GIS®

ANNUAL BUSINESS AND SUSTAINABILITY REPORT 2020

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GIS' PROFILE

GRUPO INDUSTRIAL SALTILLO (GIS) is a Mexican Company with operations in the automotive, construction and housewares industries.

We are a global Company with operations in Mexico, Spain, Italy, the Czech Republic, Poland, and China. We have 18 production facilities: 10 Mexico, 7 in Europe, and 1 in China, and we have more than 6,000 talented people working with us.

We have been listed on the Mexican Stock Exchange since 1976, trading under the ticker symbol "GISSA."

At Draxton, we focus on the casting and machining of iron and aluminum parts for braking, powertrain, and chassis systems used in the automotive industry.

At Vitromex, we produce and sell ceramic and porcelain tiles for the construction and remodeling industry.

At Cinsa, we manufacture and sell kitchenware and tableware items made of enamel-on-steel, aluminum and ceramic.

Incorporated in 1928, the Company has solid experience and vast knowledge of its products and markets. The operation is built on strong brands, and a productive, dynamic and flexible organization that works with a focus on innovation and globalization.

MANUEL RIVERA GARZA
Chief Executive Officer of GIS

JUAN CARLOS LÓPEZ VILLARREAL
Chairman of the Board of Directors of GIS

LETTER TO SHAREHOLDERS

DEAR **SHAREHOLDERS:**

Based on the productivity programs that GIS has been implementing since 2019, and on improvements to management systems, the Company was in a better position to take on the challenges posed by the pandemic from a more efficient foundation, thus reaching outstanding results in the second half of the year.

In light of the huge challenges posed by COVID-19, GIS made the decision to prioritize the safety of its employees, fully and quickly adapting the production environment, and implementing support measures to preserve the health of employees and of their families.

GIS designed, adopted and developed protocols to detect, trace, and isolate cases of contagion as quickly as possible. Throughout the year, we tested every employee in Mexico more than five times, and we provided medical follow-up through telemedicine, medications, oximeters, and oxygen concentrators, among other measures, seeking to ensure the well-being of our personnel.

We worked within the community, donating hospital equipment and personal protective equipment for the medical staff in the regions where we have operations.

The efforts and actions GIS implemented to face COVID-19 resulted in outlays of US$ 5 million during 2020, which is reflected in the financial statements for the year. In the second half of 2021, we expect this level of expenditures to decrease significantly.

In 2020, the pandemic brought about changing environments in the countries where we operate, all of which contracted during the first half of the year. In the back half of the year, however, each area posted recovery, albeit at differing rates depending on the region.

In light of the major challenges posed by COVID-19, GIS prioritized the health of its employees.

All of our business units reported higher revenues and profitability levels in the second half of 2020, than during pre-COVID-19 periods.

For Draxton, our auto parts business, the first part of 2020 was a complex period, due to the shutdowns at assembly plants worldwide. However, the rapid recovery in the majority of countries where we are present, plus the launch of new programs, participation in successful platforms in North America, as well as growth in China, allowed us to increase volume by 12% during the fourth quarter, compared to the same period of the prior year.

This, in addition to the improvement in efficiency and costs, allowed Draxton to attain EBITDA margins above 20% in the second half of 2020; this level is beyond the reported in 2019.

Vitromex, our floor and ceramic tiles business, moved forward with its profitability recovery plan during the second half of 2020, attaining an EBITDA margin close to 10%, as a result of significant improvements in all key areas of the business.

With a more efficient manufacturing system, and based on best practices for sales and operations planning (S&OP), we handled the extraordinary demand in the second half of the year in Mexico with flexibility and on-time deliveries. This growth was driven by remodeling, and resulted in the Company's highest sales ever in Mexico.

A wider revenue base and the significant reduction in the production costs allowed Vitromex to generate EBITDA of 184 million pesos in the second half, which compares very favorably to 2019 results.

The kitchenware and tableware business, Cinsa, successfully overcame the impacts of the pandemic, achieving growth in revenues of 7%, and 120% in EBITDA year over year. This was driven by sales in the e-commerce channel in Mexico and the increase of nearly three times in exports to the United States.

For GIS, the first part of 2020 was defined by a contraction in the markets of all of its business units. Nevertheless, productivity and efficiency initiatives, combined with the profitability recovery program at Vitromex, allowed us to finish the second half with record results in different indicators. In the second half of 2020, all of our business units reported revenues and profitability that exceeded pre-pandemic levels.

During the second half, we reported EBITDA of US$ 77 million. In annualized terms, this EBITDA was US$ 150 million, higher than what GIS had reported prior to COVID-19. Note that more than 85% of EBITDA comes from revenues generated in hard currencies, such as the dollar or the euro.

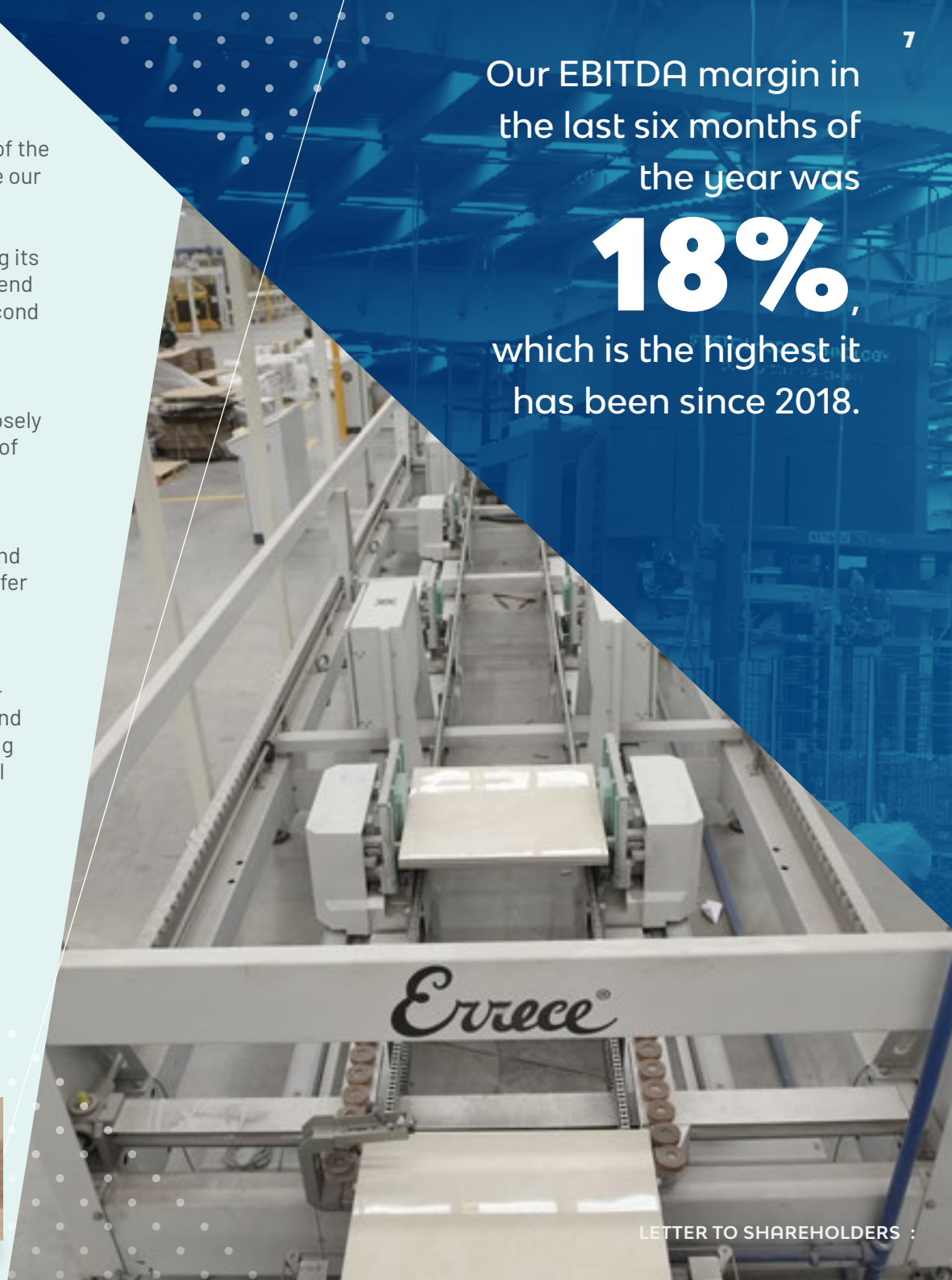
In terms of profitability, our EBITDA margin was 18% in the last six months of the year, which was the highest since 2018. This ratio has allowed us to improve our financial position and create shareholder value.

GIS has maintained a solid balance sheet, increasing cash flow and reducing its debt, which has resulted in a Net Debt-to-EBITDA level of 1.9 times at year-end 2020. We believe this will continue to drop to 1.4 times at the end of the second quarter of 2021, which will provide us with more strategic flexibility.

In the coming quarters, we will remain focused on ongoing and sustainable improvement in the efficiency of our operations, and we will continue to closely watch market developments so that we will be prepared to take advantage of any opportunities that might present themselves to GIS.

We will continue driving our portfolio of auto parts through our engineering and development centers, participating in the growth of electric vehicles and accelerating our continuous improvement processes, and knowledge transfer at the global level.

We will also capitalize on the commercial opportunities associated with greater regional content required under the USMCA (United States-Mexico-Canada Agreement) for vehicles assembled in North America. For Europe and Asia, we will continue focusing on our machining processes, complementing our customers' value chain, and continuing to diversify towards commercial vehicles.



Our EBITDA margin in the last six months of the year was **18%**, which is the highest it has been since 2018.

At Vitromex, we will seek to attain regional growth in the United States through the new commercial strategy we have defined, and to consolidate our leadership in the value segment in Mexico.

At Cinsa, we will accelerate our entry in the United States' market, and we will continue focusing on innovation and our participation in e-commerce.

There is still a great deal of ground to cover, thus we will maintain our focus in order to continue capitalizing on the progress we have made to date.

The year 2020 was one of challenges and opportunities. We value and would like to recognize our Board of Directors for its commitment and proximity; our Investors for recognizing the advances made by GIS in its commercial, operating and financial performance; our Suppliers and Customers, who are truly an extension of our value proposition, and who we recognize as strategic partners; and our Employees, for their sense of responsibility, commitment and focus, enabling us to overcome challenges in our environment, and show that we are a team with a clear and common objective: To Create Sustainable Value.

The improved profitability and consolidation of GIS' financial position provides us the strategic flexibility to continue evaluating alternatives on several fronts: our market presence, integration, portfolio, structure, and our liquidity, all these focused on improving value for shareholders.

MANUEL RIVERA GARZA
Chief Executive Officer of GIS

JUAN CARLOS LÓPEZ VILLARREAL
Chairman of the Board of Directors of GIS

We remained focused on continuous and sustainable improvement in the efficiency of our operations, and we are prepared to take advantage of any opportunities for GIS.

KEY **FIGURES:**

SALES

2020[1]	873
2020	742
2019	890

EBITDA

2020[1]	154
2020	97
2019	112

NET DEBT / EBITDA

2020[1]	1.2x
2019	1.9x

DIVIDEND YIELD[2]

2021	7.1%
2019	5.6%

Stated in millions of US$
2019 numbers exclude Calorex business unit

[1] For a better understanding of normalized operations, the results of the second half are annualized.
[2] Year in which the dividend was paid, calculation of yield over average price per share for the month prior to the payment date.

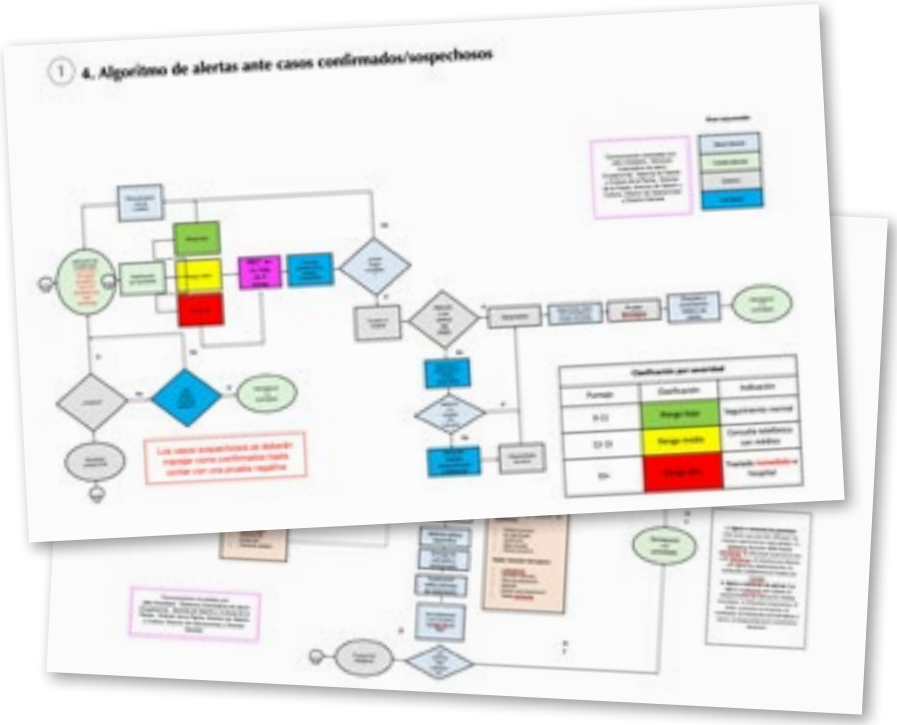
COVID-19

We hired epidemiology experts to develop world-class prevention protocols, and we created a specialized medical team to care for our employees by telemedicine.

While top global companies create processes to identify risks and develop their respective mitigation plans, without a doubt no one was fully prepared to face a pandemic such as COVID-19, which paralyzed the world, contracted the activity level of most industries, and reconfigured the way people live.

In light of this huge challenge, GIS prioritized the health of its employees, quickly and completely adapting the production environment in order to protect the health of its workers and their families.

As the first step, we performed a comparative analysis of the actions that other world-class companies were implementing, as the risks of the illness became known, and we used that as the basis to develop our protocols to handle the pandemic at all of our operations.



In the specific case of Mexico, as one of the countries most heavily affected by the pandemic, we decided to implement additional actions to support our employees.

We hired a team of expert advisors in epidemiology and in health systems quality, who helped us establish protocols for daily notification of symptoms, detection of suspected cases of contagion through PCR tests to confirm cases, and random-sampling based serological testing to ensure the health of our personnel.

At the end of 2020, in Mexico we had conducted more than five COVID-19 detection tests per employee, which allowed us to detect, trace, and quickly isolate cases of contagion, both symptomatic and asymptomatic.

To do this we developed an internal information system that allows us to follow up on vulnerable, suspected and confirmed cases in a timely and ongoing manner. Furthermore, due to hospital bed limits in Mexico, we hired a specialized medical team to care for infected employees, using telemedicine, and we supported sick employees with oximeters, oxygen generators and medications. In some critical cases in which there were public sector limitations, GIS helped with hospitalization.

All of this was complemented by internal communication campaigns to promote a culture of prevention in work locations, with the intention of our employees taking that important message to the communities where they live.

The efforts and actions we took during 2020 to handle COVID-19 cost GIS nearly US$ 5 million, which is reflected in the financial results for the year. In the second half of 2021, we expect this level of expenditures to decrease significantly.

As a service to the community, through the GIS Foundation we donated ventilators to hospitals, and specialized equipment to accelerate the speed with which COVID-19 tests could be processed.

We also decided to support the doctors and nurses who are fighting this virus, donating personal protective equipment to hospitals in the states where we operate.

Combining the efforts of the GIS Foundation and our employees' volunteer efforts, we gathered resources to make donations to families in need, as well as logistical equipment to facilitate the distribution of aid.

As an organization, we will continue focusing on improving prevention measures, monitoring, and following up on our employees and on society as a whole. We will also integrate the actions taken, which have allowed us not only to maintain stable operations, but to preserve the health of our people.

At GIS, we performed more than five COVID-19 detection tests per person in Mexico, which allowed us to detect, trace, and quickly isolate contagious cases, both symptomatic and asymptomatic.

ECONOMIC PERFORMANCE

DRAXTON

We moved forward as a global provider in the automotive industry in components designed for electric vehicles.

DRAXTON®
Mobility inspired

MÉXICO

EUROPE & ASIA

Casting and machining of iron and aluminum parts for the automotive industry.

14 PRODUCTION FACILITIES

MÉXICO
- Saltillo
- Irapuato (2)
- San Luis Potosí

EUROPA Y ASIA
- Spain (4)
- Italy
- Czech Republic
- Poland
- China

SYSTEMS

• Brakes • Chassis • Powertrain •

DRAXTON

The world-class management and organizational systems that Draxton has developed across the regions where it operates led to the Company attaining higher margins in the second half of the year than during the period prior to the pandemic.

The second quarter of 2020 was an unprecedented time for the automotive industry, as a result of the shutdowns of assemblers all over the world. The second half of the year is noteworthy because of the rapid recovery in most areas where we have operations, driven by government stimulus packages, and incentives from automotive manufacturers.

The rightsizing process and operating efficiencies that were initiated in 2019, plus the measures to reduce costs, expenses, and to strengthen cash flow implemented at all of our production facilities in 2020, allowed us to successfully handle the contraction in demand during the first half of the year. During the back half of the year, the recovery of volumes and cost improvements led Draxton to levels of profitability that exceeded those reported in the same period of the prior year.

For North America, during the fourth quarter of the year we recovered to our pre-pandemic production levels, closing with sales that were 7% above the same period of last year, aided by the launch of new programs and participation in the platforms of the most widely sold vehicles in North America. This allowed us to recover volume at levels above the rest of the industry.

In Europe and Asia, as a result of the launch of new products and growth in China's economy, during the last quarter of 2020 we increased sales by 19% over 2019.

During the year, Draxton won major contracts for electric vehicles in Europe, with products such as differential cases, stator carriers, and battery grid supports for trucks, among other products, and we continued to move forward with diversifying truck components, which has been a strategic complement in improving our position in that region of the world.

The rightsizing and operating efficiencies process initiated in 2019, allowed us to successfully weather the contraction in demand during the first half of the year.

We successfully started up the third casting line at one of our plants in Irapuato, which meant a 50% increase in its installed capacity. The ramp-up in volume on this line is going according to plan.

As part of our objective to be a supplier that provides high added value for our customers, we have expanded our machining operations in Spain, Mexico and China, which allows us to continue exploring opportunities to pursue higher added value in this segment, with better profitability margins.

We currently have more than 250 programs that are in the process of being developed and launched, representing more than 200,000 tons of annual volume globally, which, when added to the machining projects, will allow us to increase our revenues by 10% above the levels we had prior to the pandemic.

Investing in engineering and development of new products continues to be one of our priorities. We have therefore formalized and standardized our New Product Concept and Development system at the global level, guaranteeing the times, costs, and quality of new products introduction, which is a key competitive factor in our industry. We are complementing this with our advanced knowledge management system, and global transfer of best practices.

At the end of the second half of 2020, Draxton attained EBITDA margins above 20%, a higher level than 2019. The flexibility in our cost and expense structure will remain a priority throughout our organization, as we strive to maintain operating excellence.

At the end of the second half of 2020, Draxton attained EBITDA margins above 20%, beyond the level reported in 2019.

DRAXTON **NORTH AMERICA**

Despite the challenges posed by the pandemic during the second quarter of the year, the response capacity at our plants, and the anticipation of requirements according to what we had in inventory, we were able to meet 100% of our customers' needs during the second half of the year, during which time volumes increased.

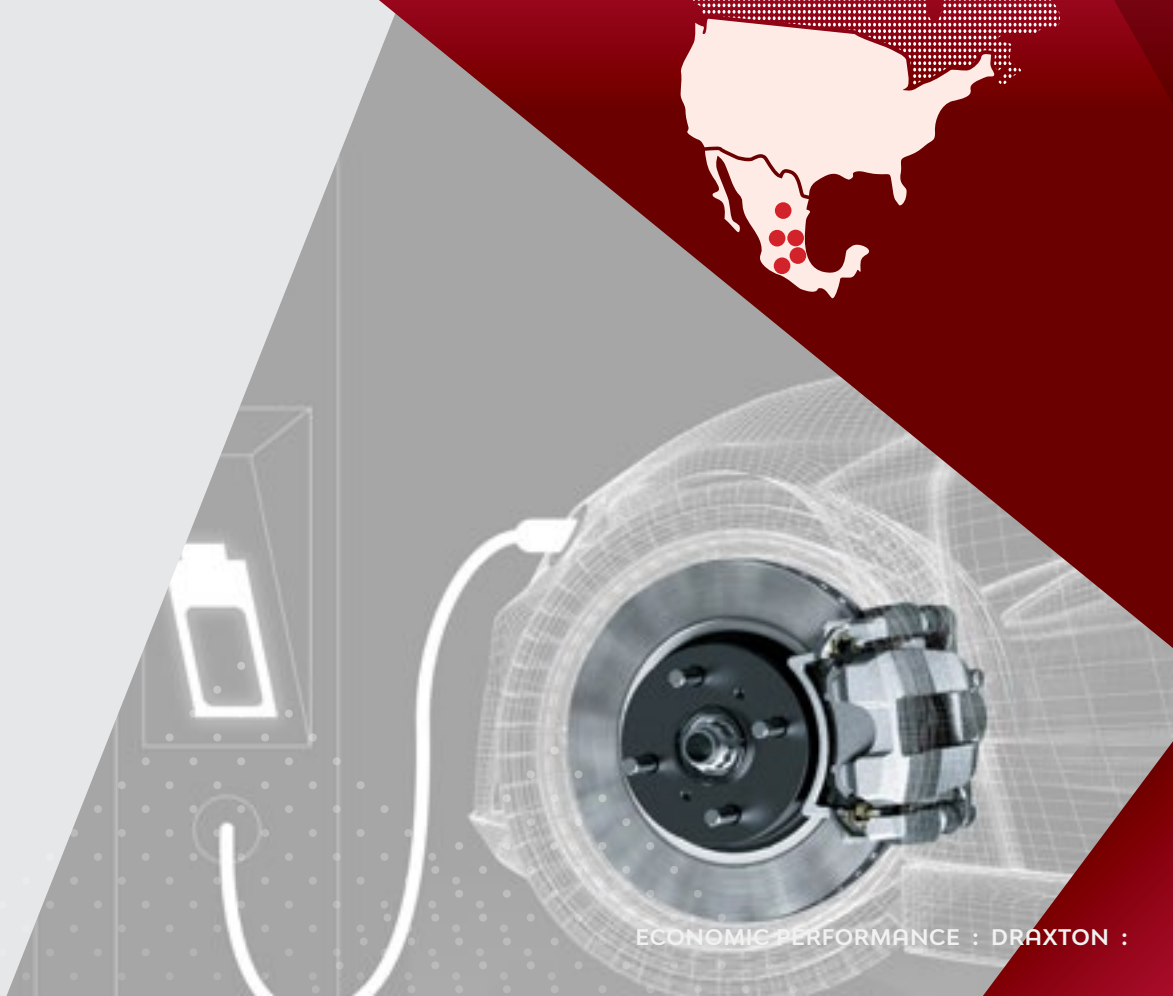
During the fourth quarter of 2020, we returned to our original production levels, closing the year with sales that were 7% higher than during the same period of the prior year. The launch of new products, as well as the participation of Draxton products in some of the most successful platforms in North America, led to a faster recovery than what the industry as a whole experienced.

Our strategic location in Mexico will allow us to continue leveraging the commercial opportunities associated with the higher regional content required in the manufacture and assembly of automotive platforms, as established in the USMCA.

The demanding automotive market requires high-quality standards in operation and productivity, therefore we are always looking for opportunities to continuously improve. In 2020, we have worked intensively on a "lean" transformation through the "Draxton to Lean" program for Mexico, as part of Draxton's Operating System.

Evercast, a joint venture with our customer and partner ZF, successfully launched the program for the best-selling Ford F-150 pick-up truck. We also transferred a relevant program to another customer in record time, producing additional volumes during the year. In 2020, we successfully started up our third casting line, thus increasing the installed capacity at that plant by 50%.

Our strategic location in Mexico will allow us to continue taking advantage of the commercial opportunities associated with the USMCA.



In Europe and Asia, we will continue striving for and making use of opportunities in commercial vehicles.

DRAXTON **EUROPE & ASIA**

Draxton's operations in Spain, Italy, the Czech Republic, Poland, and China showed recovery in casting volumes in the last quarter of the year, growing nearly 19% year over year.

Our plant in China reported record numbers in the last few months of the year. The progress in this market, and the efficiency and productivity levels attained at our plant in Wuhu, resulted in positive growth at the end of the year, as compared with the previous year.

In Europe, government stimulus packages implemented in some of the countries where we operate, as well as our capacity to react and adapt, resulted in a stable and efficient operation during the most critical months of the pandemic. The rightsizing, operating efficiency, and cost improvement programs initiated before the pandemic were key to volume recovery during the second half of the year.

Draxton continues driving its Engineering and R&D processes, focusing on the development of new materials and processes, as well as the machining that has allowed us to capitalize on additional business opportunities. This places us in a better position to leverage the trend towards vehicle electrification, and to diversify our portfolio into commercial vehicles. These added-value products will allow Draxton Europe and Asia to grow faster than the industry.

ECONOMIC PERFORMANCE

VITROMEX

Consolidation of our focus on service and attention to our distributors through an outstanding sales force.

VITROMEX®

WE DESIGN

WE PRODUCE AND SELL the widest variety of ceramic and porcelain tiles.

4 PRODUCTION FACILITIES

- Chihuahua
- San Luis Potosí
- San José de Iturbide (2)

MARKETS

• Construction • Remodeling •

BRANDS

VITROMEX®
MI ESPACIO, MI MUNDO

ARKO®
INNOVATION DESIGN

VITROMEX

Our ceramic and porcelain tiles business during the second half of 2020, advanced well in its profitability recovery plan, attaining an EBITDA margin close to 10% as a result of significant improvements in all key areas of the business.

During 2020, we saw a clear inflection point in business performance, driven by the improved commercial relationship and a culture that strives for operating excellence.

On the commercial side, we worked on strengthening and recovering trust with key customers by streamlining product portfolios, launching successful series, updating showrooms, and improving service to our customers.

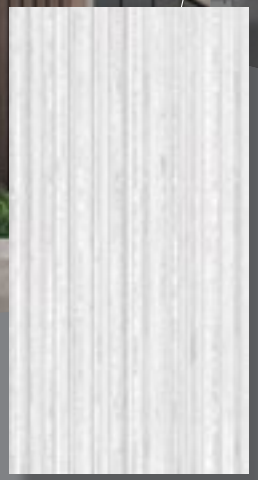
In the operating area, the reconfiguration of technical and management talent was concluded, which, in addition to the implementation of the Vitromex Operations System, reduced unit costs by 12% over the previous year, measured in dollars.

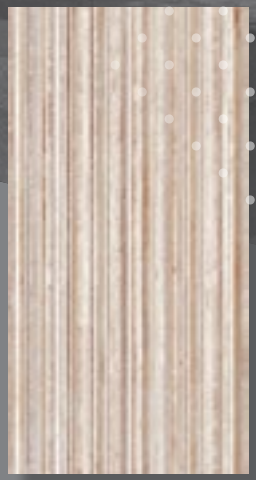
There are still opportunities on which to capitalize, but the foregoing established the bases for transforming our production plants into high-efficiency and high-quality units.

With a more effective manufacturing system based on better sales and operations planning processes, Vitromex was able to flexibly and quickly meet the extraordinary demand that surged in the second half of the year in Mexico, driven by remodeling. This resulted in the highest level of domestic sales in the Company's history.

It is important to note that Vitromex was already in a better position to handle the economic contraction that occurred in the second quarter of 2020, due to the rightsizing measures that had been put in place in 2019. This allowed it to adjust its costs when activity levels were lower.

A larger revenue base and the significant reduction in production costs allowed Vitromex to generate EBITDA of 184 million pesos in the second half.





A larger revenue base and the significant reduction in production costs allowed Vitromex to generate EBITDA of 184 million pesos in the second half, which compares very favorably to the negative result from the previous year, during which period the impacts associated with the restructuring of its product portfolio and manufacturing footprint were reflected.

For the export market, in the United States our commercial strategy was broken down by segment and region, allowing us to remain optimistic about the evolution of this market. For Latin America and Central America, we saw an encouraging reactivation after the pandemic caused borders to close.

In 2020, in addition to moving forward in the profitability recovery process, efficient management of working capital led Vitromex to generate net cash flows of more than 650 million pesos, thus improving its financial position.

Analysts estimate that demand in Mexico will remain dynamic during the first half of 2021; therefore, we will continue gaining market share in the domestic market, reducing costs, and implementing our commercial strategy for the United States.

ECONOMIC PERFORMANCE

CINSA

Grow through the focus on customer satisfaction, efficiency and export

KITCHENWARE

WE DESIGN, PRODUCE AND SELL products for the kitchen: frying pans, cookware sets, and pressure cookers, among others, out of enamel-on-steel, with our without non-stick coating, and in aluminum.

TABLEWARE

WE DESIGN AND PRODUCE ceramic crockery for domestic and institutional use.

2 PRODUCTION FACILITIES

• Saltillo

MARKETS

• Residential • Institutional •

BRANDS

CINSA

Our kitchen and tableware business excelled even during this pandemic year, growing 7% in sales and 120% in EBITDA in 2020, compared with the previous year.

Strategic refocus, in addition to the consolidation of talent and efficiency measures that we began implementing at the end of 2019, allowed us to organize more quickly and with a great deal of flexibility, thus we were able to capitalize on relevant opportunities during the second half of the year.

Our sales through the e-commerce channel grew by nearly six times. Additionally, we increased exports of kitchen items to the United States market, mainly with the launch of the Graniteware line. This resulted in annual growth of nearly three times over 2019.

The product portfolio was renewed in order to adapt it to the needs of each segment and channel. These measures resulted in greater efficiency in our operations, with a 10% reduction in costs in the last quarter of the year. We project additional cost improvements in 2021.

WE FINISHED THE YEAR WITH GROWTH OF

7%

IN SALES AND

120%

IN EBITDA, COMPARED TO 2019.

Due to the above, during the fourth quarter of 2020, Cinsa reported its highest levels of profitability in the last eight years, with an EBITDA margin close to 12%, as well as cash flow generation of more than 300 million pesos during the year. This further underlines the ongoing improvement in cash flow that we have historically seen in this business.

In the coming months, we will be working to accelerate the move towards operating efficiency, maintaining our focus on growth in the United States market, as well as for the e-commerce and traditional channels. In addition, we will continue driving product innovation in order to meet the gradual recovery in the traditional channel in 2021.

ECONOMIC PERFORMANCE

CORPORATE GOVERNANCE

CORPORATE **GOVERNANCE**

Corporate governance is managed by GIS' Board of Directors, which uses strategic, operating, monitoring and management roles to regulate ties and relationships between the Company's shareholders, board members, and management.

The Board has created three committees: Audit, Corporate Practices, and Planning and Finance. Each committee is comprised of businesspeople who provide their knowledge and experience in order to define and follow up on the strategy of GIS and its companies.

These committees are in compliance with the Securities Market Law, in Articles 24, 25, 28, 41 and 43.

BOARD OF DIRECTORS

This governance body defines how key matters for the Company are pursued, such as corporate strategic vision, philosophy, and values. It also oversees implementation and monitoring in transactions with related parties.

To establish and improve internal control standards, the Board encourages the use of information quality assurance mechanisms, as well as systems for identification, analysis, administration, control, and adequate disclosure of risks.

Based on the strategic plan and the development of operating and commercial activities that drive and maintain the competitiveness of the businesses, every year the Chief Executive Officer of GIS presents the Board of Directors with a proposed investment budget, which includes acquisitions and improvements to production teams, in an ongoing effort to prioritize the quality of life of our employees at work, and to protect the environment and implement measures to improve the environment in areas where we have operations.

The Company's Board of Directors is elected at the General Shareholders' Meeting. The shareholders or group of acting shareholders who represent at least 10% of the shares have the right to appoint a board member. Furthermore, all shares have the right to vote, without distinction, and to participate in the election of board members. No board member has a tie-breaking vote, as all votes have the same weight.

Starting in March 2021, the Board of Directors of GIS is comprised of 14 acting board members: from which nine are independent, including the CEO. They are individuals who have been selected because of their capacity, experience, and professional reputation. They perform their functions with no conflict of interest, and without being contingent on personal, equity, or financial interests.

In the appointment of independent board members, the candidates must meet the criteria of formal independence established in the law, and they are in addition to those that the shareholders may nominate.

Three committees work under the auspices of the Board of Directors: Audit, Corporate Practices, and Planning Finance.

GIS' Board of Directors is a healthy combination of diverse criteria and viewpoints. All members are professionals with knowledge and experience about the businesses and markets where we operate. As part of this governing body, we currently have two acting female board members, and one female alternate board member.

As established in Article 26 of the Securities Market Law, during the General Shareholders' Meeting, all independent board members and their alternates are nominated and approved by this highest governing body, which rates the independence of candidates based on the information provided by those who have been nominated or ratified, which information is recorded in the Company's corporate books.

The Board of Directors meets at least six times per year, according to a pre-established calendar. During these meetings it considers the opinions of the appropriate committees to evaluate the financial results, and it monitors compliance with the strategic, social and environmental goals of the Company, among other activities.

Prior to the meetings, the board members receive the minutes from the prior meeting in a timely manner, as well as the information that will be discussed during the meeting. If it is found that additional information is needed, GIS' senior management may be requested to provide it, and the board members may contact the relevant executives in order to have the items necessary to form an opinion and cast their vote.
There is the option to participate virtually in the Board Meetings through remote communication. This allows the members of the Board to interact, express their points of view, and vote; such measures are valid for all legal purposes. During 2020, this remote method was extremely useful due to the COVID-19 pandemic.

The Board of Directors is responsible for agreeing to the order of the day for the annual meeting. Board members representing one-fourth of the Board of Directors may request inclusion of matters they wish to discuss. They must make such a request 15 days prior to the Board Meeting, as established in the Board of Directors Regulation, and Article Twenty-Nine of the corporate by-laws.

The Code of Ethics, based on GIS' Integrity Process, governs the behavior and activities of all Company employees and stakeholders, including the Board of Directors. The Audit, Corporate Practices, and Planning and Financial Committees monitor compliance with Corporate Governance policies and practices.

	COMMITTEE	TYPE
PEDRO ALONSO AGÜERA	Planning and Finance	Independent
LUIS ARIZPE JIMÉNEZ	Audit Corporate Practices	Independent
LORENA CÁRDENAS COSTAS	Audit Planning and Finance	Independent
FERNANDO CHICO PARDO	Planning and Finance	Independent
EUGENIO CLARIOND REYES-RETANA	Audit	Independent
ALEJANDRO DÁVILA LÓPEZ	Planning and Finance	
GUILLERMO ELIZONDO LÓPEZ	Planning and Finance	
FRANCISCO GARZA EGLOFF	Corporate Practices	Independent
CLAUDIA JAÑEZ SÁNCHEZ	Corporate Practices	Independent
FERNANDO LÓPEZ ALANÍS	Planning and Finance	
ERNESTO LÓPEZ DE NIGRIS	Planning and Finance	
JUAN CARLOS LÓPEZ VILLARREAL	Planning and Finance	
MANUEL RIVERA GARZA[1]		CEO
RICARDO E. SALDÍVAR ESCAJADILLO[2]	Planning and Finance	Independent

[1] On April 1, 2019, Manuel Rivera Garza became the Chief Executive Officer of GIS.
[2] Board Member as of March 2021.

AUDIT COMMITTEE

The Chairman of the Audit Committee is appointed during the General Shareholders' Meeting. It is comprised of three independent board members, while the other members are named by the Board of Directors.

This Committee evaluates the internal control systems, and manages internal audits so that it can identify and respond to any material defect, and follow up on corrective or preventive measures in the event of breach of accounting and operating policies and guidelines. It is also responsible for evaluating the performance of the external auditors, as well as describing and assessing their services that are not related to the audit of the Company's financial statements.

The Board of Directors reviews and approves the financial statements that the Audit Committee proposes for the Company; it also evaluates any impacts resulting from modifications to the accounting policies approved during the fiscal year; it oversees compliance with the agreements made during the General Shareholders' Meeting and those made by the Board of Directors, ascertaining compliance with the provisions in the Code of Ethics and the Reporting System.

CORPORATE PRACTICES COMMITTEE

The Corporate Practices Committee supports the Board of Directors in developing the Annual Report that is presented to shareholders, and it performs the activities established in the Securities Market Law.

In addition to evaluating the performance of relevant directors, it is responsible for reviewing their compensation, as well as the policies and guidelines for the use or enjoyment of the assets that form part of the Company's equity, and of the companies that it controls through related parties.

Comprised of three members of the Board of Directors who are independent, one of them presides over the Corporate Practices Committee, and is appointed at the Shareholders' Meeting. The others are appointed every year by the Board of Directors, upon a proposal made by the chairman of the Board.

The Committee meets two times per year, and interacts continuously with the Board of Directors through its meetings.

PLANNING AND FINANCE COMMITTEE

This Committee analyzes the businesses' strategic plans, investments and proposals regarding acquisitions and divestments, and it issues recommendations to the Board of Directors with respect to the projects it presents to GIS' senior management.

As of April 2021, the Planning and Finance Committee will be comprised of nine members of the Board of Directors. It will evaluate and opine on investment and credit instruments proposed to finance the Group's expansion plans, and also on investment policies and funds.

EXERCISE OF THE OWNERSHIP RIGHTS OF INSTITUTIONAL INVESTORS

In accordance with the law and corporate by-laws, shareholders have the right to participate in decision-making, and must be duly informed when such decisions imply fundamental changes to the Company. Furthermore, they have the opportunity to participate effectively and to vote during Shareholders' Meetings. To do so, they have the forms, information, and the order of the day that the Company makes available to them at least 15 days in advance.

All shares have the right to vote.

Shareholders representing at least 10% of the capital may request that a General Shareholders' Meeting be summoned, as indicated in Article 50 of the Securities Market Law, and the results of the voting must be disclosed in conformance with applicable legal provisions. The details of the process may be found on GIS' web page, under the section entitled "Codes and By-Laws," Corporate Governance Section, under the Investors tab.

The vast majority of the Company's shares are owned by domestic investors, and are held through securities market intermediaries in Mexico. Nevertheless, in order to facilitate preparation and voting in Shareholders' Meetings, the Company has sought to publish its summons farther in advance than what is required by the law.

In the order of the day for the Shareholders' Meeting, the specific proposal regarding payment of dividends is outlined. In addition, when there are corporate restructurings, the Company publishes a pamphlet explaining the necessary details, to facilitate decision-making and the corresponding voting for all shareholders.

MANAGEMENT TEAM

Comprised of the general directors of Businesses and Corporate, the Management Team meets at least once a month with the Chief Executive Officer of GIS, to present the monthly and accumulated results, as well as the strategies and tactics to follow during the year, in order to reach the goals committed to with the Board of Directors.

Every year they meet to define long-term strategic planning and the annual budget, based on the metrics to be complied with, which are authorized by the Board of Directors.

Through the Chief Executive Officer, they propose changes or adaptation to the Board of Directors regarding the practices and policies over which it has authorization, and its members are responsible for approving the management policies of the businesses. This approach is used in all GIS business units that have a chief executive officer and an executive team.

The committees reporting to the Board of Directors are the Audit, Corporate Practices, Planning and Finance. Along with the Management Team, they all meet several times during the year in accordance with a pre-established agenda. Their suggestions and recommendations are presented by the Company's Chief Executive Officer to the Board of Directors, which is the body responsible for approval.

MANUEL RIVERA GARZA
CEO

JORGE ALBERTO RADA GARZA
COO

ALBERTO HERNÁNDEZ TELLEZ
Draxton Europe and Asia

ROBERTO NOGUERA TORRES
Draxton Mexico

LUIS ARENAS GARZA[1]
Evercast

CÉSAR CÁRDENAS RODRÍGUEZ
Vitromex

MARCELO RODRIGUEZ SEGOVIA
Cinsa

SAÚL CASTAÑEDA DE HOYOS
CFO

JESÚS ARMANDO CHAPA RODRÍGUEZ
Planning and Administration

LUIS FERNANDO SALDAMANDO ARVIZU
HRO

ALAN ROBERTO PARTIDA CÓRDOBA
Internal Audit[2]

RICARDO SANDOVAL GARZA
Corporate Communications

[1] Also Planning and Finance for Draxton
[2] Reports to the Audit Committee

ANNUAL REPORT FROM THE **AUDIT COMMITTEE**

To the Board of Directors of
Grupo Industrial Saltillo, S.A.B. de C.V.

In compliance with the provisions of Articles 42 and 43 of the Securities Market Law, and the Regulation for the Audit Committee, I hereby inform you about the activities that we have performed during the year ended December 31, 2020. In the performance of our work, we have considered the recommendations established in the Code of Principles and Best Practices of Corporate Governance. We met at least quarterly, and based on a working schedule, we have performed the activities described below.

RISK ASSESSMENT

We found that Administration is in compliance with its responsibilities, having performed the process to identify and assess the principal risks that the businesses face, for implementation of activities and control that allow such risks to be mitigated.

INFORMATION TECHNOLOGY: CYBER SECURITY AND DISASTER RECOVERY PLAN

Considering the fact that in 2020, cyber security risk continues to be an area of significant risk for the organization, the Audit Committee dedicated special attention to monitoring the progress of the principal vulnerabilities identified during cyber security evaluations, and to reviewing the adequate implementation of information safety initiatives that guarantee the continuity of the operation in the information processes areas.

Management has been asked to update the strategic plan with the help of expert advisers in the matter to strengthen the initiatives included in the Cyber Security Plan, discussions regarding which will be continued in the Committee's meetings to be held in 2021.

INTERNAL CONTROL

We have closely monitored advances in the process of implementing and improving the internal control system presented by management, through quarterly reports prepared by the respective areas, and as a result, we have provided our comments and observations, which have been taken into consideration for improvement of internal controls.

EXTERNAL AUDIT

We recommended to the Board of Directors the hiring of auditors external to the Group and its subsidiaries, for fiscal year 2020. To this end, we verified its independence, and found that the External Auditor complied with the provisions established in unique circular H-137 and the requirements established in the law, and in the general provisions applicable to entities and issuers issued by the National Banking and Securities Commission, which contracts external auditing services for basic financial statements, which entered into force on August 1, 2018. With them we analyzed their focus and work schedule, as well as coordination with the internal audit area.

We implemented the actions established in the mentioned guidelines, in relation to the responsibilities of the Committee, and also in regard to the requirements that apply to external auditors.

We reviewed the external audit working schedule and its coordination with the Internal Audit area.

We maintained ongoing and direct communication with Internal Audit to understand the progress of their work, their observations, and to take note of their comments regarding their review of the financial statements. We heard their conclusions and reports on the annual financial statements in a timely manner, and we followed up on implementation of the observations and recommendations that they made during the course of their work.

We authorized approval of the fees paid to the external auditors for audit services and other permitted services, ensuring that they do not interfere with their independence from the Company.

Considering Management's viewpoints, we initiated the process of evaluating the performance of the external auditors in relation to fiscal year 2020, which was reported during the Board Meeting held on July 23, 2020.

INTERNAL AUDIT

In order to maintain their independence and objectivity in accordance with the applicable norms in force, and in accordance with Upper Management, we have concluded that the Internal Audit Area will continue reporting to the Audit Committee.

We have duly reviewed and approved the annual auditing schedule, assuring that it has been prepared considering the operating and business risks in the Group's different units. Consequently, we also approved the annual budget and the organizational structure of the function.

We received periodic reports regarding the progress of the approved work schedule, the variations it might have undergone, as well as the reasons for such changes.

We followed up on the observations and suggestions they made, and their timely implementation.

We assured that an annual training program has been implemented for personnel in the area.

During the year, the services of Internal Audit were evaluated by managers of the business units, and by the Committee itself.

FINANCIAL INFORMATION, ACCOUNTING POLICIES, AND REPORTS TO THIRD PARTIES

We reviewed preparation of the Company's quarterly and annual financial statements with managers, and we recommended to the Board of Directors, their approval and authorization to be published.

As part of this process, we considered the opinion and observations of the external auditors, and we ensured that the criteria, accounting policies, and information used by Management to prepare the financial information is adequate and sufficient, and that such information has been used in a manner that is consistent with the prior fiscal year. Consequently, the information presented by Management reasonably reflects the financial situation, the operating results, and the cash flows of the Company for the year ended December 31, 2020.

We also reviewed the quarterly reports that Management prepares to be presented to the Mexican Stock Exchange, shareholders, and the general public, verifying that they were prepared in accordance with International Financial Reporting Standards, using the same accounting criteria used to prepare the annual information. Our review included verifying, to our satisfaction, that there is an integral process that provides reasonable assurance regarding its content. In conclusion, in each quarter we recommended that the Board approve their publication.

We approved incorporation of the Company's accounting policies, and the new accounting procedures that entered into force in 2020, as a result of the adoption of International Accounting Standards.

We reviewed, analyzed, and provided our opinion on the following relevant operations:

- Proposal to cancel repurchased shares
- GIS' strategy in light of the impact from COVID-19 (investment of US$ 4.8 million in 2020)
- Taking out a revolving line of credit for € 16 million, and use of a line already contracted for US$ 50 million, to ensure liquidity during the critical period of the pandemic
- Renegotiation of expansion of the covenants of the syndicated loan
- Change in reporting currency to United States dollars in the consolidated numbers for 2020
- Change in the corporate structure of the companies in Europe

COMPLIANCE WITH STANDARDS, LEGAL ASPECTS AND CONTINGENCIES

We confirmed the existence and reliability of the controls established for the Group in order to assure compliance with the different legal provisions to which it is subject, assuring that such provisions were adequately disclosed in the financial information. We periodically reviewed the various tax, legal, and labor contingencies of the Group, monitoring the efficacy of the procedure for identification and follow-up, as well as its adequate disclosure and record.

CODE OF CONDUCT

We verified the existence of adequate processes for compliance with the Code of Ethics, including its distribution to personnel, updating, and application of corresponding penalties in the event of detected violations.

We reviewed the complaints received in the System that the Company has established for this purpose, following up on correct and timely attention to such complaints.

ADMINISTRATIVE MATTERS

We held regular Committee meetings with Management in order to keep informed about the progress of the Company, activities, relevant and unusual events. We also met with the external and internal auditors to discuss the development of their work, the limitations they might have faced in performing that work, and we sought to facilitate any private communication that they might wish to have with the Committee.

We held executive meetings with the exclusive participation of the members of the Committee, during those meetings establishing agreements and recommendations for Management.

The Chairman of the Audit Committee provided quarterly reports on the Committee's activities to the Board of Directors.

The work that we performed was duly documented in minutes prepared for each meeting we held, all of which we reviewed and approved.

Sincerely,

ING. LUIS ARIZPE JIMENEZ, ENGINEER
Chairman of the Audit Committee

February 23, 2021

REPORT FROM THE CORPORATE **PRACTICES COMMITTEE**

With respect to the year ended December 31, 2020

February 24, 2021

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

On behalf of the Corporate Practices Committee, I would like to present you with the report on activities that the Committee has undertaken during the fiscal year ended December 31, 2020, in compliance with Article 43 of the Securities Market Law, and Article 40 of the Company's Corporate By-Laws.

In the performance of its functions during the fiscal year mentioned above, the Committee provided its recommendations regarding the matters that pertain to it, highlighting the following:

1. The performance of the relevant executives during 2019 was evaluated, as well as payment of their fixed and variable compensation. In addition, their objectives for 2020 were reviewed.

2. The guidelines on increasing wages and salaries for GIS were reviewed, as well as compensation of the relevant executives. The competitiveness of their salaries in the relevant market was reviewed.

3. The advance of the project to develop the corporate role was reviewed.

4. Evolution of the structure of Draxton Global was analyzed.

5. The transition of the Operations Division (COO) of GIS was reviewed.

6. Update to fees paid to board members was analyzed and postponed.

7. The strategy and operating model employed to face the COVID-19 pandemic was reviewed, emphasizing the protection and health of the Company's employees

As of this date, this Committee has no knowledge that the Board of Directors or any board member, relevant director, or individual with the power of mandate, has taken advantage of business opportunities for themselves or to the benefit of third parties corresponding to the Company or its subsidiaries; and that the Company has engaged in transactions with related parties that are significant.

FRANCISCO GARZA EGLOFF
Chairman of the Corporate Practices Committee

ENVIRONMENTAL **PERFORMANCE**

ENVIRONMENTAL **PERFORMANCE**

At GIS, we recognize that sustainability is the ability to generate value, establish transparency, trust, and to create a competitive advantage now and in the future, based on three axes: economic, environmental and social. Therefore, we continue to use the United Nations' Sustainable Development Objectives as our guide to determine the environmental aspects that are relevant for the operation of our business units.

One of our five values is Sustainable Development, which seeks to promote the care and use of energy resources, as well as the use of clean and efficient technologies that allow us to preserve the ecosystem, and to create savings through activities at all our production units, encouraging participation by all of our employees.

Within GIS we have found three common areas of focus for all operations of our businesses, based on the expectations and needs identified among our stakeholders: energy consumption (electricity and natural gas), water management, and reduction of CO2 emissions.

Economic and global market conditions, especially this year, which brought significant challenges to all our business units due to the COVID-19 pandemic, impacted the variability and consistency in environmental results. Nevertheless, we intensified our efforts to adapt to the changes in the environment, and to continue building a culture that is focused on efficient use of resources.

Every year the Board of Directors reviews, discusses and approves the investment projects that allow us to perform better environmentally. These decisions are made based on prior analysis and evaluation of opportunities and risks identified by the heads of operations of each business.

The challenges posed by the COVID-19 pandemic impacted the variability and consistency of our environmental results.

Starting from the objective of reducing emissions, we understand how important it is to correctly calculate emissions, which is why our operations in Mexico have a verified method of measuring greenhouse gas emissions for scope 1 and scope 2, ensuring the reliability of the information and the validity of the method of calculation used.

Continuing with the objective of using affordable, non-contaminating energy, our Draxton operations in Europe used more than 54 million kWh of electricity from 100% renewable sources.

Putting our Vision and Mission into practice, as well as Objective #13 of Sustainable Development: Climate Action, every year, to encourage our employees and their families to protect the environment, we have sponsored events focused on promoting an ecologically minded culture. Because of the social distancing conditions imposed due to the COVID-19 pandemic this year, we held a virtual workshop for the children of employees called "Protecting the Planet from Home." This, in addition to the efforts of employees who volunteered their time, and the GIS Foundation, resulted in the preservation of more than 3,200 square meters of the Sierra de Zapalinamé, through the Conservación San Lorenzo civil association in Saltillo.

According to the evaluation criteria of GIS' Internal Audit Department, during 2020, no critical breach of Mexican environmental legislation was found at Cinsa, Draxton or Vitromex. Furthermore, no spills of materials inside our facilities, or spills reportable in accordance with the criteria established by the authorities were recorded.

The Internal Audit Department of GIS did not find any critical breach of Mexican environmental legislation by Cinsa, Draxton and Vitromex.

DRAXTON

DRAXTON NORTH AMERICA

With production plants in Mexico in the cities of Saltillo, San Luis Potosí and Irapuato, Draxton's core business is casting auto parts made of grey and nodular iron.

Draxton has continued implementing measures to reduce its carbon footprint, concentrating its activities in three key areas: efficient resource use, operating excellence, and use of cleaner energy sources. The objective is to have accessible and non-contaminating energy as the reference.

The nature of the casting business means that its principal raw materials are made of metal that comes from scrap iron that is to be recycled, which material is used to fabricate new products, therefore extending its useful life. Thus we support compliance with responsible consumption and production objectives.

During 2020, more than 3,500 tons of waste were recycled, thus preventing it from being shipped to storage sites, and using it to produce new materials.

The most recent project implemented is the use of waste sand from molding, which is used as a raw material in manufacturing cement.

Last year our three plants consumed more than 124 million kWh of clean energy, produced by a certified efficient cogeneration process, which was evaluated by the Energy Regulatory Commission.

Since waste generation is a material issue for the business, the project to recover dust in the casting area has been improved in terms of management and use of zinc.

Casting uses metal inputs taken from scrap iron that is to be recycled, therefore extending its useful life.

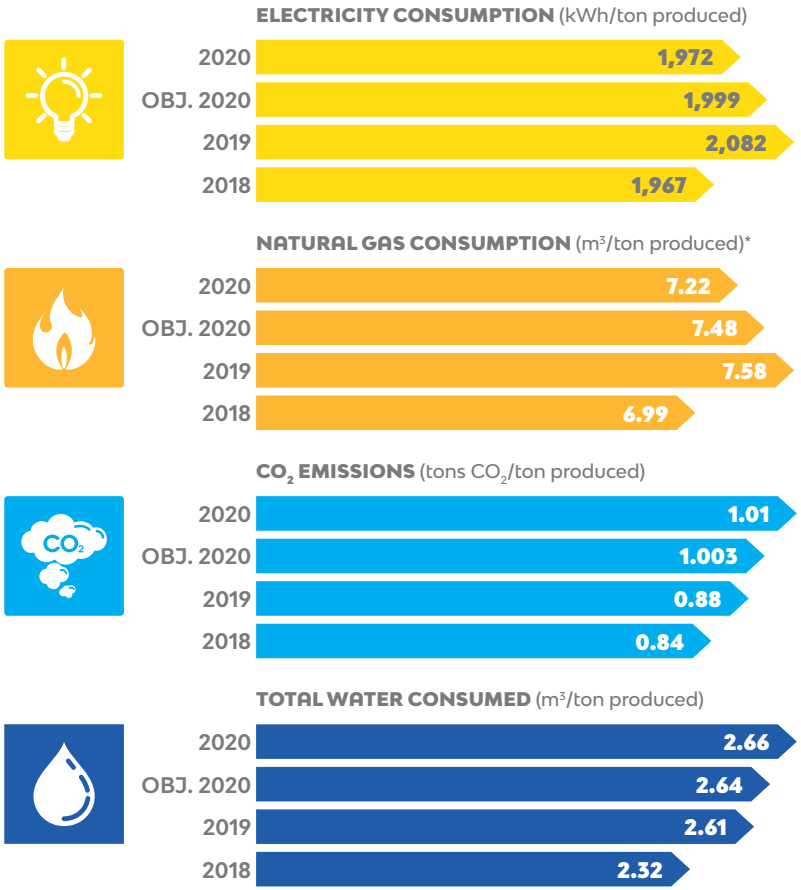
The plants in Saltillo and San Luis Potosí use treated water for their manufacturing processes and irrigation of green areas, which means that we do not extract water from underground aquifers, thus reducing the environmental impact. In Saltillo, using treated water meant that we ceased using water wells. Showing a clear understanding of organizational context, risk management, and opportunities in environmental matters, the plants in Irapuato, Saltillo and San Luis Potosí obtained ISO 14001:2015 re-certification, without any findings of issues of major non-compliance. Similarly, there were no critical findings in auditing's internal guidelines.

Due to the interruption of operations worldwide in April and May, our plants had to make technical shutdowns, gradually restarting in the middle of May. This, as well as the ongoing variations in production programs during 2020, due to the changing automotive industry in North America, translated into an increase in environmental indicators per production unit, as compared to 2019, mainly in the efficient consumption of electricity.

Ongoing variations in production programs during 2020, translated into an increase in environmental indicators.

DRAXTON **NORTH AMERICA**

ENVIRONMENTAL AGENT



*Consumption at the plants in Saltillo and Irapuato.

DRAXTON **EUROPE & ASIA**

Draxton is a global provider of auto parts that manufactures components for brakes, powertrain, and chassis systems, with operations in Mexico, Spain, Italy, the Czech Republic, Poland, and China.

We invested more than €760,000 in projects that support sustainable development and that protect the environment, both directly and indirectly.

With a view to the sustainable evolution of our operations, we invested more than €170,000 to reduce long-lived greenhouse gases in projects that improve the efficiency our plants, while protecting the environment and ensuring control of emissions into the atmosphere.

To contribute to protection of the ecosystem, at Draxton Europe and Asia, we invested in projects to support reducing the use of plastic, and implementing the 5S methodology. We also continued moving forward with recycling projects that promote a circular economy, by using waste from a plant that can be reused as a raw material in other plants.

During 2020, we reduced the use of the planet's scarce resources, such as water, by 13% in consumption with respect to 2019.

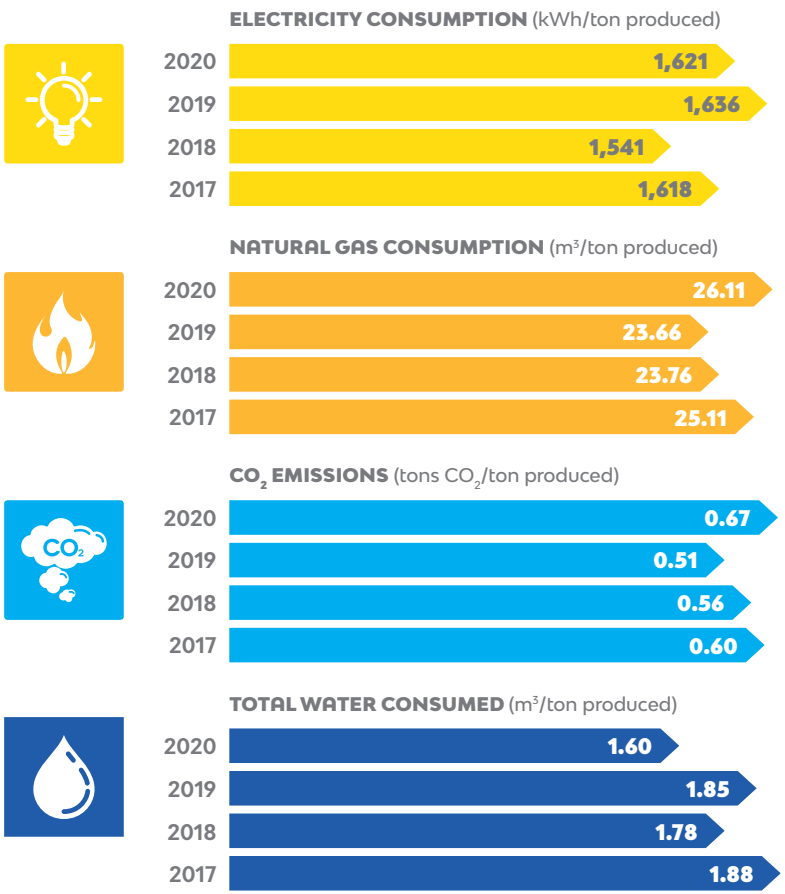
With a solid commitment to protect the environment, we continued advancing in the use of renewable electricity, increasing such sources by 20% for all of our operations in Europe and Asia, allowing us to reduce our carbon footprint per ton produced. Our plant in Atxondo, Spain, deserves special mention, as 100% of the energy used at that location came from clean energy sources.

All of our plants were re-certified in ISO 14001:2015, with validation from the corresponding authorities in compliance with waste management, water waste, emergency response, and emissions into the atmosphere.

DRAXTON EUROPA & ASIA

DRAXTON **EUROPE & ASIA**

ENVIRONMENTAL AGENT



EVERCAST

Focused on the casting and machining of auto parts, this production unit was designed to work at a high level of sustainability. It is located in the state of Guanajuato, and is the result of a joint venture between GIS and its partner and customer, ZF.

In 2020, we continued with our expansion project to install a third casting line, which included an investment of more than US$ 2 million in emissions control equipment, in order to continue guaranteeing excellent performance in environmental matters. In the monitoring of emissions into the atmosphere that was performed at the end of the year, the results are far below the maximum amounts allowed by the corresponding standards in Mexico.

We continued with our project to reuse treated water to maintain green areas, which resulted in an 8% reduction in consumption of well water by unit produced, with respect to the prior year, and we increased treated water by 16%, which is equal to more than 12, 500 m3.

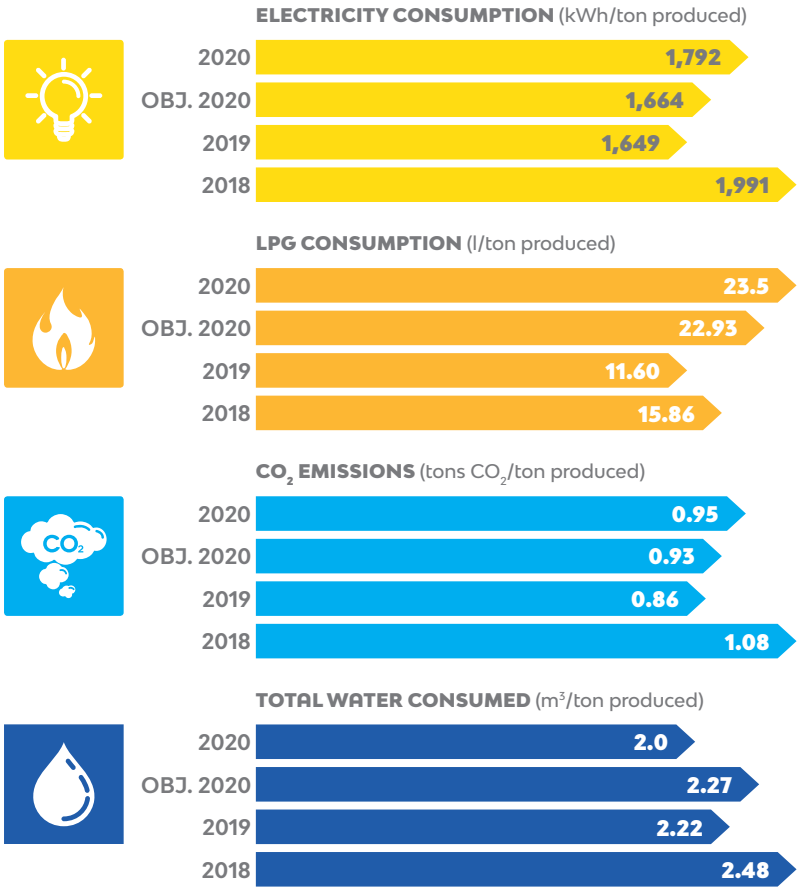
Employing different strategies, we increased waste recycling by more than 29,000 tons, reducing the environmental impact by decreasing the use of equipment and movement of materials. We also ensured a closed cycle for all metal waste inside the plant, by integrating the founding and machining process.

Due to the impacts from the pandemic, the shutdowns of nearly two months at assemblers in all regions, and despite rightsizing our structure, working capital, and investments made to handle the effects from the pandemic, without putting our future growth prospects at risk, all environmental impact indicators that are relevant for the organization increased by production unit with respect to 2019, mainly in the consumption of LPG (liquefied petroleum gas).

However, through the use of state-of-the-art technology in the emissions control systems, we ensure compliance with environmental legislation, and achieved re-certification in ISO 14001:2015, without any major findings having been detected during the internal audit.

EVERCAST

ENVIRONMENTAL AGENT



GISEDERLAN

With operations in San Luis Potosí, Mexico, and Wuhu, China, GIS has a 50% stake in a joint venture for machining iron components, in partnership with Fagor Ederlan.

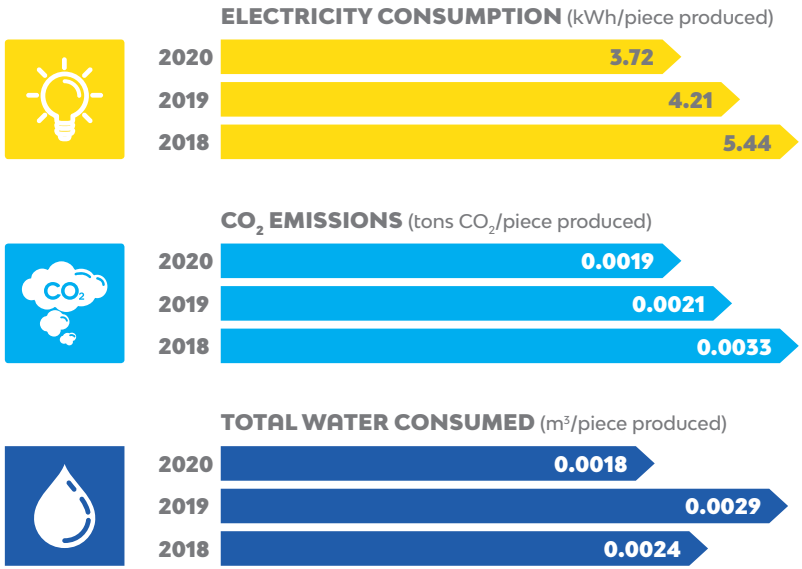
The increased efficiency in equipment use during 2020 resulted in a 12% improvement in the electricity consumption indicator per piece, in comparison with 2019.

At the GISederlan plant, an improvement in total water consumption in 2020 was reported, with a 38% reduction over 2019.

The San Luis Potosí plant obtained re-certification of its environmental management system under ISO Standard 14001:2015, after the first follow-up audit in September 2020, with a favorable result. We also performed audits to ensure that this plant complies with environmental legislation provisions.

GISederlan®

ENVIRONMENTAL AGENT



12%

IMPROVEMENT IN THE ELECTRICITY CONSUMPTION PER PIECE INDICATOR.

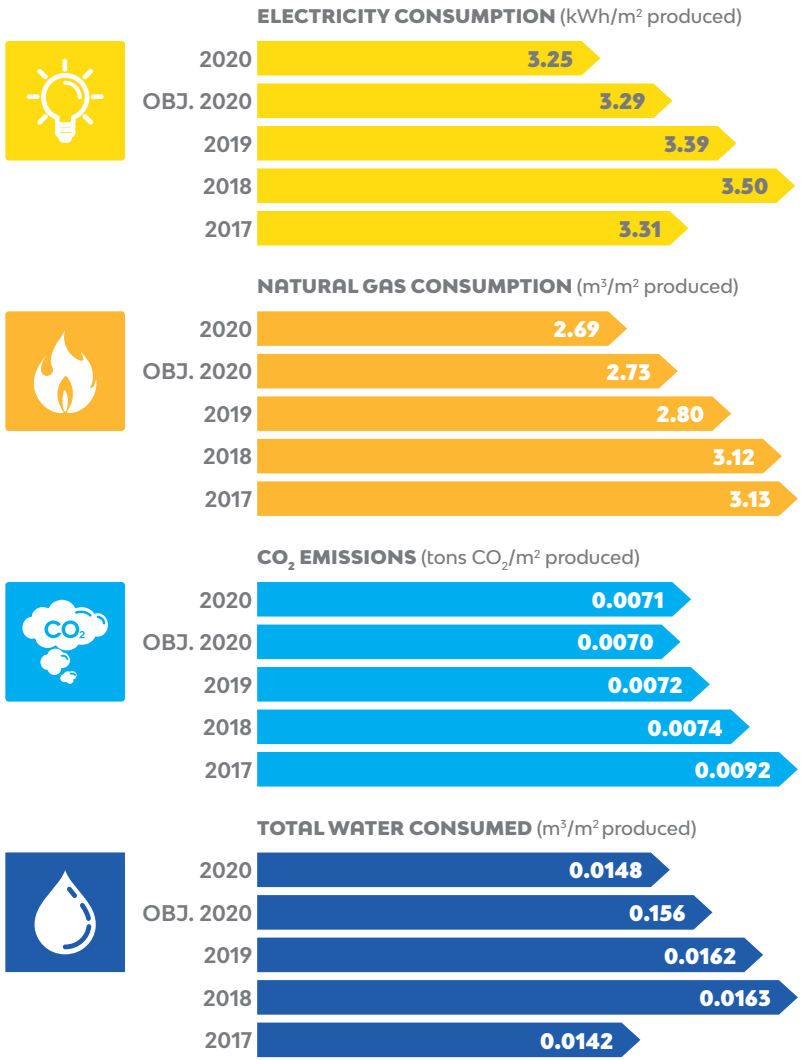
VITROMEX

With four production units in Chihuahua, San Luis Potosí and San José Iturbide, Guanajuato, Vitromex produces ceramic and porcelain tiles.

One of the materially relevant themes of Vitromex is contributing to the improvement and preservation of biodiversity in the communities where it operates, considering that the principal input for manufacturing its products are clay materials. Our plants are therefore not located in restricted natural protected areas, and we take measures to conserve and restore material deposits.

VITROMEX

ENVIRONMENTAL AGENT



In 2020, with the objective of contributing to protecting the ecosystem and conserving biodiversity, we built a nursery at the San Luis Potosí plant, where different species of trees and plants are grown, which are used for reforestation in our operations. We also rescued native species that were located in material deposits and mills, for their survival and reintroduction into the natural surroundings. It should be noted that the water that is used for irrigating the nursery and green areas comes from the water treatment plant installed at our production plant.

The operational restructuring plan that Vitromex implemented in the second half of 2019, allowed the business to improve its energy consumption performance by reducing consumption by 1.8%, over 2019.

At the plants in Mexico, we reduced electricity consumption by 4.1% in comparison with the prior year, and we used more than 76 million kWh from an efficient certified cogeneration plant, which was evaluated by the Energy Regulatory Commission.

During the year, Vitromex plants used more than 25,000 liters of treated water, meaning we did not consume water from aquifers or non-renewable sources, thus reducing the environmental impact of our operations.

We use technological control tools at all our plants to ensure compliance with environmental regulations, and our customers audit us from time to time.

Our San Luis Potosí plant maintained the Clean Industry certifications granted by the Federal Division of Environmental Protection, and Green Squared, of the Tile Council of North America, which verifies the sustainability of the coatings that Vitromex produces.

DESPITE THE INCREASE IN PRODUCTION DUE TO THE REBOUND IN THE DOMESTIC AND EXPORT MARKETS IN THE SECOND HALF OF THE YEAR, OUR INDICATORS IMPROVED WITH RESPECT TO THE PRIOR YEAR.

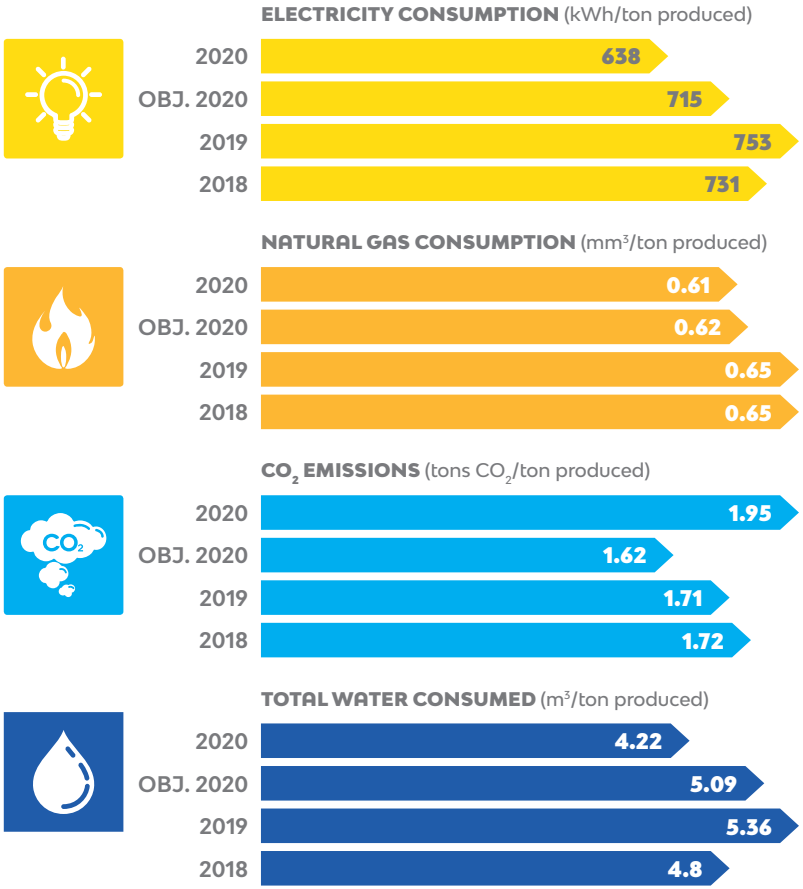
CINSA

Our business of kitchen and tableware products, located in Saltillo, Coahuila, has two production facilities, one of which designs, produces, and sells products for the kitchen: frying pans, cookware sets, and pressure cookers, among others, made of enamel-on-steel, with our non-stick coating, and in aluminum. The other plant designs and produces ceramic crockery for domestic and institutional use.

Due to the pandemic, production volumes at our operations were impacted in the first half of the year. However, during the second half of the year, demand surged in the domestic and export markets, which led us to expand our manufacturing capacity. Despite this increase in production, our environmental indicators improved over the prior year.

CINSA – COOKWARE

ENVIRONMENTAL AGENT – (COOKWARE PRODUCTS PLANT)



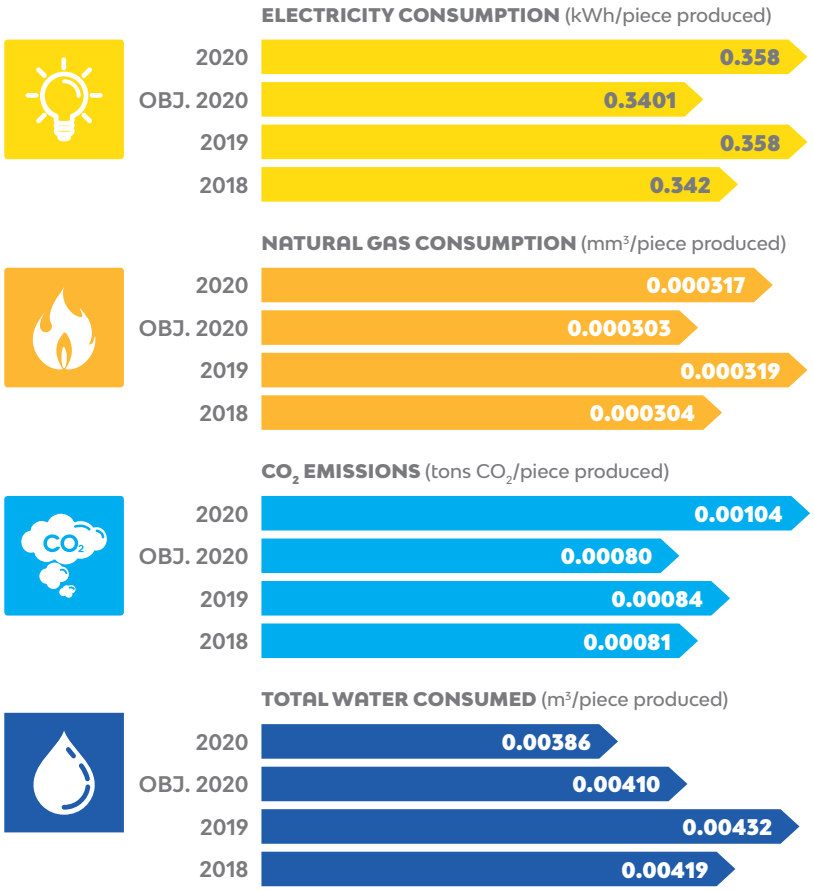
Thanks to the measures and action plans that focused on productivity and efficiency in the business, the plants that produce cookware reported a reduction in electricity consumption of 15%, and of 6% in natural gas compared to 2019.

The kitchen and tableware production plants optimized their water consumption by 21% and 11%, respectively, compared to the prior year, due to adhering to resource-control and productivity-increase strategies.

Waste generation at the kitchenware plants is an important issue for Cinsa. Of the total waste created, 100% of the steel scrap is recycled, which amounts to more than 2,500 tons of annual waste. With this process, more than 85% of the waste is recycled.

CINSA – TABLEWARE

ENVIRONMENTAL AGENT – (TABLEWARE PRODUCTS PLANT)



THE KITCHEN AND TABLEWARE PRODUCTION PLANTS OPTIMIZED THEIR WATER CONSUMPTION BY

21% AND 11%,

RESPECTIVELY, OVER 2019.

SOCIAL PERFORMANCE

SOCIAL **PERFORMANCE**

Based on our Social Responsibility model, and motivated by the example set by the founder of Grupo Industrial Saltillo, Mr. Isidro López Zertuche, and his humanist and philanthropic philosophy, we acted decisively in order to safeguard the health of our employees, their families, and the communities of which we are a part.

The year 2020 led us to develop new ideas, to act with flexibility and creativity in developing the organization's projects, for our employees and their families, while simultaneously supporting the community.

Through the GIS Foundation, we donated more than 55,000 pieces of personal protective equipment to medical teams at hospitals, as well as ventilators and laboratory equipment to help detect COVID-19 in laboratory tests.

For our employees, we developed and implemented a complete strategy focused on prevention, but we also had a plan in place for confirmed cases of the virus. We defined protocols to detect positive and suspected cases of COVID-19 by employing an intensive serological testing campaign. By the end of 2020, in Mexico, GIS had conducted more than five COVID-19 detection tests per employee.

Under the premise that GIS protects you, we provided daily medical care and follow-up, support with medicines and monitoring equipment, such as thermometers, oximeters, and if needed, oxygen tanks or concentrators. For the most serious cases, support for hospital care was provided.

Through our Life Mentoring program, we served more than 753 sick employees and their families, with remote emotional support. Also digitally, we safely carried out activities and events to support an environmental culture, personal finances, and to celebrate loyalty and seniority at GIS and its businesses.

The spirit of solidarity of our employees was reflected in the participation of more than 890 volunteers, who joined together in 2020 to support various causes, such as providing food to families in need, taking smiles and happiness to children at Christmas, and participating in preservation of San Lorenzo Canyon in the city of Saltillo.

Without a doubt, the year 2020 was a challenge for everyone, but it also allowed us to strengthen our value chain with our stakeholders, including: employees, providers, customers, consumers, government, and shareholders, among others.

OUR **EMPLOYEES**

One of the main differentiating factors at GIS is our talent. We are fortunate to have committed individuals who dedicate themselves to working on designing, developing, producing, selling, and distributing products of the highest quality that are valued and appreciated by our customers and consumers.

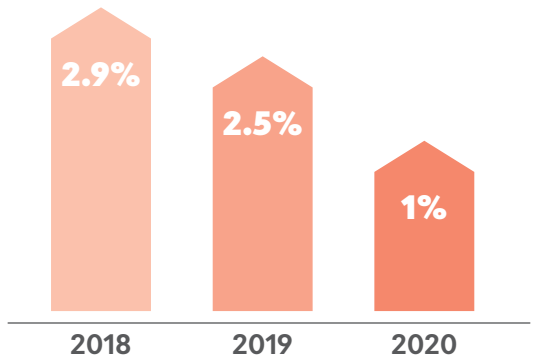
Despite the difficult environment we faced during 2020, we ended the year with 6,586 employees worldwide, nearly the same number with which we ended 2019, with a voluntary monthly turnover of 3.45% in Mexico.

EMPLOYEES	2020	2019
Organization	6,586	6,539
Non-operational employees	1,769	1,841
Operational employees	4,817	4,698

We have benefits for our employees, such as: life insurance, health insurance, pension fund, savings fund, disability coverage, maternity or paternity leave, flexible working hours, and special agreements with businesses, among others. The result is a set of tangible and intangible benefits that contribute to their social progress.

With a focus on having the best team, and in line with the operational requirements that our Businesses require, in 2020 we invested more than 13 million pesos in training programs for Mexico, and more than 50,000 euros for our operations in Europe and Asia. Prioritizing the health of our employees, and because the pandemic led us to reduce training programs, we held virtual sessions and fewer events to prevent contagion.

INVESTMENT IN TRAINING / % OF PAYROLL MEXICO



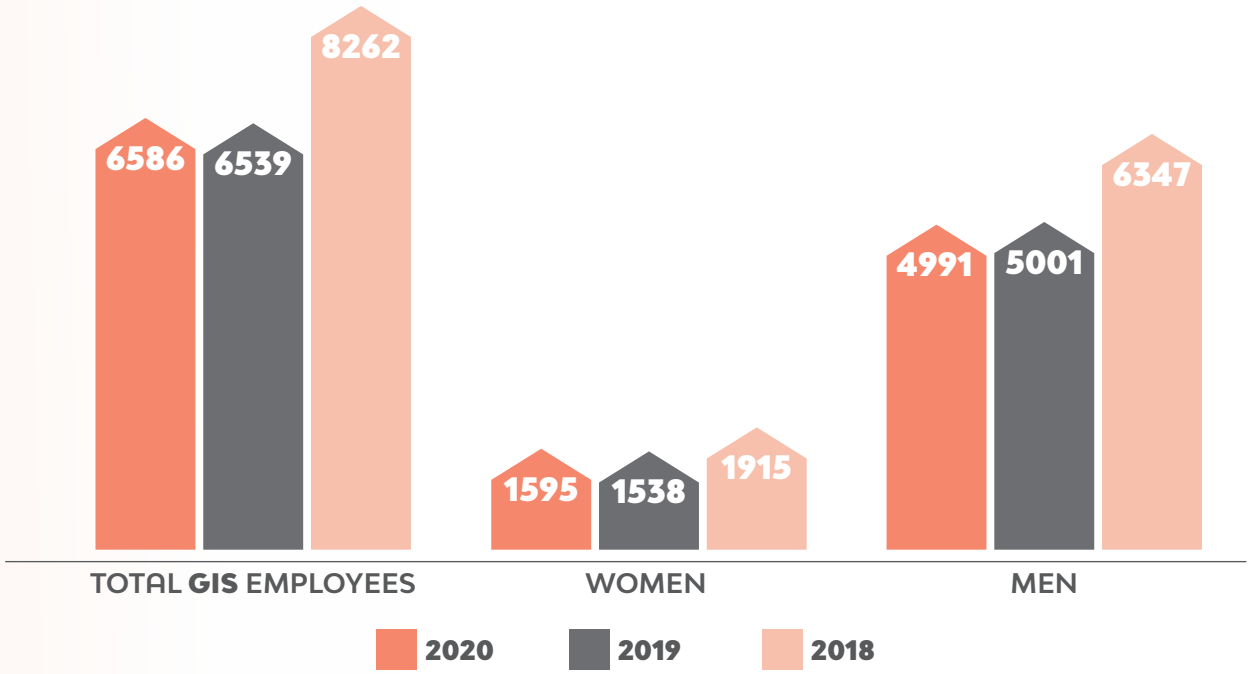
Through the Performance Management Process, employees document their annual objectives, in line with the goals of the divisions where they work. In 2020, and because of the COVID-19 pandemic, during July the annual objectives throughout the organization were reviewed so that they could be readjusted to the Business conditions and mobility at the global level. This allowed efforts and activities to be refocused, resulting in GIS reporting positive financial results at the end of the year.

The Performance Management Process is the basis for defining annual salary increases, and 100% of non-unionized workers participate in this process. We recognize the commitment and development of our employees through the Talent Succession Process, through which they are evaluated in terms of their skills, abilities, and talent potential. Based on this, succession plans are established that focus on improving the Group's long-term sustainability.

Through the Accelerated Development Trainees Program, we have a talent incubator that provides support for key positions at GIS' Business units by providing critical experiences for youth with high potential.

Prioritizing respect for human rights, gender diversity, beliefs, social class, and political affiliation, and including people with differing capacities, GIS' operations in Mexico had a total of 5,162 employees in 2020, of which 25% are women. We provide conditions that allow egalitarian participation between genders within the organization.

In our operations in Europe and Asia, we have 1,412 employees, 78.4% of whom are men, and 21.6% are women. The plant in Poland is a standout, where 30% of the employees are women.



IN 2020, HEALTH WAS THE PRIORITY

Global conditions meant that during the year we focused our efforts on protecting the health of our employees, implementing a robust plan that helped prevent the spread of COVID-19.

One of the first steps was to obtain special advisory services in the area, so that we could train and continually update our medical team on matters concerning clinical management, and follow-up for patients who contracted the virus. We provided more than 80 hours of training, adequately equipping our teams so they could handle cases and also remain safe. We also developed a protocol to detect, follow up on, and act, which was implemented at all of GIS' business units in Mexico.

We performed an epidemiological analysis on all our personnel to understand their health conditions, and comorbidities that put them at greater risk for contracting COVID-19, and we purchased equipment and supplies, such as oxygen concentrators and tanks, oximeters, thermometers, and specific medications to help our employees at their homes during critical times, and when there were no hospital beds available.

To build a culture of prevention and spread knowledge about this disease, we had an intense communication campaign at all levels of the organization, which included four conferences for employees and their families, with the participation of outside specialists.

We built a culture of prevention through an intense communication campaign.

Also during 2020, we continued our prevention campaigns, promoted by the Mexican Social Security Institute, to detect high blood pressure, diabetes, and obesity, and we gave more than 4,000 vaccinations against the seasonal flu. We performed more than 2,500 medical exams, including 30 pap smears and 80 mammograms, and we carried out more than 12,000 medical consultations related to respiratory illnesses.

During the pandemic, through our Life Mentoring program, we provided our employees with emotional support through 55,000 contacts and more than 8,000 interviews, providing care to 753 employees and family members who were isolated due to illness or suspected contagion from COVID-19.

We put physical distancing measures and barriers into place in common areas and locker rooms, cafeterias and meeting rooms, and we increased the use of virtual communication tools, to prevent personal contact as much as possible.

At our operations in Europe and Asia, in addition to implementing preventive work-at-home measures, we applied a protocol for action and safe return because of the pandemic, plus weekly communication providing up-to-date information on the illness.

During June 2020, we surveyed all of our employees in Mexico to identify, among other matters, knowledge about and understanding of COVID-19, and to find out how they felt about the actions GIS took to face the pandemic. Positive perception about the actions the Company took in terms of preventive measures was greater than 80%.

Furthermore, through the consulting firm Korn Ferry, in September, through that Company's COVID-19 Pulse survey, we measured the level of commitment and qualification of our team of employees considering the new circumstances of remote work, and the conditions of the global environment. We received a rating of 83%, as people stated they were highly committed and qualified to be productive. This exceeded the average of 56% in Mexico in this same line of the study carried out by Korn Ferry.

PROCESS OF **INTEGRITY**

One of the bases on which the organization becomes stronger is the Integrity Process and the Code of Ethics that GIS implemented 18 years ago, which focuses on independence and professionalism.

Through the Integrity Process, we support compliance with the Code of Ethics through the Central Integrity Committee, which is formed by members of senior management of GIS, and by Business Integrity Committees, which handle compliance and issue recommendations to correct deviations based on criteria to establish penalties, in accordance with the policies that comprise the Integrity Process.

INTEGRITY PROCESS	2020	2019	2018
Number of Complaints/ Total Employees	1.32%	2.79%	3.00%
Not Applicable	29%	36%	23%
Clarification of Facts	15%	4%	11%
Call to Action	23%	37%	38%
Contract Suspension or Termination	8%	12%	20%
Process of Resolution	25%	10%	8%

During 2020, we recorded fewer complaints, due to the conditions of social distancing and remote work. We had a total of 87 complaints, of which 57% were anonymous. Of the 15% of cases in which clarification of facts was requested, in 8% contract termination or suspension was recommended, 29% of the complaints were not applicable, and a call to action was recommended for 23%. Furthermore, 25% of the total complaints received were in process at the end of December 2020.

In line with our Values at GIS, we are respectful of Human Rights, thus our Code of Ethics prohibits child and slave labor. We also follow the Universal Declaration on Human Rights and the Declaration of the International Labor Organization on their principles and rights.

GIS' experience in applying the Integrity Process resulted in an invitation from the Red Cross of Mexico, Coahuila Delegation, requesting help and participation as a consultant in the development, implementation, and communication of the Red Cross' own complaint system.

For the ninth consecutive year, all of GIS' Business Units in Mexico were recognized with the distinction of being a Socially Responsible Company, which award is granted by the Mexican Center for Philanthropy and the Alliance for Corporate Social Responsibility. Our Businesses were certified in the category from 6 to 10 years, for voluntarily and public assuming the commitment to socially responsible management, and continuous improvement as part of its culture and business strategy.

OUR FAMILIES, COMMUNITIES AND INTEREST GROUPS

In existence for more than 90 years, GIS has defined itself by its social participation. In 2020, with the backdrop of an adverse and challenging environment worldwide because of the appearance of a novel virus, we acted responsibly and in solidarity with our employees, but also with their families and the communities where we operate.

For GIS, Corporate Social Responsibility is the attitude of continuous improvement in business, which makes it possible for the Company to maintain its competitiveness, complying with the social, ethical, economic and environmental expectations of its participants: investors, workers, directors, suppliers, customers, government, social organizations, and the community.

We manage Social Responsibility through a Committee that is formed by representatives from the different Businesses, who combine their efforts to build and improve the culture of social responsibility and volunteering among GIS' employees. This enables us to impact more than 9,000 people, with activities in six cities in Mexico.

To face the pandemic, we dedicated resources and efforts through the GIS Foundation, to support the community as it sought to handle this situation. In April, we made a donation of four ventilators to Hospital General de Saltillo, and we delivered equipment to the State Public Health Laboratory of Coahuila to support the efficiency and speed of diagnosing COVID-19.

In recognition of the medical team's commitment and vocation in facing the novel virus, in April we delivered more than 55,000 pieces of personal protective equipment, such as masks, gloves, Tyvek suits, goggles, and boots, among other items, in Saltillo, San Luis Potosí, Irapuato, and Chihuahua.

DELIVERY OF PERSONAL PROTECTIVE EQUIPMENT AGAINST COVID-19 BY CITY

Saltillo	• Hospital General No.1 • IMSS Unit 73 • Red Cross of Mexico • ISSSTE	17,000
San Luis Potosí	• IMSS	19,000
Irapuato	• Hospital General de Zona	18,000
Chihuahua	• Secretary of Health	3,000

The efforts and actions we took during 2020 to face COVID-19 resulted in nearly $5 million in outlays by GIS, which is reflected in the yearly financial statements. Starting in the next half, we expect this number to decrease significantly.

With the support and participation of our employees, the GIS Foundation donated economic resources to acquire more than 480 food boxes, benefiting nearly 2,000 people in vulnerable situations in Saltillo and San Luis Potosí, which were distributed through the Autonomous University of Coahuila, and the Food Bank. Furthermore, GIS made a donation of a forklift and storage racks to the latter institute for the Saltillo area.

In light of the challenges presented by social distancing, and in an effort to eliminate the risks of contagion, in 2020 events were held that were not in person; thanks to the spirit of solidarity of our employees, however, we held our Christmas event for everyone in Mexico, supporting more than 550 children.

For the adult celebration in Saltillo, we had a special breakfast for the elderly from Asilo el Ropero del Pobre, an institution to which we provide ongoing support.

Considering the challenges presented to families by social distancing, we held different virtual events and activities, such as a children's workshop entitled "Protecting the planet from home," and a conference on personal finance for employees and their families. There were also recreational activities, such as the Christmas parade for corporate employees, and recognition of employees with seniority of 25, 40 and 45 years.

Every year, and to improve health through physical activity, we sponsor the GIS San Isidro 15K Race, which is the longest-running race in the city of Saltillo. In 2020, the race would have been in its 45th uninterrupted year; however, prioritizing the health of the community, and complying with official provisions, we decided to postpone the 2020 race to prevent groups and contagion at an event that has attracted more than 3,000 athletes in recent years.

At the beginning of the year, and prior to isolation from the pandemic, events were held, such as Three Kings Day, and celebration of "Día de la Candelaria," and a panel on personal balance, as well as events recognizing zero absences and perfect attendance.

Between January and March, 50 employees and their spouses participated in training and empowerment activities for personal and family growth, which has been sponsored by Asociación Nacional Pro Superación Personal A.C. (ANSPAC) for more than 15 years. On International Women's Day, we respected the right of our employees to participate in the national action "One day without us."

OUR FOCUS ON EDUCATION

We are aware that education is a key element in forming a fairer community that allows development and growth; thus the GIS Foundation focuses mainly on this area.

In 2020, we continued receiving students who participate under the Mexican Dual Training Model, through which students preparing for vocational school participate in a project within the Company, with the support of internal personnel. GIS has been a launching pad and a pioneer in developing and implementing this Model. Currently two of the organization's top executives chair the commissions on the Mexican Dual Training Model for the Mexican Business Council and Coparmex, at the national level.

After four years, at GIS we have had 92 students in Dual Training in eight areas. In 2020, as yet another impact of the pandemic, practical education sessions were suspended, and education was continued remotely. During the year we continued supporting students in their technical preparation from Intec Don Bosco, through the Educational Opportunities Foundation.

To stimulate personal development among its employees' children, Draxton San Luis Potosí and Evercast in Irapuato, recognized children who completed the 2019-2020 school year with an average above 9.5.

GIS' immersion and leadership in the community has allowed some of its executives to participate in chambers and corporate organizations, in chairman positions, such as Coparmex Coahuila Southeast, the Association of Human Resources Managers, Red SumaRSE in Saltillo, and the Civil Board of Coahuila.

PROTECTING THE ENVIRONMENT

In addition to complying with applicable regulations for each of our Businesses in environmental matters, we encourage a culture of environmental protection. In 2020, we held a virtual environmental workshop for the children of our employees, and we participated in the initiative of the San Lorenzo Breathe Association, to conserve the protected national area of the San Lorenzo Canyon in Saltillo.

Through the Draxton District initiative, our employees, together with the Autonomous University of Coahuila, Ignacio Zaragoza Elementary School of Saltillo, and the municipal and state environmental authorities of Saltillo and Coahuila, held clean-up days and rehabilitation of public spaces between January and March of 2020.

The year 2020 will go down on record as a challenging time for human beings, but also as a year that gave us the chance to strengthen our personal and institutional ties in the search for sustainability.

ECONOMIC PERFORMANCE

FINANCIAL INFORMATION

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements

As of and for the years ended December 31, 2020 and 2019 and as of January 1, 2019

(With Independent Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish – language version prevails)

INDEPENDENT AUDITOR'S REPORT

(Translation from Spanish Language Original. In the event of discrepancy, the Spanish – language version prevails)

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

(Thousand of dollars)

Opinion

We have audited the consolidated financial statements of Grupo Industrial Saltillo, S.A.B. de C.V. and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, the consolidated statements of operations and comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Grupo Industrial Saltillo, S.A.B. de C.V. and subsidiaries, as at December 31, 2020 and 2019, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled the other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those that, in our professional judgment, have been most relevant in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of long-lived assets with a defined used life

See Notes 11, 12 and 13 to the consolidated financial statements.

The key audit matter	How the key audit matter was addressed in our audit
The property, machinery and equipment and intangible assets with a defined useful life (long-lived assets) for $841,165 which represent 68% of consolidated total assets, include $100,389 corresponding to the subsidiary Manufacturas Vitromex, S.A. de C.V., which constitutes a cash- generating unit (CGU Vitromex). Management carries out the long-lived assets impairment testing when there are triggering events that the carrying amounts of such assets may not be recoverable. In the determination of estimated fair value are used several key assumptions, including estimates of future volume and sales prices, operating costs and discount rate. We have identified the impairment testing of long- lived of defined useful life of the CGU Vitromex as a key audit matter due to the complexity and the required significant judgment for determinate the estimated fair value.	Our audit procedures for this key audit matter included the following, among others: • We involved our specialists to assist us in evaluating the discount rate used and compares it with available public information of comparable companies. • We evaluated the assumptions applied to key data such as volume and sales prices, operating costs, inflation, and long-term growth rates, which included comparing data with public information of comparable companies, as well as our evaluation based on our knowledge of the customer and the industry. • We performed a sensitivity analysis, which included evaluating the effect of reasonably possible reductions in projected cash flows, to evaluate the impact on the estimated fair value of the CGU.

Impairment testing of goodwill

See Note 13 to the consolidated financial statements.

The key audit matter	How the key audit matter was addressed in our audit
As of December 31, 2020 the Group has recognized goodwill for $214,341. The annual goodwill impairment test is considered as a key audit matter due to the complexity of the calculations and the significant judgments necessary in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the cash-generating units (CGUs) is based on the greater of the value in use or fair value less the costs of sale, derived from the projected discounted cash flow models. These models use several key assumptions, including future volumes and prices sales, operating costs, terminal values growth rates and the weighted- average cost of capital (discount rate).	Our audit procedures for this key audit matter included the following, among others: • We involved our specialists to assist us in evaluating the adequacy of the discount rates used, which included comparing the weighted-average cost of equity to the average of the sectors of the relevant markets wherein the CGUs operate. • We evaluated the assumptions applied to the key data such as volume and sales prices, operating costs, inflation and long-term growth rates, which included comparing that data to external sources as well as our evaluation based on our knowledge of the Group and the industry. • We carried out our own sensitivity analysis, which included assessments of the effects of possible reasonable reductions in growth rates and projected cash flows. • We assessed the adequacy of the disclosures in the financial statements, including key disclosures of significant assumptions and judgments.

Emphasis of matter

As described in Note 1 of consolidated financial statements, which describes that the Group changed its reporting currency from Mexican peso to dollar of United States of America. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for other information. The other information comprises the information included in the Group's annual report for the year ended December 31, 2020, which must be submitted to the National Banking and Securities Commission and to the Mexican Stock Exchange, (the "Annual Report") but does not include the consolidated financial statements and our auditor´s report thereon. The annual report is estimated to be available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when available and, in so doing, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or whether it appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material error in that other information, we are required to report that fact to those charged with governance of the entity.

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 deems necessary to enable the preparation of consolidated financial statements that are free of material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has not realistic alternative but to do so.

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

Auditors´ responsibilities for the consolidated financial statements

Our objectives are 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 ISAs 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 IAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response 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 the 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 Group'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 Group'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 Group 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 in a manner that achieves fair presentation.

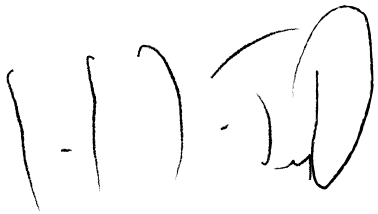
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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 of our audit.

We also provided those charged with the governance a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear our independence and where applicable, related safeguards.

From the matters communicated those charged with governance, we determine those matters that were of most significant in the audit of the consolidated financial statements of the current period and therefore key audit matters. We describe these matters in our audit report, unless the legal or regulatory provisions prohibit publicly disclosing the matter or, under extremely infrequent circumstances, we determine that a matter should not be communicated in our report because it is reasonable to expect that the adverse consequences of doing so would surpass the public interest benefits thereof.

KPMG Cárdenas Dosal S. C.



C.P.C. Luis Gabriel Ortiz Esqueda
Monterrey, N.L. February 18, 2021.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020, 2019 AND JANUARY 1, 2019

(In thousands of dollars)

	Note		2020	2019	January 1, 2019
Assets					
Current assets					
Cash and cash equivalents	6	$	92,530	88,817	54,939
Assets held for sale	7		-	831	131,025
Trades and other accounts receivable, net	8		140,906	142,131	205,752
Recoverable taxes	9		18,192	16,332	12,472
Recoverable income tax			2,171	-	-
Related parties	28		8,857	7,191	10,418
Inventories, net	10		77,340	98,289	112,062
Prepaid expenses			1,420	1,360	1,173
Derivative financial instruments	21		-	114	-
Total current assets			**341,416**	**355,065**	**527,841**
Non-current assets					
Long-term spare parts	11	$	16,731	13,341	15,273
Property, machinery and equipment, net	11		484,400	509,705	510,604
Right-of-use asset, net	12		12,588	13,675	15,732
Intangible assets, net	13		327,446	314,861	318,734
Other assets			136	142	299
Related parties	28		2,500	2,000	-
Investments under equity method	14		6,146	6,513	1,850
Derivative financial instruments	21		-	90	717
Deferred tax assets	20		46,575	43,611	35,131
Total non-current assets			**896,522**	**903,938**	**898,340**
Total assets		**$**	**1,237,938**	**1,259,003**	**1,426,181**

The consolidated statements of financial position should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020, 2019 AND JANUARY 1, 2019

(In thousands of dollars)

	Note		2020	2019	January 1, 2019
Liabilities					
Current liabilities					
Current installments of long-term debt	16	$	7,099	134	11,279
Current installments of long-term other liabilities	17		1,635	1,171	1,706
Current installments of lease liabilities	18		3,622	4,194	6,434
Tax consolidation liability	20		2,008	9,554	9,463
Suppliers and other accounts payable	15		224,256	210,729	211,089
Taxes payable and others			1,588	9,358	176
Deferred income	24		1,729	1,899	1,380
Derivative financial instruments	21		1,046	39	178
Related parties	28		271	304	3,073
Liabilities related with assets held for sale			-	-	28,180
Total current liabilities			**243,254**	**237,382**	**272,958**
Non-current liabilities					
Debt, excluding current installments	16		247,946	282,786	390,517
Other long-term liabilities	17		3,125	4,393	13,536
Lease liability	18		8,979	9,620	8,809
Deferred tax liabilities	20		39,094	42,742	54,181
Long term liability for tax consolidation	20		6,746	8,369	15,785
Employee benefits	19		17,922	12,438	10,282
Derivative financial instruments	21		22,071	1,894	-
Total non-current liabilities			**345,883**	**362,242**	**493,110**
Total liabilities			**589,137**	**599,624**	**766,068**
Stockholder's Equity	22				
Capital stock		$	249,441	256,680	256,680
Additional paid-in capital			6,573	17,932	17,932
Reserve for repurchase of own shares			41,188	31,448	32,597
Reserve for cumulative translation effect			(144,287)	(172,088)	(172,136)
Reserve for valuation effects of financial instruments			(29,536)	(2,679)	(8,300)
Reserve for actuarial measurements of benefits plan			(5,513)	(663)	5,229
Reserve for fixed asset revaluation surplus			35,937	35,937	35,914
Income tax on comprehensive income items			(6,131)	(15,643)	(15,264)
Retained earnings			467,152	474,146	474,462
Controlling interest			**614,824**	**625,070**	**627,114**
Non-controlling interest			**33,977**	**34,309**	**32,999**
Total stockholder's equity			**648,801**	**659,379**	**660,113**
Total liabilities and stockholder's equity		$	**1,237,938**	**1,259,003**	**1,426,181**

The consolidated statements of financial position should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars except profit per share)

	Note		2020	2019
Revenues	24	$	742,423	889,838
Cost of sales			601,722	729,887
Gross profit			**140,701**	**159,951**
Administration and selling expenses			131,238	130,523
Other income, net	25		(8,290)	(12,717)
Total operating activities before restructuring expenses			17,753	42,145
Other restructuring expenses	1e)		-	10,793
Total operating activities			**17,753**	**31,352**
Financial income	27		(4,375)	(4,578)
Financial costs	27		19,743	29,922
Exchange gain, net	27		(1,085)	(1,545)
Net financial cost			**14,283**	**23,799**
Share of profit in investments measured under the equity method	14		125	(13,853)
Income before taxes			**3,345**	**21,406**
Income taxes	20		7,607	5,243
(Loss) profit from continuing operations			**(4,262)**	**16,163**
Income from discontinued operations, net of income taxes	7		-	30,407
Consolidated net (loss) income			**(4,262)**	**46,570**
Non-controlling interest			1,404	4,395
Net (loss) income from controlling interest		$	**(5,666)**	**42,175**
Earnings per share "EPS":				
Basic and diluted earnings per share	23	$	(0.02)	0.12

The consolidated statements of income should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

	Note		2020	2019
Net (loss) income from controlling interest		$	(5,666)	42,175
Other comprehensive income items				
Items that can be reclassified to profit or loss				
Cumulative translation effect of foreign operations			27,801	48
Net changes in fair value of derivative financial instruments			(26,857)	5,621
Income tax on the other comprehensive income			8,057	(1,763)
			9,001	3,906
Items that are not reclassified to profit or loss				
Actuarial losses from defined benefit plans	19		(4,850)	(5,892)
Net change in fair value of land and buildings			-	23
Income tax on other comprehensive income items			1,455	1,384
			(3,395)	(4,485)
Other comprehensive income for the year, net of income taxes			5,606	(579)
Total comprehensive (loss) income for the year – controlling interest		$	(60)	41,596
Non-controlling interest			1,768	3,410
Total comprehensive income for the year		$	1,708	45,006

The consolidated statements of comprehensive income should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

			Attributable to Company Stockholders			
	Note		Capital stock	Additional paid-in capital	Reserve for repurchase of own shares	Reserve for cumulative translation effect
Balance as of January 1, 2019		**$**	**256,680**	**17,932**	**32,597**	**(172,136)**
Business acquisition			-	-	-	-
Other comprehensive income items			-	-	-	-
Balance as of January 1, 2019		**$**	**256,680**	**17,932**	**32,597**	**(172,136)**
Net income			-	-	-	-
Translation effect of foreign operations			-	-	-	48
Property revaluation			-	-	-	-
Financial instruments			-	-	-	-
Actuarial losses from defined benefit plan			-	-	-	-
Total comprehensive income			**-**	**-**	**-**	**48**
Transactions with stockholders recognized directly in stockholder's equity						
Repurchase and reallocation of shares	22b		-	-	(8,107)	-
Increase in reserve for repurchase of shares			-	-	6,958	-
Dividends declared to stockholders	22f		-	-	-	-
Total transaction with stockholders of the Company			-	-	**(1,149)**	-
Balance as of December 31, 2019		**$**	**256,680**	**17,932**	**31,448**	**(172,088)**

The consolidated statements of changes in stockholders' equity should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

Attributable to Company Stockholders							
Reserve for effect of valuation of financial instruments	Reserve for actuarial remeasurement of benefits plan	Reserve for surplus for revaluation of fixed assets	Income tax on comprehensive items	Retained earnings	Total controlling interest	Non- controlling interest	Total stockholders' equity
(8,300)	**5,229**	**35,914**	**(15,264)**	**460,097**	**612,749**	**3, 080**	**615,829**
-	-	-	-	-	-	23,762	23,762
-	-	-	-	-	-	6,157	6,157
(8,300)	**5,229**	**35,914**	**(15,264)**	**460,097**	**612,749**	**32,999**	**645,748**
-	-	-	-	42,175	42,175	4,395	46,570
-	-	-	-	-	48	(985)	(937)
-	-	23	-	-	23	-	23
5,621	-	-	(1,763)	-	3,858	-	3,858
-	(5,892)	-	1,384	-	(4,508)	-	(4,508)
5,621	**(5,892)**	**23**	**(379)**	**42,175**	**41,596**	**3,410**	**45,006**
-	-	-	-	-	(8,107)	-	(8,107)
-	-	-	-	(6,958)	-	-	-
-	-	-	-	(21,168)	(21,168)	(2,100)	(23,268)
-	**-**	**-**	**-**	**(28,126)**	**(29,275)**	**(2,100)**	**(31,375)**
(2,679)	**(663)**	**35,937**	**(15,643)**	**474,146**	**625,070**	**34,309**	**659,379**

The consolidated statements of changes in stockholders' equity should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

			Attributable to Company Stockholders			
	Note		Capital stock	Additional paid-in capital	Reserve for repurchase of own shares	Reserve for cumulative translation effect
Balance as of January 1, 2020		**$**	**256,680**	**17,932**	**31,448**	**(172,088)**
Net income			-	-	-	-
Translation effect of foreign operations			-	-	-	27,801
Financial instruments			-	-	-	-
Actuarial losses from defined benefit plan			-	-	-	-
Total other comprehensive income			-	-	-	**27,801**
Transactions with stockholders recognized directly in stockholder's equity						
Repurchase and reallocation of shares	22b		-	-	(10,186)	-
Increase in reserve for repurchase of shares	22b		-	-	19,926	-
Extinction and cancellation of treasury shares	22		(7,239)	(11,359)	-	-
Dividends declared to stockholders	22f		-	-	-	-
Total transaction with stockholders of the Company			**(7,239)**	**(11,359)**	**9,740**	**-**
Balance as of December 31, 2020		**$**	**249,441**	**6,573**	**41,188**	**(144,287)**

The consolidated statements of changes in stockholders' equity should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

Attributable to Company Stockholders							
Reserve for effect of valuation of financial instruments	Reserve for actuarial remeasurements of benefits plan	Reserve for surplus for revaluation of fixed assets	Income tax on comprehensive items	Retained earnings	Total controlling interest	Non-controlling interest	Total stockholders' equity
(2,679)	**(663)**	**35,937**	**(15,643)**	**474,146**	**625,070**	**34,309**	**659,379**
-	-	-	-	(5,666)	(5,666)	1,404	(4,262)
-	-	-	-	-	27,801	364	28,165
(26,857)	-	-	8,057	-	(18,800)	-	(18,800)
-	(4,850)	-	1,455	-	(3,395)	-	(3,395)
(26,857)	**(4,850)**	-	**9,512**	**(5,666)**	**(60)**	**1,768**	**1,708**
		-					
-	-	-	-	-	(10,186)	-	(10,186)
-		-	-	(19,926)	-	-	-
-	-	-	-	18,598	-	-	-
-	-	-	-	-	-	(2,100)	(2,100)
-	**-**	**-**	**-**	**(1,328)**	**(10,186)**	**(2,100)**	**(12,286)**
(29,536)	**(5,513)**	**35,937**	**(6,131)**	**467,152**	**614,824**	**33,977**	**648,801**

The consolidated statements of changes in stockholders' equity should be read along with the notes to the consolidated financial statements which are a part thereof.

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

AS OF DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

	Note		2020	2019
Cash flows from operating activities:				
Net (loss) income		$	(5,666)	42,175
Adjustments for:				
Depreciation and amortization	11,12,13		79,275	80,441
Share of profit in investments measured under the equity method	14		125	512
Non-controlling interest			1,404	4,395
Write off and amortization of debt issuance costs	16		1,393	4,471
Gain on sale of assets held for sale	7		-	(37,285)
Financial cost, net			13,956	20,704
Loss on sale of property, plant and equipment	25		1.901	3,483
Interest remediation previously held before the change in control of joint venture			-	(14,365)
Provision of employee statutory profit sharing			717	524
Income taxes expense	20		7,607	5,243
Cash flows provided by operating activities before accruals			**100,712**	**110,298**
Change in inventories			19,107	21,659
Change in trades and other accounts receivable			(2,806)	69,394
Change in prepaid expenses of current assets			(60)	(337)
Assets and liabilities for leases			346	(192)
Change in trades and other accounts payable			4,081	(10,706)
Related parties			(1,699)	789
Change in accruals and employee benefits	19		634	(4,425)
Cash flows provided by operating activities before income taxes			120,315	186,480
Income taxes paid			(21,539)	(44,782)
Net cash flows provided by operating activities			**98,776**	**141,698**
Cash flows from investment activities:				
Resources from the sale of property, machinery and equipment			1,350	-
Acquisition of property, machinery and equipment			(31,951)	(47,355)
Business acquisition, net of cash received			-	39
Contribution in investments measured under the equity method			-	(5,059)
Acquisition of intangible assets	13		(8,012)	(9,037)
Interest received			2,380	4,320
Related parties			(500)	(2,000)
Resources obtained from business sale	7		-	147,302
Net cash flows (used in) provided by investment activities			**(36,733)**	**88,210**
Cash flows from financing activities:				
Loans obtained	16		131,190	177,149
Repurchase of own shares	22 (b)		(10,186)	(8,107)
Loans paid	16		(159,345)	(306,813)
Other liabilities			(1,170)	(10,355)
Interest paid			(11,052)	(20,613)
Financial instruments			5,760	2,512
Leases paid	18		(4,690)	(5,097)
Dividends paid	22 (f)		-	(21,159)
Dividends paid to non-controlling interest	22 (f)		(2,100)	(2,100)
Net cash flows used in financing activities			**(51,593)**	**(194,583)**
Net increase of cash and cash equivalents			**10,450**	**35,325**
Cash and cash equivalents at the beginning of the year			88,817	54,939
Exchange fluctuation effect on cash and cash equivalents			(6,737)	(1,447)
Cash and cash equivalents as of December 31	**6**	**$**	**92,530**	**88,817**

The consolidated statements of cash flows should be read along with the notes to the consolidated financial statements which are a part thereof.

(In thousands of dollars)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish – language version prevails)

1 Reporting entity, acquisitions and other relevant events

Grupo Industrial Saltillo, S.A.B de C.V. (GISSA Group and/or the Company) was incorporated in United Mexican States as a corporation whose shares are listed in the Mexican Stock Exchange and are listed under the symbol GISSA. The address registered of the Company is Isidro Lopez Zertuche No. 1495 Zona Centro C.P. 25000, in Saltillo, Coahuila de Zaragoza, Mexico.

The consolidated financial statements of the Company as of December 31, 2020, 2019 and January 1, 2019 and for the years ended December 31, 2020 and 2019, include those of the Company and its subsidiaries (overall the "Company" and individually "entities of the Company").

The Company through the subsidiary companies participates in three business segments: (i) Auto parts (mainly composed of Industria Automotriz Cifunsa, S.A. de C.V., Automotive Components Europe, S.L. [Spain, Czech Republic and Poland] and Draxton Powertrain & Chasis, S.L. [Spain, Italy and China]), which are primarily engaged in the foundry and manufacturing of parts in gray, nodular iron and aluminum for brake systems, engine, transmission and suspension for the automotive industry, (ii) Construction (mainly composed of Manufacturas Vitromex, S.A. de C.V. and until 2019 also Calentadores de America, S.A. de C.V. (see Note 7), which are primarily engaged in manufacturing and marketing ceramic and water heaters, and marketing of lines of malleable iron and nipples of steel and (iii) Home Products (mainly composed of Cinsa, S.A. de C.V.) engaged in manufacturing and marketing enameled steel kitchen items and ceramic dinnerware for home and institutional use.

Additionally, the Company has entered into joint ventures, as of December 31, 2020 and 2019 in its auto part segment, with Fagor Ederlan, S. Coop. with a 50% share in the following joint ventures: Ineder Projects, S.L., Infun-Ederlan Auto Parts (Wuhu) Co., Ltd. y Gisederlan, S.A. de C.V.

Until December 31, 2018, the Company, in its auto part segment, entered into joint ventures with TRW Automotive Holdings Corp, with a 70% share in Evercast, S.A. de C.V. ("Evercast"); at such date, that investment qualified as joint venture. However, from January 1, 2019, due a change in the bylaws of this agreement, without changes in the shareholding, the Company assumed the control over Evercast (see Note 14).

Relevant events

2020

a) As of January 1, 2020 and for each subsequent reporting date, in accordance with IAS 21, Effects of Exchange Fluctuations ("IAS 21") under IFRS, and with the authorization of the Board of Directors, with a previous favorable opinion from the Audit Committee, the Company changed its reporting currency of its consolidated financial statements from the Mexican peso to the United States dollar ("dollars") considering the following factors and objectives:

1) The dollar is the currency that best represents its current economic environment and way of operating.
2) The dollar is the currency that management uses when controlling and monitoring the performance and financial position of the Company.
3) In order to align the Company's globalization strategy and the reading of its financial information in a globalreference currency.

The consolidated financial statements, including the comparative amounts and the accompanying notes to the consolidated financial statements, are shown as if the new presentation currency had always been the Company's presentation currency. The currency translation adjustments were adjusted to zero as of January 1, 2012, the date on which the Company made the transition to IFRS. The translation effects for the year and the accumulated translation effects have been presented as if the Company had used the dollar as its presentation currency since that date.

The comparative consolidated financial statements and their notes were modified due to the change in the presentation currency applying the methodology established by IAS 21, using closing exchange rates for the consolidated statements of financial position and the exchange rates on the date they were accrued for the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flow. Historical equity transactions were translated at the exchange rates of the transaction date and subsequently maintained at historical value. The exchange rates used in the translation are those described in Note 21. As a result of this change in the presentation currency and in compliance with IAS 1, Presentation of Financial Statements ("IAS 1"), the Company includes a third consolidated statement of financial position as of January 1, 2019, which incorporates the effects of the adoption of IFRS 16, Leases ("IFRS 16"), as well as the assets acquired and liabilities assumed in the acquisition of businesses described in Note 14.

b) Impacts of COVID-19

The infectious disease by virus SARS-COV2 (hereinafter "COVID-19") was declared a pandemic on March 11, 2020 by the World Health Organization. COVID-19 had and continues to have strong impacts on health, economic and social systems worldwide. Sanitary measures have been taken in countries in which the Company participates to limit the spread of this virus, including, among others, social distancing and closing of educational centers (schools and universities), commercial establishments and non-essential businesses.

The main implications it had for the Company, through its subsidiaries, are listed below:

- Operational and financial performance: Since various countries did not allow non-essential businesses to operate, the Company proceeded to suspend production in some units and production lines during the first and second quarters of 2020, causing it to not generate revenues during these periods. Towards the end of the year, there was an increase in sales in the construction business, as a result of social distancing, generating a reassignment of the consumer, towards home remodeling, causing an increase in demand for the different products offered in this sector. As a result, consolidated revenues were affected by an estimated decrease of $ 142 million for the year ended December 31, 2020.

Derived from the temporary closure of operations, and in order to optimize costs and expenses, the Company incurred in compensation expenses of $3.5 million as of December 31, 2020.

Additionally, the Company disbursed about $5 million in attention to COVID-19, which is included in the consolidated statement of income, mainly in cost of sales. These amounts were allocated to concepts such as drugs, tests, medical consultations, among others, seeking to privilege the safety of its collaborators. The Company has carried out tests on staff since the beginning of the pandemic, having sampled each employee nearly three times on average, in order to prevent the spread of the virus.

- Liquidity: To confront liquidity risk management and optimize cash flows in the event of any unforeseen events during the pandemic, the Company decided to postpone capital investments outside of those necessary for operational continuity; Additionally, as of December 31, 2020, committed credit lines were available which were settled during the same year. The financial risk management strategies that the Company carries out, including compliance with its obligations and payment commitments, are detailed in Note 16.

- Financial position: The Company made amendments to some of its credit contracts, in order to ensure compliance with the financial covenants stipulated during the period of the pandemic (see Note 16). As of December 31, 2020, the Company was able to return to the levels of financial covenants that were originally contracted, thanks to the improvement in the financial results of the second half of the year, despite the fact that the obligations of said financial covenants continue at the levels of the amendments mentioned here. Additionally, the effects of the pandemic led to a detailed evaluation of triggering events in the businesses, concluding that there is no impact that should be recognized (see Note 11 a).

(In thousands of dollars)

As of the date of issuance of the consolidated financial statements, the Company continues monitoring the development of its business, complying with the government regulations of the different countries in which it operates and responding in a timely manner to any changes that may arise. Strict safety and hygiene protocols have been maintained in its plants in order to favor the health of its employees. Likewise, it continues to take actions to manage operational and financial risks, in order to maintain business continuity.

2019

a) Under the Agreement signed on February 3, 2014 among GIS through its subsidiary Industria Automotriz Cifunsa, S.A. de C.V. (IACSA) and Kelsey Hayes Company subsidiary of TRW Automotive Holding Corp., the incorporation of Evercast, S.A. de C.V.; both entities maintained joint control over Evercast, from the date of its incorporation until December 31, 2018. However, on January 1, 2019, GIS and TRW signed an agreement to reform certain bylaws of Evercast, with the modification Evercast is considered a subsidiary of GIS, because it acquires control over it, so, from the date of amendment of the bylaws, GIS consolidates the financial information of Evercast, S.A. de C.V. in its financial statements.

b) On January 14, 2019, the Company signed an Agreement with Ariston Thermo S.p.A. for the sale of its Water Heater Business (Calorex). The sale included the subsidiaries Calentadores de América S.A. de C.V., Fluida S.A. de C.V. and Water Heating Technologies Corp., dedicated to the manufacture and commercialization of water heaters and products for the conduction of fluids. The transaction was authorized by the Federal Economic Competition Commission and was completed on April 30, 2019. The price of the transaction amounted to $147,302 under the agreement for the sale of shares among the parties, due to the movement of working capital, debt assumed and transferred cash. The Company recognized a gain in the sale of $32,387, net of taxes. (See Note 7).

Derived from this Agreement and in accordance with the contractual obligations that Grupo Industrial Saltillo, S.A.B. de C.V. has in its bank loans, the Company engaged in a derivative financial instrument called Forward Plain Vanilla, where through this instrument it was committed to buying dollars in the future at a fixed exchange rate, since part of the net income from sale was destined to the prepayment of financial obligations denominated in dollars for $ 67.5 million.

c) On August 27, 2019, the Company prepaid, in full, the balance of "GISSA 17-2" Stock Certificates, for an amount of $400 million pesos plus $2.9 million pesos for accrued interest not paid on the principal balance, at the date of prepayment.

d) On September 11, 2019, the Company signed a syndicated loan for up to $245 million. The resources from the long-term debt were used for the total payment of the previous syndicated loan with a balance of $187.5 million plus interest corresponding to the credit and expenses related to the contracting of the same.

e) On July 25, 2019, the Company reported about the restructuring of operations of the ceramic floor and wall tiles business, Vitromex. The business is executing an operational restructuring process in which it highlights: (i) reinforcement of the technical, commercial and operational team; (ii) pasta development, with technical and design advantages, called Vitroker in San José Iturbide; (iii) closing of its Saltillo Plant to reduce both fixed and production costs by relocating products to the most efficient plants and; (iv) resizing of the commercial strategy, based on differentiation and market approach as well as emphasis on exports to key customers.

With this rationalization, the proper sizing of the operation and the efficient use of the production plants is achieved, operating them at a higher level of use. The suspension of operations in the Saltillo plant was recognized in the consolidated statement of income, amounting to $10.7 million, mainly associated with disposals of fixed assets and severance payments.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Financial Accounting Standards Board ("IASB)", adopted by public entities in Mexico in accordance with the amendments to the Rules for Public Companies and other Participants of the Mexican Securities Market, set forth by the National Banking and Securities Commission.

On February 18, 2021, Manuel Rivera Garza (Chief Executive Officer), Jorge Armando Mercado Pérez (Chief Financial Officer) and Ramón Hernández Hernández (Controllership Director) of the Company authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with General Corporations Law and the Company's bylaws, the stockholders are empowered to modify the financial statements after its issuance. The accompanying financial statements will be submitted for authorization from the next Stockholders Meeting for approval.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the defined benefit liability to employees which is measured at present value and the following major items of consolidated statement of financial position, which were measured at fair value:

- The assets of the defined benefit plan;
- Land and buildings;
- Derivative financial instruments.

(c) Presentation of consolidated statements of operations and consolidated statements of comprehensive income

The Company presents costs and expenses in the consolidated statements of operations according to their function, to arrive at the gross profit margin. Additionally, the "total operating activities" line item is included, which results from subtracting the cost of sales and expenses from revenues as this line item is considered to provide a better understanding of the Company's economic and financial performance.

The item "Other income, net" in the consolidated statements of income includes mainly income and expenses that are not directly related to the Company's main activities.

The Company chose to present the comprehensive income in two statements: the first statement includes only the items comprise the net income or loss and is called "Consolidated Statement of Operations", and the second statement brings forward net income or loss reported in the Consolidated Statement of Operations and includes OCI and equity in the OCI of other entities, which is called "Consolidated Statement of Comprehensive Income".

(d) Presentation of consolidated statements of cash flows

The consolidated statements of cash flows of the Company are presented using the indirect method.

(e) Functional and reporting currency

The Company's accompanying consolidated financial statements, including comparative amounts and the accompanying notes to the consolidated financial statements, are presented in its presentation currency United States dollars ("dollars" or "$") in order to align the Company's globalization strategy and the reading of its financial information in a global reference currency.

Moreover, to determine the functional currency of each subsidiary of the Company, management assesses the economic environment in which it primarily generates and disburses cash. For this, factors related to sales, costs, sources of financing and cash flows generated by the operation are considered. Because some of the Company's subsidiaries have identified the Mexican peso, United States dollar, euro, zloty and renminbi as functional currency, the financial information has been translated in accordance with the guidance in IAS 21 "Effect of Changes in Foreign Exchange Rate" to consolidate the financial statements, considering the methodology described in Note 3 b).

As of December 31, 2020, 2019 and January 1, 2019, the dollar/peso exchange rates were $19.95, $18.85 and $19.66, respectively. Furthermore, the euro/peso exchange rates were $1.22 and $1.12, respectively; and the exchange rate dollar/Renminbi was $0.15 and $0.14, respectively; and the exchange rate dollar/Zloty was $0.27 and $0.26, respectively. Unless otherwise indicated, all financial information presented in dollars has been rounded to the nearest thousand.

When referring to "MX $" or Mexican pesos it refers to amounts expressed in thousands of Mexican pesos, when referring to "EUROS €" or euros it refers to amounts expressed in thousands of euros of the European Union and when referring to "Renminbi RMB" it refers to amounts expressed in thousands of Renminbi of the People's Republic of China and when referring to "Zloty" it refers to amounts expressed in thousands of Zlotys of the Republic of Poland.

(f) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Reviews of estimates are recognized prospectively.

Assumptions and uncertainties in estimates

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the following year is included in the following notes:

- Note 8 - Trades and other accounts receivable: expected credit loss;
- Note 10 - Inventories: estimate for obsolescence and slow-moving;
- Note 11 - Property, machinery and equipment: determination of the useful life of property, machinery and equipment, and fair values of land and buildings;

- Note 13 - Impairment tests on intangible assets and goodwill: key assumptions for the recoverable amount, including the recoverability of development costs;
- Nota 19 – Measurement of defined benefit obligations: key actuarial assumptions; and
- Nota 20 – Recognition of deferred tax assets: availability of future taxable profits against which the tax losses to be amortized can be used.

3 Summary of mainly accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company.

(a) Principles of consolidation

The consolidated financial statements include the financial statements of Grupo Industrial Saltillo, S.A.B. de C.V. and of the entities controlled by the Company and subsidiaries. All intercompany balances and transactions, and the unrealized income and expenses, have been eliminated in the preparation of consolidated financial statements.

Unrealized income derived from transactions between group entities in which there are investments accounted for under the equity method are eliminated against the investment to the extent of the Company's interest in the subsidiary. Unrealized losses are eliminated the same way as the unrealized income to the extent that there is no evidence of impairment.

(i) Joint venture

A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control in a business, which exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. The profits and assets and liabilities of the joint ventures are incorporated into the financial statements using the equity method. When the Company carries out transactions with its joint venture, the resulting gain or loss from such transactions are recognized in the consolidated financial statements of the Company only to the extent of participation in the joint venture that relates to GISSA.

(ii) Investments measured under equity-method

Permanent investments, which are investment in associates and joint venture are measured applying equity method.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currency are translated to the respective functional currencies of the Company's entities at the exchange rate on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign currency gains or losses from monetary items are the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for payments and effective interest during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary asset and liability transactions denominated in foreign currency and valued at fair value are retranslated to the functional currency at the exchange rate on the dates the fair value was determined. The differences arising from this translation are recognized in income and are presented as exchange gain.

The non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction.

(ii) Translation of financial statements of subsidiaries in foreign currency

The financial statements of foreign operations to be consolidated are translated to the reporting currency, include goodwill, initially identifying whether the functional currency and the recording currency of the foreign operations are different.

In order to translate foreign currency into a functional currency, the translation is made using the following exchange rates: 1) closing for monetary assets and liabilities, 2) historical for non-monetary assets and liabilities and stockholders' equity, and 3) that of the date they were accrued for income, costs and expenses, except for those arising from nonmonetary items that are translated at the historical exchange rate of the nonmonetary item. Translation effects are recognized in the income statement of the period.

If the functional currency differs from the reporting currency, the translation of its financial statements is carried out using the following exchange rates: 1) closing date for assets and liabilities; and 2) historical for stockholders' equity and 3) the date on which they were accrued for income, costs and expenses. The translation effects are recorded in stockholders' equity.

The financial statements of foreign operations are converted to the reporting currency, initially identifying whether the functional currency and the recording currency of the foreign operation are different and, later, the functional currency is converted to the reporting currency, using for this is the historical exchange rate and/or the exchange rate at the end of the year. The functional currency is that in which each consolidated entity has its main generation and distribution of cash. The corresponding translation effect is included under "Other equity reserves" and is presented in the statement of comprehensive income for the period as part of the translation effect until the net investment abroad is dispose.

***(c)* Financial instruments**

(i) Financial assets and liabilities

The Company classifies and measures its financial assets according to the Company's business model to manage its financial assets, as well as the characteristics of the contractual cash flows of these assets. In this manner, 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 at the time of initial recognition. Purchases and sales of financial assets are recognized on the settlement date. Financial assets are fully canceled when the right to receive the related cash flows expires or is transferred, and the Company has also transferred substantially all the risks and benefits derived from its ownership, as well as control of the financial asset.

The effective interest method is a method used to calculate the amortized cost of a debt instrument (either as an investment or as an obligation) and to allocate interest income or expenses during the relevant period.

(a) 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 the asset 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. To determine the classification, the Company evaluates Management's objectives for the management of the financial assets and reviews the contractual clauses of the financial assets.

(b) 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 financial assets, also, 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. As of December 31, 2020 and 2019, the Company does not maintain financial assets to be measured at fair value through other comprehensive income.

(c) Financial assets held at fair value through profit or loss

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

Despite the above classifications, the Company can 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, provided that such investment (in which no significant influence, joint control or control is maintained) is not held for trading purposes; that is, a contingent consideration recognized as the result of a business combination.

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

As of December 31, 2020 and 2019, the Company has not made any of the irrevocable designations described above.

Furthermore, the Company continuously evaluates the business model of its financial instruments to determine if there are changes related to their classification. When there are changes in the business model of financial assets previously classified under one of the three categories established by IFRS 9, the Company makes the corresponding reclassifications and measures the financial assets prospectively under the new requirements applicable. During the reporting period, the Company did not reclassify any of its financial assets..

Non-derivative financial liabilities

Financial liabilities that are not derivatives are classified at fair value with changes through profit or loss and measured at amortized cost.

The Company has the following non-derivative financial liabilities: loans, finance lease liabilities, interest payable, suppliers and liabilities with related parties, principally.

Such financial liabilities are initially recognized at fair value plus costs directly attributable to the transaction. After the initial recognition, these financial liabilities are valued at their amortized cost using the effective interest method.

The Company has not designated from its origin, any financial liability to be measured at fair value through profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset when:

• the contractual rights to the cash flows of the financial asset expire; or

• *transfers the rights to receive the contractual cash flows in a transaction in which:*

- *substantially all risks and rewards of ownership of the financial asset are transferred; or*
- *the Company does not transfer or substantially retain all the risks and rewards of ownership and does not retain control of the financial asset.*

The Company enters into operations for which it transfers assets recognized in its statement of financial position but retains all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not recognized.

Derecognition of financial liabilities

The Company derecognizes financial liabilities if, and only if, its contracted obligations are fulfilled, canceled or have expired. The difference between the carrying amount of the derecognized liability and the consideration paid and payable is recognized directly in profit or loss.

Additonally, when the Company carries out a refinancing transaction and the previous liability qualifies to be derecognized, the costs incurred in the refinancing are recognized immediately in the profit or loss at the date of termination of the previous financial liability.

However, if the refinancing transaction does not modify the conditions of the original loan by more than 10%, the Company recognizes an adjustment to the amortized cost of the financial liability with its corresponding effect on profit or loss at the time in which the refinancing becomes effective.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is presented in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) **Derivative financial instruments and hedging activities**

The Company and its subsidiaries contract derivative financial instruments to hedge their exposure to exchange rate risks and interest rates resulting from their operating, financing and investment activities. In accordance with its policy, the Company does not maintain or issue derivative financial instruments for trading purposes. However, the derivatives that do not meet the requirements for hedge accounting are accounted for as trading instruments.

The Company completes its hedge effectiveness assessment according to the guidelines established in IFRS 9 that requires a more robust and qualitative analysis and the alignment of all hedging relationships with the risk management strategy. The Company contracts and designates its derivative financial instruments as hedges, in accordance with its risks policy.

In the initial hedge designation, the Company formally documents the relationship between the hedging instruments and the hedged items, including the objectives and risk management strategy to carry out the hedging transaction, as well as the methods that will be used to evaluate the effectiveness of the hedging operation and the possible sources of ineffectiveness. The Company carries out an assessment at the beginning of the hedging operation and also on an ongoing basis, if the hedging instruments are expected to be "highly effective" to offset changes in the fair value or cash flows of the respective items hedged during the period for which the hedging is designated, and if the actual results of each hedge are within the range of effectiveness established by the Company, which is 80%-125%. In the case of cash flow hedging of a projected transaction, the transaction must be very likely to occur and present exposure to changes in cash flows that could affect the reported net result.

The Company rebalances hedging relationships in accordance with IFRS 9 when a hedging relationship does not comply with the effectiveness requirements related to the hedge ratio, but the risk management strategy for this hedge remains the same. In these cases, the Company adjusts the coverage ratio of the hedge relationship so that it meets the effectiveness criteria once again. However, if the risk management strategy for the hedge is no longer the same, the hedging relationship is discontinued.

Embedded derivative instruments that are not hosted in a financial asset are separated from the host contract and are accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the combined instrument is not valued at fair value through profit or loss.

When dealing with embedded derivatives hosted in financial assets, the financial instrument as a in its entirety follows the accounting treatment according to the classification and measurement for financial assets established in IFRS 9.

Derivative instruments are initially recognized at their fair value; the costs attributable to the transaction are recognized in profit or loss as incurred. After the initial recognition, the derivatives are measured at their fair value, and the changes in said value are accounted for as follows:

Cash flow hedging

When a derivative is designated as a hedging instrument in the variability of cash flows attributable to a particular risk related to a recognized asset or liability or a projected transaction that could affect the annual results, the effective portion of the change in the fair value of the derivative is recognized in the comprehensive income account and presented in the reserve for hedge in the stockholders' equity. The amount recognized in the comprehensive income account is eliminated and included in the same period in which the results are affected by the cash flows hedged under the same line as the hedged item in the comprehensive income statement. Any ineffective portion of the change in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the hedging criteria for the accounting treatment, it expires, is sold, terminated, exercised, or its designation is revoked (because it no longer complies with the risk management strategy), then the hedge accounting treatment is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the reserve for hedging in equity remains there until the forecasted transaction affects profit or loss. When the hedged item is a non- financial asset, the amount recognized in the comprehensive income account is transferred to the carrying amount of the asset when it is recognized. If the projected transaction is no longer expected to occur, then the balance of other comprehensive income items is recognized immediately in profit or loss. In other cases, the amount recognized in other comprehensive income items is transferred to profit or loss in the same period in which the results are affected by the hedged item.

Foreign net investment hedge

When a derivative or non-derivative financial instrument is designated as a hedging instrument in the foreign currency exposure that arises from the Company's participation of the net assets in foreign operations, the effective portion is recognized in the comprehensive income account, and the ineffective portion is recognized immediately in profit or loss.

Exchange gains and losses on the translation of net assets in a foreign operation are recognized in Other Comprehensive Income, while those of the loan are recognized in the income statement, creating a mismatch in foreign currency translations. This mismatch is eliminated with accounting on net investment in a foreign operation, because the gains and losses on the loan are also recognized in Other Comprehensive Income, insofar as they are effective.

The effect will be reclassified in the income statement when the operation is arranged abroad (either entire or partially).

Separable embedded derivatives

The Company and its subsidiaries review, by procedure, the contracts that they enter into with a value higher than $50 thousand dollars or a term longer than 90 calendar days, in order to identify the possible existence of embedded derivatives, and where appropriate, proceed to determine the applicability or not, of its segregation from the respective host contracts, excluding the financial assets of this analysis.

If the segregation of these embedded derivative financial instruments is required, the Company and its subsidiaries recognize these in the balance sheet at their fair value and in the income statement the change in their fair values, in accordance with current regulations and it is at the discretion of the Company, the possibility of designating these embedded derivatives under any of the hedge accounting models.

As of December 31, 2020 and 2019, the Company does not have contracts that meet the characteristics necessary to segregate an embedded derivative.

During 2020, an amendment was made to the Senior Secured Credit Agreement that the Company maintains with HSBC, among other financial entities. Therefore, an assessment was made of the accounting impacts of said modification on the accounting characteristics. The contract has a clause that determines the floor of the value of the variable rate of reference LIBOR a value of 0.70%. An analysis was carried out and, at the modification date, it was identified that said clause implies the existence of an embedded derivative. It was concluded that it should be segregated and recognized as a derivative with changes in its fair value through the income statement. As of December 31, 2020, the embedded derivative has a value of 2.6 million.

Investment instruments with guaranteed capital

The Company can contract instruments of the type of investments with guaranteed capital, which are not derivative financial instruments because they do not comply with the characteristics described in IFRS. These instruments are hybrid contracts that contain two types of contracts: 1) a host contract, which is not a derivative instrument, but a debt contract and which corresponds to the investment of a guaranteed principal amount, and its return at the maturity date and in which a fixed or variable interest rate is not paid at market conditions and 2) a contract called an embedded derivative. This embedded derivative was linked to the behavior of the exchange rate, where according to its behavior a return is accumulated based on the amount of guaranteed capital; however, the Company, as of December 31, 2020 and 2019, did not contract these instruments.

Other derivatives that are not held for trading

When a derivative financial instrument is held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

As of December 31, 2020 and 2019, the Company, and its subsidiaries did not have derivative financial instruments operations that had been contracted under trading classification.

(d) Capital stock

(i) Common shares

Common shares are classified in stockholders' equity. The incremental costs directly attributable to the issue of common shares and options on shares are recognized as a deduction of stockholders' equity, net of tax effects.

(ii) Repurchase of shares

When capital stock recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reallocated subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to retained earnings. Finally, when treasury shares are canceled, an increase is recognized in "Retained earnings", a decrease in "Capital stock" equivalent to the nominal value of the canceled shares, and a surplus or deficit of the cancellation, with respect to the previously repurchase, it is recognized in "Additional paid-in capital".

(e) Property, machinery and equipment

(ii) Recognition and measurement

Land and buildings are measured at fair value every three years based on periodic appraisals made by independent appraisers. The increase in carrying amount of the assets as consequence of the revaluation is recognized directly in revaluation surplus in the comprehensive income account, unless a decrease previously recognized in profit or loss, in which case the reversal amount is recognized directly in income. The decrease in carrying amount of the assets as a consequence of the revaluation is recognized directly in profit or loss when there is no previous revaluation; when there is a previous revaluation, the decrease in fair value is recognized in revaluation surplus until depletion and the remainder is recognized in profit or loss. When a revalued asset is sold or retired, the revaluation surplus amount of the asset is transferred to accumulated earnings.

Items of machinery and equipment, furniture and fixtures, transportation equipment and computer equipment are valued at cost less accumulated depreciation and accumulated impairment losses. The cost includes expenses directly attributable to the acquisition of the asset and, in the case of qualifying assets, the capitalized loan costs according to the accounting police of the Company.

The computer programs acquired that are an integral part of the functionality of the corresponding fixed assets are capitalized as part of this equipment.

The depreciation of these assets starts when the assets are in place and under the necessary conditions for operation.
When the components of an item of property, machinery and equipment have different useful lives, they are recorded as separate components (major components) of property, machinery and equipment.

Gains and losses for the sale of an item of property, machinery and equipment are determined by comparing the proceeds from the sale to the carrying amount of property, machinery and equipment and are recognized net within "other income and expenses" in the consolidated statements of operations.

(i) Subsequent costs

Spare parts

The key spares part maintained as stock that qualify to be classified as fixed assets are capitalized as part of the equipment for which they were acquired, once they are used.

The replacement cost of these items is recognized in the carrying amount if it is likely that the future economic benefits flow to the entity and the cost can be determined reliably. The carrying amount of the part replaced is retired. Expenditures for maintenance and ordinary repairs that keep the assets in efficient working order, without increasing the useful life, are not capitalized and are recognized in profit or loss as incurred.

(iii) Restoration costs

When the Company has a legal obligation, at the end of the use of assets, to restore the site for those assets on which there is this obligation, the restoration cost is estimated and included in the initial cost of the asset and this is the present value of future cash flows expected to incur for such obligation, a liability for the obligation at present value is also recognized. As of December 31, 2020 and 2019, the provision for restoration costs is presented under de heading of sundry creditors of the consolidated statement of financial position and amounts to $115, respectively.

(iv) Depreciation

Depreciation is calculated on the amount susceptible to depreciation, corresponding to the cost of an asset, or another amount that replaces the cost, less the residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of an item, after deducting the estimated costs of disposal, if the asset were already of the age and condition expected at the end of his life useful.

The Company has established a zero residual value for fixed assets, to the exclusion of the transportation equipment, based on the decision of the Company's management not to sell machinery and equipment that can be used by its competitors and should only be sold as scrap.

Depreciation is recognized in profit or loss using the straight-line method according to the estimated useful life of each component of an item of property, machinery and equipment, since this better reflects the usage patter expected of the future economic benefits included in the asset. Leased assets are depreciated for the duration of the lease or the useful life of the assets, whichever is lower, unless there is reasonable certainty that the Company will acquire ownership of the leased assets at the end of the lease.

The average estimated useful lives for the current periods are indicated below:

- Buildings 50 years
- Machinery and equipment 14 years
- Furniture and equipment 10 years
- Transportation and computer equipment 4 years
- Other components 3 years

The useful lives and residual values are reviewed at year-end and adjusted when necessary.

(f) Intangible assets

(i) Goodwill

This value represents the excess of acquisition cost over the fair value of identifiable net assets acquired determined at the date of acquisition. These are considered indefinite useful life and are subject to annual impairment tests.

(ii) Patents, brands and customer relationship and other intangibles

Other intangible assets that are acquired by the Company, and that have defined useful lives, are recorded at cost or fair value less accumulated amortization and accumulated impairment losses. Patents and trademarks with indefinite useful lives are recorded at cost or fair value and are subject to annual impairment tests, and at any time when there is an indication of impairment. Customer relationships with a defined useful life are recorded at their fair value.

(iii) Development costs

Expenditures corresponding to research activities, undertaken with the expectative of gaining new scientific or technical knowledge and understanding, are recognized in the income and loss statement as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in income as incurred.

Capitalized development costs is measured at cost less accumulated amortization and accumulated impairment losses.

(iv) Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the corresponding asset. Any other expenditures, including those corresponding brands and goodwill internally generated, are recognized in income as incurred.

(v) Amortization of intangibles

The amortization is calculated on the cost of the asset or other amount that replaces cost, less the residual value.

The amortization is recognized in profit or loss under the straight-line method based on the estimated useful life of the intangible assets, other than goodwill, from the date they are available for use, this reflects the expected usage pattern of the future economic benefits included in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Development costs 7 years
- Relationship with clients 10 and 17 years
- Software for internal use 7 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

(g) Inventories

Inventories are recorded at cost or net realizable value, whichever is lower. The cost of inventories is determined by the average cost method, and includes the expenditures incurred due to the acquisition of inventory, production or transformation costs and other costs incurred to place them in the current site and actual condition. In the case of inventory of finished goods and work in process inventories includes a proper portion of the overall production expenses based on the normal operation capacity.

The net realizable value is the estimated sales price in the normal course of operations, less the estimated termination costs and selling expenses.

(h) Impairment

(i) Financial assets

IFRS 9 requires the application of the expected credit loss model for the non-derivative financial asset impairment assessment and recording. This involves the use of considerable judgment on how changes in economic factors affect the expected credit loss (ECL).

The impairment loss is a weighted estimate of the probability of expected loss. The amount of impairment loss is measured as the present value of any lack of liquidity (the difference between the contractual flows that correspond to the Company and the cash flows that management expects to receive).

The impairment estimate of accounts receivable is calculated under an expected loss model that includes the recognition of impairment losses over the life of the asset. Because accounts receivable do not have a significant financing component and their term is less than one year, an impairment estimation model was established under a simplified approach of expected losses.

The Company selected a collective model to calculate the expected loss of its accounts receivable. In the estimation of impairment under the collective model, a weighted probability of default was established to calculate the expected loss based on historical customer information. The Company also considers reasonable and sustainable information that is relevant and available without excessive cost or effort; this includes both qualitative and quantitative data, as well as a qualitative analysis based on the Company's historical experience and its credit risk judgment to incorporate the adjustment of the future expectations in the model.

At each reporting date, the Company evaluates reasonableness to determine whether there was objective evidence of impairment, as well as macroeconomic variables that could affect the collection of outstanding balances by its customers. Specific objective evidence that financial assets are impaired include, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not consider under other circumstances; indications that a borrower or issuer will enter bankruptcy; adverse changes in the payment status of borrowers or customers; and evident information indicating that there was a measurable decrease in the expected cash flow of a group of financial assets.

The Company recognizes, in the profit or loss of the period, decreases or increases in the estimate for expected credit losses at the end of the period, as a gain or loss due to impairment of value.

The Company evaluates the impairment model and the inputs used for it at least once every three months, to ensure that they remain current based on the current situation of the portfolio.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill and indefinite-lived intangible assets or not yet available for use, is estimated each year on the same date.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and fair value less costs of sale. In assessing value in use, the estimated future cash flows are discounted to present value using a after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For purposes of impairment tests, assets that cannot be individually tested are integrated into more groups of assets that generate cash inflows for continuous use and that are mostly independent of cash inflows from other assets or groups of assets. (the "cash generating unit"). For goodwill impairment test purposes, acquired in a business acquisition is distributed to the group of cash generating unit expected to benefit from the synergies of the combination. This distribution is subject to an operating segment limit test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is any indication that an operating asset might be impaired, then the recoverable amount of the cash-generating unit to which the corporate asset belongs is determined.

An impairment loss is recognized if the carrying amount of an asset or the cash-generating unit is greater than recovery value. Impairment losses are recognized in profit or loss, except for revalued assets. Impairment losses recorded in relation to the cash-generating units are distributed first to reduce the carrying value of any goodwill distributed to the units and then to reduce the carrying value of other assets in the unit (group of units) on an apportionment basis.

Impairment losses with respect to goodwill are not reversed. For other assets, impairment losses recognized in previous periods are assessed as of the reporting date to identify indications that the loss had been reduced or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recovery value. An impairment loss is only reversed to the extent that the carrying amount of the asset is not greater than the carrying amount that would have been determined net of depreciation or amortization, had no impairment loss been previously recognized.

When the asset or the cash-generating unit is updated through the revaluation model, the reversal of the impairment loss determined is recorded in profit or loss for up to the amount that had been previously recognized in the consolidated statement of comprehensive income; and the difference, if any, is recorded in the revaluation surplus.

As of December 31, 2020 and 2019, the Company does not recognize an impairment loss in its financial and non-financial assets.

(i) **Employee benefits**

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The assumptions and estimates are establishing jointly with independents actuaries. These assumptions include demographic hypothesis, discount rates and expected increases in remunerations and future permanence, among other. The Company's net obligation with respect to defined benefit pension plans and senior premium (see description below) is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the services cost pending to recognized and the fair value of the assets of plan are deducted. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is made annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit for the Company, the asset recognized is limited to the total unrecognized prior service costs and the present value of the available economic benefits, in the form of future plan reimbursements or future reductions to plan contributions. To calculate the present value of the economic benefits, are considered the minimum funding requirements that apply to any plan of the Company. An economic benefit is available for the Company if it can be realized during the life of the plan, or upon settling the obligations of the plan.

When the plan benefits are improved, the portion of improved benefits related to prior services by the employees is recognized in the income and loss statement under the straight-line method during the average period until the right to the benefits is acquired. To the extent that the right to the benefits is immediately realized, the expense is recognized immediately in the consolidated statements of operations.

The Company recognizes actuarial re-measurements from defined benefit plans in the comprehensive income account in the period they occur.

Additional pension plan granted by the Company in accordance with applicable law, the Company grants seniority premiums in retirement or replacement retirement pension, which represents the right of the employee to receive remuneration retirement corresponding to a number of days' wages (12) for each year of service, once certain conditions have been fulfilled for their calculation and payment, specified in the Act or in accordance with the terms of the benefit plan.

(ii) Defined contribution benefit plans

The costs of these plans are recognized in operating results as incurred. The liabilities for these plans are settled through contributions to the employees' retirement accounts, and no prospective obligations are generated. For unionized employees, the Company provides compensation in the legal retirement age.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense only if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(vi) Short-term benefits

The short-term employee benefit obligations are valued on a base with no discount and are charged to profit or loss as the respective services are rendered.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans, vacations, year-end bonus, employee participation in profits if the Company has a legal or assumed obligation to pay these amounts as a result of prior services provided by the employee, and the obligation can be reliably estimated.

(j) **Provisions**

A provision is recognized if, as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount effect due to the elapsed time is recognized as finance cost.

(k) **Income tax**

Income taxes include current and deferred tax. Current income taxes of the year are determined in accordance with the tax provisions in force in the country where each subsidiary operates. The effect on profit or loss from income taxes recognizes the amounts generated in the year, as well as deferred income taxes, determined in accordance with the tax laws applicable to each subsidiary, except those corresponding to a business combination, or items recognized directly in stockholders' equity or in the comprehensive income account.

Deferred income taxes are recorded according to the asset-liability method, which compares book and tax values of the assets and liabilities of the Company and deferred taxes (assets or liabilities) are recognized with respect to the temporary differences between such values. No taxes are recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction other than a business acquisition and that does not affect the accounting or tax result, and differences related to investments in subsidiaries and joint ventures to the extent that it is likely that they will not be reversed in the foreseeable future. Additionally, no deferred taxes are recognized for taxable temporary differences derived from the initial recognition of goodwill.

The deferred taxes are calculated using the rates expected to apply to the temporary differences when reversed, based on the enacted laws as of the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax assets and liabilities incurred, and correspond to income tax by the same tax authority and to the same tax entity or over different tax entities but intend to settle tax assets and liabilities incurred on net basis or tax assets and liabilities materialize simultaneously.

A deferred tax asset on tax loss carryforwards, tax credits and deductible temporary differences are recognized to the extent that it is likely that taxable income may be available in the future against which they can be applied. The deferred assets are reviewed as of the reporting date and are reduced to the extent that the realization of the corresponding tax benefit is no longer probable.

The management periodically evaluates the positions exercised in tax returns with respect to situations in which the applicable legislation is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

The statutory rates of the countries where the Company mainly conducts operations are as follows:

Country	2020	2019
	%	%
México	30	30
United States of America	21	21
Spain(*)	25	25
Poland	19	19
Czech Republic	19	19
Italy	24	24
China	25	25

* Depending on the territory, where the Companies are located, variation may occur, if it is a leasehold territory 24% and if it is a common territory 25%.

(l) Revenues

(i) Products sold

Revenue comprises the fair value of the consideration received or to be receivable for the sale of goods and services in the normal course of business and it is presented net of the amount of variable considerations that include the estimated number of customer returns, rebates and similar discounts, and payments made to customers in order to stock the products in attractive and advantageous spaces in their facilities.

A comprehensive model is used to record revenue from contracts with customers that introduces a five-step approach to revenue recognition: (1) identification of the contract; (2) identification of the performance obligations in the contract; (3) determination of the price of the transaction; (4) allocation of the transaction price to each performance obligation in the contract; and (5) recognition of the revenue when the entity satisfies a performance obligation.

Contracts with customers consist of purchase orders, which costs are comprised of promises to produce, distribute and deliver products based on the established contractual terms and conditions that do not entail 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.

On revenue from the sale of goods and products, the performance obligations identified in the customer's contracts are not separable and are met at a point in time. On the other hand, the terms of payment identified in most sources of income are short-term, with variable considerations focused primarily on discounts and product discounts granted to customers, without financial components or significant guarantees.

On the other hand, the guarantees that the Company grants to its customers are solely to ensure that the goods or services granted to the customer comply with the specifications established in the corresponding contracts.

The Company recognizes revenues from the sale of goods and products when the control of the products sold has been transferred to the customer; this is based on the time of delivery of the promised goods to the customer in accordance with the incoterm negotiated. An account receivable is recognized when the performance obligations have been met, recognizing the corresponding revenue; net sales reflect the units delivered at list price, net of promotions and discounts, as described in the following subsection.

(ii) Customer rebates

Customer rebates and incentives are recognized as a deduction to income or as a sales expense, according to their nature. They consist primarily of discounts to customers for the sale of products based on i) sales volumes, ii) prompt payment discounts for all distributors, iii) commercial agreements with customers, and iv) product promotions at the points of sales. Therefore, the price is allocated directly to the production, distribution, and delivery performance obligations, including the effects of variable considerations.

The Company recognizes an estimate for the amount of these discounts at the time when it believes that it is likely that the flows to be received from the sale will be lower than the invoiced price, provided that said price does not contemplate the discounts negotiated with the customer at the beginning.

***(m)* Financial income and costs**

Financial income includes interest income on funds invested, gains on the sale of financial assets available for sale and changes in the fair value of financial assets at fair value through profit or loss, and exchange gains. Interest income is recognized in the consolidated statements of operations as accrued, using the effective interest method.

Financial costs include interest expenses on loans, financial cost of benefit employees, discount effect due to the passage of time over accruals, dividends of preferred shares classified as liabilities, exchange losses, changes in fair value of financial assets at fair value through profit or loss and impairment losses recognized in financial assets. The loan costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Exchange gains and losses are reported on a net base.

(n) Earnings per share

The Company presents information on basic earnings per share (EPS) corresponding to common shares. Basic EPS is calculated by dividing net controlling income by the weighted average of common shares in circulation during the year. The Company has no equity instruments that are potentially dilutive, so the basic EPS and the diluted EPS are the same.

(o) Segment information

The operating segments are defined as the components of a company, oriented to the production and sale of goods and services, subject to risks and benefits other than those associated to other business segments. The Company is structured in three reportable segments: auto parts, construction and home products.

The subsidiaries of the Company are grouped according to the business segments in which they operate. For internal and organizational purposes, each business manages and supervises all activities of the respective business, which refer to production, distribution and marketing of the products. Consequently, Management internally evaluates the results and performance of each business for the decision-making process. Following this approach, in the day-to-day operation, the economic resources are assigned based on the operation of each business.

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

(p) Assets held for sale

Non-current assets obtained as payment in lieu of debts incurred by customers that became delinquent, such as houses, warehouses, land and other assets were classified as held for sale, because they are expected to obtain an economic benefit through the sale of them and not by their use. The Company considers that these assets are ready to be sold under their current conditions and it is highly probable that their sale will take place, as it is committed to a sale plan and efforts have been made to locate a buyer immediately before be classified as held for sale, assets, or components of a group of assets held for sale, are revalued in accordance with the accounting policies of the Company.

Subsequently, the assets or group of assets available for sale are usually recorded at lower of carrying amount and fair value less costs of sale (see Note 7). Any impairment loss of a group of assets held for sale is first distributed to goodwill and later to the remaining assets and liabilities on an apportionment basis, except that no losses are distributed in inventories, financial assets, deferred tax assets, employee benefit assets, investment properties, which are continued being valued according to the Company's accounting policies. The impairment losses in the initial classification of assets available for sale and the subsequent revaluation gains or losses are recognized in the profit or loss. No gains that surpass any accumulated impairment loss are recognized.

(q) Contingencies

Due to their nature, contingencies can only be resolved when one or more future events or one or more uncertain facts that are not entirely under the control of the Company occur or do not occur. The evaluation of these contingencies significantly requires the exercise of judgments and estimates on the possible outcome of those future events.

The Company evaluates the likelihood of loss of litigation and contingencies according to estimates made by the legal advisors. These estimates are periodically reviewed.

(r) Leases

The Company as a lessee

The Company evaluates whether a contract is or contains a lease agreement, at the beginning of the contract term. A lease is defined as a contract in which the right to control the use of an identified asset is granted, for a specific term, in exchange for an amount consideration.

The Company recognizes a right-of-use asset and a corresponding lease liability, according to all lease contracts in which it operates as a lessee, except in the following cases: short-term leases (defined as leases with a term of lease less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than US $5,000 (five thousand dollars)); and, the lease contracts whose payments are variable (without any fixed contractually defined payment). For these contracts that exclude the recognition of a right-of-use asset and a lease liability, the Company recognizes income payments as a straight-line operating expense during the term of the lease.

The right-of-use asset consists of the lease payments discounted at present value; direct costs to obtain a lease; lease prepayments; and the obligations of dismantling or removal of assets. The Company depreciates the right- of-use asset during the shortest period of the lease term and the useful life of the underlying asset; in this sense, when a purchase option in the lease is probable to be exercised, the right-of-use asset depreciates in its useful life. Depreciation begins on the start date of the lease.

The lease liability is measured in its initial recognition by discounting at present value the future minimum rent payments according to a term, using a discount rate that represents the cost of obtaining financing for an amount equivalent to the value of rents of the of contract, for the acquisition of the underlying asset, in the same currency and for a term similar to the corresponding contract (incremental loan rate).

For this, the Company uses a three-level model, with which it determines the three elements that compose the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for underlying asset characteristics. In this model, management also considers its policies and practices to obtain financing, distinguishing between that obtained at the corporate level (that is, by the holding), or at the level of each subsidiary.

When the contract payments contain non-lease components (services), the Company has chosen, for some asset classes, not to separate them and measure all payments as a single lease component; however, for the rest of the asset classes, the Company measures the lease liability only considering the payments of components that are rents, while the services implicit in the payments are recognized directly in results as operating expenses.

The Company defines the term of the leases as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are probably to be exercised. When the Company participates in lease contracts that do not have a definite forced term, a defined renewal period (if it contains a renewal clause), or annual automatic renewals, it estimates the term of the contracts considering their rights and limitations contractual, its business plan, as well as management's intentions for the use of the underlying asset.

After initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the leasing liability (using the effective interest method) and reducing the carrying amount to reflect the rent payments made.

When there are modifications to the lease payments for inflation, the Company remits the lease liability from the date on which the new payments are known, without reconsidering the discount rate. However, if the modifications are related to the term of the contract or to the exercise of a purchase option, the Company evaluates the discount rate in the liability remediation again. Any increase or decrease in the value of the lease liability after this remedy is recognized by increasing or decreasing to the same extent, as the case may be, the value of the right-of-use asset.

Finally, the lease liability is written off at the time in which the Company liquidates all of the rents of the contract. When the Company determines that it is probable that it will exert an early exit from the contract that merits a cash outflow, such consideration is part of the re-measure of the liability cited in the preceding paragraph; however, in those cases in which the early termination does not imply a cash outlay, the Company cancels the lease liability and the corresponding right-of-use asset, recognizing the difference between two immediately in the consolidated statements of operations.

(s) Changes in accounting policies and disclosures

In the current year, the Company has applied a series of modified interpretations, issued by the IASB that are mandatory for an accounting period beginning on or after January 1, 2020. The conclusions related to their adoption are described below:

Amendment to IFRS 16, COVID-19 Related rent concessions

The amendments introduce a practical expedient that provides to the lessee the option of not evaluating whether a COVID-19-related rental concession is a lease modification. The practical expedient is applicable to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

a. The change in rent payments is substantially equal to or less than the rent that was paid immediately prior to the change.
b. Any reduction in rent payments affects only payments committed up to or before June 30, 2021; and
c. There are no material changes to other terms and conditions of the lease.

The Company did not have significant impacts derived from these amendments because it did not receive relevant concessions to its leases.

Additionally, the Company adopted the following modified interpretations, which had no effect on the financial statements in the current year:

- Amendments to IAS 1 and IAS 8 - Definition of material
- Amendments to IFRS 3 - Business concept
- Amendments to IFRS 4 - Insurance Contracts in the application of IFRS 9, Financial Instruments
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform
- Modifications to the IFRS conceptual framework

Newly IFRS and interpretations issued, not in force in the reporting period

Meanwhile, the Company has not applied the following new and revised IFRS issued but not yet effective.

Interest Rate Benchmark Reform – Phase 2 (IBOR - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interbank benchmark rates such as LIBOR, EURIBOR and TIBOR, which represent the cost of obtaining unsecured funds, have been questioned about their viability as long-term financing benchmarks. The changes in the reform to the interest rates benchmark in its phase 2 refer to the modifications of financial assets, financial liabilities and lease liabilities, requirements for accounting coverage and disclosure of financial instruments.

Regarding to the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate. On the other hand, regarding to hedge accounting, the hedge relationships and documentation must reflect the modifications to the hedged item, the hedging instrument and the risk to be hedged. Hedging relationships must meet all criteria for applying hedge accounting, including effectiveness requirements.

Finally, respect to disclosures, entities should disclose how they are managing the transition to alternative benchmark rates and the risks that may arise from the transition; In addition, they must include quantitative information on financial assets and non-derivative financial liabilities, as well as non-derivative financial instruments, that continue under the benchmark rates subject to the reform and the changes that have arisen to the risk management strategy.

These improvements are effective as of January 1, 2021 with retrospective application, without the need to redo the comparative periods.

The Company is in the process of analyzing the impact that will be generated by the transition to alternative reference rates, as well as evaluating the risks that may arise from the transition. As of December 31, 2020, the impact that will be generated in the consolidated financial statements due to the change to alternative rates has not been quantified.

Furthermore, the Company does not expect the adoption of the following standards to have a material impact on the financial statements in future periods, considering that they are not of significant applicability:

- Amendments to IAS 1 - Classification of liabilities as current and non-current [(1)]. The Company does not expect that these amendments will have an impact on its accounting policies, due that it classifies its liabilities according to contractual maturities, without considering the future refinancing plans that it defines in its financial liquidity risk management strategy.

- The Company does not expect that these amendments to IAS 1 will have an impact on its accounting policies, because it does not have property, plant and equipment assets that generate identifiable income before they are ready to be used in accordance with management plans.

- Amendments to IAS 16 - Amendments to IAS 16, Economic benefits before the intended use of property, plant and equipment [(1)]. The Company does not maintain assets that generate economic benefits before they are ready for use; therefore, the applications of these amendments are not expected to have economic impacts on the Company's consolidated financial statements.

- Amendments to IAS 37 - Costs to complete an onerous contract[1]. These modifications are not considered applicable to the Company because it does not maintain onerous contracts.

- Amendments to IFRS 9 - Financial Instruments[1]. The Company will consider the details of its accounting policy so that, in the event of entering into a refinancing transaction, only the costs paid or received between the entity (as borrower) and the lender, including the costs paid or received by the entity or the lender on behalf of the other are considered as transaction costs.

- IFRS 17, *Insurance contracts*[2]. The Company does not visualize relevant impacts because it is not an insurer; however, it is in the process of analyzing the insurance contracts that it maintains in its favor.

(1) Effective for annual periods beginning on or after January 1, 2022
(2) Effective for annual periods beginning on or after January 1, 2023

4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value of for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods which are mentioned in the subsequent paragraphs: where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, machinery and equipment

The fair value of land and buildings are based on market values in the normal course of business and according to the accounting policies of the Company. The market value of land and buildings are the estimated amount for which a property could be exchanged on the valuation date between a buyer and a seller willing to do so in a transaction based on prices comparable to those that would be used with or between independent parties in comparable operations after the proper commercialization work in which each of the parties would have acted voluntarily and with full knowledge of the cause.

(b) Non-derivative financial liabilities

The fair value determined for disclosure purposes is based on the present value of future principal and interest cash flows, discounted at the market interest rate on the measurement rate. Regarding the liability component of the convertible instruments, the market interest rate is determined with reference to similar liabilities with no conversion option. In the case of financial leases, the market interest rate of financial leases is determined based on reference to similar leases.

5 Operating segments

The Company has three reportable segments that must be reported, which are the Company's business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's CEO (the Chief Executive Officer) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

(In thousands of dollars)

- Auto parts, which is mainly engaged in the foundry and manufacturing of auto parts products in gray and nodular iron for the automotive industry;
- Construction, which is mainly engaged in the manufacture and marketing of ceramic coatings.
- Home products, which is dedicated to the manufacture and marketing of articles for porcelain kitchen and tableware and ceramic tableware for domestic and institutional use.

Then, information related to the profit or loss of each one of the operating segments is listed, as well as by geographical region for the Auto parts segment. Performance is measured based on the profit of each segment before income tax, and included in the management reports reviewed by the Company's Chief Executive Officer. Each segment's profit is used to measure performance since management considers this information is the most appropriate to evaluate the profits or loss of certain segments as compared to other entities operating in the same line of business as the Company. Additionally, due to the change of reporting currency of the consolidated financial statements, the Company re-state its information by segments.

(a) Operating segment information

Year ended Dec 2020		Auto parts America	Auto parts Europe/Asia	Construction	Home products	Corporate and eliminations [2]	Consolidated
Sales to third parties	$	244,714	264,314	164,644	69,919	(3,222)	740,369
Sales to related parties	$	-	-	-	-	2,054	2,054
Net sales	$	244,714	264,314	164,644	69,919	(1,168)	742,423
Total operating activities income (loss)	$	27,946	13,757	(4,916)	1,607	(20,641)	17,753
Net financial cost	$	1,879	708	2,083	769	8,844	14,283
Income taxes	$	7,348	896	223	(592)	(268)	7,607
Share of profit	$	9	(134)	-	-	-	(125)
Net (loss) income from controlling interest	$	5,677	7,482	(8,317)	(1,009)	(9,499)	(5,666)
Total assets	$	315,453	357,417	206,409	71,559	287,100	1,237,938
Total liabilities	$	97,920	140,793	70,428	27,518	252,478	589,137
Depreciation and amortization	$	23,932	27,120	12,126	2,570	13,527	79,275
EBITDA [1]	$	51,878	40,877	7,210	4,177	(7,114)	97,028

(In thousands of dollars)

Year ended Dec 2019		Auto parts America	Auto parts Europe/Asia	Construction	Home products	Corporate and eliminations [2]	Consolidated
Sales to third parties	$	324,790	322,453	178,964	71,965	(11,661)	886,511
Sales to related parties	$	-	-	-	-	3,327	3,327
Net sales	$	324,790	322,453	178,964	71,965	(8,334)	889,838
Other restructuring expenses	$	-	-	10,793	-	-	10,793
Total operating activities income (loss)	$	49,517	32,994	(26,253)	(1,985)	(22,921)	31,352
Net financial cost	$	1,582	1,529	2,400	804	17,484	23,799
Income taxes	$	3,866	5,877	(6,066)	(1,791)	3,357	5,243
Share of profit	$	14,205	(352)	-	-	-	13,853
Net (loss)income from controlling interest	$	26,726	19,107	(35,993)	(3,711)	36,046	42,175
Total assets	$	335,018	339,168	231,867	72,392	280,558	1,259,003
Total liabilities	$	96,537	144,254	77,765	24,458	256,610	599,624
Depreciation and amortization	$	24,575	24,841	13,934	3,954	13,137	80,441
EBITDA [1]	$	74,092	57,835	(12,319)	1,969	(9,784)	111,793

(1) EBITDA: Total operating activities + depreciation and amortization

		2020	2019
Total operating activities	$	17,753	31,352
Depreciation and amortization		79,275	80,441
EBITDA		97,028	111,793

(2) Corporate and eliminations include mainly assets and liabilities related to goodwill, loans and other long-term liabilities, among others.

(b) Main clients

In 2020 and 2019, revenue from a customer of the Auto parts Segment represented approximately 14.4% and 16.1%, respectively, of the total revenues of the Company.

6 Cash and cash equivalents

Cash and cash equivalents include the following:

		2020	2019
Bank balance	$	35,271	57,519
Investments at immediate realizable value		57,259	31,298
Total cash and cash equivalents	$	92,530	88,817

(In thousands of dollars)

7 Discontinued operations

As of December 31, 2020, there are no discontinued operations, since these operations were concluded as of December 31, 2019. On January 14, 2019, the Company signed an agreement with Ariston Thermo S.p.A. for the sale of Calentadores de América, S.A. de C.V., Fluida, S.A. de C.V. and Water Heating Technologies, Corp. The transaction was completed on April 30, 2019 with a price of $147,302 under the agreement for the sale of shares among the parties, due to the movement of working capital, assumed debt and transferred cash. The Company recognized a gain in the sale of $32,378, net of taxes.

Due the Water Heater Business represented an operating segment, within the reportable Construction segment, management decided to qualify the results and cash flows as "Discontinued operations" in accordance with the IFRS 5 "Non-current assets held for sale and Discontinuous Operations".

The consolidated assets held for sale include assets associated with other subsidiaries for $831 as of December 31, 2019, which correspond to assets in the process of sale, which were not part of the Calorex transaction.

In addition, the discontinued operations caption in the consolidated statements of operations for the four months ended April 30, 2019, is detailed below:

Income Statement		2019
Net sales	$	33,720
Gross profit		8,515
Total from operating activities		(2,095)
Net financial cost		546
Share of profit in investments measured under the equity method		3
Loss before taxes		(2,638)
Income taxes		667
Net loss	$	(1,971)
Gain in sale of discontinued operation, net of income taxes		32,378
Income from discontinued operation, net of income taxes		30,407
EPS (discontinued operations)		0.09

Finally, cash flows related with Calorex transaction for the four months ended on April 30, 2019 and for the year ended, is listed below:

GRUPO INDUSTRIAL SALTILLO, S.A.B. DE C.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of dollars)

Consolidated Statements of Cash Flows		2019
Cash flows from operating activities:		
Net income	$	(1,971)
Cash flows provided by operating activities before change in accruals		(1,055)
Cash flow used in operating activities		(3,026)
Cash flow used in investment activities		(832)
Net cash flow provided by financing activities		7,979
Net increase in cash and cash equivalents		4,121
Cash and cash equivalents at the beginning of the year		692
Cash and cash equivalents	$	4,813

8 Trades and other accounts receivable, net

Trades and other accounts receivable include the following:

		2020	2019
Trades receivable (include allowances for discounts and rebates by $5,204 in 2020 and $3,316 in 2019)	$	134,321	138,695
Other non-commercial accounts receivable		9,368	6,236
		143,689	144,931
Less:			
Expected credit loss		(2,783)	(2,800)
Total trades and other accounts receivable	$	140,906	142,131

(In thousands of dollars)

In the normal course of business, the Company provides discounts and rebates to its customers by volume, which are provided as a result of the implementation of various sales programs, so estimates of discounts based on periods and conditions are made previously agreed with customers, through contractual agreements.

Note 21 discloses the Company's exposure to credit and a sensitivity analysis for financial assets and liabilities.

9 Recoverable taxes

Recoverable taxes include the following:

		2020	2019
Recoverable value added tax	$	8,175	4,843
Advance payments and recoverable withholdings of income tax		10,017	11,489
Total recoverable taxes	$	18,192	16,332

10 Inventories

Inventories include the following:

		2020	2019
Finished goods	$	34,726	51,880
Raw material		30,017	33,754
Work in process		11,357	11,257
Material in transit		1,240	1,398
Total inventories	$	77,340	98,289

As of December 31, 2020 and 2019, the raw material, supplies and changes in finished goods and work in process recognized as part of cost of sales amounted to $482,053 and $602,282, respectively.

The estimates expenses for obsolescence and slow inventory movements for the years ended December 31, 2020 and 2019 were $(1,315) and $8,277, respectively.

(In thousands of dollars)

11 Property, machinery and equipment

The reconciliation of the beginning and ending balances of property, machinery and equipment are presented below:

		Land and buildings	Machinery and equipment	Furniture and equipment	Transportation equipment	Computer equipment	Investments in process	Total
Investment								
Balance as of December 31, 2018	$	293,331	578,471	3,382	2,444	4,636	14,503	896,767
Business acquisition		14,017	54,822	467	-	157	4,520	73,983
Balance as of January 1, 2019	$	307,348	633,293	3,849	2,444	4,793	19,023	970,750
Additions		2,369	13,101	91	1,492	325	40,756	58,134
Transfers		1,466	16,600	102	134	495	(18,797)	-
Disposals		(83)	(20,361)	(248)	(517)	(81)	-	(21,290)
Translation effect		7,091	(483)	63	(6)	(1)	(447)	6,217
Balance as of December 31, 2019	**$**	**318,191**	**642,150**	**3,857**	**3,547**	**5,531**	**40,535**	**1,013,811**
Balance as of January 1, 2020	$	318,191	642,150	3,857	3,547	5,531	40,535	1,013,811
Additions		3,282	8,006	434	208	282	23,787	35,999
Transfers		5,021	36,040	41	-	277	(41,379)	-
Disposals		(1,133)	(1,768)	(92)	(350)	(139)	-	(3,482)
Derecognition of assets due to non- use		(127)	(34,300)	-	-	(96)	-	(34,523)
Held for sale		746	-	-	-	-	-	746
Translation effect		(2,877)	16,044	922	22	362	318	14,791
Balance as of December 31, 2020	**$**	**323,103**	**666,172**	**5,162**	**3,427**	**6,217**	**23,261**	**1,027,342**
Accumulated depreciation								
Balance as of January 1, 2019	$	130,681	322,380	2,869	1,900	2,316	-	460,146
Depreciation of the period		7,445	49,685	276	593	749	-	58,748
Disposals		(49)	(16,632)	(203)	(400)	(50)	-	(17,334)
Transfers		394	-	-	-	-	-	394
Translation effect		1,434	624	74	23	(3)	-	2,152
Balance as of December 31, 2019	$	139,905	356,057	3,016	2,116	3,012	-	504,106

(In thousands of dollars)

		Land and buildings	Machinery and equipment	Furniture and equipment	Transportation equipment	Computer equipment	Investments in process	Total
Accumulated depreciation								
Balance as of January 1, 2020	$	139,905	356,057	3,016	2,116	3,012	-	504,106
Depreciation of the period		6,996	48,771	449	160	653	-	57,029
Disposals		-	(85)	-	(184)	-	-	(269)
Derecognition of assets due to non-use		(18)	(29,003)	-	-	(78)	-	(29,099)
Translation effect		(1,403)	12,329	(5)	76	178	-	11,175
Balance as of December 31, 2020	$	**145,480**	**388,069**	**3,460**	**2,168**	**3,765**	**-**	**542,942**
Net carrying amount								
January 1, 2019	$	176,667	310,913	980	544	2,477	19,023	510,604
December 31, 2019	$	178,286	286,093	841	1,431	2,519	40,535	509,705
December 31, 2020	$	177,623	278,103	1,702	1,259	2,452	23,261	484,400

For the year ended December 31, 2020 and 2019, the depreciation in profit or loss represented $57,029 and $58,748 respectively and was included on the operating expense.

As of December 31, 2020 and 2019, there are no liens on the fixed assets.

(a) **Revaluation of land and buildings**

The Company with the support of an independent appraiser carried out appraisals of land and buildings, which in accordance with the accounting policy describe in Note 3, are valued at their fair value. As of December 31, 2020 and 2019, there was not change in value.

Due to the COVID-19 has generally affected the economic activity of the countries and in the face of a possible impact on the values of land and buildings, the Company, together with the support of independent appraisers, carried out analyzes of the market values in these assets, finding that there are no modifications to be made to the recorded values, so the balances presented in the aforementioned items are fully effective as of December 31, 2020.

(b) **Investments in process**

Investments in progress comprise investments in machinery and equipment earmarked for new production projects. As of December 31, 2020 and 2019, the investments in progress accounted for $23,261 and $40,535, respectively. As of December 31, 2020 they are related mainly to investments in the auto parts segment in ACE Group (increase in capacity, automation and adaptations), in Draxton Mexico (Security spare parts), in Evercast (Expansion project of line 3), and the construction segment trough Manufacturas Vitromex (increase in capacity, conversions and acquisitions of a new

system of gas measurement). As of December 31, 2019 they are related mainly to investments in the foundry segment in Cifunsa del Bajio and Tisamatic (Security spare parts), in Evercast (Expansion project of line 3), and the construction segment via Manufacturas Vitromex (Project for improvement of units processes, fire control systems, gas meters, sprayers and others).

(c) Long-term spare parts

As of December 31, 2020 and 2019, long-term spare parts are the following:

		2020	2019
Long-term spare parts [1]	$	16,731	13,341

(1) It is mainly composed of spare parts and safety parts of the machinery and equipment of some subsidiary companies, mainly in the auto parts segment.

12 Right-of-use asset

The Company leases several fixed assets, including buildings, machinery, transport equipment and computer equipment, among others. The average lease term as of December 31, 2020 and 2019 is 4 years.

The right-of-use asset recognized in the consolidated statement of financial position, is integrated as follows:

		Lands and buildings	Machinery and equipment	Transport and computer equipment	Total
Cost					
Balance as of January 1, 2019	$	7,341	4,376	4,015	15,732
Additions		134	1,040	1,480	2,654
Derecognition		(780)	-	(474)	(1,254)
Translation effect		(79)	932	233	1,086
Balance as of December 31, 2019	**$**	**6,616**	**6,348**	**5,254**	**18,218**
Balance as of January 1, 2020	$	6,616	6,348	5,254	18,218
Additions		1,411	1,758	868	4,037
Derecognition		(61)	(672)	(252)	(985)
Translation effect		527	(702)	(168)	(343)
Balance as of December 31, 2020	**$**	**8,493**	**6,732**	**5,702**	**20,927**
Accumulated depreciation					
Depreciation expense	$	863	1,847	1,458	4,168
Translation effect		28	166	181	375
Balance as of December 31, 2019	**$**	**891**	**2,013**	**1,639**	**4,543**

(In thousands of dollars)

		Lands and buildings	Machinery and equipment	Transport and computer equipment	Total
Balance as of January 1, 2020	$	891	2,013	1,639	4,543
Depreciation expense		877	1,684	1,435	3,996
Translation effect		(27)	(136)	(37)	(200)
Balance as of December 31, 2020	**$**	**1,741**	**3,561**	**3,037**	**8,339**
Net carrying amount					
January 1, 2019	$	7,341	4,376	4,015	15,732
December 31, 2019	$	5,725	4,335	3,615	13,675
December 31, 2020	$	6,752	3,171	2,665	12,588

For the years ended December 31, 2020 and 2019, the depreciation expense was $3,996 and $4,168, respectively, and was in operation expenses.

Recorded amounts in consolidated statements of operations for the year ended in December 31, 2020 and 2019:

		2020	2019
Expense of low-value lease	$	2,640	3,181
Expense of short-term lease	$	316	654

13 Intangible assets

Intangible assets are mentioned below:

		Goodwill	Patents and trademarks	Development costs	Customer relationship	Security deposits and other	Total
Cost							
Balance as December 31, 2018	$	187,211	5,041	14,934	119,854	6,595	333,635
Business acquisition		8,745	-	769	13,077	-	22,591
Balance as January 1, 2019	$	195,956	5,041	15,703	132,931	6,595	356,226
Additions		-	-	9,016	-	191	9,207
Translation effect		3,071	211	145	2,791	53	6,271
Balance as of December 31, 2019	$	199,027	5,252	24,864	135,722	6,839	371,704

(In thousands of dollars)

		Goodwill	Patents and trademarks	Development costs	Customer relationship	Security deposits and other	Total
Balance as January 1, 2020	$	199,027	5,252	24,864	135,722	6,839	371,704
Additions		-	5,548	2,464	-	-	8,012
Disposals		-	-	-	-	(1,392)	(1,392)
Transfers		-	6,813	(6,813)	-	-	-
Translation effect		15,314	(363)	(1,376)	14,376	(218)	27,733
Balance as of December 31, 2020	$	**214,341**	**17,250**	**19,139**	**150,098**	**5,229**	**406,057**
Amortization							
Balance as January 1, 2019	$	163	278	6,527	26,141	4,383	37,492
Amortization expense		-	-	3,747	13,648	130	17,525
Translation effect		7	13	365	1,243	198	1,826
Balance as of December 31, 2019	$	170	291	10,639	41,032	4,711	56,843
Balance as January 1, 2020	$	170	291	10,639	41,032	4,711	56,843
Amortization expense		-	2,232	3,776	12,242	-	18,250
Translation effect		(9)	173	(267)	3,882	(261)	3,518
Balance as of December 31, 2020	$	**161**	**2,696**	**14,148**	**57,156**	**4,450**	**78,611**
Net carrying amount							
As of January 1, 2019	$	195,793	4,763	9,176	106,790	2,212	318,734
As of December 31, 2019	$	198,857	4,961	14,225	94,690	2,128	314,861
As of December 31, 2020	$	**214,180**	**14,554**	**4,991**	**92,942**	**779**	**327,446**

(a) Customer relationships

- GISSA has recognized an intangible asset for the customer relationship, from the acquisition of Grupo INFUN that amounts to $109,623 amortizable in 10 years, according to the evaluation of the Purchase Price Allocation, ("PPA"). As of December 31, 2020 and 2019, there is an accumulated depreciation of $43,849 and $30,754, respectively.

- ACE Group has recognized an intangible asset for the customer relationship that amounts to $17,859, amortizable in 10 years, in accordance with the Purchase Price Allocation ("PPA"). As of December 31, 2020 and 2019, there is an amortization of $10,730 and $8,914, respectively.

- Due from the acquisition of control of Evercast, as of January 1, 2019, the Company recognizes an intangible asset for customer relationship of $13,077, amortizable in 10 years, according with the estimate of the management and purchase price allocation. As of December 31, 2020 and 2019, the accumulated amortization of this asset amounts to $2,616 and $1,308, respectively.

(b) **Recoverability of development costs**

The carrying amount of development costs as of December 31, 2020 and 2019, before amortization includes $9,109 related to the updating project of the accounting software for the Company. These costs include both, the value of the licenses of $2,363, such as costs of implementing such software of $6,746. The implementation was carried out in different stages from 2014 to 2017. The useful life estimated by the Company for the implementation costs and licenses is 7 years, the amortization for 2020 and 2019 is related to the software in operation.

(c) **Impairment tests for cash-generating units that include goodwill, other intangibles assets, brands and patents**

For impairment test purposes of goodwill, other intangibles assets, as well, brands and patents are determined at level to the cash-generating units (CGU) of the Company that represent the lowest level therein at which are monitored by the management, which are not greater than the operating segments of the Company reported in Note 5. Draxton México CGU'S (before Tisamatic), ACE, INFUN and Evercast are part of the auto parts sector.

Then the total carrying amount of goodwill that was allocated to each cash-generating unit and related impairment losses that were recognized are as follows:

		Goodwill	
		2020	2019
INFUN unit	$	171,872	157,491
ACE unit		19,947	18,207
Draxton México unit (previously Tisamatic) Evercast unit		13,777	14,584
Unidad Evercast		8,745	8,745
	$	214,341	199,027

The impairment test of the CGU's was based on the methodology of use value of assets, discounting the future expected cash flows from continued use of the assets, the pre-tax discount rates and the long-term growth rates used are the following:

	Discounting rate	
	2020	2019
INFUN unit	9.30%	10.32%
ACE unit	9.30%	11.53%
Draxton México unit (previously Tisamatic)	10.35%	11.01%
Evercast unit	10.59%	10.49%

- The cash flows were projected based on past experiences, actual operating results and the five-year business plan for Auto parts.
- The investments in machinery and equipment are considered only to keep the current manufacturing capacities which cover the amounts the volumes forecast in the projections of 5 and 7 years, respectively.
- The cost of domestic intermediate goods purchased in pesos is estimated to increase according to domestic inflation. The cost of imported intermediate goods will be similar but according to the inflation of the USA. The other costs are estimated to increase in proportion to inflation of the country.
- The discount rate was calculated based on the weighted average cost of capital, which was based on a) a possible debt leveraging range of 33% at a market interest rate of 3.44%; b) capital of 67% with a market cost of 10.14% - 15.30% per cash-generating unit.

The values assigned to the key assumptions represent the management evaluation of future tendencies in the business and are based on both external and internal sources.

If the discount rate used increases a percentage point (10.35 + 1, 10.59 + 1 and 9.3 + 1) according to the CGU), the value obtained as flow is sufficient to cover even the assets analyzed.

As of December 31, 2020 and 2019, according to our analysis, we have no evidence that indicates the need to recognize impairment of recognized intangible assets.

14 Investments under equity method

Gisederlan, S.A. de C.V. (Gisederlan) is a company machining iron components in the auto parts sector. The shareholding of Industria Automotriz Cifunsa, S. A. de C. V. in the company is 50% and the remaining 50% is held by Ederlan Subsidiaries, S. L. U.

Ineder Projects, S.L. (Ineder) is a company engaged in the processing of iron components for the automotive parts sector. The shareholding of Industria Automotriz Cifunsa, S. A. de C. V. in the company is 50% and the remaining 50% is held by Ederlan Subsidiaries, S. L. U.

Gisederlan and Ineder has been structured through a separate vehicle, consequently has been classified as a joint venture that it will be accounted as an investment under the equity method. The prior mentioned based on the documentation established in the Shareholders' Agreement, in which were designated the relevant decision making is jointly and irrevocably on matters that most significantly affect the performance of the companies, so none of the investors holds unilaterally control.

The following is a condensed information of the entities, which was prepared in accordance with IFRS:

(In thousands of dollars)

		Gisederlan		Ineder	
		2020	2019	2020	2019
Revenues	$	26,008	25,986	2,584	3,411
Profit (loss) from continuing operations		712	497	(111)	(327)
Comprehensive financing result		191	1,144	285	357
Net income (loss)		18	(321)	(268)	(705)

		Gisederlan		Ineder	
		2020	2019	2020	2019
Current asset	$	14,597	12,862	8,668	6,843
Non-current asset		34,761	34,570	3,542	6,390
Total asset		49,358	47,432	12,210	13,233
Current liability		16,739	10,144	7,130	6,693
Non-current liability		16,039	20,849	9,368	9,953
Total liability		32,778	30,993	16,498	16,646
Total stockholder's equity	$	16,580	16,439	(4,288)	(3,413)

As of December 31, 2020 and 2019, the equity investment measured under the equity method is as following:

Equity investments	%		2020	2019
Gisederlan, S.A. de C.V.	50	$	8,290	8,220
Ineder Projects, S.L.	50		(2,144)	(1,707)
Total		$	6,146	6,513

	%	Share of (losses) profits	
		2020	2019
Gisederlan, S.A. de C.V.	50	9	(160)
Ineder Projects, S.L.	50	(134)	(352)
Total		(125)	(512)
Interest remeasurement maintained before acquisition of control of Evercast S.A. de C.V.		-	14,365
Total		(125)	(13,853)

The translation effect recognized in profit and loss in 2020 and 2019 amounted to $168 and $4,106, respectively.

Control acquisition of Evercast

When the Company obtains control over an investment previously measured under the equity method, in accordance with IAS 28 *Investments in associates and joint ventures*, in the consolidated statements of operations, any difference between the fair value and the carrying amount of the investment, to subsequently make the purchase price allocation ("PPA") in accordance with IFRS 3 *Business Combinations*. Therefore, the Company recognized a Remediation of interest previously held before the change of control in joint ventures of $14,365, which, as of January 1, 2019, generated a carrying amount of the investment of $55,444, which was the basis to perform the PPA with the purchase method.

As it is an acquisition of control that arises from changes in the shareholders' agreement, there was no cash flow in the transaction.

In accordance with IFRS 3, which grants a period of twelve months to complete the allocation of the purchase price from the date of acquisition, to the date of presentation of the consolidated financial statements, the Company concluded the process of completing the allocation of the purchase price to the net assets identified in the transaction.

This allocation was carried out with the support of independent appraisers to determine the fair values of the net assets acquired as of January 1, 2019, which are presented below:

Identified acquired assets and assumed liabilities:		
Cash and cash equivalents	$	39
Inventories		6,801
Other current assets		47,114
Current assets		53,954
Property, machinery and equipment		73,983
Intangible assets		9,514
Customers relationship		13,077
Other non-current assets		1,200
Total assets		151,728
Liability and stockholder's equity:		
Suppliers and others		11,350
Debt		32,647
Deferred income tax		8,003
Total liabilities		52,000
Identified net assets		99,728
Goodwill	$	8,745

(In thousands of dollars)

The results of the acquired operations have been included in the consolidated financial statements since the acquisition date.

As described previously, the shareholding of GIS through its subsidiary Industria Automotriz Cifunsa, S.A. de C.V. (IACSA), in Evercast is 70% and the remaining 30% belongs to Kelsey Hayes Company who is a subsidiary of TRW Automotive Holdings Corp. At the date of acquisition, the non-controlling interest in Evercast amounted to $6,157, which was determined through a fair value measurement.

Below, Evercast information from January 1, 2019 (acquisition date) included in the consolidated statement of comprehensive income for the year ended December 31, 2019, is showed:

		Evercast
Revenues	$	88,909
Operating result		17,117
Comprehensive income		13
Net income		13,961

15 Suppliers and other accounts payable

Suppliers and other accounts and short-term accumulated expenses payable include:

		2020	2019
Suppliers	$	157,064	136,035
Provisions (2)		10,201	12,063
Nacional Financiera, SNC		3,277	990
Advances from customers		6,553	4,732
Sundry creditors (1)		47,161	56,909
	$	224,256	210,729

(1) **Sundry creditors.-** This concept includes, without limitation; withholdings to third parties of Value Added Taxes and Income Taxes, balances pending payment to the Mexican Institute of Social Security, INFONAVIT, FONACOT and others.

(2) **Provisions.-** Following is the movement of provisions as of December 31, 2020 and 2019:

(In thousands of dollars)

		Wages and other payments to personnel	Contingencies provision	Others	Total
Balance as January 1, 2019	$	5,548	3,130	3,072	11,750
Provision created (canceled) during the year		148,160	(886)	80,075	227,349
Provision used during the year		(149,391)	(623)	(77,374)	(227,388)
Annual present value effect		-	-	10	10
Translation effect		248	135	(41)	342
Balance as December 31, 2019	$	4,565	1,756	5,742	12,063

		Wages and other payments to personnel	Contingencies provision	Others	Total
Balance as January 1, 2020	$	4,565	1,756	5,742	12,063
Provision created (canceled) during the year		80,250	545	81,517	162,312
Provision used during the year		(77,768)	(1,658)	(84,097)	(163,523)
Annual present value effect		-	-	7	7
Translation effect		(253)	(98)	(307)	(658)
Balance as December 31, 2020	$	6,794	545	2,862	10,201

(a) Wages and other payments to personnel

The balance of this provision is related to personnel services. This provision includes mainly accruable vacations, savings funds, productivity bonus, year-end bonus, among others.

(b) Contingencies provision

As of December 31, 2019, there is a provision of $1,756, which is generated by the contractual obligations assumed by the sale of a subsidiary during the year 2012 and was settled during 2020.

(c) Others

As of December 31, 2020 and 2019, there is a provision of $ 2,862 and $ 5,742, respectively, which is mainly integrated of replacement of tooling, energetics, as well as various provisions related to services and obligations of strategic investment projects of the Company.

Note 21 disclose the Company's exposure to exchange and liquidity risk related to trades and other accounts payable and a sensitivity analysis for financial assets and liabilities.

(In thousands of dollars)

16 Debt

a) The activity of the debt as of December 31, 2020 and 2019 is presented below:

		2020	2019
Balance as of December 31, 2018		-	369,149
Business acquisition		-	32,647
Balance as of January 1	$	282,920	401,796
New long-term debt		-	184,979
New short-term debt		135,881	-
Payments of debt		(159,345)	(317,259)
Net investment hedge		-	(6)
Unrealized exchange gain		-	(6,441)
Write off of debt issuance costs		1,412	4,471
New debt issuance costs		(4,691)	(2,851)
Translation effect		(1,132)	18,231
Balance as of December 31	$	255,045	282,920

b) Long-term debt

As of December 31, 2020 and 2019, the bank loans is presented below:

Financial Institution	Rate	Currency	Maturity date	Outstanding balance in dollars	Contracting cost [1]	Outstanding balance after contracting cost 2020	Outstanding balance after contracting cost 2019
Syndicated loan with HSBC Bank USA, National Association, as Administrative Agent and Collateral Agent, HSBC Bank USA, HSBC Securities (USA) Inc., as Lead Arranger and Bookrunner with an outstanding balance of $160 million.	LIBOR 3M plus a spread that goes from 1.55% to 2.15%	USD	2025	160,000	5,697	154,303	177,486
Bilateral loan with Comerica Bank with an outstanding balance of $32.2 million[2].	LIBOR 3M plus a spread 2.50%	USD	2023	32,175	117	32,058	32,743
Listed Securities under the ticker symbol GISSA 17 with an outstanding balance of $1,375 million MXN	Fixed of 9.64% annual	MXP	2027	68,927	690	68,237	72,321
Center for Industrial Technology Development, Public Business Entity with an outstanding balance of €14 thousand euros.	Preferential	EUR	2027	104	-	104	16
Center for Industrial Technology Development, Public Business Entity with an outstanding balance of €280 thousand euros.	Preferential rate	EUR	2026	343	-	343	354
					Gran total	255,045	282,920
					Current installment	7,099	134
					Long-term debt	247,946	282,786

(1) The outstanding balances of the loans are presented net of the costs of contracting said credits, which will be amortized according to the effective interest method for the life thereof. These balances are presented in the consolidated statements of financial position to comply with current IFRS.
(2) The loan comes from Evercast subsidiary, over which the control was acquired since January 1, 2019.

(In thousands of dollars)

Bank loans establish certain covenants to do and not to do, among which are that there should be no indicated of going concern, can not merge, liquidate or dissolve all their assets, make changes in their accounting policies or reporting practices (in all cases with some exceptions), except as required in the applicable IFRS. Some loans require quarterly financial statements along with a certificate of compliance signed by a Company official.

During the year 2020 and in relation to the long-term Syndicated Loan Agreement and the Issuance of Bonds Listed Securities with ticker symbol GISSA 17, both where Grupo Industrial Saltillo, S.A.B. de C.V. is the borrower, amendments were carried out in which certain new levels of leverage were determined, which at the end of the year have been met.

As of December 31, 2020 and 2019, the Company and its subsidiaries have complied with the covenants to do and not to do, and financial obligations (if any), established in the different debt contracts mentioned above.

The long-term Syndicated Loan Operning Agreement of Grupo Industrial Saltillo, S.A.B. de C.V. for $195 million of dollars, which include a line of credit for $50 million, undrawn at year end, had an outstanding balance of $160,000 of which $5,697 is subtracted for contracting expenses of this credit which will be amortized during the life of the same; these balances are presented in the consolidated statements of financial position to comply with information standards in force.

Issuance of Bonds Listed Securities of Grupo Industrial Saltillo, S.A.B. de C.V. with ticker symbol GISSA 17 has a balance of $68,927 of which $690 is subtracted of contracting expenses of this credit, which will be amortized for the life thereof under the effective interest method. This presentation in the balance sheet is made to comply with the information standards in force.

Maturities of long-term debt are listed below:

2022	$	19,979
2023		38,230
2024		54,896
2025		66,015
2026 and thereafter		68,826
Total	$	247,946

The Company and its subsidiaries have lines of credits for the issue of letters of credit for up to a total of $96.5 million, of which $33.5 million may also be used for short-term loans. As of December 31, 2020 and 2019, the drawn balance amounts to $5.1 and $8.4 million, respectively, used in letters of credit.

As of December 31, 2020, the outstanding loans have guarantees, which are described in Note 29.

To face liquidity risk and optimize cash flows in the face of any unforeseen event during the pandemic, the Company, during the year 2020, had several committed credit lines, which were settled as of December 31, 2020.

(In thousands of dollars)

17 Other long-term liabilities

Other financings

Some of the GIS subsidiaries entered into financing agreements with various institutions for the condition of technological development projects, which do not meet the necessary requirements to be deemed bank debts and, therefore, are classified in accounting under other long-term liabilities.

As of December 31, 2020 and 2019, the other long-term liabilities include the following:

Financial institution	Rate	Maturity date	Outstanding balance	Contracting cost	Outstanding balance after contracting cost 2020	2019
Center for Industrial Technology Development with an outstanding balance of €317	No interest	2 – 11 years	387	20	367	600
Ministry of Industry, Tourism and Commerce with an outstanding balance of €345	No interest	October30, 2024	423	12	411	466
Society for the Promotion and Industrial Reconversion with an outstanding balance of €105	No interest	12 months	128	-	128	212
Center for Industrial Technology Development with an outstanding balance of €1.9 million	No interest	10 – 15 years	2,415	-	2,415	2,743
Center for Industrial Technology Development with an outstanding balance of €287	No interest	9 – 14 years	351	-	351	453
Center for Industrial Technology Development with an outstanding balance of €349	No interest	11 years	427	-	427	463
Other liabilities[1]					661	627
					4,760	5,564
Current portion					1,635	1,171
Non-current portion					3,125	4,393
					4,760	5,564

(1) The balance of this account mainly comprises the variable compensation scheme for officers of the automotive parts sector.

(In thousands of dollars)

From the outstanding balance of the financings granted to Fuchosa, S.L.U. by the Center for Industrial Technology Development for €317, or the equivalent in dollars of $387 is subtracted $20 for adjustments to the aforementioned loans according to their own characteristics.

From the outstanding balance of the financing granted to Fuchosa, S.L.U., by the Ministry of Industry, Tourism and Commerce for €345 or the equivalent in dollars of $423 is subtracted $12 for adjustments to the aforementioned loans according to their own characteristics.

The maturities of long-term creditors are listed below:

2022	$	1,379
2023		734
2024		666
2025		211
2026 and therefore		135
Total	$	3,125

Note 21 discloses the Company's exposure to interest rate risk, exchange rate and liquidity risk and a sensitivity analysis for financial assets and liabilities.

18 Lease liability

The balance of lease liability as of December 31, 2020 and 2019, is detailed below:

		2020	2019
Current portion:			
In dollars	$	1,132	1,445
In Mexican pesos		1,031	1,018
In euros		1,191	1,475
Other currencies		268	256
Current lease liability	$	3,622	4,194
Non-current portion:			
In dollars	$	986	1,373
In Mexican pesos		1,665	1,422
In euros		1,677	1,745
Other currencies		4,651	5,080
Non - current lease liability	$	8,979	9,620

(In thousands of dollars)

As of December 31, 2020 and 2019, according to the opening balance, the changes in the lease liability from financing activities in accordance with the cash flow are integrated as follows:

		2020	2019
Initial effect of IFRS 16, *Leases*	$	-	15,243
Opening balance		13,814	-
Additions/new contracts		4,229	2,872
Write-offs		(831)	(1,124)
Interest expense of lease liabilities		512	432
Lease payments		(4,690)	(5,097)
Translation effect		(433)	1,488
Final balance	$	12,601	13,814

The total minimum future payments of leases that include unearned interest as of December 31, 2020 and 2019, are analyzed as follows:

		2020	2019
- Less than 1 year	$	3,964	4,745
- More than 1 year and less than 5 years		5,037	6,363
- More than 5 years		9,685	9,868
Total	$	18,686	20,976

19 Employee benefits

a) Defined benefit plans

		2020	2019
Present value of defined benefit obligations without founding	$	17,922	12,438
Present value of defined benefit obligations with founding		6,382	8,538
Total present value of defined benefit obligations		24,304	20,976
Plan assets at fair value		(6,382)	(8,538)
Net projected liabilities in the consolidated statement of financial position	$	17,922	12,438

(In thousands of dollars)

The Company has implemented a defined benefit pension plan that substantially covers all its trusted personnel. Benefits of the pension plan are calculated based on the years of service and the amount of compensation of employees. Likewise, it recognizes the obligations arising from payments that seniority bonuses should make to their employees and workers when they reach an advanced age.

The defined benefit plans in Mexico usually expose the Company to actuarial risks such as interest rate risk, longevity and salary. However, none of these is considered to have had unusual behaviors during periods reported.

During the period there were no amendments, curtailments and settlements in the plans employees.

(i) Composition of plan assets

		2020	2019
Equity securities	$	4	5
Share investment companies		1,161	1,551
Public debt securities		4,108	5,494
Private debt securities		1,109	1,488
	$	6,382	8,538

(ii) Changes in the present value of defined benefit obligations (DBO)

		2020	2019
Defined benefit obligations as of January 1	$	20,976	20,028
Benefits paid by the plan		(2,047)	(4,647)
Labor cost of current service and financial cost		2,311	1,949
Disincorporation of Calentadores and Fluida (April 30) and step closing of Vitromex plant		-	(1,893)
Actuarial remeasurements recognized in the comprehensive income account		4,046	4,605
Translation effect		(982)	934
Defined benefit obligations as of December 31	$	24,304	20,976

(In thousands of dollars)

(iii) Change in the present value of plan assets

		2020	2019
Fair value of plan assets as of January 1	$	8,538	9,746
Benefits paid by the plan		(1,352)	(2,409)
Contributions made during the year		-	867
Expected return on plan assets		536	824
Actuarial remeasurements recognized in the comprehensive income account		(804)	(907)
Translation effect		(536)	417
Fair value of plan assets as of December 31	$	6,382	8,538

(iv) Cost recognized in profit or loss

		2020	2019
Current service cost	$	1,059	257
Interest on obligation		1,252	1,692
Expected return on plan assets		(536)	(824)
	$	1,775	1,125

The cost is recognized in the following line items of the consolidated statements of operations:

		2020	2019
Cost of sales	$	1,062	255
Financial cost		713	870
		1,775	1,125

(v) Actuarial remeasurements recognized in the comprehensive income account

		2020	2019
Accumulated amount as of January 1	$	(663)	5,229
Recognized during the year		(4,850)	(5,280)
Business disincorporation		-	(612)
Accumulated amount as of December 31	$	(5,513)	(663)

(In thousands of dollars)

(vi) Actuarial assumptions

The main actuarial assumptions as of the reporting date (expresses as weighted average):

	2020	2019
Discount rate as of December 31	6.25%	7.00%
Expected rate of return on plan assets	6.25%	7.00%
Rate of increase in future salary levels	5.00%	4.00%

Assumptions on future mortality are based on statistics published and mortality rates. Currently the retirement age in Mexico is 65. Current longevities that underlie the values of liabilities in the defined benefit plans are:

	2020	2019
Longevity upon retirement of current pensioners:		
Men	21.88	21.88
Women	24.43	24.43
Longevity upon retirement of current members whose age is:		
Men	24.28	24.28
Women	26.23	26.23

Reasonably possible changes in the relevant actuarial assumptions presented at balance sheet date, when the other assumptions remain constant, would have affected the defined benefit obligation in the amounts included in the table (vii) below:

(In thousands of dollars)

(v) Sensitivity analysis

The principal actuarial assumptions at the reporting date (expressed as weighted averages):

		Defined obligation benefits	
		Increase	Decrease
Discount and return rates (change of 1%)	$	22,005	26,790
Future compensation increase (change of 1%)		26,340	22,547

Although the analysis does not consider the distribution of expected cash flows under the plan, it does provide an approximation of the sensitivity of the assumptions presented.

(b) **Defined contribution plan**

The consolidated cost of defined contribution plans for the years ended December 31, 2020 and 2019 was approximately $285 and $342, respectively. The Company periodically contributes the amounts offered in the plan to individual employee accounts, and there are not any remaining liabilities at the date of the consolidated financial statements.

20 Income tax (IT)

The Company determined the income tax for each subsidiary based on the applicable tax law in its respective country.

The Company determined until December 31, 2013 the income tax on a consolidated basis. From 1 January 2014 a new option scheme for groups of companies, same as was adopted by the Company and its subsidiaries in Mexico are established.

As of December 31, 2020 there is an income tax payable of $2,008 and $6,746 in the short and long term, respectively, as well $9,554 as short-term payable and $8,369 as long-term payable as of December 31, 2019.

According to the law in force as of December 31, 2013, the Company during 2020 and 2019 paid $9,132 and $9,945 as a result of applying the 15%, 20% and 25% respectively to the elimination of the effects of fiscal consolidation in 2009, 2010, 2011, 2012 and 2013. Regarding to the effects of fiscal consolidation arising after 2004, these should be considered in the sixth year after its occurrence, and to be paid over the next five years in the same proportion (25% 25%, 20%, 15% and 15%). Taxes payable resulting from changes in the law will increase inflation in terms of the Law on Income Tax. Also derived from the tax reforms effective from January 1, 2010 and 2014, the Company has evaluated each of the effects of the consolidation regime and has determined that the impacts are properly recognized and disclosed in its consolidated financial statements.

The tax expense for the years ended December 31, 2020 and 2019 includes the following:

(In thousands of dollars)

		2020	2019
Current income tax	$	9,420	22,826
Deferred income tax		(2,000)	(17,437)
Recognition of income tax for leaving the consolidation regime		340	489
Others		(153)	(635)
Total income tax	$	7,607	5,243

The tax expense attributable to pre-tax income differed from the amounts calculated at the different rates of subsidiaries to pretax income, as a result of the items that it mentioned in the following page:

		2020	2019
Net (loss) income from continuing operations	$	(4,262)	16,163
Income tax expense		7,607	5,243
Income before taxes	$	3,345	21,406
"Expected" expense	$	1,004	6,422
Increase (decrease) of:			
Effect of inflation, net		(1,299)	(3,864)
Long-term liability inflation adjustment due to tax consolidation		347	449
Current-year losses and property, machinery and equipment for which no deferred tax asset are recognized		4,465	8,126
Share in permanent investments		38	154
Effect from the difference in foreign jurisdiction rates		(1,624)	(1,071)
Non-deductible items		1,927	2,655
Interest remeasurement before control acquisition of joint venture		-	(4,310)
Currency translation		3,149	(3,805)
Other, net		(400)	487
Income tax expense	$	7,607	5,243

(In thousands of dollars)

(a) Deferred tax assets and liabilities recognized

The deferred tax assets and liabilities are integrated as following:

		2020	2019
Deferred tax assets:	$		
Other assets		(6,333)	(6,352)
Provisions and employee benefits		(33,801)	(28,557)
Tax losses		(11,612)	(15,188)
Total deferred tax assets	$	(51,746)	(50,097)

		2020	2019
Deferred tax liabilities:			
Property, machinery and equipment	$	11,489	17,359
Intangible assets		32,776	31,869
Total deferred tax liabilities	$	44,265	49,228
Deferred (asset), net	$	(7,481)	(869)
Of which:			
Net position of deferred tax asset of Mexican entities	$	(43,871)	(43,237)
Net position of deferred tax liabilities of foreign entities		36,390	42,368
Net position of deferred tax asset	$	(7,481)	(869)

As of December 31, 2020 and 2019, the balances of deferred tax assets and liabilities in the statement of financial position are broken down as follows:

		2020			2019		
		Asset	Liability	Net	Asset	Liability	Net
Mexican entities	$	(51,824)	7,953	(43,871)	(55,513)	12,276	(43,237)
Foreign entities		78	36,312	36,390	5,416	36,952	42,368
	$	51,746	44,265	(7,481)	(50,097)	49,228	(869)

(In thousands of dollars)

(b) Change in deferred taxes originated by temporary differences during the period

		January 1, 2020	Recognized in income	Other comprehensive income	Translation effect	December 31, 2020
Property, machinery and equipment	$	17,359	(9,649)	-	3,779	11,489
Intangible assets		31,869	2,011	-	(1,104)	32,776
Other assets		(6,352)	8,165	(8,057)	(89)	(6,333)
Provisions and benefit to employees		(28,557)	(5,155)	(1,455)	1,366	(33,801)
Tax losses		(15,188)	2,628	-	948	(11,612)
Deferred (assets), net	$	(869)	(2,000)	(9,512)	4,900	(7,481)

		December 31,2018	Business acquisition	January 1, 2019	Recognized in profit or loss	Other comprehensive income	Translation effect	December 31, 2019
Property, machinery and equipment	$	24,099	918	24,979	(9,428)	-	1,808	17,359
Intangible assets		34,375	4,346	38,542	(7,524)	-	851	31,869
Assets held for sale		(7,169)	-	(7,169)	7,250	-	(81)	-
Other assets		(2,742)	-	(2,742)	(5,123)	1,763	(250)	(6,352)
Provisions and benefit to employees		(21,452)	-	(21,452)	(4,152)	(1,823)	(1,130)	(28,557)
Tax losses		(16,064)	-	(16,064)	1,540	-	(664)	(15,188)
Deferred tax (assets) liabilities, net	$	11,047	5,264	16,094	(17,437)	(60)	534	(869)

In assessing the recoverability of deferred tax assets, the Company's management considers a prudential criterion not to record the deferred asset provided in the year, final realization of deferred assets depends on generating taxable income in the periods in which temporary differences are deductible.

As of December 31, 2020 and 2019, the Company has not recognized deferred tax assets of approximately $21,253 and $17,533, respectively, related to tax losses, property, plant and equipment from Mexican Companies.

As of December 31, 2020, the tax losses carryforward and the year in which the right to use them will expire are as follows:

(In thousands of dollars)

Origin year	Expiration year		Updated amount as of December 31, 2020
2011	2021	$	7
2012	2022		12
2013	2023		15,542
2014	2024		17,018
2015	2025		8,325
2016	2026		6,448
2017	2027		16,571
2018	2028		18,842
2019	2029		17,739
2020	2030		9,043
		$	109,547

(c) **Change in long term liability due to tax consolidation**

		2020	2019
Deferred liability for consolidation purposes	$	17,923	26,371
Liability inflation adjustment for consolidation purposes		347	449
Payments of deferred liability, tax regime for group companies		(2,598)	(251)
Payments of deferred liability for tax consolidation		(9,132)	(9,945)
Deferred tax, optional regime for group companies		2,214	1,299
Total		8,754	17,923
Short-term liability due to tax consolidation		(2,008)	(9,554)
Deferred liability for consolidation purposes	$	6,746	8,369

(In thousands of dollars)

21 Financial instruments

Credit risk

Credit risk represents of financial loss of the Company if a customer or counterparty in a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables, investment instruments, and derivate financial instruments.

The Company designates, from a business and credit risk profile stance, significant customers with which it has accounts receivable, distinguishing between those requiring an individual credit risk assessment. For the rest of the customers, the Company classifies them according to the type of market where they operate (domestic or foreign), in line with internal business and internal risk management. Each of the Company's subsidiary is responsible for managing and analyzing credit risk of each of their new customers prior to fixing payment terms and conditions. If wholesale customers are rated independently, these are the ratings used. Where there is no independent rating, the Company's risk control evaluates the customer's creditworthiness, considering its financial position, experience and other factors. Maximum credit risk exposure is provided by the balances of these line items, as shown in the consolidated statement of financial position.

Individual risk limits are determined based on internal and external ratings in accordance with limits set forth by management. During the years ended December 31, 2020 and 2019, credit limits established by the Company's policies were not exceeded.

Additionally, the Company performs a qualitative assessment of economic projections with the objective of determining the potential impact on the likelihood of default and the recovery rate assigned to its customers.

As of December 31, 2020, some modifications were made to the estimation techniques of the expected credit loss model for accounts receivable. This in order to more accurately estimate the trade accounts receivable reserves according to the particularities of each subsidiary. The most relevant changes were made in the way of estimating the probability of default, inclusion of credit risk mitigation mechanisms such as without recourse financial factoring and the recovery rate observed by the behavior of the portfolios.

Investments

The Company limits exposure to credit risk by investing only in liquid instruments and with counterparties of good credit quality. Therefore, management does not expect any of the counterparties to default on obligations.

The carrying amount of financial assets represents the maximum credit exposure. Maximum credit risk exposure as follows:

		Carrying amount	
		2020	**2019**
Cash and cash equivalents	$	77,049	57,519
Investments held to maturity		15,481	31,298
Trades and other accounts receivable		139,525	142,011
	$	232,055	230,828

(In thousands of dollars)

Then, the maximum credit risk exposure for trade receivables as of December 31, 2020 and 2019 by geographical region is shown below:

		Carrying amount	
		2020	2019
Domestic	$	59,445	70,789
United State of America		20,541	17,458
Other Latin American countries		1,438	2,651
Euro Zone countries		32,200	30,269
Other countries		25,901	20,844
	$	139,525	142,011

Then, the maximum credit risk exposure for trades receivable as of December 31, 2020 and 2019 by type of client is shown below:

		2020	2019
Wholesale costumers	$	128,821	128,214
Self-service		6,034	8,759
Promotions		371	300
Catalog		1,318	1,560
Other		2,981	3,178
	$	139,525	142,011

A breakdown of trade accounts receivable, showing overdue balances, but not impaired according to their antiquity at the reporting date, is presented below:

		2020		2019	
		Gross	Impairment	Gross	Impairment
Current	$	121,497	(231)	123,670	(435)
0 to 30 days overdue		8,626	(323)	8,052	(194)
31 to 120 days overdue		4,370	(320)	6,663	(819)
More than 120 overdue		5,032	(1,909)	3,626	(1,352)
	$	139,525	(2,783)	142,011	(2,800)

(In thousands of dollars)

Change in expected credit loss, trades discounts and rebates with respect to trade accounts receivable during the year was as follows:

		Expected credit loss	
		2020	2019
Balance at the beginning of the year	$	2,800	2,517
Increase during the year		1,379	1,773
Amounts written off against trade accounts receivable		(267)	(92)
Reduction due to reversal		(975)	(1,509)
Effect of currency translation		(154)	111
Ending balance	$	2,783	2,800

The Company's exposure to credit risk is mainly affected by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, which includes the risk of default in the industry and country in which customers operate, as these factors may influence credit risk. In 2020 and 2019, the Company's products were marketed with a large number of customers, without significant concentration in any specific customer.

Model and input used in the calculation of the expected credit loss (ECL)

The estimate of accounts receivable impairment is calculated under an expected loss model that considers the recognition of impairment losses during the life of the contract. The Company defined collective models for estimating the expected impairment loss based on the type of business and the specified collection situation.

In estimating impairment under this model, a weighted likelihood of default was defined for each business unit. For its definition, the Company used historical portfolio and recovery behavior information, as well as macroeconomic factor that may affect the risk level of accounts receivable. Based on this analysis and the business management, default is generally defined using qualitative and quantitative factors that are indicative of the risk of default. It is worth mentioning that the Company adjusts the model to the portfolio's behavior over time and for each particular entity, as may be an adjustment to the recovery rate for any payment agreement with customers and claims arising from payment defaults, etc.

Annually, the Company reviews the definition of the expected loss model as well as the parameters and, if necessary, makes the corresponding adjustments so that the estimate of impairment shows results that reflect the portfolios expected behavior.

Additionally, the Company's Credit Department will conduct periodic follow-ups of accounts receivable, considering customer default or noncompliance, as well as timely information of the customers' financial position. Such information adds an external component to foresee a change in future behavior.

Definition of default

The Company considers that a financial asset is impaired when the following conditions are met:

- The customer with past due balances and has not made payment arrangements for settling its invoices. This, depending on the business channel and region being analyzed; and
- The Company has documentation evidencing that all the legal requirements for recovering the debt or unpaid amounts have been exhausted.

In assessing if a customer is in default, the Company considers certain indicators such as:

- Quantitative – Number of days in arrears and lack of payment of another obligation by the same issuer for the Company; and
- Qualitative – Downgrade the credit rating published by a well-known rating agency.

Input used in the assessment to determine if a financial instrument is in compliance and its significance may vary over time to reflect changes in circumstances.

Elements of the ECL model

Key factors in measuring ECL are as follows:

- Probability of default (PD);
- Recovery rates;
- Loss given default;
- Exposure to default;
- Forward looking factor;

The above parameters arise from internally-developed statistical models and historic data.

PD estimates are estimates at a particular date and are calculated using information from historic events of default over the past 2 years. These statistical models are based on data prepared internally, which comprise quantitative factors.

The loss given default is the amount of potential loss after default. The Company determines the loss given default parameters based on the records of historical recovery rates and considers the insurance policies backing up the portfolio.

Exposure to default represents the exposure to credit risk or non-payment. The Company derives exposure to default from actual exposure to its counterparty and potential changes in the actual amount allowed in view of the contract, including amortization. Exposure to default of a financial asset is its gross carrying amount.

On each reporting date, the Company qualitatively assesses if there are macroeconomic variables that might affect the collection of open balances with customers. This information includes the qualitative analysis based on the Company's historic experience and the expert credit judgment for incorporating the forward-looking adjustment in the model.

The recovery rate is a percentage that based on the historic behavior of the portfolios of each business segment and the execution of insurance policies taken out commonly result in a recovery after an account has been deemed to be in default.

(In thousands of dollars)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking the Company's reputation.

The following are the short-term contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of the compensation agreements. The cash flows included in the maturity analysis are not expected to be presented much before or for sensitively different amounts.

As of December 31, 2020		Carrying amount	Contractual cash flows	0-6 months	6-12 months
Non-derivate financial liabilities					
Bank loans and interest	$	7,099	(7,099)	(1,782)	(5,317)
Suppliers and other accounts payable		226,458	(226,458)	(179,653)	(46,805)
Lease liabilities		3,622	(3,964)	(2,130)	(1,834)
		237,179	(237,521)	(183,565)	(53,956)
Financial liabilities					
Derivative financial instruments		1,046	(1,046)	(523)	(523)

As of December 31, 2019		Carrying amount	Contractual cash flows	0-6 months	6-12 months
Non-derivate financial liabilities					
Bank loans and interest	$	134	(134)	-	(134)
Suppliers and other accounts payable		210,729	(210,729)	(164,908)	(45,821)
Lease liabilities		4,194	(4,745)	-	(4,745)
		215,057	(215,608)	(164,908)	(50,700)
Financial liabilities					
Derivative financial instruments		39	(39)	(20)	(19)

Capital management

The Company's management monitors the mix of debt and equity instruments of the investment portfolio based on market index. Significant investments within the portfolio are managed individually and all purchase and sale decisions are approved by the Risk Management Committee.

The main goal of the Company's investment strategy is to maximize return on investment with the purpose of complying in part with the company's defined non-funded benefit obligations; management receives the support of external advisers in this sense. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on the basis of fair value.

The Company does not enter into commodity contracts other than to meet the Company's intended use and sale requirements; these contracts are not settled in net terms.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or prices of shares will affect the Company's income or the value of the financial instruments held. The objective of market risk management is to manage and mitigate market risk exposures within acceptable parameters, while optimizing the return.

Risk hedging

The Company and its subsidiaries have a risk management committee comprised by Company officers. Such committee is in charge of providing proper and timely follow-ups to the financial indicators, price behavior and trends as well as the futures of such indicators, supported by publications, specialized information services, financial intermediaries and other references useful to such purpose.

In managing market risks, the Company contracts derivatives and incurs financial obligations. All these transactions are valued by the Risk Management Committee based on the procedure established. Generally, the Company seeks to apply hedge accounting in order to mitigate volatility in profit or loss.

Pursuant to the Treasury Investment Policy approved by the Board of Directors, as amended to date, the Company and its subsidiaries may only execute financial transactions in instruments of the fixed-income Money Market. Except for investments in instruments with guaranteed capital where only the yield is at risk, investments in variable-income instruments or derivative instruments or the so called exotic or alternative investments are not allowed.

The Company engages independent professional services to perform prospective effectiveness tests as well as sensitivity analyses of derivative financial instruments (DFI) classified as hedge instruments, as appropriate.

In the case of currency risk hedges, interest rate and commodities (where derivatives are used as hedging instruments) the methodology for assessing and measuring effectiveness is a Cash Flow Monetary Compensation Analysis, which compares cash flows of positions to be hedged in accordance with various scenarios using the hypothetical derivative method and the cash flows of derivatives contracted under the same scenarios.

At year end, effectivity tests revealed that hedging was highly effective.

This same methodology is applied for the case of interest rate risk hedging.

Derivative Financial Instruments – Risk hedging

In transactions with derivative financial instruments recorded as risk hedges and which therefore establish a hedge relationship, the Company formally documents the hedge objective, the risk management strategy, the hedged caption or transaction, the nature of the risk being hedged and the methodology for measuring the hedge effectiveness as well as sources of ineffectiveness.

The Company conducts prospective and retrospective effectiveness tests to at all times oversee that the hedge relationships have high effectiveness according to accounting standards. Where an effectiveness is detected, the Company records such ineffective amount in profit or loss.

The Company and its subsidiaries have executed open-ended contracts with its related parties for conducting derivative transactions associated with its gas consumption, where the Company and its subsidiaries become accountable before their related party of benefits and/or, as applicable, payment obligations relating to derivative transactions which, in turn, are contracted and downloaded by the related parties using derivative financial instruments, agreed upon with financial institutions recognized for executing such transactions.

Derivative financial instruments

The fair value of forward exchange future contracts is determined based on the market list price, if any. Otherwise, the fair value of a forward contract is estimated by discounting the difference between the contractual price and the current "forward" price, during the remaining contract term, using a free-risk interest rate for the benchmark amount.

The fair value of swap contracts is determined based on recognized market prices and, when not listed on an organized market, this value is determined on the basis of technical bases and valuation inputs accepted by the financial sphere. In both cases, it is determined based on quotations provided by brokers. Such quotations are subject to reasonableness tests, discounting estimated future cash flows on the basis of individual contract terms and maturity and using market interest rates for similar instruments on the date of measurement.

The fair values of derivatives reflect the credit risk of the Company and the counterparty, previously considering the guarantees and collateral delivered or received.

As of December 31, 2020 and 2019, the fair value of the portfolio of derivative financial instruments amounts to $(23,117) and $(1,729) respectively.

Below, we detail the current portfolio in effect as of December 31, 2020 and 2019 of derivative financial instruments and their fair values:

Derivative financial instruments classified and designated for hedging purposes

(a) Cross Currency Swap

(In thousands of dollars)

As of December 31, 2020 and 2019, the Company had executed some cash flows exchange contracts called Cross Currency Swap ("CCS"). These types of transactions represent hedge mechanisms. that seek to match the currencies of financial obligations to the Company's inflows. According to accounting regulations, these transactions are deemed hedge transactions.

In order to mitigating the risk associated with the variability of transactions (assets/liabilities) in foreign currency, the entity has decided to use CCS EUR/USD for hedging purposes. The entity has decided to hedge with derivative financial instruments seeking to make transactional costs efficient. Therefore, a decision was made to contract three CCS where GIS receives dollars and pays EUR

For accounting purposes, the Company has designated the aforementioned CCS EUR/USD jointly with the exchange fluctuation of a portion of debt in USD (jointly, a hybrid hedge instrument is formed, leaving a synthetic debt in Euros) under the net investment hedges model abroad for hedging a portion of the net assets of a subsidiary with EUR as functional currency.

The Cross Currency Swaps EUR/MXN that the Company maintains are with the purposes to mitigation the risk due to the variability of the operations (assets) in foreign currency. The entity has decided to hedge with derivative financial instruments, contracting four CCS where GIS receives MXN and pays EUR.

For accounting purposes, the Company has designated such CCS EUR/MXN under the net investment hedge model abroad to cover a portion of the net assets of a subsidiary with a functional EUR currency.

The following are the most relevant data of the aforementioned hedges as of December 31, 2020:

	Loan in USD	CCS EUR/USD	CCS EUR/USD	CCS EUR/USD	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN
Bank	Citibanamex	Citibanamex	Santander	Scotiabank	Citibanamex	Santander	Scotiabank	Scotiabank
Delivery notional	95,000	26,947	40,344	17,950	7,028	15,228	4,703	2,344
Notional currency	USD	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Receive notional	NA	30,000	45,000	20,000	150,000	325,000	100,000	50,000,
Notional currency	NA	USD	USD	USD	MXN	MXN	MXN	MXN
Financial statement caption where the hedge instrument is located	Long-term loan	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Delivery rate	LIBOR 3M + 1.90%	1.80%	1.70%	1.5%	3.46%	3.14%	2.92%	2.90%
Receive rate	NA	LIBOR 3M + 1.90%	LIBOR 3M + 1.90%	LIBOR 3M + 1.90%	9.64%	9.64%	9.64%	9.64%
Fair value	NA	(3,872)	(5,414)	(2,384)	(1,031)	(1,956)	(592)	(282)
Maturity date	sep-25	sep-25	sep-25	sep-25	oct-24	oct-24	oct-24	oct-24
Change in fair value to measuring the ineffectiveness of the hedging instrument	NA	(3,872)	(5,414)	(2,384)	(1,031)	(1,956)	(592)	(282)
Amount recognized in OCI	NA	(3,872)	(5,414)	(2,384)	(1,031)	(1,956)	(592)	(282)
Ineffectiveness recognized in P&L	N/A-	-	-	-	-	-	-	-
Reclassification from OCI to P&L	N/A-	-	-	-	-	-	-	-
Carrying amount of the hedge (exposure)	N/A	177,529 EUR	177,529 EUR	177,529 EUR	177,529 EUR	177,529 EUR	177,529 EUR	177,529 EUR
Change in fair value to measuring the ineffectiveness of the hedging instrument	N/A	3,872	5,414	2,384	1,031	1,956	592	282
Coverage ratio	N/A	15%	23%	10%	4%	9%	3%	1%

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2019:

	Loan in USD	CCS EUR/USD	CCS EUR/USD	CCS EUR/USD	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN
Bank	Citibanamex	Citibanamex	Santander	Scotiabank	Citibanamex	Santander	Scotiabank	Scotiabank
Delivery notional	95,000	26,947	40,344	17,950	150,000	325,000	100,000	50,000
Notional currency	USD	EUR	EUR	EUR	MXN	MXN	MXN	MXN
Receive notional	NA	30,000	45,000	20,000	7,028	15,228	4,703	2,343
Notional currency	NA	USD	USD	USD	EUR	EUR	EUR	EUR
Financial statement caption where the hedge instrument is located		Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Delivery rate	LIBOR 3M + 1.90	1.80%	1.70%	1.58%	3.46%	3.14%	2.92%	2.90%
Receive rate	NA	LIBOR 3M + 1.90	LIBOR 3M + 1.90	LIBOR 3M + 1.90	9.6400%	9.6400%	9.6400%	9.6400%
Fair value	NA	(670)	(612)	(272)	(172)	(145)	(24)	1
Maturity date	sep-25	sep-25	sep-25	sep-25	oct-24	oct-24	oct-24	oct-24
Change in fair value to measuring the ineffectiveness of the hedging instrument	14,580	(670)	(612)	(272)	(172)	(145)	(24)	1
Amount recognized in OCI	-	(673)	(617)	(274)	(172)	(145)	(24)	1
Ineffectiveness recognized in P&L	-	-	-	-	-	-	-	-
Reclassification from OCI to P&L	-	3	5	2	-	-	-	-
Carrying amount of the hedge (exposure)	174,093 EUR	174,093 EUR	174,093 EUR	174,093 EUR	174,093 EUR	174,093 EUR	174,093 EUR	174,093 EUR
Change in fair value to measuring the ineffectiveness of the hedging instrument	1,702	1,702	1,702	1,702	571	571	571	571
Coverage ratio	49%	49%	49%	49%	17%	17%	17%	17%

The risks identified in these derivative operations are those related to variations in both interest rates payable in EUR in EUR and in variations in exchange rates for capital payable. The risk of Company is mitigated every time it receives operating flows in Dollars and Mexican pesos and pays in Euros. With the above, it seeks to tie financial obligations with these flows.

Possible sources of ineffectiveness may be mainly caused by the amount of net investment abroad of subsidiaries, credit risk and cross currency basis spread.

For the evaluation of the effectiveness as of December 31, 2020 and 2019, the Company determined that the hedges are highly effective, giving a result of % for the hedging of 99% and 103%, respectively, of effectiveness for the hedging of EUR/MXN, and 97% and 99%, respectively, for the EUR/USD hedge. The method used by the Company is to offset flows using a hypothetical derivative, which consists of comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect hedge of the item hedge.

(In thousands of dollars)

(b) Interest Rate Swap

As of December 31, 2020 and 2019, the Company has signed some contracts of exchange flows denominated as interest rate swaps (RS) with the purpose to mitigate the risk due to the variability of the interest rate paid on liabilities incurred in foreign currency.

These types of operations represent hedging mechanisms to seek to fix the interest rate of financial obligations. These operations according to accounting regulations are considered as a hedging operation. For accounting purposes, the Company has designated such Rate Swaps under the cash flow hedging model to cover a portion of the interest payment of the foreign currency debt USD

The following are the most relevant data of the aforementioned hedges as of December 31, 2020:

	IRS Libor 3M	IRS Libor 3M	IRS Libor 3M
Bank	Citibanamex	Santander	Scotiabank
Notional	26,000	40,000	9,000
Notional currency	USD	USD	USD
Financial statement caption where the hedge instrument is located	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Delivery rate	1.68%	1.72%	1.65%
Receive rate	LIBOR 3M + 1.90	LIBOR 3M + 1.90	LIBOR 3M + 1.90
Fair value as of December 2020	(1,330)	(2,070)	(450)
Maturity date	sep-25	sep-25	sep-25
Change in fair value to measuring the ineffectiveness of the hedging instrument	(1,330)	(2,070)	(2,069)
Amount recognized in OCI	(1,330)	(2,070)	(2,069)
Ineffectiveness recognized in P&L	(65)	(102)	(22)
Reclassification from OCI to P&L	(28)	(33)	(7)
Carrying amount of the hedge exposure (Total exposure)	160,000 USD	160,000 USD	160,000 USD
Change in fair value to measuring the ineffectiveness of the hedging instrument	1,168	1,818	395
Coverage ratio	16%	25%	6%

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2019:

	Swap IRS USD	Swap IRS USD	Swap IRS USD
Bank	Citibanamex	Santander	Scotiabank
Delivery notional	30,000,000	45,000,000	10,000,000
Notional currency	USD	USD	USD
Receive notional	30,000,000	45,000,000	10,000,000
Notional currency	USD	USD	USD
Financial statement caption where the hedging instrument is located	Derivative financial instruments	Derivative financial instruments	Derivative financial instruments
Delivery rate	1.68%	1.72%	1.65%
Receive rate	LIBOR 3M	LIBOR 3M	LIBOR 3M
Fair value	14	26	50
Maturity date	sep-25	sep-25	sep-25
Change in fair value to measuring the ineffectiveness of the hedging instrument	89	59	25
Amount recognized in OCI	13	25	20
Ineffectiveness recognized in P&L	-	-	-
Reclassification from OCI to P&L (thousand MXN)	-	-	-
Carrying amount of the covered exposure (Total exposure)	180,000 USD	180,000 USD	180,000 USD
Change in fair value to measuring the ineffectiveness of the hedging instrument	(27)	(27)	(27)
Coverage ratio	47%	47%	47%

The risks identified in these derivative transactions are those related to the variations in the market price of interest rate LIBOR. The Company's risk is limited to paying a higher interest than the market rate if the LIBR rate is lower than agreed however, as already mentioned, the cash flow hedge is highly effective. Possible sources of ineffectiveness may be mainly originated by hedged items or an over-hedging and credit risk.

For the evaluation of effectiveness, the Company determined that the coverage is highly effective, giving an average effectiveness result of 108% as of December 31, 2020. The method used by the Company is the compensation of flows using a hypothetical derivative, which consists in comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect coverage of the hedged item.

(In thousands of dollars)

(c) Forwards currency (FX Forward)

The Company is exposed to the risk of changes in the exchange rate derived from forecasted transactions of the natural flow of the business (purchase of raw material) in a foreign currency. Therefore, the Company designates Currency Forwards under the cash flow hedging model to cover the exchange rate fluctuation of a forecasted transaction in a foreign currency.

The following are the most relevant data of the aforementioned hedges as of December 31, 2020:

	Fwd USDMXN	Fwd USDMXN	Fwd USDMXN	Fwd EURMXN
Bank	HSBC	HSBC	HSBC	HSBC
Company	Cinsa	Vitromex	Vitromex	Vitromex
Notional	4,200	4,200	5,400	3,300
Notional currency	USD	USD	USD	EUR
Underlaying	USDMXN	USDMXN	USDMXN	EURMXN
Financial statement caption where the hedging instrument is located	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Average Strike	20.20	21.65	20.65	24.86
Fair value as of December 2020	(17)	(320)	(87)	(37)
Maturity date	jun-21	jun-21	dic-21	jun-21
Change in fair value to measuring the ineffectiveness of the hedging instrument	(17)	(320)	(87)	(37)
Amount recognized in OCI	(17)	(320)	(87)	(37)
Ineffectiveness recognized in P&L	-	-	-	-
Reclassification from OCI to P&L	-	-	-	-
Forecast of the item hedged (Exposition)	8,960	8,393	10,570	6,662
Exposition currency	USD	USD	USD	EUR
Change in fair value to measuring the ineffectiveness of the hedging instrument	17	320	87	37
Coverage ratio	47%	50%	51%	50%

The following are the most relevant data of the aforementioned hedges as of December 31, 2020:

	Forward PLN/EUR	Forward PLN/EUR
Total Notional (in thousand)	4,800	1,600
Currency notional	PLN	PLN
Fair value as of December 31, 2020	($54)	($18)
Maturity date	ago-21	feb-21

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2019:

	Forward PLN/EUR	Forward CZK/EUR
Total Notional	10,350,	95,160,
Currency notional	PLN	CZK
Fair value as of December 31, 2019	$114	($39)
Maturity date	June and September 2020	July and December 2020
Change in fair value to measuring the ineffectiveness of the hedging instrument	$114	($39)
Amount recognized in OCI	$148	19
Ineffectiveness recognized in P&L	-	-
Reclassification from OCI to P&L	$103	($75)
Forecast of the item hedged (Exposition)	10,350	95,160
Change in fair value to measuring the ineffectiveness of the hedging instrument	(114)	39
Fair value as of December 31, 2018	$93	18
Effectiveness of hedging	100%	100%
Coverage ratio	-	-

The following are the most relevant data of the aforementioned hedges as of December 31, 2019:

	Forward PLN/EUR	Forward CZK/EUR
Total Notional	$10,350	$95,160
Currency notional	PLN	CZK
Fair value as of December 31, 2019	$114	($39)
Maturity date	June and September 2020	June and December 2020

In the evaluation of effectiveness, the Company determined that the hedge is highly effective, giving a average result of 100% of effectiveness at the year ended in 2020. The method used by the Company is the compensation of flows using a hypothetical derivative, which consists in comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect coverage of the item hedged.

The source of the ineffectiveness may be caused mainly by the credit risk, the difference in the settlement date of the hedging instruments and the items hedged and that the budget would be less than the hedging instruments.

(d) Natural gas swap

As of December 31, 2020, various natural gas swaps had been entered into in order to mitigate the risk due to the variability of the price of natural gas originated from the purchase of natural gas.

The Company is exposed to the risk of variations in the price of natural gas derived from forecasted transactions of the natural way of the business. Therefore, the Company designates Natural Gas Swaps under the cash flow hedging model to hedge the price of a forecasted transaction, setting the price of the molecule and the consumption of Natural Gas.

	Swap HSC	Swap EPP
Bank	Citibanamex	Citibanamex
Company	Vitromex	Vitromex
Notional	$670	$240
Notional currency	MMBTU's	MMBTU's
Underlaying	Houston Ship Channel	El Paso Permian
Financial statement caption where the hedge instrument is located	Derivative Financial Instruments	Derivative Financial Instruments
Average Strike	3.06	2.84
Fair value as of December 2020	($393)	($127)
Maturity date	jun-21	jun-21
Change in fair value to measuring the ineffectiveness of the hedging instrument	($393)	($127)
Amount recognized in OCI	($393)	($127)
Ineffectiveness recognized in P&L	-	-
Reclassification from OCI to P&L	-	-
Forecast of item hedged (Exposition)	1,343	496
Exposition currency	MMBTU's	MMBTU's
Change in fair value to measuring the ineffectiveness of the hedging instrument	$393	$127
Coverage ratio	50%	48%

In the evaluation of effectiveness, the Company determined that the coverage is highly effective, giving a average result of 104% of effectiveness at the year ended in 2020. The method used by the Company is the compensation of flows using a hypothetical derivative, which consists in comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect hedging of the item hedged.

The source of the ineffectiveness may be caused mainly by the credit risk, the difference in the settlement date of the hedging instruments and the items hedged and that the budget would be less than the hedging instruments.

As of December 31, 2019, it did not have this instrument.

(e) Net foreign investment hedges, without DFI

Since September 2019, the Company designated a portion of the exchange fluctuation of its new credit in USD as a hedging instrument for its net investments in foreign operations in USD in order to mitigate the variations in the exchange rates that originate between the functional currency of the subsidiaries in USD and the functional currency of the holder that maintains such investments.

This operation, according to accounting regulations, is considered as a hedging operation. For accounting purposes, the Company has designated said portion of the credit under the coverage model of Net Investment Abroad to cover the exchange rate variability generated when revaluating investments.

Since the exchange rate hedging relationship is clear, the method that the Company used to evaluate effectiveness consisted of a qualitative effectiveness test comparing the critical terms between the hedging instruments and the hedged items, giving a result of 100% effective at the end of 2020 and 2019. The coverage will be effective as long as the notional debt designated as a hedging instrument is equal to or less than the value of the net assets of the hedged foreign operation. On the other hand, when the value of the net assets of the foreign operation is lower than the notional value of the designated debt, the Company rebalances the hedging relationship and recognizes the ineffectiveness in the consolidated statements of operations.

	USD Debt
Bank	Citibanamex
Delivery notional	$65,000
Notional currency	USD
Financial statement caption where the hedge instrument is located	Long-term debt
Delivery rate	LIBOR 3M + 1.90%
Fair value as of December 31, 2020	N/A
Maturity date	sept-25
Amount recognized in OCI	
Ineffectiveness recognized in P&L	N/A
Reclassification from OCI to P&L	N/A
Carrying amount of the covered exposure (Exposition)	$293,620
Change in fair value to measuring the ineffectiveness of the hedging instrument	N/A
Coverage ratio	22%

Separable embedded derivatives

The Company and its subsidiaries review by procedure the contracts entered into with a value greater than $ 50 thousand or a term greater than 90 calendar days, in order to identify the possible existence of embedded derivatives, and, where appropriate, proceed to determine whether applicable or not, the segregation of the same from the respective host contracts, excluding financial assets from this analysis.

If the segregation of these embedded derivative financial instruments is required, the Company and its subsidiaries recognize these in the balance sheet at their fair value and in the statement of income the change in their fair values, in accordance with current regulations, and it is at the Company's discretion the possibility of designating these embedded derivatives under any of the allowable hedge accounting models.

As of December 31, 2020, an amendment was made to the Senior Credit Secured Agreement that the Company maintains with HSBC; therefore, an assessment was made of the accounting impacts of this amendment on the accounting characteristics.

The contract has a clause that determines as a floor of the value of the variable rate of reference Libor a value of 0.70%. An analysis was carried out and, as of the modification date, it was identified that said clause implies the existence of an embedded derivative. Management concluded that it should be segregated and recognized as a derivative with changes in its fair value through the consolidated statements of operations. As of December 31, 2020, the embedded derivative has a value of $ 2.6 million.

Derivative financial instruments classified as for trading purposes (not designated for hedge accounting

As of December 31, 2020 and 2019, the Company and its subsidiaries did not maintain portfolios of derivative financial instruments not qualifying for hedging purposes and should, therefore, had to be classified as for trading purposes.

Foreign Currency Risk

The Company is exposed to currency risk by conducting various sales, purchases and loans originating from other than the functional currency. The Company is exposed to currency risk through the following currencies:

American Dollars, Euros, Czech Crowns, Polish Zlotys and Chinese Renminbi.

Interest on loans, as well as loan principal are denominated in currencies that match the cash flows arising from underlying transactions of each company, which may be, mainly, US dollars, Euros or Chinese renminbi depending on the requirements of the investment project to be financed. This offers a natural economic hedge so not derivative contracts are executed to such effect. However, the Company analyzes at any time such exposure and the markets for determining the need for hedging interest and exchange rates or entering into any cross currency swap or other type.

(In thousands of dollars)

Following is the exposure to foreign exchange risk, show in presentation currency:

	2020			
	USD	Zlotys	Euros	Rmb
Cash	54,263	184	1,345	13
Accounts receivable	35,366	66	1,590	17
Loans	(192,342)	-	-	-
Suppliers and other accounts payable	(43,194)	(2,485)	(9,039)	(9)
Related parties	(19,257)	(1,230)	26,317	-
Net exposure	(165,164)	(3,465)	20,213	21

	2019			
	USD	Zlotys	Euros	Rmb
Cash	54,858	125	224	14
Accounts receivable	34,672	26	23,465	21
Loans	(212,743)	(4,203)	(16,205)	-
Suppliers and other accounts payable	(44,336)	(4,430)	(7,818)	(10)
Related parties	(21,384)	-	31,356	1
Net exposure	(188,933)	(8,482)	31,022	26

The following exchange rates applied during the year:

	Exchange rate		Spot exchange rate at
	2020	2019	the date of the report
American dollar	19.95	18.85	20.20
Euro	24.40	21.10	24.39
Polish Zloty	5.34	4.99	5.43
Chinese Renminbi	3.04	2.71	3.13

Sensitivity analysis of exchange rates.

As of December 31, 2020 and 2019, a 10% strengthening or weakening of foreign currencies, as noted below, would have decreased equity and income by the amounts shown below. This analysis is based on the variances of the exchange rates that the Company believes shall be reasonably possible at the end of the period being reported on. The analysis assumes that all other variables, especially interest rates, remain constant.

(In thousands of dollars)

	2020		2019	
	Equity	Income	Equity	Income
American dollar (10% of strengthening)	(165)	(165)	(189)	(189)
American dollar (10% of weakening)	165	165	189	189
Euro (10% of strengthening)	20	20	31	31
Euro (10% of weakening)	(20)	(20)	(31)	(31)

Interest rate risk

Fluctuations in interest rates impact primarily loans by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The management has a risk management committee that analyzes, among other things, whether each of the credits contracted either for working capital or to finance investment projects should be (according to market conditions and the functional currency of the Company) engaged in fixed or variable rate. See detail of loans in Note 16.

The following exposure of the Company's bank loans subject to interest rates in thousands of dollars is presented, based on notional amounts as of December 31, 2020 and 2019:

		Carrying amounts	
		2020	2019
Short-term debt	$	7,099	134
Long-term debt		247,946	282,786
	$	255,045	282,920

The following exchange rates were applied during the period:

	Libor rate at reporting date
Libor 3M	0.1886%
Euribor 1M	(0.5763)%
Euribor 6M	(0.5351)%

(In thousands of dollars)

Sensitivity analysis of interest rate.

	2020		2019	
	Equity	Income	Equity	Income
Libor (Increase 50 BP)	(1,275)	(1,275)	(1,415)	(1,415)
Libor (Increase 20 BP)	(510)	(510)	(566)	(566)
Libor (Decrease 50 BP)	1,275	1,275	1,415	1,415
Libor (Decrease 20 BP)	510	510	566	566

Comparison of fair values versus and carrying amounts of financial instruments measured at amortized cost -

The fair values of financial assets and liabilities along with the carrying amounts shown in the consolidated statement of financial position are presented below:

		2020		2019	
		Carrying amounts	Fair value	Carrying amounts	Fair value
Financial liabilities measured at amortized cost					
Stock market debt and bank loans	$	(255,045)	(263,596)	(282,920)	(286,171)

Fair value hierarchy

The table below analyzes financial instruments carried at fair value by valuation method on the fair value hierarchy.

The different levels are defined as follows:

- Level 1 data are listed prices in active (unadjusted) markets for identical assets and liabilities, which the Company has the ability to trade at the date of measurement. A price listed in an active market provides the most reliable evidence of fair value and is used without adjustments to determine fair value where available.

- Level 2 data is data other than prices listed in active markets that are observable directly or indirectly for the asset or liability and are used mainly to determine the fair value of shares, investments and loans that are not actively traded. Level 2 data includes stock prices, certain interest rates and yield curves, implied volatility, credit margins, and other data obtained, including data extrapolated from other observable data. In the absence of level 1 data, the Company determines fair values, through the interaction of applicable Level 2 data, the number of instruments and/or other relevant terms of the contracts, as applicable.

(In thousands of dollars)

- Level 3 data are those that are not observable for the asset or liability. The Company uses these data to determine the fair value, when there are no level 1 or level 2 data, in valuation models such as discounted cash flows.

December 31, 2020		Level 1	Level 2	Level 3	Total
Derivative financial assets	$	-	-	-	-
Derivative financial liabilities	$	-	23,117	-	23,117

December 31, 2019		Level 1	Level 2	Level 3	Total
Derivative financial assets	$	-	204	-	204
Derivative financial liabilities	$	-	1,933	-	1,933

22 Stockholders' equity and reserves

(a) Capital stock and additional paid-in capital

	Ordinary shares	
	2020	2019
Authorized shares - nominal value	340,675,331	356,051,240

On April 28, 2020, the Annual Ordinary Shareholders Meeting agreed to cancel 15,375,909 shares it had acquired through repurchase transactions, which represent 4.3% of its capital and, consequently, reducing the variable portion of capital by $ 7,239 (the equivalent of $ 144,404 thousand Mexican pesos).

After the aforementioned movement, the Company's capital stock as of December 31, 2020 is represented by 340,675,331 ordinary nominative Series "A" shares, with par value.

Series "A" will represent the total number of common shares that will have full voting rights and enjoy all political and equity rights that law grants.

The updated amounts of the adjusted capital stock account (CUCA) and of the net taxable income account (CUFIN), of the legal entity Grupo Industrial Saltillo, as of December 31, 2020 and 2019 include the following:

		2020	2019
Capital Stock Account Updated	$	156,051	160,144
Net Taxable Income Account		239,183	220,650

(In thousands of dollars)

(b) Reserve for repurchase of own shares

At the General Ordinary Stockholder Meeting held on April 28, 2020 the stockholders authorized allocating an amount of up to $40 million to repurchase and reallocate own shares, and also agreed that the product of the sale of these own shares, if any, made by the Company during this period, will be added to the maximum amount authorized for the purposes indicated previously.

At the General Ordinary Stockholder Meeting held on April 30, 2019 the stockholders authorized allocating an amount of up to $26.5 million to repurchase and reallocate own shares, and also agreed that the product of the sale of these own shares, if any, made by the Company during this period, will be added to the maximum amount authorized for the purposes indicated previously.

As of December 31, the movements of the reserve for the repurchase of shares were as follows:

		2020	2019
Purchase	$	10,572	15,568
Sale		(386)	(7,461)
Allowance increase		(19,926)	(6,958)
	$	(9,740)	1,149

(c) Reserve for cumulative translation effect

The reserve for translation includes all of the translate differences between the recording and functional currency and the report of the of the subsidiaries that comprise the Company, except for the auto parts segment whose functional currency is dollars, as well as the totality of differences in changes that derive from the translation of financial statements of all the operations of the abroad company.

(d) Reserve for actuarial gains from the benefit plan

Actuarial gains reserve includes changes in the obligations of deferred compensation plans and changes in plan assets actuarial gains or losses.

(e) Reserve for fixed asset revaluation surplus

The reserve for revaluation includes the effect of the revaluation of land and buildings before the reclassification as an investment property.

(f) Dividends

At the General Ordinary Stockholders' Meeting held on April 30, 2019, was approved the proposal to pay a dividend for each one of the series "A" outstanding shares issued of $1.17 Mexican pesos, payable in a single exhibition starting May 10, 2019, against the delivery of coupon 9, of the titles of shares Issue 2013. The dividend amount totaled $21,168.

As of December 31, 2020, there are dividends declared and not paid to the stockholders for $61 that are represented by $9 during 2019, $9 during 2018, $7 during 2017, $8 during 2015, $8 during 2014, $13 during 2013 and $8 declared during 2012. This dividends declared and not paid are included in the item of interest payable and provisions of the consolidated statement of financial position.

(In thousands of dollars)

23 Earnings per share

The basic earnings per share are calculated by dividing the income attributable to common and preferential stockholders by the weighted average of common and preferential shares in circulation, respectively, during the year. The Company has no common shares with potential dilutive effects.

A reconciliation of the weighted average number of shares is shown below:

Shares

		2020	2019
Weighted-average of shares for the period ended		338,397,965	345,638,193
EPS (Dollar per share)	$	(0.02)	0.12

24 Revenues

Revenues include the following:

		2020	2019
Sales of products	$	740,369	886,511
Revenues from services		2,054	3,327
Total revenues	$	742,423	889,838

As described in Note 5, the Company operates in different segments engaged in the manufacture and marketing of grey and nodular iron auto parts; ceramic coverings and water heaters, malleable iron connection lines and steel nipples; as well as cookware and porcelain-on-steel tables as well as ceramic tableware for domestic and institutional use. All revenue related to the manufacture and marketing of products are recognized in a point in time when control over the goods is transferred to the customer. Moreover, service revenue relates chiefly to administrative services charged to non-consolidated entities, which are recognized over time, as provided to the customer.

On the other hand, the income from the provision of services corresponds to administrative services that are charged to unconsolidated entities, mainly, which are recognized over time, as said service is provided to the client.

As of December 31, 2020 and 2019, the Company has deferred income (liabilities for contracts with customer) for $1,729 and $1,899, respectively, representing the fair value of the portion of the consideration received regarding the development of new products and technology.

Lastly, as explained in Note 3 n), given that the Company's performance obligations are not inseparable from each other, as of December 31, 2020 and 2019 there are no performance obligations that have been partially met. All sales billed at year end, and for which the customer has not acquired control over the goods have been reversed in compliance with the Company's accounting guidelines.

(In thousands of dollars)

25 Other income, net

Other income, net include the following:

		2020	2019
Other income	$	(5,124)	(3,049)
Income from power outage		(4,950)	(9,251)
Loss by sale of property, machinery and equipment		1,901	-
Update by tax refund		(117)	(417)
	$	(8,290)	(12,717)

26 Personnel costs

Personnel costs include the following:

	Note		2020	2019
Salaries and wages		$	48,029	53,067
Expenses related to defined benefit plans	19		1,775	1,125
Expenses related to long-term service benefit plans	19		285	342
		$	50,089	54,534

27 Financial income and costs

		2020	2019
Recognized in profit or loss			
Interest income in investments held to maturity	$	(2,380)	(4,320)
Fair value of derivative financial instruments		(1,995)	(258)
Financial income	$	(4,375)	(4,578)

(In thousands of dollars)

		2020	2019
Interest expense	$	18,518	28,620
Labor liability financial cost		713	870
Financial expense for leased furniture and real state		512	432
Financial costs	$	19,743	29,922
Exchange gain	$	(87,593)	(49,484)
Exchange loss		86,508	47,939
Exchange gain, net		(1,085)	(1,545)
Net financial cost recognized in profit or loss	$	14,283	23,799

28 Related parties' transactions and balances

(a) Compensation to key management personnel:

For the years ended December 31, 2020 and 2019, the total compensation for services rendered by our advisors and directors was approximately $5,259 and $2,696, respectively. This amount includes fees, wages, variable compensation, and retirement benefits.

(b) Operations and balances of the Company with associates are the following:

Accounts receivable and payable to related parties as of December 31, 2020 and 2019 include the following:

		2020	2019
Accounts receivable:			
Infun-Ederlan Auto Parts (Wuhu) [2]	$	2,547	3,646
Gisederlan, S.A. de C.V. [1]		8,810	5,545
	$	11,357	9,191
Accounts payable:			
Gisederlan, S.A. de C.V. [4]	$	271	304

(In thousands of dollars)

Operations with related parties as of December 31, 2020 and 2019 include the following:

Gisederlan		2020	2019
Revenues from sales of goods [4][5]	$	14,155	13,978
Services rendered [1][2]		2,054	3,327
Revenues from software licenses		170	39
Interest income [7]		159	-
Raw material purchase cost [4]		603	294
Interest expense [6]		32	-
Recoverable expense [1]		(129)	-
Financial cost [1][3][6]		159	(56)

(1) Carried out with Asesoría y Servicios GIS, S.A. de C.V.
(2) Carried out with Aximus, S.A. de C.V.
(3) Grupo Industrial Saltillo, S.A.B. de C.V.
(4) Carried out with Tisamatic, S.A. de C.V.
(5) Carried out with Cifunsa de Bajío, S.A. de C.V.
(6) These operations correspond to the collection and administration of financial resources, to related parties.
(7) Carried out with Draxton Powertrain & Chasis S.L. and Industria Automotriz Cifunsa, S.A. de C.V.

Infun-Ederlan Auto Partes (WUHU)		2020	2019
Revenue from sale of raw material [1]	$	-	169
Interest income [1]		-	80

(1) Carried out with Infun, S.A.

25 Commitments

(a) Pledge by Cinsa, S.A de C.V., Manufacturas Vitromex, S.A. de C.V. and Draxton Mexico, S. de R.L. de C.V. to Grupo Industrial Saltillo, S.A.B. de C.V. in a long-term syndicated loan with HSBC Bank USA, National Association, as Administrative Agent and Collateral Agent, HSBC Bank USA, HSBC Securities (USA) Inc., as Lead Arranger and Bookrunner and other banks as participants of the syndication, for an original amount of $195 million plus a Revolving Credit Line for $50 million, which is not used at the end of this year, which outstanding balance as of December 31, 2020 is $160 million.

(b) Pledge by Grupo Industrial Saltillo, S.A.B. de C.V. of the shares of Automotive Components Europe, S.L. as security for the long-term syndicated loan of Grupo Industrial Saltillo, S.A.B. de C.V. with HSBC Bank USA, National Association, as Administrative Agent and Collateral Agent, HSBC Bank USA, HSBC Securities (USA) Inc., as Lead Arranger and Bookrunner and other banks as participants of the syndication, which outstanding balance as of December 31, 2020 is $160 million plus a Revolving Credit Line for $50 million undrawn at the end of this year.

(In thousands of dollars)

(c) Pledge by Grupo Industrial Saltillo, S.A.B. de C.V. of the shares of Infun, S.A.U. as security for the long-term syndicated loan of Grupo Industrial Saltillo, S.A.B. de C.V. with HSBC Bank USA, National Association, as Administrative Agent and Collateral Agent, HSBC Bank USA, HSBC Securities (USA) Inc., as Lead Arranger and Bookrunner and other banks as participants of the syndication, which outstanding balance as of December 31, 2020 is $160 million plus a Revolving Credit Line for $50 million undrawn at the end of this year.

(d) Pledge by Grupo Industrial Saltillo, S.A.B. de C.V. of the shares of Altec Engineering, S.L. as security for the long-term syndicated loan of Grupo Industrial Saltillo, S.A.B. de C.V. with HSBC Bank USA, National Association, as Administrative Agent and Collateral Agent, HSBC Bank USA, HSBC Securities (USA) Inc., as Lead Arranger and Bookrunner and other banks as participants of the syndication, which outstanding balance as of December 31, 2020 is $160 million plus a Revolving Credit Line for $50 million undrawn at the end of this year.

(e) Collateral granted by Cinsa, S.A. de C.V., Manufacturas Vitromex, S.A. de C.V. and Draxton Mexico, S de R.L. de C.V. to Grupo Industrial Saltillo, S.A.B. de C.V. on the Issue of Listed Securities with ticker symbol GISSA 17 with an outstanding balance as of December 31, 2020 of $1,375 million pesos.

(f) Grupo Industrial Saltillo, S.A.B. de C.V. as Guarantor for Gisederlan, S.A. de C.V. (non-consolidated company being a joint business, but accounted for by the equity method) in a Bank Loan with Santander, S.A. (Spain) for up to 50% of the outstanding balance which, through December 31, 2020 has an outstanding balance of $5.6 million.

(g) Industria Automotriz Cifunsa, S.A. de C.V. as Joint Obligor of Gisederlan, S.A. de C.V. (unconsolidated company, being a joint venture, but recognized under the equity method) in a Credit Agreement in Checking Account with BBVA Bancomer, S.A., for up to 50% of the outstanding balance, which as of December 31, 2020 has an outstanding balance of $11.3 million.

(h) Grupo Industrial Saltillo, S.A.B. de C.V as Joint Obligor in a current account line of credit agreement for factoring to suppliers with Nacional Financiera, S.N.C, for up to $550 million of pesos, which outstanding balance as of December 31, 2020 amounts to $431 million of pesos.

(i) Grupo Industrial Saltillo, S.A.B. de C.V. as Joint Obligor for Cinsa, S.A. de C.V., Manufacturas Vitromex, S.A. de C.V., Draxton Mexico, S de R.L. de C.V. in a non-recourse factoring agreement with Santander, S.A. (Spain) for up to 5% of the amount drawn over the authorized line of $46.4 million, which outstanding balance as of December 31, 2020 is $17.9 million.

(j) Grupo Industrial Saltillo, S.A.B. de C.V. as pledge in favor of Manufacturas Vitromex, S.A. de C.V., in a Line of Letters of Credit contract with Banco del Bajío, S.A., Institución de Banca Múltiple, S.A. up to an amount of $6 million which outstanding balance as of December 31, 2020 is $ 2.2 million.

(k) Fuchosa, SLU, as Guarantor of Automotive Componets Europe, SL, in a short-term Credit Policy with Banco Bilbao Vizcaya Argentaria, S.A. up to an amount of € 4 million euros which as of December 31, 2020 is not disposed.

(l) Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether in a non-recourse factoring agreement with CaixaBank, S.A. up to an amount of € 11.9 million euros whose outstanding balance as of December 31, 2020 is € 5.7 million euros.

(m) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O., Draxton México, S. de R.L. de C.V. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether up to the outstanding balance in the Confirming contract with Bankinter, S.A. up to an amount of €4.9 million euros whose balance as of December 31, 2020 is €2.9 million.

(In thousands of dollars)

(n) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether up to the unpaid balance in the Confirming contract with Banco Bilbao Vizacaya Argentaria, S.A. up to an amount of €5 million euros whose balance as of December 31, 2020 is €3.1 million euros.

(o) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether up to the unpaid balance in the Confirming contract with CaixaBank, S.A. up to an amount of €4 million euros whose balance as of December 31, 2020 is €1.2 million euros.

(p) Casting Ros, S.A. as Guarantor of Draxton Powertrain and Chassis, S.L., in a short-term Credit Policy with Banco Bilbao Vizcaya Argentaria, S.A up to an amount of €6 million euros which as of December 31, 2020 is not disposed.

(q) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A. and Casting Ros, S.A. as Guarantors for Ineder Projects, S.L. (non-consolidated company being a joint business, but accounted for by the equity method) in a Bank Loan with Santander, S.A. (Spain), which outstanding balance as of December 31, 2020 is €1 million euros.

(r) Casting Ros, S.A and Fundiciones Miguel Ros, S.A. as Guarantors for Infun, S.A. in a without recourse factoring agreement with Santander Factoring and Confirming, S.A., E.F.C., for up to €7 million Euros, which outstanding balance as of December 31, 2020 is €419 thousand euros.

(s) Draxton Powertrain & Chassis, S.L., as Guarantor for Infun For, S.P.A. in a without recourse factoring agreement with Santander Factoring and Confirming, S.A., E.F.C., for up to €2.7 million Euros, which balance as of December 31, 2020 is not disposed.

(t) Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Manteniment Foneria, S.L. and Infun For, S.A. as Guarantor for Draxton Powertrain and Chassis, S.L., in a without recourse factoring agreement with CaixaBank, S.A., up to an amount of €3 million, whose balance as of December 31, 2020 is €4.7 million euros.

(u) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Manteniment Foneria, S.L. and Infun For, S.P.A. as Guarantor for Draxton Powertrain and Chassis, S.L., in a without recourse factoring agreement with CaixaBank, S.A., up to an amount of €6.1 million euros, whose balance as of December 31, 2020 is €4.7 million euros.

(v) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Manteniment Foneria, S.L. and Infun For, S.P.A. . as Borrowers and Joint Obligors altogether up to the unpaid balance in the Confirming contract with Bankinter, S.A. up to an amount of €8.5 million euros whose balance as of December 31, 2020 is €2.6 million euros.

(w) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Manteniment Foneria, S.L. and Infun For, S.P.A. as Borrowers and Joint Obligors altogether up to the unpaid balance in the Confirming contract with Banco Bilbao Vizcaya Argetaria, S.A. up to an amount of €10 million euros whose balance as of December 31, 2020 is €642 thousand euros.

(x) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Enginering, S.L.U., Mainteniment Foneria, S.L. e Infun For, S.P.A. as Borrowers and Joint Obligors altogether up to the outstanding balance in the Confirming contract with Bankinter, S.A. up to an amount $6.0 million euros whose balance as of December 31, 2019 is $608 thousand euros.

(y) Grupo Industrial Saltillo, S.A. B. de C.V. and its subsidiaries use various bank instruments, mainly credit letters for purchasing raw materials, spare parts, machinery and finished goods, specifically for their importation; such letters of credit issued to different suppliers have an unpaid balance as of December 31, 2020 of $5.1 million, which have been issued with various national banking institutions.

(z) At the end of 2020, Grupo Industrial Saltillo and its Subsidiaries have without recourse portfolio factoring agreements with various financial institutions, with a balance at the end of the 2020 of $17.9 million and €34.3 million and of the year 2019 for $18.5 million and €21.3 million, which were written off the balance presented at the end of the year 2020 and 2019 respectively, according to IFRS and to what is mentioned in Note 3 subsection (c) point (i).

26 Contingencies

(a) Litigation

The Company is involved in a number of lawsuits and claims, arising from its ordinary course of business; those matters are not expected to have a significant impact on the Company's future financial position and results of operation.

In cases whose resolutions are considered likely and that will mean an outflow of cash or other resource from the Company, accruals have been recorded that represent the best estimate of these likely payments.

(b) Tax contingencies

i) Under tax laws in force, the authorities are empowered to review up to five tax years prior to the most recent ncome tax return filed.

ii) According to the Income Tax Law, companies conducting operations with related parties are subject to certain tax limitations and obligations as concerns the agreed pricing, which must be comparable to the prices agreed by or between independent parties engaged in similar operations.

If the tax authorities review prices and disallow the amounts determined, they could demand, in addition to the collection of the corresponding tax and accessories (update and surcharges), fines on the omitted contributions, which could be up to 100% about the updated amount of contributions.

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