line item under investment activities, net of acquired cash.

b. Acquisition of "Fanosa" – On January 4, 2022, the Company acquired 100% of the shares representing the common stock of Empresas Ruibal, S.A. de C.V. ("Fanosa"), the holding company of a group of entities that are primarily engaged in the manufacture and sale of Expanded Polystyrene ("EPS") products. The Company made this acquisition in order to expand its market, diversify risks and strengthen its leadership of the construction industry.

As this acquisition qualified as a business combination according to the requirements of IFRS 3, *Business combinations*, the purchase method was applied to measure the assets acquired and liabilities assumed as a result of the transaction. The acquisition payment, cash free, debt free, was $1,884,328, thereby generating goodwill of $582,311. The acquisition was financed through a combination of cash flows generated by existing businesses and bank loans.

The fair value of the acquired assets and assumed liabilities, the transferred payment and the goodwill generated as a result of this acquisition are as follows:

Transferred payment, net of received cash:	$ 1,884,328
Identifiable acquired assets and assumed liabilities:	
Current assets (1)	$ 620,190
Noncurrent assets (2)	1,615,612
Intangible assets (3)	224,729
Total assets	$ 2,460,531
Liabilities	
Current liabilities (4)	$ 615,154
Noncurrent liabilities(5)	543,360
Total liabilities	$ 1,158,514
Net of identifiable assets and liabilities	$ 1,302,017
Goodwill	$ 582,311

(1) Current assets are composed by cash, accounts receivables , other assets and inventories for the amount of $77,343, $113,112, $154,550 and $275,185, respectively.

(2) Noncurrent assets are composed by property, plant and equipment, right-of-use assets and other assets for the amount of $1,460,060, $81,275 and $74,277, respectively.

(3) Intangible assets are composed by customers and trademarks for the amount of $176,066 y $48,663, respectively.

(4) Current liabilities are composed by bank loans, other accounts payable and other liabilities for the amount of $210,000, $369,775 and $35,379, respectively.

(5) Noncurrent liabilities are composed by deferred income taxes and other liabilities for the amount of $405,642 and $137,718, respectively.

Sales and the net profit of the period ended December 31, 2022 and which contributed the acquired business are $3,032,938 and $205,567, respectively.

The results of acquired operations have been included in the accompanying consolidated financial statements as of the acquisition date. Accordingly, the consolidated financial statements as of and for the year ended December 31, 2022 are not comparable with those of prior years. The consolidated statement of cash flows for the year ended December 31, 2022 presents the expense incurred to acquire Fanosa on a single line item within investment activities, net of acquired cash.

3. BASIS OF PRESENTATION AND CONSOLIDATION

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

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

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

During the current year, the Company has applied a series of modified interpretations issued by the IASB, which are of mandatory application for the accounting period starting on or as of January 1, 2022. The conclusions related to their adoption are described below:

Amendments to IFRS 3, Business Combination – Reference to the conceptual framework

The amendments update IFRS 3 to allow it to refer to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. Another requirement was added to IFRS 3 whereby, for obligations covered by the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the buyer must apply IAS 37 to determine whether a present obligation exists as a result of past events at the acquisition date. In the case of a levy included within the scope of IFRIC 21, *Levies*, the buyer must apply IFRIC 21 to determine whether the obligating event giving rise to a levy payment liability has occurred at the acquisition date.

The Company applied the amendments to the business combinations performed during the year ended December 31, 2022, which are described in Note 2, without affecting its consolidated financial information.

Amendments to IAS 16, Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit companies from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The entity measures the cost of these elements according to IAS 2, *Inventories*.

The amendments also clarify the meaning of testing whether an asset is functioning properly'. IAS 16 now specifies that it evaluates whether the technical and physical performance of the asset is such that it can be utilized in the production or supply of goods or services, may be rented to others or used for administrative purposes.

The Company evaluated the amendments to IAS 16 and determined that the application of these amendments did not affect its consolidated financial information because it has not sold products before property, plant and equipment are ready for use.

Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the "costs of fulfilling" a contract include the "costs related directly to the contract". Costs that are directly related to a contract consist of incremental costs and the costs of fulfilling a contract (e.g., labor or materials) and the allocation of other costs that are directly related to fulfilling a contract (such as the allocation of the depreciation of items of property, plant and equipment to fulfill the contract).

The Company evaluated the amendments to IAS 37 and determined that the application of these amendments did not affect its consolidated financial information because it has no onerous contracts.

Annual Improvements to IFRSs 2018-2020 Cycle

The Company has adopted the amendments included in the annual improvements to IFRSs 2018-2020 Cycle during the current year. The Annual Improvements include amendments to four standards, which did not affect the Company's consolidated financial information because their applicability is not significant:

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*
- Amendments to IFRS 9, *Financial Instruments*
- Amendments to IFRS 16, *Leases*
- Amendments to IAS 41, *Agriculture*

i. New and revised IFRS in issue, but not yet effective

The Company has not applied the following new and revised IFRS in issue, but not yet effective. However, it does not expect the adoption of these standards to have a material effect on the consolidated financial statements of future periods because their applicability is not significant:

- IFRS 17, *Insurance Contracts* (1)
- Amendments to IAS 1 and Practice Statement 2 – Disclosure of accounting policies (1)
- Amendments to IAS 8 – Definition of accounting estimates (1)
- Amendment to IAS 12, Income taxes - Deferred income taxes related to assets and liabilities arising from a single transaction (1)
- Amendments to IAS 1 – Classification of liabilities as current or noncurrent (1)
- Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture (2)
- Amendments to IAS 1 – Classification of debt with covenants (2)
- Amendments to IFRS 16 - Lease liability in a sale with leaseback (3)

(1) In effect for annual periods starting on or as of January 1,2023.

(2) In effect for annual periods starting on or as of January 1,2024.

(3) Effective date still pending definition by the IASB.

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

e. Local, functional and reporting currency – The individual financial statements of each subsidiary of the Company are prepared in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of these consolidated financial statements, the income statement and financial position of each entity are shown in Mexican pesos, which is the presentation currency of the consolidated financial statements. Subsidiaries that operate abroad whose functional currency is different from the presentation currency of the consolidated financial statements convert their financial statements using the following exchange rates: 1) closing for assets and liabilities and 2) historical for equity and 3) the date of the transaction for revenue, costs and expenses. Moreover, if the functional currency in which a foreign subsidiary operates corresponds to a hyperinflationary economy, its financial statements are restated by applying the requirements of IAS 29, *Financial Report in Hyperinflationary Economies*, using the price index of the country of origin of the functional currency, and subsequently converted using the closing exchange rate for all items for consolidation purposes. The conversion effects arising from the consolidation of the Company's subsidiaries are recorded in stockholders' equity, within the other comprehensive income items.

The following table shows the functional currencies of the main foreign operations of the Company, which are the same as their recording currency:

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

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

For the years ended December 31, 2022 and 2021, inflation in Argentina was 94.8% and 50.9%, respectively.

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

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

Adhesives Business
Adhesivos Perdura, S. A. de C. V. [4]
Crest Norteamérica, S. A. de C. V. [5]
Niasa México, S. A. de C. V. [6]
Solutek Chile, S.p.A.
Tecnocreto, S.A.
Empresas Fanosa, S.A. de C.V. (antes Empresas Ruibal, S.A. de C.V.) [1]
Fanosa, S.A. de C.V. [1]
Naves y Edificios, S.A. de C.V. [1]
Edificios y naves del Norte, S.A. de C.V. [1]

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

(1) Companies acquired on January 4, 2022.

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

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

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

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

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

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

(8) Company acquired on September 1, 2021.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Amortized cost and effective interest method

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

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

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

Classes of financial assets

i. Financial assets at amortized cost

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

ii. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those whose business model is based on both collecting contractual cash flows and selling the financial assets; and their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal. As of December 31, 2022, and 2021, the Company does not hold financial assets to be measured at fair value through other comprehensive income.

iii. Financial assets at fair value through profit or loss

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

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

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

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

As of December 31, 2022 and 2021, the Company has not made any of the irrevocable designations described above.

Foreign exchange gains and losses

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

Impairment of financial assets

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

Derecognition of financial assets

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

Measurement and recognition of expected credit losses

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

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

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

d. Real estate inventories – Real estate inventories mainly consist of land of the Company and are valued at the lower of cost or net realizable value.

e. Property, plant and equipment – Property, plant and equipment are initially recorded at their cost of acquisition net of accumulated depreciation and/or accumulated impairment losses, if any. The borrowing costs related to the acquisition of qualifying asset are capitalized as part of the cost of that asset, according to the policy of the Company. 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 revenue from the sale and the carrying amount of the asset and is recorded in other income (expenses) of the operations, when all significant risks and rewards of ownership of the asset are transferred to the buyer, which normally occurs when ownership of the property is transferred.

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

g. Investment in associates – An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

When necessary, the impairment test of the total carrying value of the investment (including goodwill) in accordance with IAS 36, Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of sales) against its carrying value. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

h. Leases

The Company as lessee

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

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

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

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

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

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

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

- The lease term is changed or there is a significant event or change in the circumstances of the lease resulting in a change in the assessment of the exercise of the purchase option, in which case the lease liability is measured by discounting the discounted lease payments using an updated discount rate.

- Lease payments are changed as a result of index or rate changes or a change in the expected payment under a guaranteed residual value, in which case the lease liability is revalued by discounting the updated lease payments using the same discount rate (unless the change in lease payments is due to a change in a variable interest rate, in which case an updated discount rate is used).

- A lease is amended, and the lease amendment is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the amended lease, discounting the updated lease payments using a discount rate updated to the effective date of the amendment.

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

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

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

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

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

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

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

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

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

The Company's main intangible assets are trademarks, goodwill, mining concessions, customer relations and investments in software.

The estimated useful life of intangible assets is as follows:

	Years
Trademarks	15
Mining concessions	130
Customer relations	17
Investments in software	10

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

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

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

k. Impairment of tangible and intangible assets other than goodwill– At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Financial liabilities at FVTPL

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statements of income.

Debt and other financial liabilities measured at amortized cost

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

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition

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

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

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

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

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

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

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

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

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

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

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

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

The Company The Company primarily uses currency forwards, currency swaps, call spreads and interest rate swaps to manage its exposure to foreign currency and interest rate fluctuations, respectively.

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

<u>Labor Reform as regards Vacations</u>

On December 27, 2022, a decree was published to reform articles 76 and 78 of the Mexico's Federal Labor Law ("LFT"), which will be effective as of January 1, 2023. The main changes resulting from this labor reform focus on the increased minimum annual vacation period granted to workers with more than one year's service.

The Company evaluated the accounting effects generated by this labor reform and determined that the increased provision for vacations and vacation premium due to the higher number of vacation days were insignificant as of December 31, 2022.

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

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

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

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

Legal defined contribution plan – The Company makes contributions equivalent to 2% of the salary of their workers to their plan defined contribution plan based on the retirement savings requirements established by law. The expense recognized for this item was $36,995 in 2022 and $28,150 in 2021.

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

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

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

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

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

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

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

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

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

Revenue from the sale of goods and products

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

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

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

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

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

Current tax

Current tax corresponds to income tax (“ISR”) and is recorded in the income of the year when incurred. Taxable profit differs from profit as reported in the consolidated statements of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company’s liability for current tax is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, including tax loss benefit. Deferred income tax asset is presented net of the reserve arising from the uncertainty of the realization of certain benefits.

On initial recognition, such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

The main closing exchange rates as of December 31, 2022 and 2021 for the consolidated statement of financial position and approximate average of 2022 and 2021 of the accounts of the consolidated statement of income, are as follows:

	As of December 31, 2022	
Currency	Closing	Average
U.S. Dollar	19.3615	19.5690
Colombian Peso	0.0040	0.0041
Peruvian Sol	5.0858	5.1119
Argentinian Peso	0.1093	0.1135
Chilean Peso	0.0225	0.2235
Quetzal	2.4657	2.4871
Euro	20.7810	20.7339
Brazilian real	3.7107	3.7383

	As of December 31, 2021	
Currency	Closing	Average
U.S. Dollar	20.5835	20.9853
Colombian Peso	0.0051	0.0052
Peruvian Sol	5.1574	5.1942
Argentinian Peso	0.2003	0.2059
Chilean Peso	0.0242	0.0247
Quetzal	2.6053	2.6053

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 355,165,100 and 361,226,483 weighted average shares outstanding during 2022 and 2021, respectively. The Company does not have potentially dilutive instruments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY UNCERTAINTY SOURCES IN ESTIMATES

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

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

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

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

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

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

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

Useful lives of fixed and intangible assets

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

Valuations to determine the recoverability of deferred tax assets

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

Impairment of long-lived assets

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

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

Assumptions made in defined benefit plan obligations

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

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

Significant influence

The Company holds a 49% interest in both Estudio Cerámico México, S.A. de C.V. and Servigesa, S.A. de C.V., but since it does not hold the majority of the substantive rights in these entities and does not have the power and the ability to affect variable returns, it has concluded that it does not have control over them. See Note 3g. The balances of these investments in associates as of December 31, 2022 and 2021 were $37,481 and $37,481, respectively.

Identification of a general Price index in Argentina

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

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

Year	Index
2022	1,134.5875
2021	582.4575
2020	385.8826

Contingencies

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

6. OBJECTIVES OF RISK MANAGEMENT IN FINANCIAL INSTRUMENTS

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

6.1 Categories and fair value of financial instruments

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

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents [1]	$ 2,037,110	$ 3,413,435
Accounts receivable [1]	5,007,424	4,762,991
Derivative financial instruments [2]	264,494	131,396
Financial liabilities:		
Amortized cost liabilities [1][3]	$ 14,177,614	$ 13,879,231
Derivative financial instruments [2]	12,861	2,055

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

(2) Instruments measured at fair value through profit or loss.

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

6.2 Market risk

6.2.1 Foreign exchange risk

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

		2022		2021
Financial asset	US$	64,985	US$	47,978
Financial liabilities		(480,189)		(458,669)
Liability position	US$	(415,204)	US$	(410,691)
Equivalent in Mexican pesos	$	(8,038,972)	$	(8,453,454)

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

As of December 31, 2022	As of December 31, 2021
$ 19.3615	$ 20.5835

At January 31, 2023, the interbank exchange rate established by Banco de Mexico was $18.7872 Mexican pesos per U.S. dollar.

Sensitivity analysis of exchange risk

Because the Company has a borrowing position in foreign currency, mainly due to debt and finance leases in US dollars it is exposed to variations in exchange rates. In this position in foreign currency, if the exchange rate increases or decreases, the exchange effects would be against or in favor, respectively. Therefore, if as of December 31, 2022, the Mexican peso/U.S. dollar ratio increased by $3.00 Mexican pesos, then the amount of net monetary position in foreign currency would have increased by $1,245,612 impacting income before taxes and the Company's stockholders' equity would have resulted in an exchange loss. If additionally, such ratio had decreased by $3.00 Mexican pesos, the effect would have been the opposite. Both scenarios represent the amount that management considers reasonably possible to occur in a year given current market volatility.

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

As of December 31, 2022 and 2021, the Company has a USD/MXN exchange rate call spread strategy to mitigate the exchange rate risk for a portion of its USD financing payments. In addition, the Company has designated seven Cross Currency Swaps (CCS) as accounting hedges, four of them with USD/MXN exchange rates and three of them with USD and various Latin American currencies (USD/COP, USD/PEN and USD/CLP). The objective of these hedges is to mitigate the exchange rate risk (USD/MXN) and the interest rate risk (Libor) derived from the payment of interest and principal of its foreign currency financing scheme. Another objective for the Latin American currency swaps is to hedge the translation effect of the net investment in its subsidiaries in Colombia, Peru and Chile. Both the CCS are in the Parent Company; therefore, the Company has formally documented these hedging relationships at the individual entity and consolidated level.

The strategy is classified as a cash flow accounting hedge.

Furthermore, the Company has designated three CCS as exchange rate hedges denominated in US dollars and different Latin American currencies (COP, PEN and CLP) as cash flow hedges and for the net investment abroad to mitigate risks involving the interest rate, financing scheme exchange rate fluctuations and the translation effect resulting from the net investment in its subsidiaries in Colombia, Peru and Chile because its functional currency differs from the functional currency of the holding company. As the Company contracted each CCS to decrease transaction costs, for accounting and hedge evaluation purposes, it divides derivatives into synthetic derivatives to individually cover each hedged item (financing and net investment scheme). Even when the economic relationship of the strategy is clear, its characteristics are not closely aligned.

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

2022

Characteristics	CCS BBVA 175577	CCS BBVA 175137	CCS BBVA 177169	CCS Scotiabank C63496/ C63495
DFI heading in BS				
Currency	USD	USD	USD	USD
Notional	$21,960	$21,960	$20,404	$21,960
Coupon receives	Libor 3M	Libor 3M	Libor 3M	Libor 3M
Currency	MXN	MXN	MXN	MXN
Notional	$465,420	$472,030	$428,494	$463,136
Coupon pays	1.978%	2.00%	1.939%	1.925%
Maturity	17-oct-24	17-oct-24	17-oct-24	17-oct-24
Amortization MXN	$170,385	$172,819	$156,880	$169,563
Amortization USD	$8,040	$8,040	$7,470	$8,040
Book value	$16,568	$14,058	$17,065	$17,582
Change in fair value to measure ineffectiveness	$16,148	$13,615	$16,671	$17,221
Effect recognized in IS for reclassifications	$(12,907)	$(15,376)	$(10,493)	$(12,141)
Recognized in OCI, net of reclassifications	$20,633	$20,604	$19,291	$20,806
Ineffectiveness recognized in results	-	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$(16,186)	$(13,648)	$(16,715)	$(17,389)

Characteristics	CCS Citibank C8TV20693368	CCS Citibank C9IB20693210	CCS Citibank C9IK20693365
DFI heading in BS			
Currency	USD	USD	USD
Notional	$17,110	$54,900	$6,405
Coupon receives	Libor 3M	Libor 3M	Libor 3M
Currency	COP	PEN	CLP
Notional	$65,721,430	$197,091	$5,104,785
Coupon pays	1.445%	0.69%	0.452%
Maturity	17-oct-24	17-oct-24	17-oct-24
Amortization USD	$6,264	$20,100	$2,345
Amortization COP/PEN/CLP	$24,061,944	$72,159	$1,868,965
Book value	$50,777	$101,694	$12,663
Change in fair value to measure ineffectiveness	$52,203	$101,236	$12,727
Effect recognized in IS for reclassifications	$(13,102)	$(43,014)	$(5,018)
Recognized in OCI, net of reclassifications	$44,716	$101,295	$12,377
Ineffectiveness recognized in results	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$(51,800)	$(101,701)	$(12,776)

2021

Characteristics	CCS BBVA 175577	CCS BBVA 175137	CCS BBVA 177169	CCS Scotiabank C63496/ C63495
DFI heading in BS				
Currency	USD	USD	USD	USD
Notional	$23,640	$23,640	$21,965	$23,640
Coupon receives	Libor 3M	Libor 3M	Libor 3M	Libor 3M
Currency	MXN	MXN	MXN	MXN
Notional	$501,026	$508,142	$461,275	$498,568
Coupon pays	1.978%	2.00%	1.939%	1.925%
Maturity	17-oct-24	17-oct-24	17-oct-24	17-oct-24
Amortization MXN	$205,991	$208,931	$189,661	$204,995
Amortization USD	$9,720	$9,720	$9,031	$9,720
Book value	$4,656	$1,465	$6,490	$6,386
Change in fair value to measure ineffectiveness	$4,400	$1,247	$6,235	$5,984
Effect recognized in IS for reclassifications	$(7,840)	$(10,817)	$(5,477)	$(6,774)
Recognized in OCI net of reclassifications	$8,747	$8,597	$8,378	$9,212
Ineffectiveness recognized in results	-	-	-	-
Change in fair value of the hedged item to measure ineffectiveness	$(4,360)	$(1,181)	$(6,216)	$(5,992)

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

As of December 31, 2022, CCS hedge effectiveness results confirm that the hedging relationship is highly effective because changes in the fair value and cash flows of the hedged item are offset in the effectiveness range established by the Company. The prospective effectiveness test produced an average result of 98.01% for exchange rate and interest rate hedges, and 99.49% for the hedge contracted for the net investment abroad, thus confirming the economic relationship between hedging instruments and the hedged item. As of December 31, 2021, the results of the effectiveness test were 98.99% for exchange rate and interest rate hedges, and 99.61% for the hedge contracted for the net investment abroad, respectively. Effectiveness is evaluated by modeling a hypothetical derivative with the characteristics of each hedged item. In the case of derivatives hedging two risks (USD/COP, USD/PEN and USD/CPL), hypothetical derivatives are individually modeled for each risk in order to directly evaluate them according to each synthetic derivative. The coverage ratio as of December 31, 2022 and as of December 31, 2021 was an average of 100% and 100%, respectively, for the hedged risk of the financing scheme and 36%, 59% and 8% for the net investments in Colombia, Peru and Chile, respectively, in December 2022 and 39%, 64% and 8% in December 2021.

In the hedging relationships described above, ineffectiveness may arise for three reasons: the difference at the settlement date between the derivatives and hedged item, credit risk, synthetic derivative modeling and the definition of market rates. As of December 31, 2022 and at the December 2021 close, results did not indicate any ineffectiveness.

The Call Spread strategies that the Company had designated during 2020 in a cash flow hedge were early terminated during 2021 due to the prepayment of the hedged item (financing denominated in USD.).

As of December 31, 2022, the Company had eight USD/MXN exchange rate Call Spread strategies to mitigate the exchange rate risk for future financing payments denominated in USD.

As the Company maintains different liabilities in US dollars, during 2022 it contracted eight Call Spread strategies to cover the 2025 payments of two different liabilities denominated in USD. The characteristics of the derivative financial instruments and considerations concerning their respective valuations as hedging instruments are detailed below:

2022

Characteristics	Call Spreads	Call Spreads
Currency	USD/MXN	USD/MXN
Notional	$50,400	$13,800
Maturity	January, April, July and October 2025	March, June, September and December 2025
Average strike	$27	$27
Average strike	$25	$25
Book value of assets	$12,946	$3,590
Effect recognized in results	-	-
Recognized in other comprehensive income, net of taxes and reclassifications	$299	$401

For accounting purposes, the Company has designated the operations described above as cash flow hedging relationships used to hedge the future payments of two different liabilities in 2025. These relationships have been formally documented, while also establishing the objectives and the risk hedging strategy adopted by management, identifying hedging instruments, hedged items, the nature of the risk to be hedged and the effectiveness evaluation methodology.

According to the characteristics of the hedged items and hedging instruments, the economic relationship is clear because the characteristics are perfectly aligned for the established hedging relationships. For this reason and in conformity with the standard, a qualitative method is applied based on the evaluation of critical terms. In the event of a substantial or critical change that could modify the economic relationship, a quantitative evaluation must be performed for the period for which doubt exists by using a cash flow offsetting method that includes a hypothetical derivative.

As of December 31, 2022, hedge effectiveness test results are 100%, thus confirming that the hedging relationship is highly effective. According to the described amount and the manner in which derivative cash flows are exchanged, for hedging strategies the average hedge ratio is 22% at the December 2022 yearend close. In these hedging relationships, ineffectiveness is essentially associated with the credit risk.

As of December 31, 2022 and 2021, the Company has currency forwards contracts for a nominal amount of its supplier invoice commitment, which all involve import hedges. The characteristics of these contracts are as follows:

Characteristics	2022	2021
Currency	USD/CLP	USD/CLP
Notional	$7,108	$6,165
Maturity	January, February, March and April 2023	January, February, March and April 2022
Average strike	$927.35	$837.03
Asset book value	$4,267	$2,800
Effect recognized in results	$-	$1,913
Recognized in other comprehensive income, net of taxes and reclassifications	$(3,115)	$647

Characteristics	2022	2021
Currency	EUR/MXP	USD/BRL
Notional	$1,302	$3,000
Maturity	January and March 2023	March and April 2023
Average strike	$21.889	$5.2588
(Liability) asset book value	$(1,096)	$1,342
Effect recognized in results	$-	$-
Recognized in other comprehensive income, net of taxes and reclassifications	$767	$(886)

As of December 31, 2022 and 2021, the Company has futures contracts for a nominal amount equal to the amount of supplier invoices denominated in foreign currency. The characteristics of these contracts are as follows:

Characteristics	2022	2021
Currency	USD/ARS	USD/ARS
Notional	$14,670	$24,394
Maturity	January 2023	January 2023
Average strike	$191.33	$107.13
Asset book value (liability)	$177	$(2,055)
Recognized in other comprehensive income, net of taxes and reclassifications	$(115)	$(1,337)

6.2.2 Interest rate risk

As of December 31, 2022, 62% of the bank debt has been contracted at a variable rate, which exposes the Company to the interest rate risk. This risk exposure is essentially related to possible fluctuations in the interest rate benchmark used in Mexico (Interbank Interest Rate or “TIIE”), in the US (the three-month London InterBank Offered Rate or “LIBOR” and the three-month Secured Overnight Financing Rate or “SOFR”), in Europe (Euro InterBank Offered Rate or “EURIBOR” and in Brazil (the Special System for Settlement and Custody “SELIC”).

The Company monitors the trends of these interest rates, the value of which increased during 2022. As of December 31, 2022, the Company maintains a debt balance of $2,000,000 denominated in local currency at a fixed 9.12% rate, together with $500,000 at a 91 day TIIE rate plus a 1.18% surcharge. It also has a debt of US$165 million denominated in US dollars at the three-month LIBOR rate plus a 1.60% surcharge; US$82 million at a fixed rate of 5.24%; US$115 million at a three-month SOFR rate plus a fixed adjustment factor of 0.26161% and a surcharge of 1.40%; US$ 13.0 million at a 7.99% fixed rate; US$ 22 million based on a SOFR rate plus a maximum surcharge of 3.5%. Likewise, the Company has a debt of EUR 5.0 million at a EURIBOR rate plus a surcharge of between 0.40% and 1.50%. It also has a debt of BRL 23 million at a SELIC rate plus a surcharge of 2.5%.

Sensitiveness analysis of the interest rate risk

If, as of December 31, 2022, the interest rates of the Company’s debt instruments varied by 2.0 percentage points, which represents a percentage that management considers reasonably possible in a one-year period, the effect on the Company’s profit before taxes and stockholders’ equity would be $98,582. A rate increase would adversely affect profit, while a rate decrease would generate a benefit.

6.2.3 Natural gas price risk

The Company is exposed to fluctuations in the price of natural gas. During the years ended December 31, 2022 and 2021, the Company consumed natural gas of approximately 18,239,364 and 15,245,198 million British Thermal Units ("MMBTUS"), respectively. Based on the guidelines established by the Finance Committee to hedge the risk of the rise in the price of gas, a strategy to hedge this input has been implemented by contracting derivative financial instruments that have been classified as cash flow hedges. As of December 31, 2022 and 2021, the Company does not have hedges for natural gas.

As of December 31, 2022 and 2021, and January 31, 2023, the issuance date of the consolidated financial statements, the market price of natural gas was US$6.38, US$5.54 and US$4.78, U.S. dollars of MMBTUS respectively.

Sensitivity analysis of natural gas price risk

If as of the December 31, 2022, the gas price had increased by 10%, which represents the percentage that Management considers reasonably possible to occur in the coming year, the Company's income before taxes would have decreased by $213,956, having an effect on stockholders' equity of $149,769. If additionally, such ratio had decreased by 10%, then the effect would be the opposite.

6.3 Liquidity risk

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

A contractual payments' analysis of non-derivative financial liabilities is disclosed in Note 16 and 17. This risk is managed by maintaining a proper cash balance for its operation and debt service, complemented by available lines of credit with various banks which as of December 31, 2022, are fully available.

6.4 Credit risk

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

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

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

7. CASH AND CASH EQUIVALENTS

		2022		2021
Cash and bank deposits	$	371,775	$	823,414
Cash equivalents - investments in money market fund		1,665,335		2,590,021
	$	2,037,110	$	3,413,435

8. ACCOUNTS RECEIVABLE, NET

		2022		2021
Accounts receivable	$	5,128,036	$	4,888,144
Expected credit loss		(120,612)		(125,153)
	$	5,007,424	$	4,762,991

The following is the movement in the evolution due to the loss of customers on December 31, 2022 and 2021, with the model of losses expected by the Company:

2022 Customer groups	Accounts receivable (1)	Secured accounts receivable	Unsecured accounts receivable	Default probability range	Loss given default range		Opening balance Impairment allowance		Increases in the allowance		Cancellations in the allowance		Ending balance Impairment allowance
Construction / Ceramic	$4,770,617	$1,191,059	$3,579,558	.02% - .05%	1.0	$	(112,681)	$	(20,044)	$	22,857	$	(109,868)
Construction / Adhesives	836,958	328,688	508,270	.03% - .05%	1.0		(12,472)		-		1,728		(10,744)
Total						$	(125,153)	$	(20,044)	$	24,585	$	(120,612)

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

(1) The total portfolio is presented on a gross basis as regards the allowance for volume discounts granted by the Company to its customers.

The increase in the allowance for doubtful accounts were derived by an application consisting of the probability of default on recurring sales to the Company's customers. Moreover, with respect to cancellations, these were made by recovering the amount previously considered uncollectible and, to a lesser extent, by considering some accounts receivable that are legally irrecoverable. The Company has guaranteed its portfolio for $175,839 and $164,254 as of December 31, 2022 and 2021, respectively.

9. INVENTORIES

	2022	2021
Finished goods	$ 2,569,273	$ 1,896,306
Work in process	276,250	195,259
Raw materials	1,167,590	859,290
Accessories and spare parts	367,199	402,444
	$ 4,380,312	$ 3,353,299

The amount of the inventories consumed and recognized as part of cost of sales for the years ended December 31, 2022 and 2021, amounted to $8,941,463 and $7,955,490, respectively.

Inventories recognized as an expense for the years ended December 31, 2022 and 2021 include $16,962 and $(6,033), respectively, for write-off of inventory to their net realizable value.

10. OTHER CURRENT ASSETS

	2022	2021
Recoverable taxes	$ -	$ 13,862
Advance to suppliers	97,686	220,311
Advance to sundry creditors	67,479	76,168
Derivative financial instruments	86,645	24,661
Other	107,203	167,046
	$ 359,013	$ 502,048

11. REAL ESTATE INVENTORIES

	2022	2021
Real estate for sale	$ -	$ 20,856
Undeveloped land	80,155	77,346
	$ 80,155	$ 98,202

12. PROPERTY, PLANT AND EQUIPMENT, NET

	2022	2021
Land	$ 2,729,475	$ 2,169,632
Building and constructions	5,345,286	5,045,137
Machinery and equipment	12,619,035	12,411,148
Furniture and equipment	119,235	108,736
Vehicles	149,856	13,153
Computers	293,840	218,430
Investment in process	1,794,395	503,681
	23,051,122	20,469,917
Accumulated depreciation	9,224,279	8,808,895
	$ 13,826,843	$ 11,661,022

	Balances as of December 31, 2021	Acquisition	Translation effect	Inflationary effect	Additions	Depreciation	Disposals	Capitalization	Balance as of December 31,2022
Investments:									
Land	$ 2,169,632	$ 611,457	$ (70,127)	$ 3,506	$ 15,007	$ -	$ -	$ -	$ 2,729,475
Buildings and constructions	5,045,137	296,504	(170,967)	35,173	115,362	-	72	24,149	5,345,286
Machinery and equipment	12,411,148	424,147	(636,074)	175,311	330,275	-	218,208	132,436	12,619,035
Furniture and equipment	108,736	5,089	(20,212)	-	7,268	-	7,395	25,749	119,235
Transport equipment	13,153	128,451	(892)	816	9,797	-	7,002	5,533	149,856
Computer equipment	218,430	8,319	(14,029)	7,200	15,300	-	14,359	72,979	293,840
Investments in process	503,681	3,160	(28,851)	9,072	1,599,652	-	31,473	(260,846)	1,794,395
Total investments	20,469,917	1,477,127	(941,152)	231,078	2,092,661	-	278,509	-	23,051,122
Depreciation:									
Buildings and constructions	1,955,145	-	(53,620)	10,618	-	399,406	198,327	-	2,113,222
Machinery and equipment	6,592,043	-	(296,441)	-	-	450,455	30,901	-	6,715,156
Furniture and equipment	73,419	-	(14,262)	-	-	17,973	6,001	-	71,129
Transport equipment	6,575	-	(503)	354	-	31,539	16,591	-	21,374
Computer equipment	181,713	-	(6,083)	2,628	-	127,342	2,202	-	303,398
Total accumulated depreciation	8,808,895	-	(370,909)	13,600	-	1,026,715	254,022	-	9,224,279
Investments, net	$ 11,661,022	$ 1,477,127	$ (570,243)	$ 217,478	$2,092,661	$(1,026,715)	$ 24,487	$ -	$ 13,826,843

	Balances as of December 31, 2020	Acquisition	Translation effect	Inflationary effect	Additions	Depreciation	Disposals	Capitalization	Balance as of December 31,2021
Investments:									
Land	$ 1,452,882	$ 798,277	$ (61,422)	$ 3,007	$ 12,391	-	$ 35,503	-	$ 2,169,632
Buildings and constructions	4,546,376	690,246	(115,983)	30,582	8,594	-	115,824	1,146	5,045,137
Machinery and equipment	10,932,928	1,584,968	(325,876)	196,947	76,654	-	263,027	208,554	12,411,148
Furniture and equipment	82,761	31,350	(7,124)	-	8,321	-	7,594	1,022	108,736
Transport equipment	8,268	1,856	(185)	1,051	6,268	-	7,179	3,074	13,153
Computer equipment	205,331	15,640	(4,559)	5,282	15,163	-	29,142	10,715	218,430
Investments in process	95,255	135,025	(10,687)	10,313	504,823	-	6,537	(224,511)	503,681
Total investments	17,323,801	3,257,362	(525,836)	247,182	632,214	-	464,806	-	20,469,917
Depreciation:									
Buildings and constructions	1,875,136	-	(39,496)	6,562	-	117,433	4,490	-	1,955,145
Machinery and equipment	6,507,501	-	(176,220)	19,694	-	481,955	240,887	-	6,592,043
Furniture and equipment	78,545	-	(5,271)	-	-	7,481	7,336	-	73,419
Transport equipment	4,346	-	(141)	649	-	8,934	7,213	-	6,575
Computer equipment	177,131	-	(2,208)	1,891	-	29,513	24,614	-	181,713
Total accumulated depreciation	8,642,659	-	(223,336)	28,796	-	645,316	284,540	-	8,808,895
Investments, net	$ 8,681,142	$ 3,257,362	$ (302,500)	$ 218,386	$ 632,214	$ (645,316)	$ 180,266	$ -	$ 11,661,022

During the years ended December 31, 2022 and 2021, the Company had unused capacity of 9.48% and 5.08%, respectively. On the other hand, the interest costs related to qualifying fixed assets as of December 31, 2022 and 2021 were not significant.

During the years ended December 31, 2022 and 2021, the Company impaired property, plant and equipment amounting to $25,065 and $45,430, respectively, of assets that were removed from use.

13. INTANGIBLE ASSETS, NET

	2022	2021
Intangible assets:		
Brands	$ 5,485,855	$ 5,576,814
Goodwill	1,411,599	847,207
Mining concessions	296,444	301,878
Customer relations	165,709	-
Amortized intangible assets	337,350	388,351
	$ 7,696,957	$ 7,114,250

Cost	Brands	Goodwill	Total Unamortized Intangibles	Brands	Mining concessions	Customer Relations	Other assets amortizable	Amortized Intangibles	Total
Balances as of December 31, 2020	$ 4,942,282	$ 786,114	$ 5,728,396	$ -	$ -	$ -	$ 421,145	$ 421,145	$ 6,149,541
Acquisitions	-	2,240,291	2,240,291	-	-	-	34,091	34,091	2,274,382
Reclassification by purchase price assignment	413,855	(2,149,994)	(1,736,139)	269,242	301,878	-	-	571,120	(1,165,019)
Conversion effect	(48,565)	(29,204)	(77,769)				-	-	(77,769)
Amortization	-	-	-	-	-	-	(66,885)	(66,885)	(66,885)
Balances as of December 31, 2021	5,307,572	847,207	6,154,779	269,242	301,878	-	388,351	959,471	7,114,250
Acquisitions	48,663	582,311	630,974	-	-	176,066	30,840	206,906	837,880
Conversion effect	(118,060)	(17,919)	(135,979)	-	-	-	(5,919)	(5,919)	(141,898)
Amortization	-	-	-	(21,562)	(5,434)	(10,357)	(75,922)	(113,275)	(113,275)
Balances as of December 31, 2022	$ 5,238,175	$ 1,411,599	$ 6,649,774	$ 247,680	$ 296,444	$ 165,709	$ 337,350	$ 1,047,183	$ 7,696,957

As of December 31, 2022 and 2021, intangible assets with finite useful lives mainly refer to expenses of the Company related to the implementation of an enterprise resource planning (ERP) system and mining concessions which began amortization in the corresponding exercise that was put into operation.

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

	2022	2021
North America ceramic tiles	$ 3,946,296	$ 3,946,296
South America ceramic tiles:		
Chile	517,819	524,054
Peru	55,997	47,347
Colombia San Lorenzo	375,621	482,485
Colombia Eurocerámica	243,351	212,879
Argentina	226,357	209,769
Roca Ceramic Tiles:	425,561	504,151
Adhesives	227,798	227,798
Fanosa	630,974	-
	$ 6,649,774	$ 6,154,779

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

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

The discount and perpetuity growth rates used for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate		
North America ceramic tiles	11.4%	8.77%
Adhesives	11.8%	8.77%
Fanosa	11.8%	-
South America ceramic tiles:		
Chile	10.4%	7.91%
Peru	10.4%	7.60%
Colombia San Lorenzo	11.3%	8.93%
Colombia Eurocerámica	11.3%	8.93%
Argentina	50.8%	55.20%
Roca	9.15%	-
Perpetuity growth rate		
North America ceramic tiles and Adhesives	3.0%	3.0%
South America ceramic tiles:		
Chile	3.5%	3.5%
Peru	3.0%	3.0%
Colombia	3.0%	3.0%
Argentina	20.8%	20.8%
Roca	3.5%	-

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

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

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

14. OTHER NON-CURRENT ASSETS

	2022	2021
Recoverable taxes	$ 67,684	$ 35,683
Other assets	105,150	123,145
Investments in shares	37,481	37,481
Account receivable selling part	45,569	49,144
Long-term advances	247,807	-
Expenses to be amortized	164,250	86,617
	$ 667,941	$ 322,070

15. OTHER CURRENT LIABILITIES

	2022	2021
Contributions and taxes payable	$ 122,058	$ 199,958
Freights payable	603,165	561,538
Energy payable	367,975	350,463
Statutory employee profit sharing (PTU)	306,689	244,213
Provisions	239,091	279,610
Dividends payable	128,037	105,400
Derivative financial instruments	12,861	2,055
Sundry creditors	1,090,962	852,935
Other accounts payable	477,975	365,193
	$ 3,348,813	$ 2,961,365

16. BANK DEBT

a. According to established credit contracts, the bank debt as of December 31, 2022 and 2021 is composed as follows:

	2022	2021
Syndicated bank loan (2019 "Club-Deal") denominated in US dollars and with a variable interest rate based on the 3-month LIBOR rate. The maximum surcharge paid was 1.60% in 2021, with principal maturities on different dates until 2026.	$ 3,188,839	$ 3,649,455
Stock Certificates denominated in Mexican pesos and with a fixed interest rate of 9.12% based on the M-10 Bond rate and with principal maturity in 2029.	2,000,000	2,000,000
Syndicated bank loan denominated in US dollars and with a variable interest rate based on the 3-month LIBOR rate. The maximum surcharge paid was 1.85% in 2021, with principal maturities at different dates until 2026. (1)	-	4,116,760
Bilateral bank loan contracted with BBVA, denominated in Mexican pesos and with a variable interest rate based on the 91 day TIIE rate. The maximum surcharge paid in 2022 was 1.18%, with principal maturities at different dates until 2028	500,000	-
Bank loan ("Club-Deal 2022") denominated in US dollars and with a variable interest rate based on the three-month SOFR rate. The maximum surcharge paid in 2022 was 1.40%, with principal maturities at different dates until 2029.	2,226,573	-
Private placement denominated in US dollars with a fixed interest rate of 5.24% and the annual maturity of principal from 2031 through 2034.	1,587,643	-
Unsecured loan denominated in Brazilian reales and with a variable interest rate based on the SELIC plus a maximum surcharge of 2.5%, with maturities on different dates until 2023.	83,596	165,981
Unsecured loan denominated in US dollars and with a variable interest rate based on the SOFR rate plus a maximum surcharge of 3.5% with maturities on different dates until 2025.	668,921	-
Unsecured revolving loan denominated in euros with a variable interest rate based on the Euribor rate plus a surcharge of between 0.40% and 1.50% and with maturities on different dates until 2023.	108,923	30,944
Total bank debt	10,364,495	9,963,140
Costs incurred to issue and obtain debt	(52,622)	(84,864)
Total bank debt, net	10,311,873	9,878,276
Current portion	(918,204)	(409,853)
Long term debt	$ 9,393,669	$ 9,468,423

(1) During 2022, the Company utilized the funds of the private placement and a syndicated loan to settle the financing obtained during 2021 ahead of time, thereby enhancing its maturity profile and debt conditions. As a result of this advance payment, the unapplied costs of $45,690 incurred to issue and obtain debt were recognized in the consolidated statement of income.

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

As of December 31, 2022, the maturities of the noncurrent debt, net of the costs incurred to issue and obtain debt are as follows:

Year	Principal	Unaccrued interest [1]
2024	$ 976,475	$ 654,303
2025	1,444,871	571,695
2026	1,523,224	462,025
2027	694,481	382,799
2028	595,394	327,594
2029	2,574,940	283,775
2030	-	83,192
2031	395,951	72,793
2032	395,951	51,995
2033	395,951	31,197
2034	396,431	10,399
	$ 9,393,669	$ 2,931,767

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

SELIC, TIEE, LIBOR, SOFR and EURIBOR interest rates were as follow:

Year	SELIC %	TIIE %	LIBOR %	SOFR %	EURIBOR %
2022	13.75	10.761	4.767	4.872	3.018
2021	9.25	5.715	0.214	0.091	(0.502)

Certain restrictions are included in some clauses of the long-term debt agreements of the Company as well as the obligation to maintain certain financial ratios. Such restrictions have been met as of December 31, 2022 and 2021.

17. LEASES

Right-of-use assets, net

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

a) The right-of-use recognized in the consolidated statement of financial position as of December 31, 2022 and 2021 is integrated as follows:

	Transport equipment	Buildings	Computer equipment	Machinery and equipment	Total
Initial balance as of January 1, 2020	$ 30,195	$ 77,204	$ 4,510	$ 202,281	$ 314,190
Acquisition of Roca	2,616	491,012	-	608	494,236
New contracts	21,241	136,004	788	47,373	205,406
Depreciation of the year	(13,376)	(58,213)	(3,796)	(64,745)	(140,130)
Balance as of December 31, 2021	40,676	646,007	1,502	185,517	873,702
Acquisition of Fanosa	-	81,275	-	-	81,275
New contracts	28,844	34,043	-	402	63,289
Depreciation of the year	(18,318)	(94,431)	(484)	(56,687)	(169,920)
Final balance as of December 31, 2022	$ 51,202	$ 666,894	$ 1,018	$ 129,232	$ 848,346

b) Amounts recognized in the condensed consolidated statement of income for the year ended December 31, 2022 and 2021:

	2022	2021
Low value lease rent expense	$ 14,618	$ 14,217
Short-term lease rent expense	$ 28,368	$ 50,248

As of December 31, 2022 and 2021, the changes in the lease liability that derive from financing activities according to the cash flow are integrated as follows:

	2022	2021
Initial balance	$ 846,547	$ 305,897
Interest expense on lease liabilities	37,337	18,806
Lease payments	214,396	(135,769)
Acquisition of Roca	-	500,129
Acquisition of Fanosa	81,275	-
New contracts	140,453	205,406
Final balance	$ 891,216	$ 894,469

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

	December 31, 2022	2021
- Less than 1 year	$ 233,036	$ 222,598
- More than 1 year	791,648	762,248
Total	$ 1,024,684	$ 984,846

18. EMPLOYEE BENEFITS

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

	2022	2021
Discount of projected benefit obligation at present value	9.50%	8.00%
Salary increase	5.50%	5.50%

The sensitivity analysis of the discount rate used to determine defined-benefit labor obligations, while considering that all other assumptions remain constant, is as follows:

	2022	2021
Discount rate - .50%	$ 680,885	$ 617,650
Discount rate + .50%	(641,276)	(576,495)

The determination of the discount rate applied to the Company's labor obligations utilizes estimated future annual cash flows as its basis, which are determined by using zero coupon rate government M bonds for a period of 20 years, while also considering workers' average working life.

b) The effects recognized in the consolidated statements of other comprehensive income ("OCI") for 2022 and 2021 are as follows:

2022	Net income: Current service cost	Net income: Net interest	Other comprehensive items Actuarial remeasurements (1)
Pension and retirement plans	$ 14,016	$ 18,953	$ 20,879
Seniority premium	16,531	21,876	(2,974)
Total	$ 30,547	$ 40,829	$ 17,905

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

[1] The actuarial re-measurements of the defined benefit liability are presented net of income tax.

For the years ended in December 31, 2022 and 2021, $30,547 and $34,976 of costs for services, respectively, have been included in the consolidated statements of 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:

	2022	2021
Amount accumulated in OCI items at the beginning of the period, net of taxes	$ 158,241	$ 160,130
Actuarial remeasurements	25,579	(2,699)
Tax effect	(7,674)	810
Amount accumulated in OCI income items at the end of the period, net of taxes	$ 176,146	$ 158,241

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

Pension and retirement plan	2022	2021
Opening balance	$ 319,440	$ 309,430
Acquisition of Fanosa	4,592	-
Service cost	14,016	14,117
Interest cost	18,953	16,884
Actuarial losses	29,828	4,349
Benefits paid	(16,315)	(25,340)
Ending balance	$ 370,514	$ 319,440

Seniority Premium		2022		2021
Opening balance	$	275,931	$	257,658
Acquisition of Fanosa		1,482		-
Service cost		16,531		20,859
Interest cost		21,876		19,457
Actuarial gains		(4,249)		(7,048)
Benefits paid		(11,798)		(14,996)
Ending balance	$	299,773	$	275,930
Total liability for defined benefits	$	670,287	$	595,370

The average of the benefit obligation at December 31, 2022 and 2021 is 6.02 and 8.10 years, respectively.

19. STOCKHOLDERS' EQUITY

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

	2022	2021
	Number of shares	
Minimum fixed capital stock	360,000,000	360,000,000
Variable capital	25,843,423	25,843,423
	385,843,423	385,843,423

b. According to the current stock market regulations in effect and the Company's by-laws, each year the Annual Ordinary Stockholders' Meeting 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 2022 and 2021 at the Annual Stockholders' Meetings held on March 16, 2022 and March 10, 2021 amounted to $2,000 million Mexican pesos for 2022 and 2021. In relation to the years ended December 31, 2022 and 2021 the Company carried out operations with shares of its capital stock balance, corresponding to the Purchase of treasury stock of 33,521,189 and 27,911,125 representative shares of its capital stock, respectively.

c. At the general stockholders' meetings held on March 16, 2022, dividends were declared for $411,148 from the net tax income account (CUFIN), equivalent $1.15 Mexican pesos per share.

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

e. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the Company is dissolved. The legal reserve must be replenished if it is reduced for any reason. At December 31, 2022 and 2021, the legal reserve, in historical pesos, was $480.

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

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

	2022	2021
Contributed capital account	$ 502,745	$ 466,325
Net tax income account (CUFIN)	38,397,181	32,966,630
Total	$ 38,899,926	$ 33,432,955

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

Derivative financial instruments valuation

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

Actuarial remeasurements of defined benefit obligations

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

Effects of foreign currency translation

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

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

The Company is subject to financial obligations as a result of having contracted certain loans. The main obligations contained in these contracts are described below [1]:

The Company must comply with certain financial ratios, which have the same parameters for the following loans:

- 2019 ("Club-Deal") Loan denominated in US dollars.
- 2022 ("Club-Deal") Loan denominated in US dollars.
- 2022 Bilateral Loan with BBVA denominated in Mexican pesos.
- 2022 Private Placement denominated in US dollars.

Coverage Ratio of consolidated interest (EBITDA financial ratios (2) /Financial Expenses) Greater than or equal to 3.0 times.

Consolidated Leverage Ratio (Net Debt / EBITDA financial ratios (2)) Less than or equal to 3.5 times.

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

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

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

During 2022 and 2021, the Company carried out the Management of its capital by observing those requirements, fully complying with all its financial commitments and showing ratios with better performance to those previously described.

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

Below are some of the major items that are considered for the Management of the Company's capital as of December 31, 2022; a prior year comparison is presented below.

	2022	2021
Total debt	$ 11,203,089	$ 10,772,745
Cash and cash equivalents	2,037,110	3,413,435
Net debt	9,165,979	7,359,310
Stockholders' equity	15,873,350	13,358,197
Leverage measured as net debt to stockholders' equity	0.58	0.55
Total debt main items:		
Long-term debt	$ 10,364,495	$ 9,963,140
Lease liability	891,216	894,469
Debt issuance costs	(52,622)	(84,864)
Total debt	$ 11,203,089	$ 10,772,745

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

20. OPERATING EXPENSES

	2022	2021
Selling	$ 5,962,226	$ 4,436,114
Administrative	2,331,148	1,648,294
Total	$ 8,293,374	$ 6,084,408

21. CONTINGENCIES AND COMMITMENTS

The Company's assets are not subject to any pending legal proceedings that could result in a contingency, except for certain regular or incidental legal actions filed against its business and for which it is either adequately insured or the amounts in question are immaterial.

22. INCOME TAXES

a. The Company is subject to ISR, with a tax rate of 30% in Mexico for 2022 and 2021, and 20% in the northern border strip, 35% in Colombia and 15% in duty free zones, 29.5% in Peru and 27% in Chile. For the United States, the applicable rate is 21%, 34% in Brazil and 25% in Spain. For Argentina, the applicable rate as of December 31, 2022 and 2021 is 35%.

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

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

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

Reconciliation of income tax assets and liabilities balances as of December 31, 2022, and 2021, are as follows:

	ISR liabilities			
Item:		2022		2021
Recognition of:				
Income tax	$	118,908	$	638,917
Liabilities from losses on sale of shares		219,795		342,657
Liabilities from tax integration regime		-		20,581
Balance	$	338,703	$	1,002,155

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

Year		ISR liabilities
2023	$	338,703

c. Income taxes for 2022 and 2021 consist of the following:

	2022	2021
Current income tax	$ 1,978,333	$ 1,973,304
Deferred income tax	(51,387)	314,080
Total	$ 1,926,946	$ 2,287,384

d. The reconciliation of the statutory and effective income tax rates, expressed as a percentage of income before income taxes in 2022 and 2021 is:

	2022	2021
		%
Effective rate	31.4	40
Effect of inflation	(1.1)	(2.6)
Non-deductibles	(0.2)	(4.5)
Others	(0.1)	(2.9)
Statutory rate	30.0	30.0

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

	Amount before income taxes	Income taxes in OCI	Amount net of income taxes
As of December 31, 2022:			
Derivative financial instruments	$ 142,560	$ (42,768)	$ 99,792
Remeasurement of defined benefits obligation	(25,579)	7,674	(17,905)
Cumulative translation adjustment	(705,399)	-	(705,399)
	$ (588,418)	$ (35,094)	$ (623,512)
As of December 31, 2021:			
Derivative financial instruments	$ 241,970	$ (72,591)	$ 169,379
Remeasurement of defined benefits obligation	2,699	(810)	1,889
Cumulative translation adjustment	(543,388)	-	(543,388)
	$ (298,719)	$ (73,401)	$ (372,120)

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

	2022	2021
Allowance for doubtful accounts	$ 11,687	$ 29,858
Provisions	121,556	404,488
Employee benefits	64,807	88,350
Tax loss carryforwards	639,701	929,959
Interest to be deducted	204,598	221,551
Other	305,681	-
Inventories	(5,779)	(8,013)
Real estate property	-	(12,345)
Property, plant and equipment	(55,357)	(922,413)
Intangible assets	(12,758)	(435,699)
Financial instruments	(125,063)	(75,867)
Cost of obtaining debt	(10,782)	(20,158)
Other	(169,483)	(57,590)
Deferred tax asset, net	$ 968,808	$ 142,121
Allowance for expected credit losses	$ 18,777	$ -
Provisions	280,348	-
Employee benefits	89,513	-
Others	182,035	-
Benefits from tax loss carryforwards	396,761	(7,885)
Property, plant, and equipment	(737,906)	(283,885)
Inventories	(36,470)	-
Intangible assets	(949,414)	-
Prepaid expenses	(264,538)	-
Others	(454,513)	(116,452)
Deferred income tax liability, net	$ (1,475,407)	$ (408,222)

The benefits of restated tax loss carryforwards for which the deferred income tax asset has been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2022 are:

Year	Amount
2023	$ 364,625
2027	244,438
2028	1,104,398
2029	879,110
2030	552,167
2031 and subsequent years	592,858
	$ 3,737,596

23. RELATED PARTY BALANCES AND TRANSACTIONS

a. The transactions with related parties as of December 31, 2022 and 2021 were as follows:

	2022	2021
Sales of finished goods	$ 21,236	$ 19,061
Lease income	8,623	8,032
Other operating income, net	7,592	4,674

b. For the years ended December 31, 2022 and 2021, the direct short-term benefits granted to the key management personnel of the Company for $177,666 and $133,255, respectively.

24. LONG-TERM PROVISIONS

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

25. INFORMATION BY OPERATING SEGMENTS

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

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

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

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

Segment:	Main products:
Ceramic	Floor tiles, Wall tiles
Adhesive and insulating materials [1]	Adhesives for floors and walls, and manufacture of EPS

[1] Following the acquisition of Fanosa during the year ended December 31, 2022, its main products were included within this operating segment; changes are included for the year ended December 31, 2022, without altering the information of the comparative period.

Corporate division and others: include the remaining companies operating in services businesses and other segments that are not reportable because they do not fulfill the quantitative limits of the years presented and are therefore presented in an aggregate manner.

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

December 31, 2022:	Ceramic	Adhesive	Corporate and other	Consolidated
Net sales to third parties	$ 26,383,251	$ 8,980,890	$ 47,773	$ 35,411,914
Operating income (loss)	5,227,926	1,596,511	(57,639)	6,766,798
Depreciation and amortization	1,026,834	219,521	88,620	1,334,975
EBITDA	6,254,760	1,816,032	30,981	8,101,773
Other expenses (income) without flow use	289,177	88,004	(38,915)	338,266
Acquisition of property, plant and equipment and intangible assets	1,918,124	158,862	46,515	2,123,501
Total assets	25,956,484	4,904,895	5,189,379	36,050,758
Total liabilities	8,617,832	2,098,031	9,461,545	20,177,408

December 31, 2021:	Ceramic	Adhesive	Corporate and other	Consolidated
Net sales to third parties	$ 21,610,043	$ 5,576,714	$ -	$ 27,186,757
Operating income (loss)	5,230,318	1,334,627	(129,113)	6,435,832
Depreciation and amortization	751,299	66,841	79,621	897,761
EBITDA	5,981,617	1,401,468	(49,492)	7,333,593
Other non-cash expenses	158,101	24,206	22,502	204,809
Acquisition of property, plant and equipment and intangible assets	568,397	62,488	3,948	634,833
Total assets	24,009,068	1,611,442	6,739,365	32,359,875
Total liabilities	7,609,721	1,180,558	10,211,399	19,001,678

Information by geographic region

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

	Revenues from third parties		Non-current assets	
	2022	2021	2022	2021
North America	$ 25,176,390	$ 18,955,312	$ 19,248,963	$ 15,663,834
Central America	287,523	249,403	16,490	23,744
South America	9,160,566	7,613,836	4,515,706	4,115,043
Europe	787,435	368,206	485,740	525,481
	$ 35,411,914	$ 27,186,757	$ 24,266,899	$ 20,328,102

26. SUBSEQUENT EVENTS

In preparing the consolidated financial statements, the Company has evaluated events and transactions for their subsequent recognition or disclosure as of December 31, 2022 and until January 31, 2023 (date of issuance of the consolidated financial statements) and aside from the events mentioned below, no other significant subsequent events have been identified:

On January 1, 2023, the merger of Compañías Edificios y Naves del Noreste, S.A. de C.V., Naves y Edificios, S.A. de C.V., Empresas Fanosa, S.A. de C.V (formerly Empresas Ruibal, S.A. de C.V.) and Fanosa, S.A. de C.V. took place, with the latter remaining as the absorbing company.

27. AUTHORIZATION OF FINANCIAL STATEMENTS

On January 31, 2023, the issuance of the consolidated financial statements was authorized by Federico Toussaint Elosúa, Chief Executive Officer, and Jorge Antonio Touché Zambrano, Chief Financial Officer. These consolidated financial statements are subject to the approval of the ordinary stockholders' meeting, where they may be modified, based on the provisions set forth by the General Corporate Law.

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