GIS®

ANNUAL BUSINESS AND SUSTAINABILITY REPORT 2022

CONTENTS

GIS PROFILE

GIS is a Mexican Company engaged in the automotive and housewares industries, listed on the Mexican Stock Exchange under the ticker symbol "GISSA".

We are a global company with operations in Mexico, Spain, Italy, the Czech Republic, Poland, and China. We have 14 productions facilities: 6 in Mexico, 7 in Europe, and 1 in China, and we have more than 5,300 employees.

DRAXTON — CINSA

Draxton is our global automotive business, we are dedicated to the casting and machining of highly complex parts in iron and aluminum for brake, engine, transmission, and suspension systems required by the automotive business, and we have R&D capabilities through technology centers.

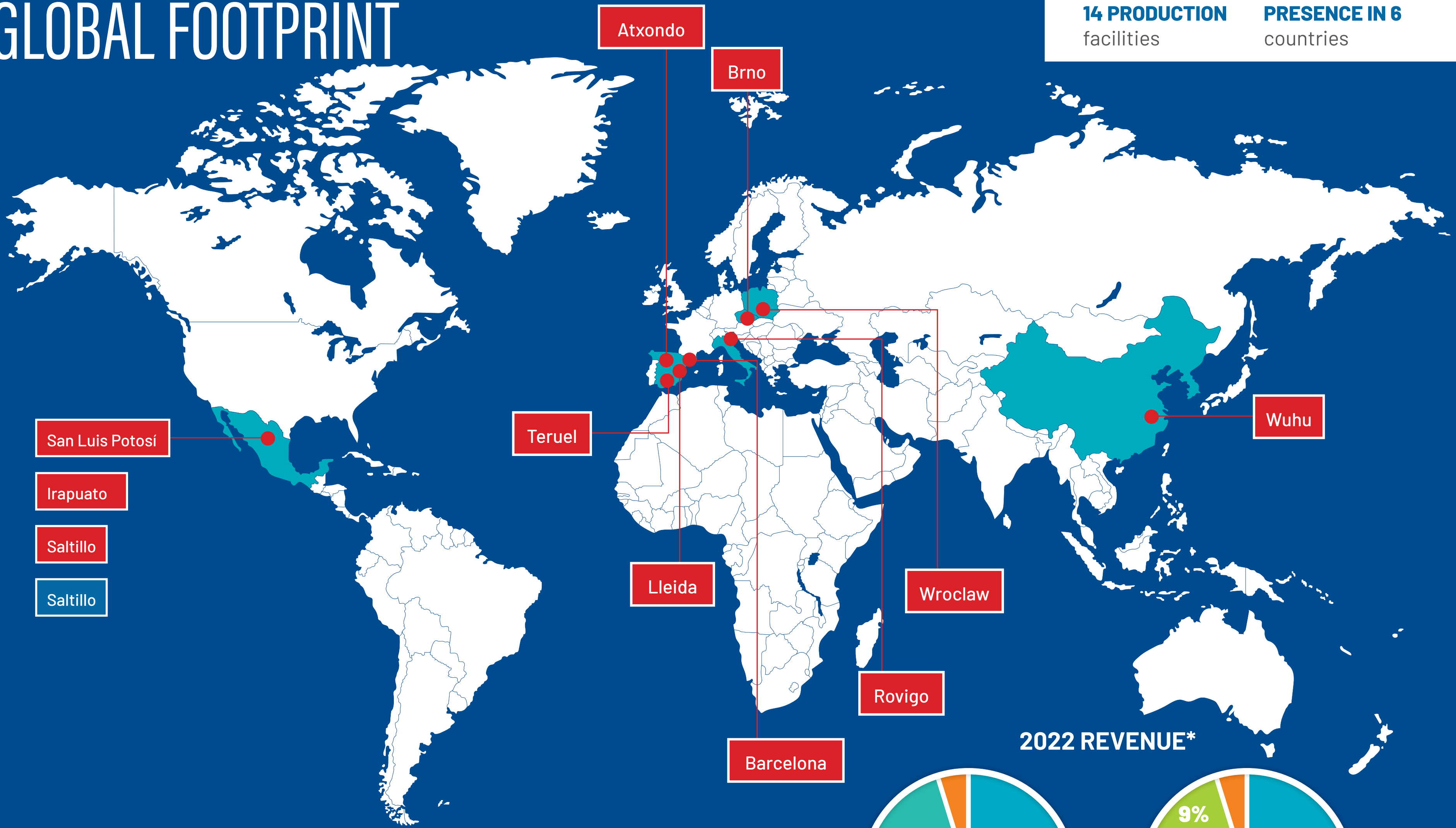
At Cinsa, we manufacture and sell kitchenware and tableware items made of enamel-on-steel, aluminum, and ceramic.

Recognized for a profound knowledge of its products and markets, GIS is backed by renowned brands and by a productive, dynamic, and flexible organization operating with state-of-the-art technology and a focus on innovations and globalization.

GIS GLOBAL FOOTPRINT

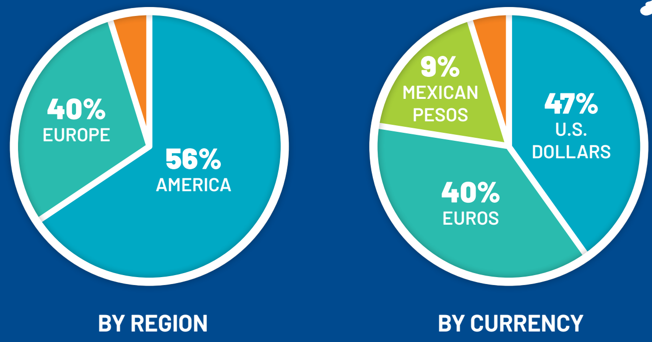
14 PRODUCTION facilities

PRESENCE IN 6 countries



DRAXTON
CINSA

2022 REVENUE*



4% ASIA - RENMINBI

*FIGURES EXCLUDE VITROMEX RESULTS

LETTER TO OUR SHAREHOLDERS

JORGE RADA GARZA
Chief Executive Officer

JUAN CARLOS LÓPEZ VILLARREAL
Chairman of the Board of Directors

DEAR SHAREHOLDERS:

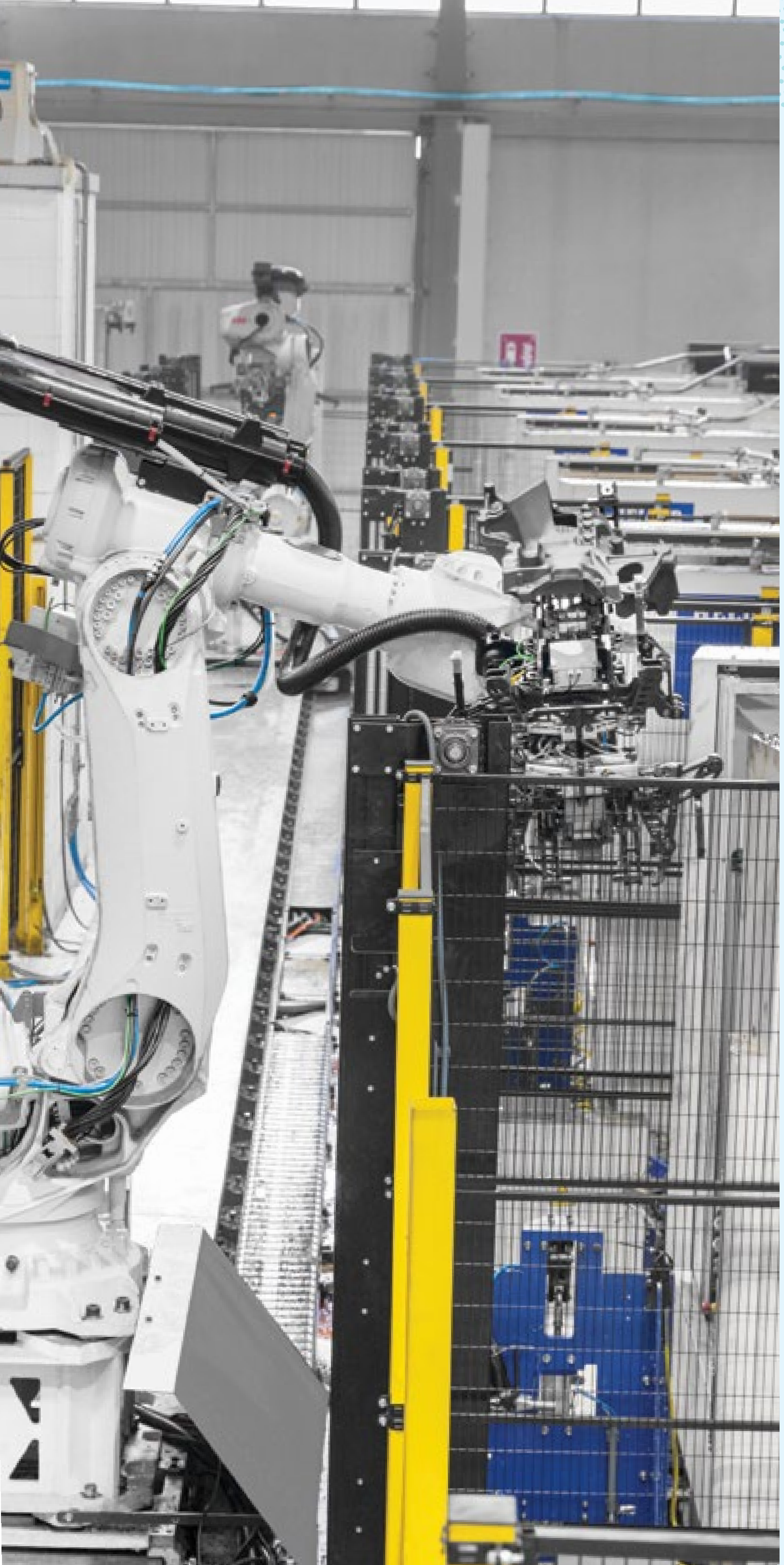
2022 was a year marked by challenges, opportunities and continued strategic focus. We delivered sequential profitability growth every quarter, supported by the talent of our employees and our operational capabilities. The resilience and positioning of our businesses allowed us to weather supply chain constraints and the highly volatile environment.

Consolidating the three business units we operated in 2022, Draxton, Vitromex, and Cinsa, our revenues and EBITDA reached US$1,207 million and US$145 million, respectively, up 21% and 22% compared to 2021.

The automotive industry underwent a gradual recovery throughout the year, but there are still growth opportunities given the pent-up demand to be met and low vehicle inventory levels caused by supply chain limitations. Despite the slow recovery during the year, Draxton grew significantly, outpacing the industry, driven by new product launches and a larger customer base across the three regions where we operate: North America, Europe, and Asia. Draxton's revenues and EBITDA grew by 26% and 25% year-over-year, respectively, supported by our global business strategy and new product launches.

	GIS 2022 RESULTS	GROWTH VS 2021
SALES US	$1,207M	21%
EBITDA US	$ 145M	22%

WE STRENGTHENED THE POSITIONING OF OUR BUSINESSESS



During the year, Draxton was assigned new contracts worth US$180 million in annual revenues, as we strengthened our customer relationships and gained greater recognition as a supplier in the market. On top of that, Draxton achieved record sales volume in the year, driven by increased vehicle production, the initial benefits of the nearshoring trend in North America, and new customers added in Europe.

The business' commercial performance in all regions, together with the gradual recovery of vehicle production worldwide and the normalization of semiconductor supply, highlights the relevance and adequacy of the over US$140 million investments deployed during the year. In North America, we started the installation of two new casting lines at the San Luis Potosi plant adding 60 thousand tons of capacity, the development of an expansion at the Irapuato plant to triple the machining capacity of brake parts, and the launch of a new value-added plating process. Additionally, in Europe, we invested in the expansion of machining installed capacity for electric vehicle components.

The business' commercial performance highlights the relevance and adequacy of the over

US$140

million investments

Vitromex's results continued to be consolidated in GIS throughout 2022, recording significant growth in revenues and EBITDA of

15% and 14%

year-over-year, respectively

On March 1st, 2023, we completed the sale of Vitromex to Mohawk Industries, Inc. after obtaining the corresponding regulatory approvals. The transaction settled for US$299 million, which we used primarily to prepay debt and support growth projects.

Vitromex's results continued to be consolidated into GIS throughout 2022, recording significant growth in revenues and EBITDA of 15% and 14% year-over-year, respectively. This performance reflects the increased operational capabilities and productivity and efficiency efforts, coupled with the renewed product mix, focused on the incorporation of large-sized items.

During 2022, the consumption environment in Mexico started to normalize due to the positive development of the pandemic and inflationary pressures, specifically in the housewares market. Cinsa, our kitchenware and tableware business, achieved 6% EBITDA growth over the previous year, despite the softer demand, supported by new product launches and a successful e-commerce strategy in both Mexico and the United States.

2023 will be a year of profound transformation for GIS, with a streamlined business portfolio highly focused on the automotive industry, and a financial strength which places us in an excellent position to capitalize on the organic and inorganic growth opportunities that may arise in the market.

On October 20, we announced that at the beginning of 2023, Mr. Jorge Rada will take over as CEO of GIS, replacing Mr. Manuel Rivera, who remains as a member of the Board of Directors, and whom we thank and acknowledge for his commitment, hard work, and talent in bringing the business back on the path to growth.

We would like to thank our team of collaborators for their steadfast focus and commitment to tackle the tremendous challenges we faced in 2022; we are confident that the experience and capabilities we have developed will be invaluable to us going forward.

2023 WILL BE A YEAR OF PROFOUND TRANSFORMATION FOR GIS, WITH A STREAMLINED BUSINESS PORTFOLIO HIGHLY FOCUSED ON THE AUTOMOTIVE INDUSTRY

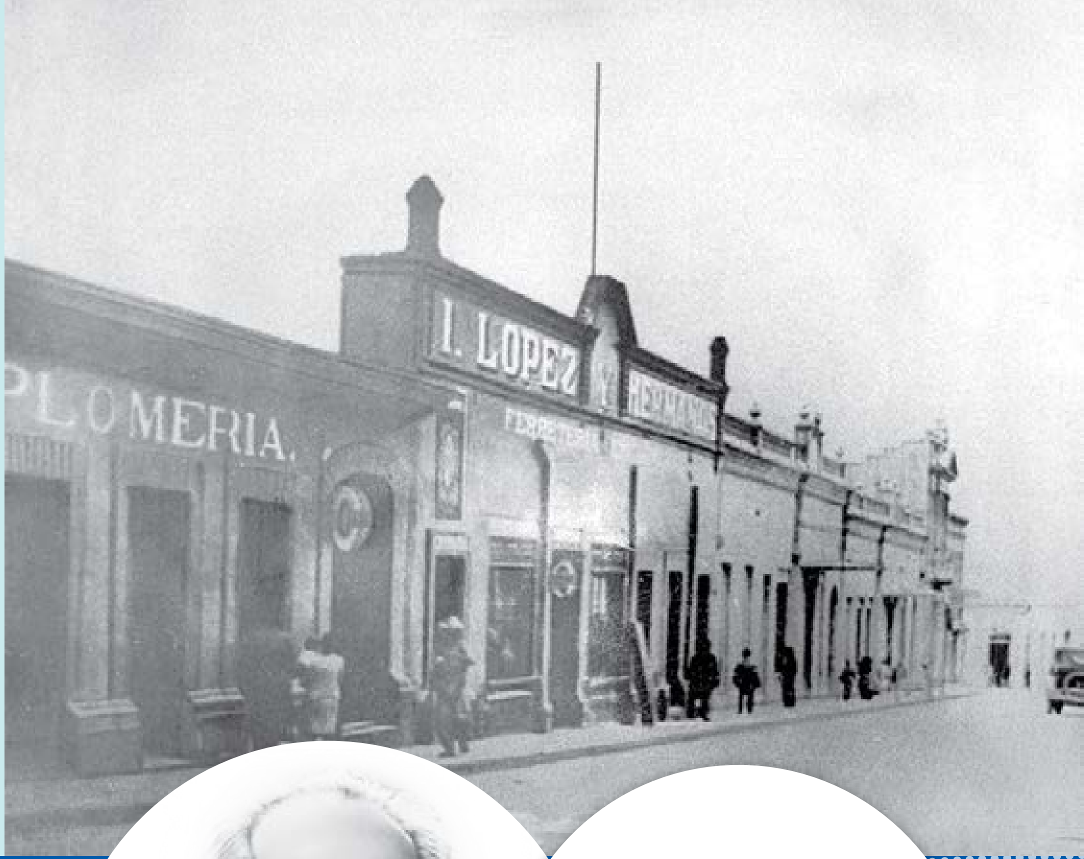
To the Board of Directors, our customers, and suppliers, thank you for your trust and support, which have allowed us to continue creating value for our shareholders and investors, to whom we reaffirm our commitment to operate with discipline and strategic focus in the coming years.

In 2023, GIS will celebrate its 95th anniversary. All of us in the Company feel the responsibility and commitment to maintain and carry on the vision and legacy of our founder, Mr. Isidro López Zertuche, in a global, dynamic, profitable, and socially responsible company.

Thank you very much.

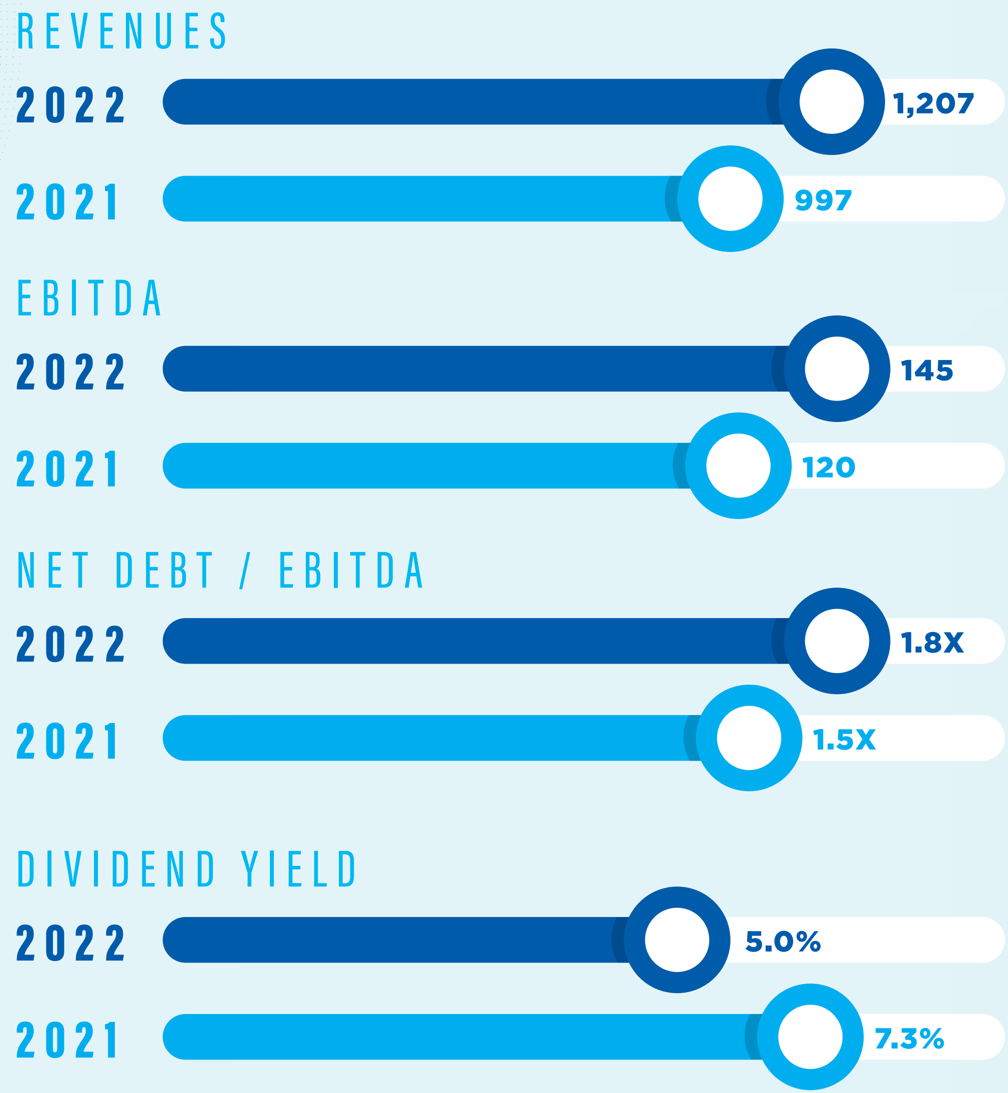
JORGE RADA GARZA
Chief Executive Officer

JUAN CARLOS LÓPEZ VILLARREAL
Chairman of the Board of Directors

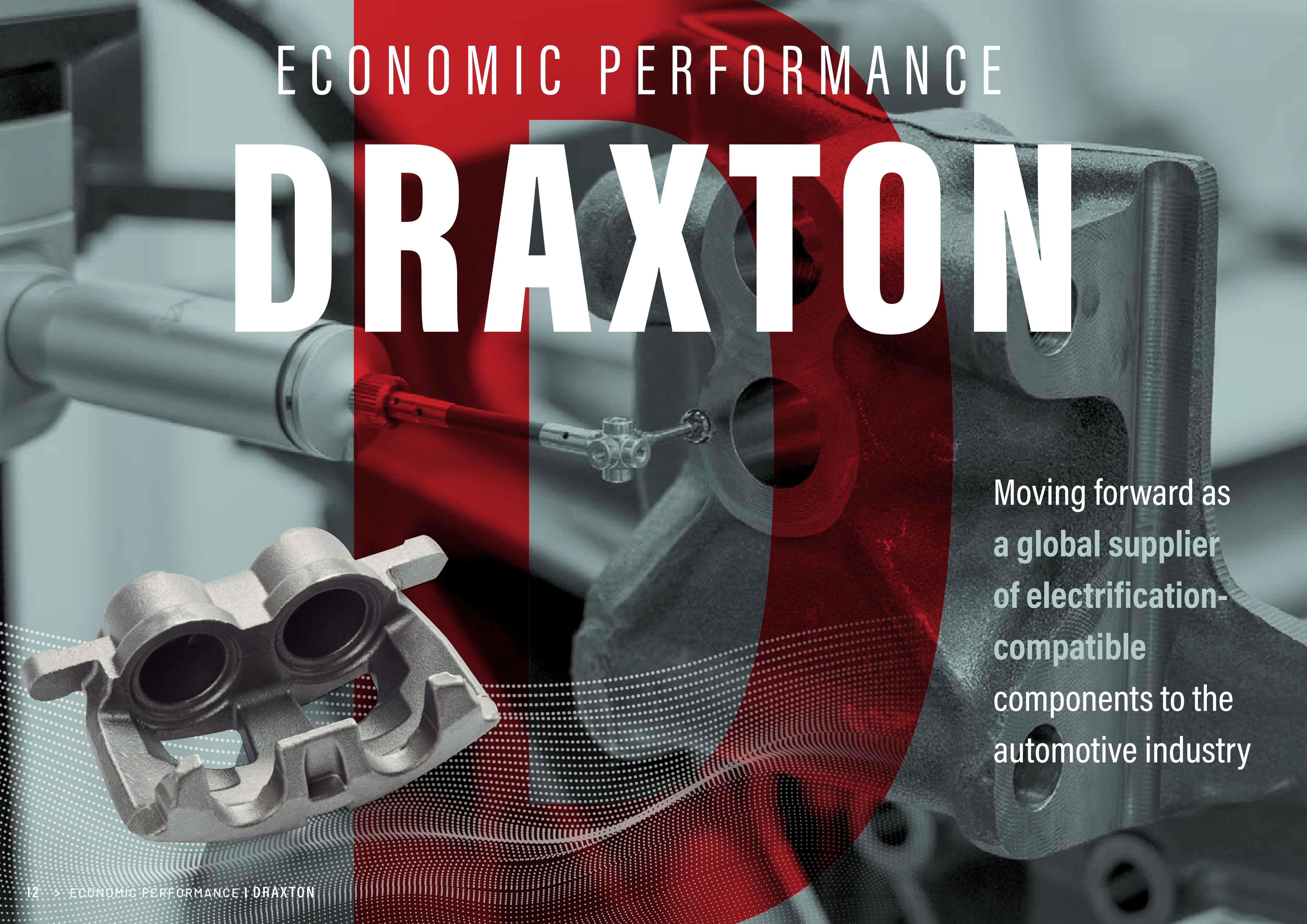


In 2023, GIS will celebrate its 95th anniversary. All of us in the Company feel the responsibility and commitment to maintain and carry on the vision and legacy of our founder, Mr. Isidro López Zertuche

KEY **FIGURES:**



Stated in millions of USD
2021 Dividend Yield was 7.3%, comprised by an ordinary payment of 4.9% and an extraordinary one of 2.4%.
Figures include Vitromex results



ECONOMIC PERFORMANCE

DRAXTON

Moving forward as **a global supplier of electrification-compatible** components to the automotive industry

DRAXTON

NORTH AMERICA EUROPE & ASIA

Casting and machining of iron and aluminum components
for the automotive industry

12 PRODUCTION FACILITIES

NORTH AMERICA
- Saltillo
- Irapuato (2)
- San Luis Potosi

EUROPE & ASIA
- Spain (4)
- Italy
- Czech Republic
- Poland
- China

APPLICATIONS

▪ Brakes ▪ Chassis ▪ Powertrain ▪ Suspension ▪

VEHICLE PRODUCTION PERFORMED POSITIVELY IN NORTH AMERICA AND CHINA, GROWING

9.7% Y 6.1%,

RESPECTIVELY, FOR THE YEAR

DRAXTON

2022 was a challenging year. Semiconductor shortages continued, impacting automotive industry volumes, inflation peaked at levels not seen in the last 40 years, and energy costs in Europe reached historically elevated levels, largely driven by the geopolitical implications of the current Russo-Ukrainian conflict. Despite this, the talent and commitment of our work teams helped us to achieve positive results, bringing about a favorable change in profitability trends and laying the groundwork for substantial growth in the coming years.

Even with supply chain constraints and labor shortages in the United States, vehicle production performed positively in North America and China, growing 9.7% and 6.1%, respectively, for the year. In Europe, further supply chain disruptions brought about by the conflict in Eastern Europe led to a contraction of 1.3% against 2021. On the other hand, vehicle sales contracted in North America and Europe, due to low inventory levels and inflation in major economies, while China maintained near-2021 levels.

2022 was a year of growth for Draxton. Global production and sales volumes reached record levels, exceeding 430 thousand tons cast for the first time, up 10% compared to 2021 sales volume. Machining volume also increased significantly, by 24% year-over-year, highlighting North America's performance.

The good commercial performance of the last few years has allowed us to step up the pace of contract wins for new and innovative programs. In 2022, we secured new casting and machining programs worth US$180 million in annual revenues, of which about 85% are products compatible with hybrid and electric light-vehicle platforms, with another 11% related to commercial vehicles.

The gradual recovery in vehicle production, coupled with the increased availability of semiconductors and the benefit of nearshoring trends, pushed Draxton to grow at a faster pace than the industry. In the year, and hand-in-hand with our customers, we launched more than 130 new products, 17% higher than in 2021, with a higher number of products incorporating machining processes.

Focusing on the development of new materials, processes, and products to maintain its long-term competitive leadership, Draxton invested nearly US$11 million in R&D at its global competency centers.

In the year, and hand-in-hand with our customers, we launched more than

130 **new products,**

17% **higher than in 2021**

In view of the strong sales performance and industry trends, we have initiated several capacity expansion projects at our plants, involving an investment of more than US$140 million. With these projects, in North America, we will increase our iron casting capacity by 60 thousand tons, triple our machining capacity, and introduce a new value-added process, plating. In Europe, we will significantly increase machining capacity as we consolidate the operation of the Lleida plant.

Draxton's sales for the year were US$868 million, 26% higher than 2021. This growth was supported by higher casting volumes, the effects of higher raw material and energy prices on sales, as well as the incorporation of more machined parts into the product mix. For the year, more than 11% of the volume sold incorporated at least one value-added process, mainly machining.

EBITDA was US$121 million in 2022, up 25% year-over-year, showing uninterrupted quarterly growth throughout the year. The higher casting and machining volumes, together with commercial strategies to mitigate the impact of higher raw material and energy prices, boosted the profitability of our operations during the year. Likewise, the EBITDA per ton closed the year at US$305, 34% higher than 2021.

EBITDA was

US $121 M.

in 2022, up

25%

year-over-year

IN 2023, WE WILL CONTINUE TO BUILD TRUST WITH OUR CUSTOMERS TO CONSOLIDATE GROWTH IN THE REGIONS WHERE WE OPERATE

During the year, we invested over US$70 million for maintenance, technological upgrading, profitability, and capacity expansion projects, among others. These investments support the growth strategy of the business, as well as the proper equipment operation and optimization of processes to enhance competitiveness. In addition, we made investments connected with environmental care, such as energy consumption efficiency and emissions reduction.

With a focus on the development of higher value-added products, we consolidated the New Product Concept & Development (NPCD) process and the merging of the design and simulation areas of the differential gear and brakes competency centers.

In 2023, we will continue to build trust with our customers to consolidate growth in the regions where we operate, launching the announced capacity expansions and capitalizing on industry normalization. We will seek to produce higher volumes of parts featuring value-added processes that are compatible with hybrid and electric platforms, as well as increase our market share in the Commercial Vehicle segment. We will leverage our market position and core competencies to further strengthen the foundations and move forward on the path of profitable and sustainable growth.

NORTH AMERICA

During 2022, vehicle production in North America grew 9.7% over 2021, exceeding the 14 million-vehicle mark. However, given the high inflation recorded in this region, sales declined by 7.2% in the year.

Draxton North America's castings volume for the year increased 12%, surpassing 238 thousand tons sold, a record figure for this business unit. In addition, as the strategy of incorporating value-added processes to the parts produced advances, the machining volume in the region increased 31%, totaling over 4.6 million parts. The foregoing is the result of the market dynamism and the capture of new business. Expansion projects announced at the end of 2021 will bring our installed capacity in line with the volumes added by new contracts won since then.

Sales in 2022, which also hit record levels in this business unit, reached US$436 million, 25% higher than 2021. EBITDA for the period grew 15% compared to 2021, driven by the recovery of the industry, the strong commercial performance, and the incorporation of value-added processes in the parts sold, in addition to several initiatives to mitigate the increase in raw material costs.

In the region, we invested more than US$5 million in R&D to support the launch of new products in collaboration with our customers. In 2023, we expect to keep up the pace of growth and new business acquisition, with a focus on electrification-compatible products.

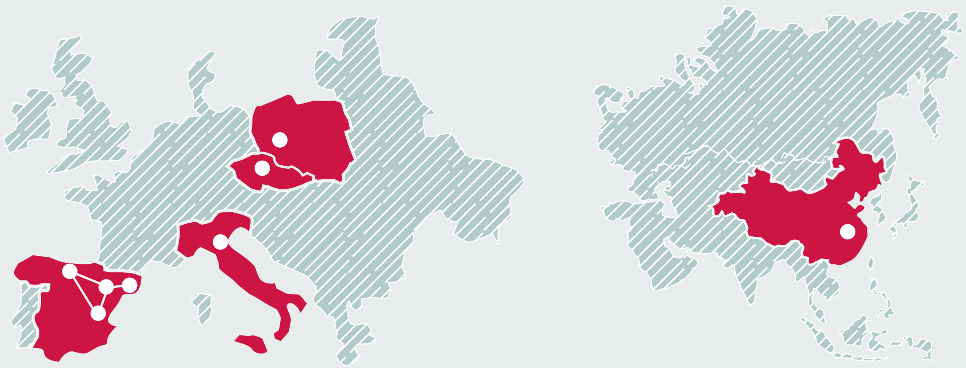
In the region, we invested more than US$5 M. in R&D

This business unit also reported record sales in 2022, reaching

US **$433** M.,

27% above 2021

EUROPE & ASIA



During the year, vehicle production and sales in Europe contracted 1.3% and 11.2% year-over-year, respectively, remaining below 16 million vehicles produced. This was due to the low availability of vehicles and soaring prices caused by inflationary pressures in the world's largest economies, the cutback of government stimulus, and the interruption of production in Russia. It is important to note that, in the last quarter of the year, the best vehicle production and sales figures were recorded since the beginning of the semiconductor crisis in mid-2021.

China, on the other hand, performed well in 2022. Vehicle production and sales grew 6.1% and 1.0%, respectively, against 2021. The industry in this region improved significantly, despite the strict zero-COVID policy imposed throughout the year. By the end of the year, this policy was lifted, making the outlook for 2023 more favorable.

Draxton Europe & Asia business unit's casting and machining volumes for 2022 increased 8% and 17% year-over-year, respectively. The pace of recovery in this region was slower compared to others given the impacts of supply chain constraints arising from the political conflict in Eastern Europe, as well as high electricity prices. However, Draxton was able to outpace the industry in terms of growth.

This business unit also reported record sales in 2022, reaching US$433 million, 27% above 2021. EBITDA, on the other hand, grew 68% versus 2021, derived from commercial strategies to mitigate the impact of higher raw material and electricity costs. As volume recovery continues across regions and the incorporation of value-added moves forward, we expect to keep driving revenue and profitability growth in 2023.

In this region, Draxton invested more than US$5 million in R&D, mainly for the launch of machining projects, which helped us build up manufacturing operations at our Lleida, Spain plant.

ECONOMIC PERFORMANCE

CINSA

Grow through an approach centered on customer satisfaction, operational efficiency, and exports

KITCHENWARE

WE DESIGN, PRODUCE AND SELL products for the kitchen: frying pans, cookware sets, and pressure cookers, among others, made out of enamel-on-steel, with or 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

Santa Anita

GRANITE-WARE
the ORIGINAL all NATURAL

CINSA

The strategic realignment, product portfolio management, talent consolidation, and ongoing initiatives for efficiency launched three years ago led to a more dynamic and flexible organization, allowing us to capitalize on significant opportunities throughout 2022 and to weather the softer domestic market during the second half of the year.

2022 EBITDA increased 6% year-over-year, despite the weaker domestic consumption, which led to a 4% decrease in sales compared to 2021.

The e-commerce channel performed well during the year, growing 179% in sales, mainly to the United States, which allowed us to mitigate the slowdown in other commercial channels.

In the United States, the Graniteware brand continued to grow, with a 10% increase in export sales.

The e-commerce channel performed well during the year, growing 179% in sales, mainly in the United States

Thanks to the implementation of marketing strategies, rightsizing efforts, and improvements in productivity and competitive sourcing, we were able to partially offset inflationary impacts

With the successful launch of the Praktica, Ecos del Mundo, Sarape, and Esencial lines, we renewed our product portfolio to match the needs of the different market segments and channels we serve. New product sales accounted for 19% of this business unit's revenues at the end of the year.

Thanks to the implementation of marketing strategies, rightsizing efforts, and improvements in productivity and competitive sourcing, we were able to partially offset inflationary impacts on the main raw materials and inputs used in the production and logistics process.

The ongoing operational efficiency and competitive supply programs, together with the stabilization of the cost of steel sheet, will allow us to tackle market challenges in 2023, while focusing on the growth of the export and e-commerce channel, and prioritizing the innovation of products tailored to the needs of the market.

ECONOMIC PERFORMANCE

VITROMEX

During 2022, **Vitromex achieved double-digit** growth in sales and EBITDA

VITROMEX

During 2022, Vitromex achieved double-digit growth in sales and EBITDA, despite a challenging cost environment, marked by the normalization of domestic market demand. This performance was attributed to the implementation of strategic marketing initiatives and realization of operational improvements.

Sales grew 15% in 2022 compared to the previous year, supported by an improved product mix comprising more large-size items, timely price adjustments that allowed us to mitigate the inflationary effect on raw material costs, as well as the modernization of our distributors' points of sale.

The steady progress in the implementation of the Vitromex Operations System (SOVx), granted us standardized work tools, oriented to improve productivity and efficiency, closing the year with a 14% increase in EBITDA compared to 2021.

At the end of 2022, we completed 31 investment projects for US$16.6 million, including the production capacity expansion at plant #2 located in San Jose Iturbide, Guanajuato, the production conversion to large formats at the San Luis Potosi unit, as well as the upgrade of internal logistics handling equipment for all plants.

ON MARCH 1ST, 2023, WE COMPLETED THE SALE OF VITROMEX

On March 1st, 2023, we completed the divestment of this business. Vitromex is now part of Mohawk Industries, Inc. after obtaining the antitrust approval and complying with the conditions set forth in the purchase agreement signed on June 3rd, 2022.

ECONOMIC PERFORMANCE

CORPORATE GOVERNANCE

CORPORATE
GOVERNANCE

GIS' Corporate Governance is responsible for managing and shaping the relationships between shareholders, board members and the Company's management, and is comprised of the Board of Directors and committees with strategic, operational and oversight roles.

Both the Board of Directors and the Planning and Finance, Audit and Corporate Practices Committees are comprised of businessmen whose expertise and track record are key to the development and strengthening of the strategy of GIS and its companies.

Our governing bodies comply with the Mexican Securities Market Law, mainly Articles 24, 25, 28, 41, 42 and 43.

BOARD OF DIRECTORS

The Board of Directors is responsible for outlining and implementing the vision, philosophy, and corporate values with related parties. The Board of Directors promotes the use of information quality assurance mechanisms, systems for identification, management analysis, as well as internal control schemes for adequate risk disclosure.

Based on GIS's strategic plan, each year the Chief Executive Officer presents the proposed investment budget to the Board of Directors, which includes acquisitions and upgrades of the Company's manufacturing equipment, as well as initiatives that promote the quality of life of employees and environmental preservation and care.

The Company's Board of Directors is elected by the General Shareholders' Meeting. Directors may be appointed by shareholders or groups of shareholders representing at least 10% of the shares. During the selection, all shares have the right to vote, without distinction. No director has a tie-breaking vote, as all votes have the same weight.

The Board of Directors and its Committees are comprised of businessmen whose knowledge and experience strengthen GIS's strategy

Our Board of Directors in 2022 consisted of 13 directors, including five proprietary members, one related and seven independents. The latter are individuals selected for their expertise and professional skills.

The independent directors are nominated and approved by the Shareholders' Meeting, which validates the independence of the candidates, who must meet the requirements established by Article 26 of the Mexican Securities Market Law and the Company's bylaws.

Thanks to the experience and knowledge that the Board of Directors has of the markets and businesses relevant to the Company, in addition to the fact that it is made up of independent and proprietary directors, GIS counts on a wide variety of criteria and points of view to strengthen the development of its strategy.

The Board of Directors meets at least six times a year to evaluate the fulfillment of GIS' financial, social, and environmental goals and performance, always considering the opinions of other Committees.

Days prior to the Board Meetings, the directors receive the minutes of the previous meeting, in addition to the information to be discussed during the meeting and may contact GIS' senior management in case of any doubts. Board members may request additional information from the Company's senior management in order to have the necessary items to express their opinion and cast their vote.

Directors may join the Board Meetings virtually, enabling them to participate in the session by casting their votes and expressing their points of view. This option is valid for all legal purposes.

Board members representing a quarter of the Board of Directors may request the inclusion of items to be discussed during the meeting, provided they do so 15 days prior to the Board Meeting, as established in the Board of Directors Regulations and Article 29 of the Company's bylaws. The Board of Directors sets the agenda for the meetings.

The Audit, Corporate Practices and Planning and Finance Committees oversee the compliance with the Company's Corporate Governance practices and policies, in accordance with the provisions established in the Company's Code of Ethics and Integrity Process, which governs the behavior and conduct of all employees and stakeholders, including the Board of Directors.

DIRECTOR	COMMITTEES	CATEGORY
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	Proprietary
GUILLERMO ELIZONDO LÓPEZ	Planning and Finance	Proprietary
CLAUDIA JÁÑEZ SÁNCHEZ	Corporate Practices	Independent
FERNANDO LÓPEZ ALANÍS	Planning and Finance	Proprietary
ERNESTO LÓPEZ DE NIGRIS	Planning and Finance	Proprietary
JUAN CARLOS LÓPEZ VILLARREAL	Planning and Finance	Proprietary
MANUEL RIVERA GARZA		Related
RICARDO E. SALDÍVAR ESCAJADILLO	Planning and Finance Corporate Practices	Independent

Note: Current Board of Directors in 2022

The Audit Committee meets at least five times a year and maintains constant communication with the Board of Directors through its meetings

AUDIT COMMITTEE

The Audit Committee is comprised of a chairman and two independent directors. The Chairman is appointed at the General Shareholders' Meeting, and the directors are appointed by the Board of Directors.

The Audit Committee is responsible for describing, evaluating, and assessing non-audit services provided by external auditors. This body also evaluates the internal control systems and Internal Audit Management to identify and resolve any major issue. The Committee also follows up on corrective or preventive measures taken in the event of non-compliance with accounting and operating guidelines and policies.

Once the Company's financial statements have been submitted and reviewed by the Audit Committee, the Board of Directors validates and approves them. The Board also evaluates the effects resulting from any modifications to the accounting policies approved during the year; it oversees compliance with the resolutions adopted by the General Shareholders' Meeting and the Board of Directors and with the provisions of the Code of Ethics and the Whistleblower System.

The Audit Committee meets at least five times a year and maintains constant communication with the Board of Directors through its meetings.

CORPORATE PRACTICES COMMITTEE

The Corporate Practices Committee evaluates the performance of the key executive officers, in addition to reviewing their compensation and ensuring compliance with the policies and guidelines for the use of the assets owned by the Company and the legal entities it controls through related parties.

This body is comprised of three independent members of the Board of Directors: one of them is appointed by the Shareholders' Meeting as Chairman, and the other two are appointed annually by the Board of Directors, at the proposal of this Committee's Chairman.

The members of the Committee meet at least twice a year and is in continuous communication with the Board of Directors.

PLANNING AND FINANCE COMMITTEE

This body is responsible for issuing recommendations to the Board of Directors on projects presented by GIS' senior management, through an exhaustive analysis of strategic plans, investments, proposed acquisitions, and divestments.

The Committee is composed of eight members of the Board of Directors, who are responsible for evaluating and expressing their opinion on the funds, policies, or investment and credit instruments proposed to finance GIS' expansions.

EXERCISE OF OWNERSHIP RIGHTS OF INSTITUTIONAL INVESTORS

In accordance with the law and the Company's bylaws, shareholders are entitled to vote and participate during the Shareholders' Meeting.

For this purpose, 15 days prior to the meeting, the Company provides them with the forms, information, and the agenda necessary for them to express well-informed opinions.

All shares, without distinction, grant voting rights to their holders.

In accordance with Article 50 of the Mexican Securities Market Law, shareholders representing at least 10% of the capital stock may call a General Meeting, and the voting results must be disclosed pursuant to the applicable legal provisions. Details of the process are available on the Company's investor relations website (https://ri.gis.investorcloud.net/en), in the Code and Bylaws page, under Corporate Governance section.

Although most of the Company's shares are owned by domestic investors and are held through Mexican brokerage firms, the Company makes every effort to publish its calls to Shareholders' Meetings earlier than required by law, to give our shareholders more time to better prepare for the Meetings.

The agenda for each Meeting specifies dividend payments and cancellation of repurchased shares, and to help shareholders vote and make decisions, the Company publishes a brochure with the necessary details.

THE PLANNING AND FINANCE COMMITTEE REVIEWS THE STRATEGIC PLANS OF THE CHIEF EXECUTIVE OFFICER TO SUBMIT RECOMMENDATIONS TO THE BOARD OF DIRECTORS

MANAGEMENT TEAM

Comprised of Business and Corporate general managers, the Management Team meets once a month to discuss with the Chief Executive Officer the monthly and year-to-date results of the Company's business units, as well as the strategies implemented during the year to achieve the objectives proposed to the Board of Directors.

Once a year, the Management Team meets to define the budget and strategic planning based on the metrics to be met, which are approved by the Board of Directors.

Changes or adjustments to practices and policies are proposed by the Chief Executive Officer to the Board of Directors, and its members are responsible for reviewing and approving them. This process is used in all GIS' business units with an active CEO and executive team.

The Management Team and the Audit, Corporate Practices, Planning and Finance Committees meet several times a year according to an established agenda. During the meeting they discuss ideas or suggestions proposed by the Company's Chief Executive Officer to the Board of Directors, which is the corporate body responsible for approving them.

JORGE ALBERTO RADA GARZA
CEO

ALBERTO HERNÁNDEZ TELLEZ
CEO - Draxton Europe & Asia

ROBERTO NOGUERA TORRES
COO - Draxton North America

LUIS ARENAS GARZA
Head of Global Strategic Planning
Head of Administration - Draxton North America

MARCELO RODRIGUEZ SEGOVIA
CEO - Cinsa

SAÚL CASTAÑEDA DE HOYOS
CFO

JESÚS ARMANDO CHAPA RODRÍGUEZ
Head of Planning and Administration

LUIS FERNANDO SALDAMANDO ARVIZU
HRO

ALAN ROBERTO PARTIDA CÓRDOBA
Head of Internal Audit [1]

[1] 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 Mexican Securities Market Law and Regulations of the Audit Committee, I hereby inform you about the activities we carried out during the year ended December 31, 2022. In the performance of our work, we have considered the recommendations set forth in the Code of Corporate Principles and Best Practices. We met at least quarterly and, based on a work plan, we carried out the activities described below.

RISK ASSESSMENT

We ensure that the Management, in compliance with its responsibilities, has carried out the process for the identification and evaluation of the main risks faced by the business, for the implementation of measures and controls to mitigate them.

INFORMATION TECHNOLOGIES: ASSURANCE OF THE GLOBAL INFORMATION SECURITY PLAN, INCLUDING CYBERSECURITY AND DATA PRIVACY

Considering that, in 2022, cybersecurity risk remained as one of the globally significant risks for the organization, the Audit Committee devoted special attention to monitoring the progress of the information security plan, including initiatives to address vulnerabilities related to cybersecurity and business continuity.

These risks are being monitored on a fairly regular basis as part of the Audit Committee's agenda.

INTERNAL CONTROL

We have closely followed up on the progress in the implementation and improvement process of the internal control system presented by the Management Team through quarterly reports prepared by the respective departments and, as a result, we have expressed our comments and observations, which have been considered for its improvement.

EXTERNAL AUDIT

We recommend to the Board of Directors the hiring of external auditors to review the financial information of the Company and its subsidiaries for the year ended on December 31, 2022. For this purpose, we verified their independence and that the External Auditor complied with the provisions set forth in the Article 20 of the General Provisions Applicable to Financial Institutions (also known as *"Circular Única"*) and the requirements established by Mexican Laws, including the General Provisions Applicable to Entities and Issuers of Securities Regulated by the CNBV that contract External Audit Services for Basic Financial Statements (*Disposiciones de carácter general aplicables a las entidades y emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos*), which came into force as of August 1, 2018. We analyzed with them their approach and work program, as well as their coordination with the internal audit area.

We implemented the actions established in the aforementioned guidelines, regarding the responsibilities of the Committee and also, regarding the requirements applicable to the external auditors. We maintained constant and direct communication with them to keep track of their work progress, any observations they may have and to take note of their comments on their review of the financial statements. We were informed in a timely manner of their conclusions and reports on the annual financial statements and followed up on the implementation of their observations and recommendations.

We reviewed and recommended to the Board of Directors the approval of the fees paid to the external auditors for audit and other permitted non-audit services, assuring their independence from the Company.

During 2022, in compliance with the best corporate governance practices, this Committee initiated a tendering process for external audit services for basic financial statements of Grupo Industrial Saltillo, S.A.B. de C.V. The most prominent global audit firms participated in this process, submitting their respective proposals and work programs.

For the evaluation, the transparency, independence, degree of compliance and adherence to the provisions, the added value of each one of them, as well as several factors, especially regarding technology, were considered. As a result of the foregoing, this Committee recommended to the Board of Directors to appoint Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) as the new firm to provide external audit services to the Company starting in 2023. Likewise, the collaboration and professionalism of KPMG Cardenas Dosal S.C., a firm that has provided its external auditing services to the Company for more than 10 years, who has done an excellent job and is responsible for auditing 2022 financial statements, was deeply appreciated.

INTERNAL AUDIT

To maintain its independence and objectivity in accordance with the applicable regulations in force, and in agreement with the General Management, the Internal Audit area will continue reporting to the Audit Committee.

In due time, we reviewed and approved the annual audit program, ensuring that it has been prepared considering the operational and business risks across the Company's business units. Consequently, we also approved the annual budget and the organizational structure of the internal audit program.

We receive periodic reports on the progress of the approved work plan, the variations it may have had, as well as the reasons for such changes.

We followed up on the observations and suggestions developed and their timely implementation.

We ensured that an annual training plan was implemented for the area's staff, seeking to update them on agile auditing topics and focused on digital innovation.

During the year, the Internal Audit services were evaluated by the Heads of the Business Units and by the Committee itself.

FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THIRD PARTIES

We reviewed the Company's quarterly and annual financial statements together with the people responsible for their preparation, and 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, and information policies used by the Management Team to prepare the financial information are adequate and sufficient and have been applied consistently with the previous year. Accordingly, the information presented by the Management Team fairly reflects the financial position, operating results, and cash flows of the Company for the year ended December 31, 2022.

We also reviewed the quarterly reports prepared by the Management Team 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 following the same accounting criteria used to prepare the annual information. Our review included verifying, to our satisfaction, that there is a comprehensive process in place to provide reasonable assurance as to their content. In conclusion, in each quarter we recommended that the Board of Directors approve their publication.

We approved the incorporation into the Company's accounting policies of the new accounting procedures that came into effect in 2022, as a result of the adoption of the International Accounting Standards.

We reviewed, analyzed, and expressed our opinion on the following relevant events:

- Review of Mohawk Industries, Inc. offer for US$293 million for the acquisition of Manufacturas Vitromex and Vitromex US.
- Bidding, recommendation, and change of the External Auditor.
- GIS' CEO succession.
- Impacts on Draxton's operations due to the Russo-Ukrainian War.
- Increase in production capacity, mainly in Draxton North America.
- Update of GIS' Code of Ethics.

COMPLIANCE WITH REGULATIONS, LEGAL ASPECTS AND CONTINGENCIES

We confirmed the existence and reliability of the controls established in the Company to ensure compliance with the relevant legal provisions to which it is subject, verifying that they are properly disclosed in the financial information.

We periodically reviewed all tax, legal, and labor contingencies existing in the Company, monitoring the effectiveness of the procedure for their identification and follow-up, as well as their adequate disclosure and recording.

CODE OF CONDUCT

We ensured the existence of adequate processes for compliance with the Code of Ethics, including its distribution to the staff, updating and enforcement of the corresponding sanctions for detected infringements.

We reviewed the complaints received in the system established by the Company for this purpose, following up on their correct and timely handling.

We reviewed the new version of the Code of Ethics, which we approved and recommend its publication to the Board of Director and Management Team.

ADMINISTRATIVE MATTERS

We held regular committee meetings with the Management Team to keep us informed of the Company's progress, activities, relevant and unusual events. We also met with the External and Internal Auditors to discuss the progress of their work and any limitations they may have experienced in carrying it out, while facilitating direct communication to the Committee if required.

We held executive meetings attended exclusively by members of the Committee, reaching agreements and recommendations for the Management Team.

The Chairman of the Audit Committee submitted quarterly reports to the Board of Directors on the activities carried out.

The work we carried out was duly documented in minutes drafted for each meeting we held, which we reviewed and approved.

Sincerely

ING. LUIS ARIZPE JIMÉNEZ
Chairman of the Audit Committee

February 21, 2023

REPORT FROM THE CORPORATE PRACTICES COMMITTEE

For the year ended December 31, 2022.

February 22, 2023

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

On behalf of the Corporate Practices Committee, I hereby submit to you the report regarding the activities that the Committee carried out during the year ended December 31, 2021, in compliance with the provisions of Article 43 of the Mexican Securities Market Law and Article 40 of the Company's Bylaws.

During the year, in the performance of its duties, the Committee provided its recommendations on the matters entrusted to it, highlighting the following:

1. The objectives and performance of the Chief Executive Officer and key executive officers during 2021 were evaluated and approved, as well as the payment of their fixed and variable compensation. The objectives for 2022 were also approved.
2. The guidelines on salary and wage increases for GIS were reviewed and authorized, as well as the compensation of key executive officers. The salary competitiveness against the market benchmark was also authorized.
3. The top-level management structure of GIS, probable future scenarios and replacement positions within the framework of the CONDOR project, including the probable scenario of middle positions.
4. Reviewed the employee strategy for the new labor environment in Mexico, including action plans and their implications.
5. Reported on the legal status of collective bargaining agreements by plant.
6. Reviewed and updated the succession plan for GIS' Chief Executive Officer.
7. The redesign of the new COVA LP scheme was presented, pending its approval; a proposal was made to continue analyzing models.
8. The bonus package for the departure of the Chief Executive Officer was proposed and approved.
9. The updating of the Board Members' fees was authorized.

To date, this Committee has no knowledge that the Board of Directors or any Director, key executive officer, or person holding managerial power, takes advantage of business opportunities for personal gains or in favor of third parties related to the Company or its subsidiaries; and that the Company has engaged in significant transactions with related parties.

ING. RICARDO ERNESTO SALDÍVAR ESCAJADILLO
Chairman of the Corporate Practices Committee

ENVIRONMENTAL PERFORMANCE

ENVIRONMENTAL PERFORMANCE

We are well aware of the importance of caring for and preserving the environment, and for this reason we adopted a Sustainable Development approach. In all our Business Units, we focus recourses and efforts on ensuring our operations comply with the environmental regulations applicable in the regions where we operate.

Draxton's casting products contain more than 90% recycled raw material, and 85% of the scrap metal generated at Cinsa's kitchenware plant is also recycled.

This is an example of GIS's commitment and actions to care for and preserve the environment.

Additionally, we continued to seek opportunities to make better use of natural and energy resources, reusing treated water for production processes and irrigation of green areas. In the expansion of the Evercast plant in Irapuato, we installed a rainwater system that will allow us to capture and use rainwater immediately after the start-up of operations in 2023.

We continued to optimize our production processes to improve the efficiency of electricity consumption in all Businesses Units. By year-end 2022, at Draxton Europe, 55% of the electricity we used came from zero CO_2 emission sources.

Draxton's casting products contain more than 90% recycled raw material

To promote a culture of environmental care, in 2022, we held an Environmental Rally in Mexico. Additionally, we visited the San Lorenzo Canyon in Saltillo with employees and their families to bring them closer to nature and to learn about the support GIS provided to the Asociación Conservación San Lorenzo A.C., for the remodeling of the park rangers' house and to control the forest fire in May of that same year.

Through Vitromex, we donated 1,700 trees to the state governments of Guanajuato and Chihuahua for reforestation of different areas, and through Cinsa we carried out the reforestation of green areas in the Company's facilities with the participation of employees and their families.

The above resulted in GIS' Businesses Units: Draxton, Cinsa and Vitromex receiving the Socially Responsible Company award for 11 consecutive years from the Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía*, known as CEMEFI for its Spanish acronym); and all our Draxton plants worldwide received the ISO 14001 environmental recertification in 2022. In Europe, we received the Eco-Management and Audit Scheme (EMAS, for its English acronym) recognition for the Atxondo plant in Spain.

Aside from certifications and external evaluations, through GIS's Internal Audit Department, we monitor the most relevant environmental aspects. In 2022, no significant non-compliances were identified in relation to environmental regulation, and no material spills were recorded in our facilities that were reportable according to the criteria established by relevant government authorities.

GIS' BUSINESSES UNITS: DRAXTON, CINSA AND VITROMEX RECEIVED THE SOCIALLY RESPONSIBLE COMPANY AWARD

ESR
EMPRESA SOCIALMENTE RESPONSABLE

DRAXTON
GLOBAL

In our auto parts casting and machining business, more than 90% of the raw material used comes from recycled materials and 100% of the scrap generated is reused as raw material for casting processes.

We are in an industry that is increasingly committed to caring for and protecting the environment, which is why we do our part through more efficient processes that comply with the regulations and standards of the regions where we operate.

Our operations obtained ISO 14001 recertification, related to environmental issues, as well as several awards in Mexico such as the Socially Responsible Company award, the Labor Merit Award for the project: "Revaluation of Residual Sand for the Construction Industry" at the Irapuato plant, and achieving level 3 certification as a Socially Responsible Company in Evercast. In Europe, we received Eco-Management and Audit Scheme (EMAS, for its English acronym) recognition for the Atxondo plant in Spain and ISO 50001:2018 certification, related to energy efficiency, for the Wroclaw plant in Poland, with plans to adopt this standard to the rest of the plants in Europe and Asia.

We continued to work on the decarbonization plan we have committed in Europe and China, making progress in reducing emissions-related impacts during 2022, as a result our energy efficiency initiatives.

In North America, we continued to implement the business sustainability plan and controls related to the annual CO_2 emissions, which we were able to reduce at the GISEderlan plant and keep unchanged at Evercast, thanks to the reduction of scrap and greater operating efficiency.

Our operations obtained
ISO 14000
recertification related to environmental issues

Globally, 59% of the electrical energy comes from renewable sources (18%) and from sources considered as transitional or with low levels of CO2 emissions (41% from nuclear, high efficiency cogeneration and combined cycle gas); highlighting our operations in Europe where about 83% of the electrical energy comes from renewable sources (38%) and from transitional energy sources (45%).

In North America, specialists visited our plants to implement operational improvements in the melting furnaces that allowed us to reduce energy consumption per ton produced, increase the use of treated water for the process and irrigation of green areas, and replace acrylic sheets in the production units to make better use of sunlight.

In Europe, as part of our sustainability strategy focused on circular economy, which seeks to reduce environmental impact by using our resources and materials in a more responsible manner, we carried out the recycling of waste such as scrap with the minimum environmental impact, as well as the recovery of other waste by giving them a second use and introducing them back into the value chain of other industries. These are some clear examples of the progress we are making in this strategy.

Well aware of the importance of water as a natural resource, for all our operations we work on the continuous improvement of our processes to use this vital liquid efficiently, using more treated water, particularly in regions with water stress. For the expansion of the Evercast plant in Irapuato, Mexico, we installed a rainwater harvesting system, further reducing well water consumption from the start of operations in 2023.

By year-end 2022, we invested close to US$3 million in environmental projects for Draxton's operations in Mexico, Spain, Italy, Czech Republic, Poland, and China.

BY YEAR-END 2022, WE INVESTED CLOSE TO US$3 MILLION IN ENVIRONMENTAL PROJECTS FOR DRAXTON'S OPERATIONS WORLDWIDE

CINSA

Cinsa has two production units, one dedicated to the production of pots, pans and cookware in vitrified steel and aluminum, and the other to the manufacture of ceramic tableware, located in Saltillo, Coahuila.

The market downturn led to a decrease in the production levels of our Kitchenware Business. Thanks to the action plans and measures adopted to improve productivity and efficiency in the business, we improved our environmental metrics; however, electricity and natural gas consumption per ton produced increased by 9% and 7%, respectively, compared to the previous year. Compared to 2021, CO_2 emissions decreased by 16%, while water consumption remained practically unchanged.

The tableware production plant recorded a significant improvement in its environmental metrics against 2021, with reductions of 1% in electricity consumption, 3% in natural gas, 20% in CO_2 emissions, and 40% in total water consumption.

Waste generation in kitchenware plants is a relevant issue for Cinsa; therefore, out of the total waste generated, 100% of the steel scrap is recycled and amounts to more than 2,807 tons of waste per year. With this process, more than 85% of the waste from our houseware production plants is recycled.

SIGNIFICANT REDUCTION IN CO_2 EMISSIONS AGAINST 2021

VITROMEX®

WE CARRIED OUT INTENSIVE MAINTENANCE ON ALL OUR DUST COLLECTION EQUIPMENT FOR OUR PRODUCTION PLANTS

VITROMEX

In the Floor and Ceramic Tiles Business in 2022, we remained focused and attentive to compliance with applicable environmental regulations, as well as continuous optimization process to reduce energy consumption and use resources more efficiently.

Our electricity and natural gas consumption indicators increased during 2022 due to the capacity expansion at the San José Iturbide plant in Guanajuato.

We carried out intensive maintenance on all our dust collection equipment for our production plants, in addition to ongoing campaigns on the proper use of water, electricity, and the separation of materials requiring special handling.

To contribute to the care of the ecosystem and biodiversity, we carry out ongoing reforestation campaigns in the mines from which we obtain raw materials for the production of floor tiles, for which we have a nursery at the San Luis Potosí plant. In 2022 we donated 1,700 trees to the Secretariats of Urban Development and Ecology of the States of Chihuahua and Guanajuato, respectively.

Vitromex is no longer part of the Company as of March 1, 2023, after the completion of the sale process of this Business Unit.

SOCIAL PERFORMANCE

SOCIAL PERFORMANCE

Our Social Responsibility model is based on four pillars that guide our activities as a company: promoting internal quality of life of our employees, community relationships, ethical behavior of those who are part of the organization and the public with whom we interact, as well as environmental care and preservation.

On these pillars, we designed and implemented actions that allowed us to celebrate 95 years of GIS as a profitable, dynamic organization, esteemed and valued by our customers, employees, investors, suppliers, and the communities we belong to around the world.

In 2022, health continued to be an important issue, reason why we kept vigilant in GIS. We maintained our COVID-19 prevention measures, adapting to the new guidelines established by regional authorities, always prioritizing the health of our employees and their families, acting in a preventive manner.

We encourage the responsibility of our employees and their families through a campaign to promote preventive measures, such as frequent hand washing, use of masks and social distancing, as well as daily health records through an occupational health survey, and to promote and provide COVID-19 vaccination.

For 2023, we will closely monitor the evolution of the pandemic and continue to safeguard the health of our employees.

FOR 2023, WE WILL CONTINUE TO SAFEGUARD THE HEALTH OF OUR EMPLOYEES

OUR
EMPLOYEES

We are the embodiment of the commitment, engagement, and efforts of 6,827 employees worldwide at the end of 2022, for whom we seek to provide a safe and professionally challenging work environment that allows them to grow, in addition to offering benefits such as: life insurance, health insurance, pension fund, savings fund, disability coverage, parental leave, flexible work schedules, among others, which make them feel part of the GIS community, and that allowed us to close the year with a voluntary turnover of unionized staff of 3.8% in Mexico.

In 2022, we launched an internal digital platform, SKILZ, aimed at promoting the professional and personal self-development of our employees. This virtual and interactive platform is available 24/7 through the internet and a mobile app, which contains magazine articles, books, videos, audios, and interactive multimedia from the most prestigious universities worldwide through which they can learn and develop their skills allowing them to stand out in their performance. This is monitored and managed through the Performance Management Process (PMP).

At the beginning of each year and following the strategies and priorities of each Business Units, employees define their annual objectives through the PMP, which are monitored by their supervisors through mid-term feedback sessions and are subsequently evaluated.
Their results define the salary increases for 100% of non-unionized employees.

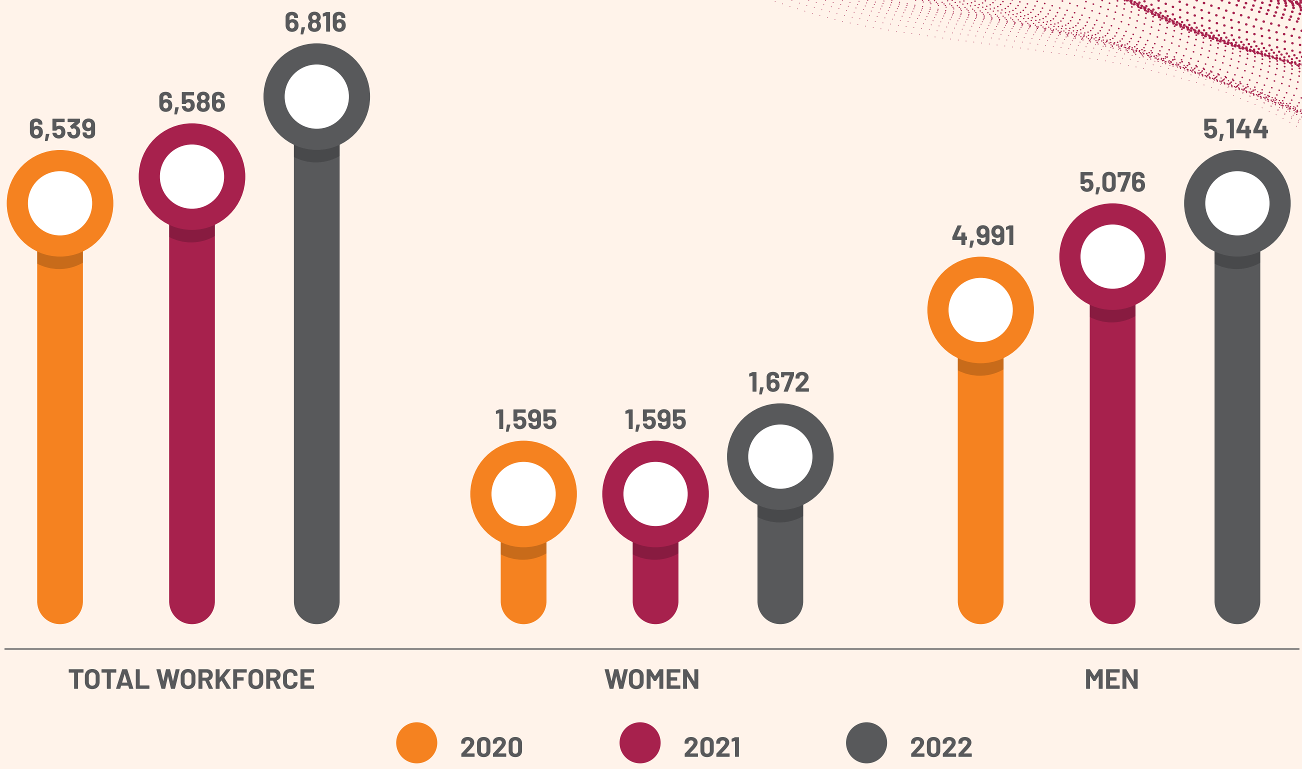
Employees define their annual objectives through the PMP, which are monitored by their supervisors through mid-term feedback sessions

The Talent Succession Process allows us to recognize the commitment and professional development of GIS' staff by evaluating their competencies, skills, and growth potential, which allows us to draw and set succession plans focused on strengthening the Company's long-term sustainability.

We believe in the talent of people, that is why we rely on the commitment of highly qualified women who hold key positions in the organization. At Draxton, for example, women head our global R&D department and the Atxondo plant in Spain. Additionally, two women are part of our Board of Directors.

By year-end 2022, we will increase the number of women in our organization by 5%, to 1,569, which would account for 30% of the Company's global headcount, including Cinsa, where 45% of its unionized staff are women, and the corporate area, with a workforce of 39% women.

To celebrate International Women's Day in March, we encouraged our female employees to participate in internal events aimed at promoting dialogue on issues related to the personal, professional, and family development and growth of women, as well as the participation of Draxton female executives in public events at the Automotive Cluster of San Luis Potosi and in the III National Congress on Equal Opportunities in Spain. Additionally, as part of the Equality Plan at the Teruel plant in Spain, a committee was formed to raise awareness of equal opportunities in the workplace and promote respect and inclusion in the organization.



THE TALENT SUCCESSION PROCESS ALLOWS US TO RECOGNIZE THE COMMITMENT AND PROFESSIONAL DEVELOPMENT OF GIS' STAFF

INTEGRITY **PROCESS**

In 2022, we celebrated 20 years of implementing the Integrity Process and our Code of Ethics. Through two decades of experience, we have strengthened the process and our Code of Ethics, making it more transparent, professional, and updated to the challenges and requirements of our customers and the global environment.

In October, we launched a new global edition of the Code of Ethics, a revised and updated document on issues such as GIS's adherence to the Universal Declaration of Human Rights and fundamental labor principles, as well as diversity & inclusion and non-discrimination of people regardless of their gender, gender identity, beliefs, nationality, or any other human condition.

A fundamental component of the Integrity Process is the Integrity Committees through which we handle the complaints submitted via voluntary collaborators in each production unit. In 2022, we conducted a training workshop on forensic interview techniques for the Committees in Mexico.

In addition to fostering an environment of equality and fair treatment, through our emotional support program *"Mentoría de Vida"*, we provided more than 59,000 psychological health sessions and 10,000 interviews with employees and their families to assist them in personal matters.

In Spain, the Draxton plant in Atxondo received the *"José Javier Arteche Saria"* Memorial Award for promoting labor inclusion of people in vulnerable situations, with disabilities, mental or sensory conditions, or economic problems. And, in Cinsa, we continued with the employment opportunities program for migrants from Central and South America who were seeking to enter the United States and were able to secure a migratory work stay in Mexico through the UN.

IN 2022, WE CELEBRATED 20 YEARS OF IMPLEMENTING THE INTEGRITY PROCESS AND OUR CODE OF ETHICS

We maintain a permanent awareness campaign about the Integrity Process, Code of Ethics, and its global means of reporting. All these efforts allowed us to receive 70 new reports at the end of the year, 63% of which were anonymous and 37% non-anonymous.

Of the total number of cases presented, and thanks to the work and deliberation of the Integrity Committees, 21% were resolved with a warning, 13% with a clarification of facts, 3% with suspension or termination of contract, 36% resulted in no action, and 27% of the cases would be closed by 2023.

INTEGRITY PROCESS	2022	2021	2020
Number of Complaints / Total Employees	1.02%	1.19%	1.32%
No action taken	36%	31%	29%
Clarification of facts	13%	6%	15%
Warning	21%	35%	23%
Contract suspension or termination	3%	9%	8%
In process of resolution	27%	19%	25%

OUR FAMILIES, COMMUNITIES AND STAKEHOLDERS

We are part of the communities where we operate. As corporate citizens, we act responsibly supporting their development through the creation of quality jobs, building strong ties with its members, and caring for the environment.

In 2022, we received the Socially Responsible Company award for 11 consecutive years from Mexican Center for Philanthropy (*Centro Mexicano para la Filantropía*, known as CEMEFI for its Spanish acronym) for Draxton, Cinsa, and Vitromex in recognition of their commitment with society, compliance with their legal obligations, continuous improvement, lessening their negative impacts, and amplifying the positive ones in the community and the environment.

To manage social responsibility, we have a Committee that brings together employees in each of the production units who coordinate volunteer efforts and initiatives to support and liaise with the communities we are part of.

In 2022, with the support of more than 1,400 volunteer employees in Mexico, we carried out institutional events such as *"Navidad para Todos"*, a Christmas's celebration where we delivered presents to children in vulnerable situations. Additionally, through the *"Yo te Abrigo"* event, we donated winter clothing to centers and communities, besides providing in-kind support to nursing homes in all the communities where we are present.

In 2022, with the support of more than 1,400 volunteer employees in Mexico, we carried out institutional events such as *"Navidad para Todos"*

In the wake of the war in Eastern Europe, employees in the continent joined together to provide in-kind support and relief to help Ukrainian citizens with clothing, food, and medicine to cope with the effects of the weather and the war.

We believe that education is the cornerstone for the development of society, therefore, and as a legacy of our founder, we work hand in hand with authorities, NGOs, and universities to support the development of children and young people.

In Mexico, we promote Dual Training. Currently, the Chairman of the Board of Directors and the Corporate Communications Director promote this project nationwide, leading the committees in the Mexican Business Council (*Consejo Mexicano de Negocios*) and the Mexican Employers' Association (*Confederación Patronal de la República Mexicana*, known as Coparmex for its Spanish acronym), respectively. In addition, we provide scholarships for technical high school students at the Instituto Tecnológico Don Bosco and for the development of leaders through the *"Líderes del Mañana"* program of the Monterrey Institute of Technology and Higher Education (*Instituto Tecnológico y de Estudios Superiores de Monterrey*, known as ITESM for its Spanish acronym). In Spain, we initiated a collaboration project with the Polytechnic University School of Teruel.

In October, we carried out activities to promote breast cancer prevention in all our plants

To reinforce the integration of our employees in all our plants worldwide, we carry out different activities aimed at recreation and social integration with co-workers and their families through events such as Children's Day, Mother's Day, Father's Day, Christmas's parties, photo contests, and team integration activities, as in the case of the Wuhu plant in China.

In addition, to help strengthen organizational culture, we held events focused on quality, environmental care, and safety. In 2022, Evercast's machining plant in Irapuato celebrated five years without lost-time accidents.

To recognize the commitment of our employees, every year we hold institutional events to honor loyalty, punctuality, and attendance, among other relevant performance aspects.

We continued with the virtual lecturing program for our employees, *"Mentoría de Vida y Responsabilidad Social"*, covering topics such as leadership, health, personal finances, among others.

In October, we carried out activities to promote breast cancer prevention in all our plants through talks, special activities, and free mammograms for our female employees.

These actions have earned us a positive reputation in the communities to which we belong. In 2022, we received the Kaena award in Mexico for promoting best practices in gender equality, the Draxton plants in Irapuato received the Labor Merit award from the state government of Guanajuato, and in Spain the *"Lo Imposible"* award for its labor insertion practices, in addition to being recognized by the authorities of the Wan Zhi and Anhui districts for its contribution to the community in China.

In 2022, we held the 45th edition of the San Isidro 15K race, the oldest sports race in Saltillo with 2,700 participants from all over Mexico, where the health of the runners was prioritized, and COVID-19 prevention measures were applied. Since 2020, we decided to postpone this event as a responsible action due to the health risks posed by the pandemic.

Through different initiatives, we support the development of the communities where we operate. In Saltillo, through the Draxton District, we collaborated with the Autonomous University of Coahuila (*"Universidad Autónoma de Coahuila"*) and the municipal government of Saltillo to equip a computer room to support students and housewives in Colonia Omega. We also collaborated with two schools for their return to school, after a long period of remote classes due to the pandemic. We also collaborated with the Season of Superheroes campaign for elementary school students to reinforce COVID-19 prevention measures during winter season.

Aware of the importance of joining institutional and individual efforts to care for the environment, in 2022, we carried out different activities to strengthen the culture of preservation of natural resources, such as the virtual Environmental Rally in Mexico, also through the EFIARTES cultural support program we sponsored the production of the "Pulmones" theater play, which promotes environmental awareness and is the first staging to measure and offset its carbon footprint through reforestation.

In addition, we supported the remodeling of the Casa de Lorenza, a place for park rangers in the San Lorenzo Canyon in Saltillo, a protected area of great relevance for that city, as it is an important catchment water sources in the region, where we conducted a tour with employees and their families to strengthen their connection with nature.

In 2022, we held the 45th edition of the San Isidro 15K race, the oldest sports race in Saltillo with 2,700 participants from all over Mexico

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, 2022 and 2021

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITOR'S REPORT

(Free translation from the original in Spanish. 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.

(Thousands 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, 2022 and 2021, 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, 2022 and 2021, 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 goodwill

See note 12 to the consolidated financial statements.

The Key Audit Matter	How the key audit matter was addressed in our audit
As of December 31, 2022, the Group has recognized goodwill for $189,766. The annual goodwill impairment test is considered a key audit matter due to the complexity of the calculations and the significant judgements required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of cash- generating units (CGUs) is based on the higher amount between the value in use and the market value less its costs to sell and is derived from the forecasted discounted cash flow models. These models use several key assumptions, including future sales volume and prices, operating costs, growth rate of terminal values, 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 the evaluation of the methodology used by the Group to perform their impairment test, as well as to evaluate the e discount rates used in such test verifying that were determined with market information. • 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 Paragraph

We draw attention to notes 1 and 5 (c) of the attached consolidated financial statements that describe that on June 3, 2022, Grupo Industrial Saltillo, S.A.B. de C.V. entered in to an agreement with Mohawk Industries, Inc (Mohawk) for the sale of its construction business as held for sale, within the current assets and liabilities of the consolidated statement of financial position; and the results of the construction segment are shown as discontinued operations in the consolidated statements of income and comprehensive income. Our opinion has not been modified in relation to 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, 2022, 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, the actions taken to eliminate threats or the safeguards applied.

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. Rogelio Berlanga Coronado
Monterrey Nuevo León México, February 13, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

	Note		2022	2021
Assets				
Current assets				
Cash and cash equivalents	6	$	65,577	73,726
Trades and other accounts receivable, net	7		138,320	137,907
Recoverable taxes	8		45,984	9,798
Recoverable income tax			5,282	4,779
Related parties	27		9,142	7,810
Inventories, net	9		110,128	115,873
Prepaid expenses			4,033	1,699
Available-for-sale assets related to discontinued operation	5		251,947	-
Total current assets			**630,413**	**351,592**
Non-current assets				
Long-term spare parts	10	$	23,913	17,239
Property, machinery and equipment, net	10		405,017	480,014
Right-of-use asset, net	11		8,326	9,193
Intangible assets, net	12		278,627	296,326
Related parties	27		4,000	6,245
Investments under equity method	13		11,904	7,541
Deferred taxes	19		17,753	39,257
Derivative financial instruments	20		12,486	-
Other assets			183	130
Total non-current assets			**762,209**	**855,945**
Total assets		$	**1,392,622**	**1,207,537**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

	Note		2022	2021
Liabilities				
Current liabilities				
Current installments of long-term debt	15	$	87,437	-
Current installments of long-term other liabilities	16		692	770
Current installments of lease liabilities	17		2,546	2,712
Tax consolidation liability	19		1,666	1,459
Suppliers and other accounts payable	14		283,325	265,998
Taxes payable and others			28,355	4,417
Deferred income	23		3,108	2,361
Derivative financial instruments	20		1,084	1,804
Related parties	27		1,777	371
Liabilities held for sale related to discontinued operation	5		84,498	-
Total current liabilities			**494,488**	**279,892**
Non-current liabilities				
Debt, excluding current installments	15		217,504	239,318
Other long-term liabilities	16		3,771	3,182
Lease liability	17		6,008	6,757
Deferred tax	19		31,959	34,235
Long term liability for tax consolidation	19		3,015	3,538
Employee benefits	18		12,765	15,151
Derivative financial instruments	20		86	8,117
Total non-current liabilities			**275,108**	**310,298**
Total liabilities			**769,596**	**590,190**
Stockholder's Equity	21			
Capital stock		$	239,504	245,013
Additional paid-in capital			(9,534)	1,388
Reserve for repurchase of own shares			35,606	39,257
Translation reserve			(198,299)	(172,539)
Hedging reserve			2,596	(22,993)
Reserve for actuarial remeasurements of benefits plan			(2,185)	(2,588)
Revaluation reserve			60,294	60,294
Income tax on comprehensive income items			(15,847)	(14,510)
Retained earnings			471,343	451,177
Controlling interest			**583,478**	**584,499**
Non-controlling interest			**39,548**	**32,848**
Total stockholder's equity			**623,026**	**617,347**
Total liabilities and stockholder's equity		$	**1,392,622**	**1,207,537**

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars except profit per share)

	Note		2022	2021
Continuous operations				
Revenues	23	$	969,071	792,262
Cost of sales	24		828,671	685,294
Gross profit			**140,400**	**106,968**
Administration and selling expenses	24		99,764	94,391
Other income, net	25		(17,144)	(14,547)
Operating profit			**57,780**	**27,124**
Finance income	26		(10,899)	(8,438)
Finance costs	26		24,974	20,417
Exchange fluctuation loss (gain), net	26		2,926	(2,998)
Net finance costs			**17,001**	**8,981**
Share of profit of equity-accounted investees	13		(1,367)	(860)
Profit from continuing operations before tax			**42,146**	**19,003**
Income taxes	19		19,560	17,545
Net consolidated profit from continuing operations			**22,586**	**1,458**
Discontinued operations				
Result from discontinued operations, net of income taxes	5c		22,415	20,609
Consolidated net profit			**45,001**	**22,067**
Non-controlling interest			6,243	3,472
Net Profit from controlling interest			**38,758**	**18,595**
Earnings per share "EPS":				
Basic and diluted earnings per share	22	$	0.12	0.06

The consolidated statements of operations 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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

	Note		2022	2021
Net consolidated profit from controlling interest		$	**38,758**	**18,595**
Other comprehensive income items				
Items that can be reclassified to profit or loss				
Foreign currency translations differences			(25,760)	(28,252)
Net changes in fair value of derivative financial instruments			25,589	6,543
Income tax on other comprehensive income items			(1,216)	(584)
			(1,387)	**(22,293)**
Items that are not reclassified to profit or loss				
Actuarial gains from defined benefit plans	18		403	2,925
Net change in fair value of land and buildings	10		-	24,357
Income tax on other comprehensive income			(121)	(7,795)
			282	**19,487**
Other comprehensive income for the year, net of income taxes			**(1,105)**	**(2,806)**
Total comprehensive income for the year – controlling interest		$	**37,653**	**15,789**
Non-controlling interest			6,700	3,371
Total comprehensive income for the year		$	**44,353**	**19,160**

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

			Attributable to Company Stockholders			
	Note		Capital stock	Additional paid-in capital	Reserve for repurchase of own shares	Translation reserve
Balance as of December 31, 2020		$	**249,441**	**6,573**	**41,188**	**(144,287)**
Net income			-	-	-	-
Translation effect of foreign operations			-	-	-	(28,252)
Revaluation of properties			-	-	-	-
Derivative financial instruments for foreign investment hedges			-	-	-	-
Derivative financial instruments of exchange fluctuation hedge			-	-	-	-
Actuarial gains from defined benefit plan	18v		-	-	-	-
Total comprehensive income			-	-	-	**(28,252)**
Transactions with stockholders recognized directly in stockholders' equity			-	-	-	-
Capital stock reduction	21a		(4,428)	(5,185)	-	-
Repurchase and reallocation of shares	21b		-	-	(14,711)	-
Increase in reserve for repurchase of shares	21b		-	-	12,780	-
Dividends declared to stockholders	21f		-	-	-	-
Total transaction with stockholders of the Company			**(4,428)**	**(5,185)**	**(1,931)**	-
Balance as of December 31, 2021		$	**245,013**	**1,388**	**39,257**	**(172,539)**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

Attributable to Company Stockholders							
Hedging reserve	Reserve for actuarial remeasurements of benefits plan	Revaluation reserve	Income tax on other comprehensive income items	Retained earnings	Total controlling interest	Non-controlling interest	Total stockholders' equity
(29,536)	**(5,513)**	**35,937**	**(6,131)**	**467,152**	**614,824**	**33,977**	**648,801**
-	-	-	-	18,595	18,595	3,471	22,066
-	-	-	-	-	(28,252)	(692)	(28,944)
-	-	24,357	(6,917)	-	17,440	602	18,042
4,598	-	-	-	-	4,598	-	4,598
1,945	-	-	(584)	-	1,361	-	1,361
-	2,925	-	(878)	-	2,047	(10)	2,037
6,543	**2,925**	**24,357**	**(8,379)**	**18,595**	**15,789**	**3,371**	**19,160**
-	-	-	-	-	-	-	-
-	-	-	-	9,613	-	-	-
-	-	-	-	-	(14,711)	-	(14,711)
-	-	-	-	(12,780)	-	-	-
-	-	-	-	(31,403)	(31,403)	(4,500)	(35,903)
-	-	-	-	**(34,570)**	**(46,114)**	**(4,500)**	**(50,614)**
(22,993)	**(2,588)**	**60,294**	**(14,510)**	**451,177**	**584,499**	**32,848**	**617,347**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

	Note		Capital stock	Additional paid-in capital	Reserve for repurchase of own shares	Translation reserve
			Attributable to Company Stockholders			
Balance as of December 31, 2021		**$**	**245,013**	**1,388**	**39,257**	**(172,539)**
Net income			-	-	-	-
Translation effect of foreign operations			-	-	-	(25,760)
Derivative financial instruments for foreign investment hedges			-	-	-	-
Derivative financial instruments of exchange			-	-	-	-
Actuarial gains from defined benefit plan	18v		-	-	-	-
Total comprehensive income			-	-	-	**(25,760)**
Transactions with stockholders recognized directly in stockholders' equity			-	-	-	-
Repurchase and reallocation of shares	21b		-	-	(16,454)	-
Increase in reserve for repurchase of shares	21b		-	-	12,803	-
Cancellation of shares	21		(5,509)	(10,922)	-	-
Dividends declared to stockholders	21f		-	-	-	-
Total transaction with stockholders of the Company			**(5,509)**	**(10,922)**	**(3,651)**	-
Balance as of December 31, 2022		**$**	**239,504**	**(9,534)**	**35,606**	**(198,299)**

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

Attributable to Company Stockholders							
Hedging reserve	Reserve for actuarial remeasurements of benefits plan	Revaluation reserve	Income tax on other comprehensive income items	Retained earnings	Total controlling interest	Non-controlling interest	Total stockholders' equity
(22,993)	**(2,588)**	**60,294**	**(14,510)**	**451,177**	**584,499**	**32,848**	**617,347**
-	-	-	-	38,758	38,758	6,243	45,001
-	-	-	-	-	(25,760)	444	(25,316)
21,535	-	-	-	-	21,535	-	21,535
4,054	-	-	(1,216)	-	2,838	-	2,838
-	403	-	(121)	-	282	13	295
25,589	**403**	-	**(1,337)**	**38,758**	**37,653**	**6,700**	**44,353**
-	-	-	-	-	-	-	-
-	-	-	-	-	(16,454)	-	(16,454)
-		-	-	(12,803)	-	-	-
-	-	-	-	16,431	-	-	-
-	-	-	-	(22,220)	(22,220)	-	(22,220)
-	-	-	-	**(18,592)**	**(38,674)**	-	**(38,674)**
2,596	**(2,185)**	**60,294**	**(15,847)**	**471,343**	**583,478**	**39,548**	**623,026**

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 FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

	Nota		2022	2021
Cash flows from operating activities:				
Profit for the period		$	38,758	18,595
Adjustments for:				
Depreciation and amortization	10, 11,12		78,880	81,581
Share of profit in investments measured under the equity method	13		(1,367)	(860)
Non-controlling interest			6,243	3,471
Write off and amortization of debt issuance costs	15		1,836	984
Net finance cost			9,868	12,423
Deferred taxes from assets held for sale	19 b		(14,518)	-
Loss on sale of property, machinery and equipment			3,124	323
Provision of employee statutory profit sharing			3,058	3,514
Income taxes expense	19		19,560	6,928
Variation in the fair value of financial instruments	16		53	(508)
			145,495	**126,451**
Changes in:				
Inventories			(14,673)	(38,533)
Trades and other accounts receivable net, recoverable taxes and income tax recoverable			(100,932)	8,785
Prepaid expenses			(2,594)	(279)
Trades and other accounts payable, taxes payable, deferred income and other liabilities			73,677	30,964
Related parties			74	1,147
Accruals and employee benefits	18		483	(978)
Cash generated from operating activities			101,530	127,557
Income taxes paid			(11,728)	(11,527)
Net cash from operating activities			**89,802**	**116,030**
Cash flows from investment activities				
Proceeds from sale of property, machinery and equipment			2,031	342
Acquisition of property, machinery and equipment			(84,733)	(49,548)
Acquisition of intangible assets			(14,966)	(7,900)
Interest received	26		5,216	3,344
Related parties			-	(3,745)
Net cash used in investing activities			**(92,452)**	**(57,507)**
Cash flows from financing activities:				
Loans obtained	15		59,844	261
Repurchase of own shares	21 (b)		(16,454)	(14,711)
Loans paid	15		(100)	(14,425)
Other liabilities			(662)	(1,143)
Interest paid	25		(13,704)	(11,533)
Financial instruments			5,070	(2,773)
Leases paid	17		(4,186)	(4,257)
Dividends paid	21 (f)		(22,209)	(31,403)
Dividends paid to non-controlling interest	21 (f)		-	(4,500)
Net cash from financing activities			**7,599**	**(84,484)**
Net increase (decrease) in cash and cash equivalents			**4,949**	**(25,961)**
Cash and cash equivalents at the beginning of the year			73,726	92,530
Exchange fluctuation effect on cash and cash equivalents			(13,098)	7,157
Cash and cash equivalents as of December 31	**6**	**$**	**65,577**	**73,726**

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 and 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, 2022 and 2021 and for the years then ended, 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 Draxton Global, S.L. from 2021 as sub holding of all subsidiaries of auto parts segment, as well as investments in joint ventures; and until 2020 for 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 (composed of Manufacturas Vitromex, S.A. de C.V., which are primarily engaged in manufacturing and marketing ceramic (iii) Home Products (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.

As of the year ended December 31, 2022 the Company presents the construction segment (composed of Vitromex USA Inc and Manufacturas Vitromex, S.A. de C.V. (hereinafter Vitromex)) as a discontinued operation (see note 1a in section of relevant events).

Additionally, the Company has entered into joint ventures, as of December 31, 2022 and 2021 in its Auto parts 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. (until 2021) and Gisederlan, S.A. de C.V.

Relevant events

2022

a) On June 3, 2022, the Company entered into an agreement with Mohawk Industries, Inc. (Mohawk) for the sale of its construction segment business (Vitromex), whereby, as of December 31, 2022, it classified the assets and liabilities of Vitromex as held for sale, within current assets and liabilities. The agreed transaction includes the sale of all the shares of Vitromex USA Inc. and Manufacturas Vitromex, S.A. de C.V. to Mohawk and its subsidiary in Mexico, Dal-Tile Mexico Comercial, S de R.L. de C.V. The transaction amounts to $293,000, which is subject to the customary adjustments in this type of operation.

The net proceeds from this transaction will be used for general corporate porpoises. The transaction also implied that the results and cash flows of Vitromex business were classified as a discontinued operation in accordance with "IFRS 5 – *Non - current assets held for sale and discontinued operations*", which effects are detailed in the note 5 (c).

2021

a) As previously mentioned, and without representing effects to be recorded in the consolidated financial statements, on January 30, 2020, the entity Draxton Global, S.L.U. (hereinafter "Draxton S.L.U.") was incorporated as subsidiary of GISSA. After its incorporation, on January 21st, 2021, Draxton S.L.U. received the contribution of investments in subsidiaries and joint ventures of the auto parts segment that were held directly and indirectly by Grupo Industrial Saltillo, S.A.B. de C.V., as the ultimate controlling entity. This contribution is considered as a transaction between entities under common control under IFRS; therefore, since the Company's accounting policy is to apply the predecessor's accounting for this type of transaction, this contribution was accounted for at historical values without effect on consolidation.

b) On June 29, 2021, the Company obtained the refinancing of the Senior Term Loan Facility credit granted by Comerica Bank to the subsidiary Evercast, S.A. of C.V. ("Evercast"), business unit that is part of automotive segment of GISSA. The refinancing includes, for the balance of $31.4 million, the following: a) extension of the term for three years, which maturity date is now December 2026; b) deferral of amortizations originally planned in 2021 and 2022 (for $5.4 million and $10.4 million, respectively); c) rate reduction, from Libor + 2.50% to Libor + 1.90%; d) extension of two years to the revolving line, to March 2024. Therefore, management evaluated the transaction and concluded that it is a modification of the debt under IFRS, which meant an adjustment to the amortized cost of the liability for $508, against the consolidated financial statement of profit or loss within the finance costs.

On July 15, 2021, the Company made prepayments to the syndicated loan for $13.6 million. As a result of refinancing and prepayments, the Company will not have debt amortizations in 2021 and 2022. The execution of these actions, as part of financial strategy of GISSA, confirms the objective of reducing the level of leverage, improving the maturity profile and obtaining flexibility to analyze alternatives for growth and value generation.

c) On July 22, 2021, the Company's Board of Directors approved a capacity expansion project for the Draxton plant in San Luis Potosí, S.L.P., Mexico. The investment amounting to $30 million will be used to the build a new foundry line for the manufacture brackets and calipers, parts for the braking system, which strengthens Draxton's focus on these types of auto parts that are entirely compatible with hybrid and electric vehicles. The project includes the construction of a warehouse close to the current facility and the acquisition and start-up of various production equipment, which will increase Draxton San Luis Potosi's installed foundry capacity per year. The start of operations is scheduled for the last quarter of 2023.

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 13, 2023, Jorge Alberto Rada Garza (Chief Executive Officer), Saul Castañeda de Hoyos (Chief Financial Officer) and Juan Enrique Alvarado Velasco (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 and leases liabilities which are 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 profits or loss and consolidated statements of other comprehensive income

The Company presents costs and expenses in the consolidated statements of profit or loss 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 profit or loss include mainly income and expenses that are not directly related to the Company's main activities.

The Company chose to present the other comprehensive income in two statements: the first statement includes only the items comprise the net income or loss and is called "Consolidated Statement of profit or loss", and the second statement brings forward net income or loss reported in the Consolidated Statement of profit or loss and includes OCI and equity in the OCI of other entities, which is called "Consolidated Statement of Other 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. Due to 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, 2022, 2021, the dollar/peso exchange rates were $19.41 and $20.58, respectively. Furthermore, the euro/peso exchange rates were $1.07 and $1.13, respectively; and the exchange rate dollar/Renminbi was $0.14 and $0.15, respectively; and the exchange rate dollar/Zloty was $0.23 and $0.25, respectively. Unless otherwise indicated, all financial information presented in dollars has been rounded to the nearest thousand.

Unless otherwise indicated, 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 the European Union; when referring to "RMB Renminbi" refers to amounts expressed in thousands of People's Republic of China Renminbi and when referring to "Zloty" refers to amounts expressed in thousands of Republic of Poland Zlotys.

(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 consolidated 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.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2 (e) Functional currency: Determination of the functional currencies of the entities being consolidated;
- Note 3 (a) Consolidation: determination of whether the Company has control over an investee;
- Note 7 – Factoring of Account receivables, presentation of the relative amounts in the consolidated statement of financial position and in the consolidated statement of cash flows;
- Note 11 – Right of use assets: determination of the lease term with the option of renewal and termination; and
- Note 13 – Investments valued under the equity method.

(In thousands of dollars)

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 9 - Inventories: estimate for obsolescence and slow-moving;
- Note 10 - Property, machinery and equipment: determination of the useful life of property, machinery and equipment, and fair values of land and buildings;
- Note 12 - Impairment tests on intangible assets and goodwill: key assumptions for the recoverable amount, including the recoverability of development costs;
- Note 18 - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 19 - Recognition of deferred tax assets: availability of future taxable profits against which the tax losses to be amortized can be used.
- Note 20 – Financial instruments – credit risk: key assumptions for expected credit loss.

3 Summary of significant accounting policies

The accounting policies indicated below haven been uniformly applied in the preparation of the consolidated financial statements that are consistently presented by the Company.

(a) Basis 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 gains 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 gains 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, 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 denominated in foreign currency and valued at fair value are retranslated to the functional currency at the exchange rate on the date the fair value was determined. The differences arising from this translation are recognized in income and are presented as exchange fluctuation 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, including 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) tthe 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 other 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 offset 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.

- *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.

- *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, 2022 and 2021, the Company does not maintain financial assets to be measured at fair value through other comprehensive income.

- *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 note 3 (c) point (i), are those that do not meet the criteria 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 or to collect contractual cash flows and sell the financial assets, or ii) the generated cash flows are not solely payments of principal and interest on the amounts of outstanding principal.

Despite the classifications above, the Company can make the following irrevocable elections in the initial recognition of a financial asset:

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

Additionally, 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 are classified as financial liabilities 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 *"Financial instruments"* 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 "Financial instruments" 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 "Financial instruments".

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 flows 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.

Net investment hedge in a foreign operation

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 fluctuation 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, to the extent 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.

During the year 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 its modification on the accounting characteristics. The contract has a clause that determines the floor of the value of the variable rate of reference LIBOR (Term SOFR as of September 2022) 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, 2022 and 2021, the embedded derivative has a value of $0.1 million and $0.86 million, respectively.

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.

(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

(i) 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 profit or loss.

(ii) Subsequent costs

Spare parts

The key spare 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.

(In thousands of dollars)

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 31,2022 and 2021, the provision for restoration costs is presented under de heading of sundry creditors of the consolidated statement of financial position and amounts to $133 and $118, 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.

(In thousands of dollars)

(f) Intangible assets and goodwill

(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 to produce a 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 are 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.

(In thousands of dollars)

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 *"Financial instruments"* 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 cash 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 does 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.

Additionally, the Company 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.

(In thousands of dollars)

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 an 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.

(In thousands of dollars)

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 other comprehensive income; and the difference, if any, is recorded in the revaluation surplus.

Regarding financial assets as of December 31, 2022 and 2021, the Company recognized impairment losses in its accounts receivable with customers, as disclosed in note 7.

(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 statement of operations 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.

(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.

(In thousands of dollars)

(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.

(iv) 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.

(In thousands of dollars)

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	2022	2021
	%	%
Mexico	30	30
United States of America	21	21
Spain (*)	24 - 25	24 - 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 be presented, if it is a foral 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.

Incremental costs to obtain a contract are recognized as an intangible asset, its amortization and impairment loss is recognized in results. The asset is amortized under the straight-line method, during the term of the contract with the customer that gave rise to said asset, being consistent with the transfer from the Company of the related goods or services to the customer. As of December 31, 2022 the asset recognized for the costs incurred to obtain a contract is $5,900.

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.

(iii) Income from services

The Company provides various services. These services are recognized as a performance obligation that is satisfied as they are provided over time.

(m) Finance income and costs

Finance 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 fluctuation gains. Interest income is recognized in the consolidated statements of operations as accrued, using the effective interest method.

Finance costs include interest expenses on loans, finance 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 fluctuation 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 outstanding common shares 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 an entity, focused on 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. However, as mentioned in notes 1a and 5c, as of 2022, the construction segment is presented as a discontinued operation.

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) 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.

(q) 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.

(In thousands of dollars)

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.

(r) 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, 2022. The conclusions related to their adoption are described below:

Amendments to IFRS 9, Financial Instruments

The modifications specify the costs that an entity must consider in the evaluation to conclude whether the refinancing of a financial liability qualifies as an extinguishment or modification, clarifying that an entity includes only the costs paid or received between the entity (the borrower) and the lender including costs paid or received by the entity or lender on behalf of the other.

The amendments are applied prospectively for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

The Company made changes in its accounting policy, so that, when a refinancing transaction is analyzed to define whether it is termination or modification, the costs that are considered are only those directly related to the creditor that grants the financing, including the costs paid or received by the entity or creditor on behalf of the other.

Amendments to IFRS 3, References to Conceptual Framework

The amendments remove the old reference to the Conceptual Framework of the Board issued in 1989 and update it by the Conceptual Framework of 2018. The amendments also add an exception so that in those transactions or events that are within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or IFRIC 21 “Lens”, the acquirer applies said standards to identify the liabilities assumed in a business combination and to determine whether there is a present obligation at the acquisition date.

Additionally, the amendments add an explicit statement that the acquirer will not recognize contingent assets acquired in a business combination.

The amendments are applied prospectively for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

These amendments did not represent an impact on the Company since it has not materialized any business combination to date. However, the Administration will consider these references as part of its accounting policy for the treatment of business combinations.

Amendments to IAS 37 – Costs to complete an onerous contract

The amendments specify that the "cost of performance" of a contract includes "costs that are directly related to the contract." Costs that are directly related to a contract can be the incremental costs of fulfilling that contract (examples would be direct labor and materials) or an allocation of other costs that are directly related to fulfilling contracts (an example would be the allocation of depreciation expense of an item of property, plant and equipment that is used to fulfill the contract).

The amendments are applied prospectively for contracts whose compliance costs have not been covered by the Company in annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

These modifications are not considered applicable to the Company since it does not have onerous contracts.

Amendments to IAS 16 – Economic benefits before the intended use of property, plant and equipment

The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of items produced while that asset is brought to the location and conditions necessary for it to operate in the manner intended by the Administration. Instead, an entity should recognize in the consolidated statement of income the revenue from the sale of such produced items, and the cost of producing them.

The amendments are applied retrospectively to items of property, plant and equipment that are brought to the place or condition necessary to operate in the manner intended by Management in annual reporting periods beginning on or after January 1, 2022, with early application. allowed.

The Company had no impact from adopting these modifications, since it does not have situations in which it generates income from its production and that decreases the cost of its investments in property, plant and equipment.

New IFRS, standards and interpretation, not in force in the reporting period

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

- Amendments to IAS 1 and Practice Statement 2 – Disclosure of Accounting Policies [2]. The Company is in the process of analyzing its accounting policies based on the statement of practice and materiality requirements, in order to determine which accounting policies are considered material and favor the optimal reading of the consolidated financial statements for decision making

(In thousands of dollars)

- Amendments to IAS 8 – Definition of accounting estimates [2]. The Company does not see impacts on its adoption because they correspond to conceptual changes that do not imply changes to the significant accounting estimates that are currently made.

- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction [2]. No impacts are expected in its application since the Company does not apply exceptions in the recognition of deferred taxes for leases or its site restoration obligations.

- 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, 2023

4 Determination of fair values

Several 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 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 operating 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.

(a) Operating segment information

For the year ended December 31, 2022		**Auto pates America**	**Auto parts Europe/Asia**	**Construction (discontinued)**	**Home products**	**Corporate and eliminations [2]**	**Consolidated**
Sales to third parties	$	436,292	432,818	237,651	100,574	(35,223)	1,172,112
Sales to related parties	$	-	-	-	-	34,610	34,610
Net sales	$	436,292	432,818	237,651	100,574	(613)	1,206,722
Total operating activities	$	52,207	20,333	15,162	5,962	(27,228)	66,436
Net finance cost	$	5,176	1,106	1,181	614	10,105	18,182
Income taxes	$	465	368	(14,941)	730	17,997	4,619
Share of profit	$	2,154	(787)	-	-	-	1,367
Net income from controlling interest	$	22,543	9,520	22,415	1,064	(16,784)	38,758
Total assets	$	375,235	409,140	255,619	81,694	270,934	1,392,622
Total liabilities	$	140,420	195,223	84,498	29,743	319,712	769,596
Depreciation and amortization	$	23,739	26,208	14,514	2,746	11,673	78,880
EBITDA [1]	$	75,946	46,541	29,676	8,708	(15,555)	145,316

(In thousands of dollars)

For the year ended December 31, 2021		Auto parts America	Auto parts Europe/Asia	Construction	Home products	Corporate and eliminations [2]	Consolidated
Sales to third parties	$	350,171	340,644	204,397	104,359	(32,368)	967,203
Sales to related parties	$	-	-	–	–	29,456	29,456
Net sales	$	350,171	340,644	204,397	104,359	(2,912)	996,659
Total operating activities	$	41,812	3,289	12,696	5,969	(25,795)	37,971
Net finance cost	$	(451)	861	855	780	7,792	9,837
Income taxes	$	4,989	(2,528)	(10,617)	265	14,819	6,928
Share of profit	$	1,298	(438)	–	–	–	860
Net income (loss) from controlling interest	$	16,046	(2,413)	20,641	1,563	(17,242)	18,595
Total assets	$	319,653	367,510	223,655	82,695	214,024	1,207,537
Total liabilities	$	106,716	149,614	78,605	34,672	220,583	590,190
Depreciation and amortization	$	24,116	29,136	12,991	2,650	12,688	81,581
EBITDA [1]	$	65,928	32,425	25,687	8,619	(13,107)	119,552

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

		2022	2021
Total operating activities	$	66,436	37,971
Depreciation and amortization		78,880	81,581
EBITDA		145,316	119,552

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

(b) Main clients

In 2022 and 2021, revenue from a customer of the auto parts Segment represented approximately 27% and 18%, respectively, of the total revenues of the Company.

(c) Discontinued operation and assets and liabilities held for sale related to the discontinued operation

On June 3, 2022, was announced the sale of all the shares of Vitromex USA, Inc. and Manufacturas Vitromex, S.A. de C.V. ("Vitromex") to Mohawk and its subsidiary in Mexico, Dal-Tile México Comercial S. de R.L. de C.V., therefore, as of December 31, 2022, the Company classified the assets and liabilities of said business as held for sale in the consolidated statement of financial position. The assets and liabilities reclassified as held for sale within consolidated current assets and liabilities are shown below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(In thousands of dollars)

Statement of financial position		**2022**
Assets:	$	
Cash and cash equivalents		2,870
Trade and other account receivables, net of ECL for $498		63,786
Inventories		20,418
Prepaid expenses		302
Spares		5,744
Property, machinery and equipment, net		113,221
Right of use asset, net		467
Intangible assets, net		253
Investments		802
Deferred taxes		47,756
Total assets	$	**255,619**
Liabilities:		
Current installments of lease liabilities	$	164
Trade and other account payables		79,058
Current installments of lease liabilities		447
Short term financial instruments		718
Other long-term liabilities		399
Lease liability		320
Employee benefits		3,392
Total liabilities:	$	**84,498**
Total stockholder's equity	$	**171,121**
Total liabilities and stockholder's equity	$	**255,619**

Assets that meet the criteria to be classified as held for sale are valued at the lower of their book value and fair value, less costs to sell.

Additionally, because Vitromex represents the "construction" operating segment for the Company, the results and cash flows of the construction segment are shown as discontinued operations in the consolidated financial statements for the year ended December 31, 2022, adjusting comparative figures for the year ended December 31, 2021.

(In thousands of dollars)

The item of discontinued operations in the consolidated statements of profit or loss for the 12 months ended December 31, 2022 and 2021 is detailed below:

Statement of profit or loss		**2022**	**2021**
Revenues	$	237,651	204,397
Cost of sale		184,951	155,090
Gross profit		52,700	49,307
Operating profit		8,654	10,847
Finance cost		1,180	855
Profit from continuing operations before tax		7,474	9,992
Taxes income		14,941	10,617
Net profit from discontinued operations	**$**	**22,415**	**20,609**

Information related to the cash flows of the discontinued operations

The cash flows related to Vitromex operations, for the 12 months ended as of December, 31 2022 and 2021, are shown below:

	2022	**2021**
Net cash from operating activities	13,264	20,337
Net cash used in investing activities	(14,018)	(7,111)
Net cash from financing activities	(87)	(12,878)

6 Cash and cash equivalents

Cash and cash equivalents include the following:

		2022	**2021**
Bank balance	$	29,284	21,051
Investments at immediate realizable value		36,293	52,675
Total cash and cash equivalents	$	65,577	73,726

(In thousands of dollars)

7 Trades and other accounts receivable, net

Trades and other accounts receivable include the following:

		2022	2021
Trades receivables (include allowances for discounts and rebates by $2,683 and $139 in 2022 and $6,317 and 5,024 in 2021, respectively)	$	119,019	122,925
Other non-commercial accounts receivable (1)		20,216	16,466
		139,235	139,391
Less:			
Expected credit loss		(915)	(1,484)
Total trades and other accounts receivable	$	138,320	137,907

(1) **Other non-commercial accounts receivable** – As of December 31, 2022, and 2021 this item includes, mainly, advanced payments of property, machinery and equipment for $6,842 and $5,138, respectively.

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.

The Company signed a factoring contract with a financial entity (bank) in which it assigned the collection rights of some of its commercial accounts receivable in exchange for cash. Trade accounts receivable have been written off in the consolidated statement of financial position because the bank retains all risks and rewards, mainly credit risk (non-recourse factoring). Therefore, the amount received in cash was recognized in the consolidated statement of financial position, canceling trade accounts receivable and recognizing a financial cost in the consolidated statement of profit or loss. Under the agreement with the bank, customers remit cash directly to the Company and the Company transfers the collected amounts to the bank. Note 28 discloses the commitments derived from this factoring. The amount of trade accounts receivable assigned as of December 31, 2022 amounts to $22 million and for fiscal year 2021 it is $16 million.

Note 20 discloses the Company's exposure to credit and a sensitivity analysis for financial assets and liabilities.

8 Recoverable taxes

Recoverable taxes include the following:

		2022	2021
Recoverable value added tax	$	30,555	5,997
Advance payments and recoverable withholdings of income tax		15,429	3,801
Total recoverable taxes	$	45,984	9,798

(In thousands of dollars)

9 Inventories, net

Inventories include the following:

		2022	2021
Raw material and spart parts	$	47,258	56,256
Finished goods		42,727	39,232
Work in process		19,037	17,746
Material in transit		1,106	2,639
Total inventories	$	110,128	115,873

As of December 31, 2022 and 2021, the raw material, supplies and changes in finished goods and work in process recognized as part of cost of sales amounted to $539,337 and $427,636, respectively.

The estimates expenses for obsolescence and slow inventory movements for the years ended December 31 2022 and 2021, were $451 and $519, respectively.

(In thousands of dollars)

10 Property, machinery and equipment, net

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

		Land and buildings	Machinery and equipment	Furniture and equipment	Transportation equipment	Computer equipment	Investments in process	Total
Investment								
Balance as of January 1, 2021	$	323,103	666,172	5,162	3,427	6,217	23,261	1,027,342
Additions		5,630	17,838	615	563	690	21,964	47,300
Revaluation		58,713	-	-	-	-	-	58,713
Transfers		2,237	22,282	(84)	572	422	(25,429)	-
Disposals		(46)	(2,588)	(3)	(272)	(60)	-	(2,969)
Derecognition of assets due to non-use		(10)	(3,918)	(90)	(58)	(2)	-	(4,078)
Translation effect		(13,154)	(21,219)	1,871	(975)	455	(2,114)	(35,136)
Balance as of December 31, 2021	**$**	**376,473**	**678,567**	**7,471**	**3,257**	**7,722**	**17,682**	**1,091,172**
Balance as of January 1, 2022	$	376,473	678,567	7,471	3,257	7,722	17,682	1,091,172
Additions		447	11,289	95	137	396	84,471	96,835
Transfers		3,389	34,312	283	34	597	(38,615)	-
Disposals		(496)	(1,354)	-	(99)	-	-	(1,949)
Derecognition of assets due to non-use		(487)	(21,613)	(43)	(196)	(27)	-	(22,366)
Held for sale [(1)]		(125,455)	(160,151)	(193)	(376)	(307)	(3,186)	(289,668)
Translation effect		8,434	175,636	(1,246)	(50)	47	5,311	188,132
Balance as of December 31,2022	**$**	**262,305**	**716,686**	**6,367**	**2,707**	**8,428**	**65,663**	**1,062,156**
Accumulated depreciation								
Balance as of January 1, 2021	$	145,480	388,069	3,460	2,168	3,765	-	542,942
Depreciation of the period		7,969	49,417	551	289	742	-	58,968
Revaluation		33,754	-	-	-	-	-	33,754
Disposals		-	(2,933)	(2)	(161)	(64)	-	(3,160)
Derecognition of assets due to non-use		(43)	(3,093)	(89)	(106)	(2)	-	(3,333)
Translation effect		(1,744)	(19,048)	1,039	98	1,642	-	(18,013)
Balance as of December 31, 2021	**$**	**185,416**	**412,412**	**4,959**	**2,288**	**6,083**	-	**611,158**

(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, 2022	$	185,416	412,412	4,959	2,288	6,083	-	611,158
Depreciation of the period		9,012	47,281	469	272	783	-	57,817
Disposals		-	(320)	-	(69)	-	-	(389)
Derecognition of assets due to non-use		(99)	(18,951)	(27)	(143)	(27)	-	(19,247)
Held for sale (1)		(65,859)	(109,946)	(121)	(267)	(196)	-	(176,389)
Translation effect		3,325	181,602	(723)	(72)	57	-	184,189
Balance as of December 31, 2022	**$**	**131,795**	**512,078**	**4,557**	**2,009**	**6,700**	-	**657,139**
Net carrying amount								
December 31, 2021	**$**	**191,057**	**266,155**	**2,512**	**969**	**1,639**	**17,682**	**480,014**
December 31,2022	**$**	**130,510**	**204,608**	**1,810**	**698**	**1,728**	**65,663**	**405,017**

(1) Includes $113,221 and $58 corresponding to assets available for sale from Vitromex and Draxton Global, respectively.

For the year ended December 31, 2022 and 2021, the depreciation in profit or loss represented $57,817 and $58,968, respectively, and mainly, was part of expenses by nature that are reported in note 24.

As of December 31, 2022 and 2021, of the total acquisitions, there are unpaid acquisitions for $24,682 and $965, respectively.

As of December 31, 2022 and 2021, 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 with an effective date on June 30 and September 30, 2021, for lands and buildings located in Europe, Asia and America, which in accordance with the accounting policy describe in Note 3, are valued at their fair value. As of the measurement date of loans and buildings was determined a fair value of $183,696 with impact in surplus in stockholder's equity of $24,959. During 2022 there were no significant changes in the conditions that would impact the valuation of said assets, therefore no effect was recorded due to changes in their fair value.

(In thousands of dollars)

(b) Investments in progress

Investments in progress comprise investments in machinery and equipment focused for new production projects. As of December 31, 2022 and 2021, the investments in progress represented for $65,663 and $17,682, respectively. As of December 31, 2022 and 2021, there are projects in the auto parts business (new production line, investment in equipment and technology, and machining project). As of December 31, 2021 projects in the construction business were included (oven inspection and installation project).

(c) Long-term spare parts

As of December 31, 2022 and 2021, long-term spare parts are the following:

		2022	2021
Long-term spare parts [1]	$	23,913	17,239

(1) It is mainly composed of spare parts, tooling and safety parts of the machinery and equipment.

11 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, 2022 and 2021 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, 2021	$	8,493	6,732	5,702	20,927
Additions		467	602	1,980	3,049
Disposals		(150)	-	(3,182)	(3,332)
Translation effect		(1,977)	(1,394)	(1,159)	(4,530)
Balance as of December 31, 2021	**$**	**6,833**	**5,940**	**3,341**	**16,114**
Balance as of January 1, 2022	$	6,833	5,940	3,341	16,114
Additions		754	974	1,447	3,175
Disposals		(923)	(2,035)	(900)	(3,858)
Held for sale		-	-	(661)	(661)
Translation effect		202	481	597	1,280
Balance as of December 31, 2022	**$**	**6,866**	**5,360**	**3,824**	**16,050**

(In thousands of dollars)

		Lands and buildings	Machinery and equipment	Transport and computer equipment	Total
Accumulated depreciation					
Balance as of January 1, 2021		1,741	3,561	3,037	8,339
Depreciation expense		877	1,697	1,131	3,705
Disposals		(81)	-	(1,786)	(1,867)
Translation effect		(811)	(1,422)	(1,023)	(3,256)
Balance as of December 31, 2021	**$**	**1,726**	**3,836**	**1,359**	**6,921**
Balance as of January 1,2022		1,726	3,836	1,359	6,921
Depreciation expense		892	1,324	1,081	3,297
Disposals		(923)	(1,846)	(737)	(3,506)
Held for sale		-	-	(194)	(194)
Translation effect		216	537	453	1,206
Balance as of December 31, 2022	**$**	**1,911**	**3,851**	**1,962**	**7,724**
Net carrying amount					
Balance as of December 31, 2021	**$**	**5,107**	**2,104**	**1,982**	**9,193**
Balance as of December 31, 2022	**$**	**4,955**	**1,509**	**1,862**	**8,326**

For the years ended December 31, 2022 and 2021, the depreciation expense was $3,297 and $3,705, respectively, and was part of expenses by nature that are reported in note 24.

Recorded amounts in consolidated statements of operations for the years ended as of December 31, 2022 and 2021:

		2022	2021
Expense from low-value leases	$	325	916
Expense from short-term leases	$	38	53

(In thousands of dollars)

12 Intangible assets and goodwill

Intangible assets and goodwill are described below:

		Goodwill	Patents and trademarks	Development costs	Customer relationship	Security deposits and other	Total
Cost							
Balance as January 1, 2021	$	214,341	17,250	19,139	150,098	5,229	406,057
Additions		-	173	10,390	-	42	10,605
Disposals		-	(1)	(371)	-	(54)	(426)
Translation effect		(15,186)	(559)	3,820	(13,263)	(379)	(25,567)
Balance as of December 31, 2021	**$**	**199,155**	**16,863**	**32,978**	**136,835**	**4,838**	**390,669**
Balance as January 1, 2022	$	199,155	16,863	32,978	136,835	4,838	390,669
Additions		-	62	8,757	-	8,342	17,161
Disposals		-	(11)	(389)	-	(86)	(486)
Reclassification		-	(16,536)	4,002		12,492	(42)
Held for sale		-	(81)	(1,887)	-	(243)	(2,211)
Translation effect		(9,389)	344	(1,084)	(8,151)	(7,943)	(26,223)
Balance as of December 31, 2022	**$**	**189,766**	**641**	**42,377**	**128,684**	**17,400**	**378,868**
Amortization							
Balance as January 1, 2021	$	161	2,696	14,148	57,156	4,450	78,611
Amortization expense		-	81	4,955	13,860	12	18,908
Disposals		-	(1)	(313)	-	-	(314)
Translation effect		(5)	(75)	(155)	(2,491)	(136)	(2,862)
Balance as of December 31, 2021	**$**	**156**	**2,701**	**18,635**	**68,525**	**4,326**	**94,343**
Balance as January 1,	$	156	2,701	18,635	68,525	4,326	94,343
2022		-	63	4,035	12,741	927	17,766
Amortization expense		-	(11)	-	-	-	(11)
Disposals		(160)	(2,143)	(303)	-	2,606	-
Reclassification		-	(71)	(1,887)	-	-	(1,958)
Held for sale		4	31	(3,929)	(4,660)	(1,345)	(9,899)
Balance as of December 31, 2022	**$**	-	**570**	**16,551**	**76,606**	**6,514**	**100,241**
Net carrying amount							
December 31, 2021	**$**	**198,999**	**14,162**	**14,343**	**68,310**	**512**	**296,326**
December 31, 2022	**$**	**189,766**	**71**	**25,826**	**52,078**	**10,886**	**278,627**

(In thousands of dollars)

(a) **Customer relationships**

- As of December 31, 2022, Draxton Global, S.L.U., has recognized an intangible asset for the customer relationship, from the acquisition of Grupo INFUN, that amounts to $95,493 amortizable in 10 years, according to the evaluation of the Purchase Price Allocation, ("PPA"). As of December 31, 2022 and 2021, there is an accumulated depreciation of $57,297 and $50,627, respectively.

- ACE Group has recognized an intangible asset for the customer relationship that amounts to $20,114 amortizable in 10 years, in accordance with the Purchase Price Allocation ("PPA"). As of December 31,2022 and 2021, there is a cumulative amortization of $14,076 and $12,797, respectively. Before this asset was recognized by GISSA, after the share restructuring, this asset is recognized by Draxton Global, S.L.U. at the closing date of December 31, 2021.

- Due from the acquisition of control of Evercast, as of January 1, 2019, the Company recognized an intangible asset for customer relationship. As of December 31, 2022 this intangible asset with value of $ 13,077, is recognized by Draxton Global, S.L.U. amortizable in 10 years, according with the estimate of the management and purchase price allocation. As of December 31, 2022 and 2021, the accumulated amortization of this asset amounts to, respectively.

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

Impairment tests for goodwill, other intangibles, patents and trademarks are determined at a level of cash-generating units (CGU) of the Company that represent the lowest level of the same at which they are monitored by the Management, which are not higher than the operating segments of the Company that are reported in note 5.

As of December 31, 2021, the Company, following the Group's strategies, focused on the standardization of activities, as well as, in line with the global expansion strategy, standardization of practices and attention to the markets served, it was decided to unify the CGUs at a geographical level (Europe and Asia), so that as of December 31, 2021, ACE and INFUN become the CGUs of Draxton Europe and Draxton Asia, and in together with Draxton Mexico and Evercast make up the auto parts segment.

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	
		2022	**2021**
Draxton Europe unit		129,479	177,041
Draxton Asia unit		37,386	17
Draxton Mexico unit		14,156	13,352
Evercast unit		8,745	8,745
	$	189,766	199,155

(In thousands of dollars)

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 used are the following:

	Discounting rate	
	2022	**2021**
Draxton Europe unit	11.10%	10.11%
Draxton Asia unit	10.50%	9.78%
Draxton Mexico unit	12%	10.22%
Evercast unit	12%	9.97%

- 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 volumes forecast in the projections of 5 years.
- 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 in 2022 was calculated based on the weighted average cost of capital, which was based on: a) a possible debt leverage range of 41.33% at a market interest rate of 2.92% and 6.28%; b) capital of 58.67% with a market cost between 15.26% and 17.69%, %, per cash-generating unit. At the end of 2021, the discount rate was calculated based on the weighted average cost of capital, which was based on: a) a possible debt leverage range of 24.49% and 43% at a market interest rate of 3.37%; b) capital of 56.96% and 75.51% with a market cost between 10.21% and 16.94%, per cash-generating unit.
- The growth rates used in 2022 for Draxton Europe and Asia CGUs and Draxton America were 1.9% and 1%, respectively.

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 (11.10 + 0.5, 10.50 + 0.5 and 12 + 0.5) according to the CGU, the value obtained as flow is sufficient to cover even the assets analyzed.

As of December 31, 2022 and 2021, according to our analysis, we have no evidence that indicates the need to recognize impairment of recognized intangible assets.

(In thousands of dollars)

13 Investments under equity method

Gisederlan, S.A. de C.V. (Gisederlan) is a machining entity for iron component in the auto parts sector. As of December 31 of 2022 and 2021 the shareholding of Draxton Global, S.L.U in the Company is 50% and the remaining 50% is held by Fagor Ederlan.

Ineder Projects, S.L. (Ineder) was a company dedicated to the processing of iron components for the automotive parts sector. The shareholding in the Company was 50% and the remaining 50% was held by Fagor Ederlan. As of December 31, 2021, the investment had a negative balance of $(2,246) without the Company maintaining funding obligations on Ineder Projects. On January 11, 2022, the agreements for the dissolution and simultaneous liquidation of Ineder Projects were made public. The company recognized the reversal of the negative balance to reflect the loss of the investment with effect on the results of the period, without this representing a collection right for the liquidation.

Gisederlan and Ineder have been structured through a separate vehicle and have therefore been classified as a joint venture that 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:

		Gisederlan		Ineder
		2022	2021	2021
Revenues	$	57,032	49,180	-
Profit (loss) from continuing operations		5,694	4,509	(614)
Comprehensive financing result		543	717	185
Income tax		843	1,184	89
Net income (loss)		4,308	2,608	(888)
Current asset	$	20,861	20,648	-
Non-current asset		32,393	32,443	-
Total asset		53,254	53,091	-
Current liability		19,145	20,187	-
Non-current liability		10,301	13,331	4,490
Total liability		29,446	33,518	4,490
Total stockholder's equity	$	23,808	19,573	(4,490)

(In thousands of dollars)

As of December 31, 2022 and 2021, the equity investment measured under the equity method is as following:

Equity investments	%		2022	2021
Gisederlan, S.A. de C.V.	50	$	11,904	9,787
Ineder Projects, S.L.	50		-	(2,246)
Total		$	11,904	7,541

	%		Share of profits 2022	Share of profits 2021
Gisederlan, S.A. de C.V.	50	$	2,154	1,304
Ineder Projects, S.L.	50		(787)	(444)
Total		$	1,367	860

The translation effect recognized in profit and loss in 2022 and 2021, amounted to $2,996 and $535, respectively.

14 Suppliers and other accounts payable

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

		2022	2021
Suppliers	$	204,462	200,830
Provisions [2]		19,158	18,606
Advance from customers		8,451	5,336
Sundry creditors [1]		51,254	41,226
	$	283,325	265,998

(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, 2022 and 2021:

(In thousands of dollars)

		Wages and other payments to personnel	Other	Total
Balance as January 1, 2021	$	5,509	12,727	18,236
Provision created during the year		2,652	68,254	70,906
Provision used during the year		(2,581)	(67,069)	(69,650)
Payments		-	(1,004)	(1,004)
Translation effect		70	48	118
Balance as of December 31, 2021	$	5,650	12,956	18,606
Balance as January 1, 2022	$	5,650	12,956	18,606
Provision created during the year		6,753	100,671	107,424
Provision used during the year		(5,962)	(100,723)	(106,685)
Payments		-	(2,046)	(2,046)
Translation effect		378	1,481	1,859
Balance as of December 31, 2022	$	6,819	12,339	19,158

(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) Others

As of December 31, 2022 and 2021, there is a provision of $19,158 and $18,606, 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 20 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)

15 Debt

(a) The activity of the debt as of December 31, 2022 and 2021 is presented below:

		2022	2021
Balance as of January 1	$	239,318	255,045
New short-term debt		60,377	-
Payments of debt		(100)	(14,425)
Fair value changes		-	(508)
Reclassifications to other liabilities		-	(446)
Debt issuance costs write-off		1,953	1,661
New debt issuance costs		(533)	(131)
Translation effect		3,926	(1,878)
Balance as of December 31	$	304,941	239,318

(In thousands of dollars)

(b) Long-term debt

As of December 31, 2022 and 2021, the bank loans are presented below:

Financial Institution	Rate	Currency	Maturity date	Outstanding balance in dollars	Contracting cost (1)	Outstanding balance after contracting cost 2022	Outstanding balance after contracting cost 2021
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 $146.4 million.	LIBOR 3M plus a spread that goes from 1.55% to 2.15%	USD	2025	146,400	2,694	143,706	142,371
Bilateral loan with Comerica Bank with an outstanding balance of $31.4 million (2).	LIBOR 3M plus a spread 1.9%	USD	2026	31,350	440	30,910	30,748
Listed Securities under the ticker symbol GISSA 17 with an outstanding balance of $1,375 million MXN.	Fixed of 9.64% annual	MXP	2027	70,824	801	70,023	66,199
Revolving Line of Syndicated Credit 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 $50 million.	Term SOFR 3M plus a margin ranging from 1.55% to 4.00%	USD	2023	50,000	-	50,000	-
Current Account Agreement with Banco Santander México with an unpaid balance of $200.00 MMXP at the end of 2022.	TIIE 28d + 2.00%	MXP	2024	10,302	-	10,302	-
					Grand total	304,941	239,318
					Current installment	87,437	-
					Long-term debt	217,504	239,318

(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) In May 2022, an amendment to Evercast's debt agreement with Comerica Bank was carried out, in which it grants an additional credit of up to 30 million, with an interest rate of BSBY + 1.90%, the term of available until May 2024 and maturing in May 2028. At the end of 2022, this credit has not been drawn down, so there are no accounting impacts related to this contractual modification.

Bank loans establish certain covenants to do and not to do, among which are that there should be no indicated of going concern, cannot 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.

(In thousands of dollars)

The long-term Syndicated Loan Opening 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 $146,400 of which $2,694 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.

The Bilateral Credit Agreement of Evercast S.A. de C.V. for $50 million dollars, had an outstanding balance of $31,350, of which $440 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 $70,824 of which $801 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:

2024	$	59,591
2025		75,392
2026		12,499
2027 and thereafter		70,022
Total	$	217,504

The Company and its subsidiaries have lines of credits for the issue of letters of credit for up to a total of $110 million, of which $27.5 million may also be used for short-term loans. As of December 31, 2022 and 2021, the drawn balance amounts to $10.9 and $11.2 million, respectively, used in letters of credit.

As of December 31, 2021, the outstanding loans have guarantees, which are described in Note 28.

During 2022, to face liquidity risk and optimize cash flows in the face of any unforeseen event, the Company had several committed credit lines, which are presented in this section. As of December 31, 2021, there were not drawdowns of lines of credit.

(In thousands of dollars)

16 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, 2022 and 2021, the other long-term liabilities include the following:

Financial institution	Rate	Maturity date	2022	2021
Center for Industrial Technology Development with an outstanding balance of €31.9 thousand	Preferential rate / Not interest	2027	28	32
Ministry of Industry, Tourism and Commerce with an outstanding balance of €172.9 thousand	Preferential rate / Not interest	2024	182	287
Society for the Promotion and Industrial Reconversion (Balance settled in 2022)	Preferential rate / Not interest	2022	-	119
Center for Industrial Technology Development and Ministry of Industry, Tourism and Commerce with an outstanding balance of €1 million	Preferential rate / Not interest	2032	1,025	1,526
Center for Industrial Technological Development, Public Business Entity with an outstanding balance of €330 thousand	Preferential rate / Not interest	2029	311	352
Center for Industrial Technology Development with an outstanding balance of €209 thousand	Preferential rate / Not interest	2026	202	247
Center for Industrial Technology Development with an outstanding balance of €219 thousand.	Preferential rate / Not interest	2025	221	296
Other liabilities (1)			2,494	1,093
Total			**4,463**	**3,952**
Current portion			692	770
Non-current portion			3,771	3,182
			4,463	**3,952**

(1) The balance of this account mainly comprises the variable compensation scheme.

(In thousands of dollars)

The activity of the debt as of December 31, 2022 and 2021 is presented below:

		2022	2021
Balance as of January 1st	$	2,859	4,067
New other long-term liabilities		-	392
Changes in fair value		53	(163)
Payment of other liabilities		(662)	(1,143)
Cancellation of other liabilities		(117)	(480)
Reclassification		-	447
Currency conversion effect		(164)	(261)
Balance as of December 31st	$	1,969	2,859

From the outstanding balance of the financings granted to Fuchosa, S.L.U. by the Center for Industrial Technology Development for €32 thousand, or the equivalent in dollars of $34 thousand is subtracted $6 thousand 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 €173 thousand or the equivalent in dollars of $184 thousand is subtracted $2 thousand for adjustments to the aforementioned loans according to their own characteristics.

From the outstanding balance of the financings granted to Casting Ros, S.A. by the Center for Industrial Technology Development and the Ministry of Industry, Tourism and Commerce for €1 million, or the equivalent in dollars of $1,072 thousand is subtracted $47 thousand for adjustments to the aforementioned loans according to their own characteristics.

From the outstanding balance of the financings granted to Draxton Powertrain and Chassis, S.L. by the Center for Industrial Technology Development for €330 thousand, or the equivalent in dollars of $352 thousand is subtracted $41 thousand for adjustments to the aforementioned loans according to their own characteristics.

From the outstanding balance of the financings granted to Draxton Powertrain and Chassis, S.L. by the Center for Industrial Technology Development for €209 thousand, or the equivalent in dollars of $223 thousand is subtracted $21 thousand for adjustments to the aforementioned loans according to their own characteristics.

From the outstanding balance of the financings granted to Draxton Powertrain and Chassis, S.L. by the Center for Industrial Technology Development for €219 thousand, or the equivalent in dollars of $234 thousand is subtracted $13 thousand for adjustments to the aforementioned loans according to their own characteristics.

(In thousands of dollars)

The maturities of long-term creditors are listed below:

	$	2,234
2025		532
2026		454
2027 and thereafter		551
Total	$	3,771

Note 20 discloses the Company's exposure to interest rate risk, exchange rate and liquidity risk and a sensitivity analysis for financial assets and liabilities.

17 Lease liability

The balance of lease liability as of December 31, 2022 and 2021, is detailed below:

		2022	2020
Current portion:			
In dollars	$	350	719
In Mexican pesos		941	931
In euros		805	785
Other currencies		450	277
Current lease liability	$	2,546	2,712
Non-current portion:			
In dollars	$	404	332
In Mexican pesos		1,154	1,179
In euros		1,059	1,241
Other currencies		3,391	4,005
Non - current lease liability	$	6,008	6,757

(In thousands of dollars)

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

		2022	2021
Opening balance	$	9,469	12,601
Additions/new contracts		3,169	3,109
Write-offs		(171)	(1,654)
Interest expense of lease liabilities		441	445
Lease payments		(4,186)	(4,128)
Held for sale		(484)	-
Translation effect		316	(904)
Final balance	$	8,554	9,469

The total minimum future payments of leases that include non-accrued interest as of December 31, 2022 and 2021, are analyzed as follows:

		2022	2021
Less than a 1 year	$	2,937	2,925
More than a 1 ye and less than 5 years		3,162	3,296
More than 5 years		8,060	8,795
Total	$	14,159	15,016

The weighted average incremental rate on which the minimum payments of the lease agreements within the scope of IFRS 16 were discounted at present value, as of December 31, 2022 and 2021, was 7.52% and 7.42%, respectively.

(In thousands of dollars)

18 Employee benefits

(a) Defined benefit plans

		2022	2021
Present value of defined benefit obligations with funding	$	12,765	15,151
Present value of defined benefit obligations with funding		4,146	6,352
Total present value of defined benefit obligations		16,911	21,503
Plan assets at fair value		(4,146)	(6,352)
Net projected liabilities in the consolidated statement of financial position	$	12,765	15,151

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 of benefits granted to employees, amounts expressed disclosed as part of the labor cost component.

(i) Composition of plan assets

		2022	2021
Equity securities	$	2	4
Stock investment companies		752	1,152
Public debt securities		2,652	4,063
Private debt securities		740	1,133
	$	4,146	6,352

(In thousands of dollars)

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

		2022	2021
Defined benefit obligations as of January 1	$	21,503	24,304
Benefits paid by the plan		(1,419)	(1,099)
Labor cost of current service and financial cost		1,671	2,278
Actuarial remeasurements recognized in the comprehensive income account		(955)	(3,108)
Transfer of personnel effect		(40)	(39)
Liabilities related to discontinued operation		(5,120)	-
Translation effect		1,271	(833)
Defined benefit obligations as of December 31	$	16,911	21,503

(iii) Change in the present value of plan assets

		2022	2021
Fair value of plan assets as of January 1	$	6,352	6,382
Benefits paid by the plan		(856)	(816)
Contributions made during the year		104	817
Expected return on plan assets		545	419
Actuarial remeasurements recognized in the comprehensive income amount		(647)	(184)
Transfer of personnel transfer effect		-	(60)
Assets related to discontinued operation		(1,728)	-
Translation effect		376	(206)
Fair value of plan assets as of December 31	$	4,146	6,352

(iv) Cost recognized in profit or loss

		2022	2021
Current service cost	$	(43)	737
Interest on obligation		1,714	1,541
Expected return on plan assets		(545)	(419)
	$	1,126	1,859

(In thousands of dollars)

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

		2022	2021
Cost of sales	$	58	597
Finance cost		946	1,011
Discontinuing operation		122	251
	$	1,126	1,859

(v) Actuarial remeasurements recognized in the other comprehensive income account

		2022	2021
Accumulated amount as of January 1	$	(2,588)	(5,513)
Recognized during the year		403	2,925
Accumulated amount as of December 31	$	(2,185)	(2,588)

(vi) Actuarial assumptions

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

	2022	2021
Discount rate as of December 31	9.50%	8.00%
Expected rate of return on plan assets	9.50%	8.00%
Rate of increase in future salary levels	5.00%	5.00%

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:

	2022	2021
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

(In thousands of dollars)

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:

(vii) 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%)	$	15,713	18,271
Future compensation increase (change of 1%)		18,233	15,734

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, 2022 and 2021 was approximately $264 and $3255, 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.

19 Income tax

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. Starting January 1, 2014, a new optional regime was established for groups of companies, which was adopted by the Company and its subsidiaries in Mexico.

As of December 31, 2022 there is an income tax payable of $1,666 in the short and $3,015 in long term, as well as of December 31, 2021 there is a liability for fiscal consolidation by $1,459 in the short and $3,538 in long term payable.

In accordance with the law in force in Mexico as of December 31, 2013, the Company during 2022 and 2021 paid $1,569 and $1,989 as 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 originated after 2004, these should be considered in the sixth year after their occurrence and 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 be increased by inflation under the terms of the Law on Income Tax. Also, derived from the tax reforms effective as of 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.

(In thousands of dollars)

The tax expense for the years ended December 31, 2022 and 2021 includes the following:

		2022	2021
Current income tax	$	30,841	11,015
Deferred tax		(11,605)	6,135
Recognition of income tax for leaving the consolidation regime		324	395
Total income taxes	$	19,560	17,545

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 are mentioned in the following page:

		2022	2021
Profit from continuing operations	$	22,586	1,458
Income tax expense		19,560	17,545
Profit before taxes	$	42,146	19,003
"Expected" expense	$	12,644	5,701
Increase (decrease) of:			
Effect of inflation, net		2,665	(292)
Long-term liability inflation adjustment due to tax consolidation		324	395
Share in permanent investments		(410)	(258)
Effect from the difference in foreign jurisdiction rates		(2,423)	312
Non-deductible items		1,524	1,704
Deferred tax for disposition of businesses		3,545	6,217
Currency translation		1,205	3,982
Other, net		486	(216)
Income tax expense	$	19,560	17,545
Effective rate		46%	92%

(In thousands of dollars)

(a) Deferred tax assets and liabilities recognized

The deferred tax assets and liabilities are integrated as following:

		2022	2021
Deferred tax assets:			
Other assets	$	17,348	22,851
Provisions and employee benefits		2,871	17,771
Total deferred tax assets	$	20,219	40,622
Deferred tax liabilities:			
Property, machinery and equipment	$	(11,035)	(10,574)
Intangible assets		(19,845)	(25,026)
Liabilities related to discontinued operation		(3,545)	-
Total deferred tax liabilities	$	(34,425)	(35,600)
Deferred asset, net	$	(14,206)	5,022
Of which:			
Net position of deferred tax asset of Mexican entities	$	(6,102)	32,438
Net position of deferred tax liabilities of foreign entities		(8,104)	(27,416)
Net position of deferred tax asset		(14,206)	5,022

(In thousands of dollars)

As of December 31, 2022 and 2021, the balances of deferred tax assets and liabilities in the statement of financial position are as follows:

		2022			2021		
		Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
Mexican entities	$	17,932	(24,034)	(6,102)	36,807	(4,369)	32,438
Foreign entities		786	(8,890)	(8,104)	2,450	(29,866)	(27,416)
	$	18,718	(32,924)	(14,206)	39,257	(34,235)	5,022

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

							December 31, 2022		
	January 1, 2022	**Recognized in income**	**Recognized in results for discontinued operation**	**Other comprehensive income**	**Reclassification to assets available for sale due to discontinued operation**	**Translation effect**	**Net**	**Deferred tax asset**	**Deferred tax liability**
Property, machinery and equipment	(10,574)	4,355	4,124	-	(11,449)	2,509	(11,035)	4,350	(15,385)
Intangible assets	(25,026)	6,432	-	-	-	(1,251)	(19,845)	2,176	(22,021)
Deferred assets held for sale due to discontinued operation	-	(3,494)	1	-	86	(138)	(3,545)	-	(3,545)
Provisions and employee benefits	22,851	2,407	(619)	(1,342)	(6,995)	1,046	17,348	18,182	(834)
Tax losses	17,771	1,905	11,012	-	(29,398)	1,581	2,871	2,871	-
Deferred assets, net	5,022	11,605	14,518	(1,342)	(47,756)	3,747	(14,206)	27,579	(41,785)

							December 31, 2021		
	January 1, 2021	**Recognized in income**	**Recognized in results for discontinued operation**	**Other comprehensive income**	**Reclassification to assets available for sale due to discontinued operation**	**Translation effect**	**Net**	**Deferred tax asset**	**Deferred tax liability**
Property, machinery and equipment	(11,489)	4,869	-	(7,169)	-	3,215	(10,574)	6,845	(17,419)
Intangible assets	(32,776)	7,136	-	-	-	614	(25,026)	4,007	(29,033)
Deferred assets held for sale due to discontinued operation	6,333	(5,780)	-	(583)	-	30	-	-	-
Provisions and employee benefits	33,801	(8,526)	-	(874)	-	(1,550)	22,851	22,851	-
Tax losses	11,612	6,783	-	-	-	(624)	17,771	17,771	-
Deferred assets, net	7,481	4,482	-	(8,626)	-	1,685	5,022	51,474	(46,452)

(In thousands of dollars)

As of December 31, 2021, the Company has not recognized deferred tax assets of approximately $10,473, related to tax losses from Mexican subsidiaries, as well as $24,608 related to tax loss in shares sale arising from the contribution of shares made on January 21, 2021 of Draxton Powertrain & Chassis, S.L.U. to Draxton Global, S.LU.

During the year 2022 and 2021, the construction segment had a relevant improvement in its profitability due to the dynamism in the industry that allowed to increase the volumes and sales prices in the markets in which it participates, in addition to maintaining the operational improvements in plants, it allowed to mitigate the impact of the cost of natural gas and electricity. As a result of the foregoing, the Company recorded a previously unrecognized deferred tax asset of $9,985 and $10,189, related to temporary differences related to property, machinery and equipment item, since Management estimates that it is probable that there will be tax profits enough for recovery.

As of December 31, 2022, Operating tax losses (excluding tax losses on disposal of shares) to be amortized from subsidiaries and the year in which the right to use them will expire, are as follows:

Origin year	Expiration year		Updated amount as of December 31, 2022
2021	2031	$	1,375
2022	2032		904
		$	2,279

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

		2022	2021
Deferred liability for consolidation purposes	$	4,997	8,754
Liability inflation adjustment for consolidation purposes		324	395
Payments of deferred liability, tax regime for group companies		(68)	(2,035)
Payments of deferred liability for tax consolidation		(1,514)	(1,989)
Deferred tax, optional regime for group companies		942	(128)
Total		4,681	4,997
Short-term liability due to tax consolidation		(1,666)	(1,459)
Deferred liability for consolidation purposes	$	3,015	3,538

(In thousands of dollars)

20 Financial instruments

Credit risk

Credit risk represents the potential 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 before setting the terms and conditions of payment. If the wholesale customers are independently qualified, these are the ratings used. If there is no independent rating, the Company's risk control evaluates the customer's credit quality, considering its financial position, prior experience and other factors. Maximum credit risk exposure is given 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, 2022 and 2021, 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 probabilities of default and the recovery rate assigned to its customers.

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 in the next page:

		Carrying amount	
		2022	2021
Cash and cash equivalents	$	29,284	21,051
Investments held to maturity		36,293	52,675
Trades		119,019	122,925
Related parties		13,142	14,055
	$	197,738	210,706

(In thousands of dollars)

Cash and cash equivalents

Impairment of cash and cash equivalents was measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers its cash and cash equivalents to have low credit risk based on the external credit ratings of the counterparties.

The Company uses a similar approach for ECL assessment for cash and cash equivalents to that used for debt securities.

Then, the maximum credit risk exposure for trade receivables as of December 31, 2022 and 2021 by geographical region is shown below, excluding discounts and rebates of $2,683 and $6,317, respectively:

		Carrying amount	
		2022	**2021**
Domestic	$	44,229	58,834
United State of America		7,431	22,276
Other Latin American countries		410	2,542
Euro Zone countries		35,626	16,473
Other countries		34,006	29,117
	$	121,702	129,242

The maximum credit risk exposure for trades receivable as of December 31, 2022 and 2021 by type of client is shown below, excluding discounts and rebates of $2,683 and $6,317, respectively:

		2022	**2021**
Wholesale costumers	$	114,089	105,446
Self-service		4,384	3,602
Promotions		144	271
Catalog		769	1,257
Other		2,316	18,666
	$	121,702	129,242

(In thousands of dollars)

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

		2022		2021	
		Gross	Impairment	Gross	Impairment
Current	$	104,884	(102)	115,932	(38)
0 to 30 days overdue		10,182	(96)	6,291	(62)
31 to 120 days overdue		4,132	(126)	4,046	(150)
More than 120 days overdue		2,504	(592)	2,973	(1,234)
	$	121,702	(916)	129,242	(1,484)

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

		Expected credit loss	
		2022	2021
Balance at the beginning of the year	$	1,484	2,783
Increase during the year		35	596
Amounts written off against trade accounts receivable		(5)	(622)
Reduction due to reversal		(159)	(1,181)
Asset held for sale related to discontinued operation		(498)	-
Effect of currency translation		59	(92)
Ending balance	$	916	1,484

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 2022 and 2021, 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 probability 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.

(In thousands of dollars)

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.

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 short-term contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of the compensation agreements are shown. 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, 2021		Carrying amount	Contractual cash flows	0-6 months	6-12 months	1 - 3 years	3 years and thereafter
Non-derivate financial liabilities							
Bank loans and interest	$	304,941	(339,885)	(80,402)	(25,361)	(150,217)	(83,905)
Other liabilities		4,463	(2,101)	(310)	(382)	(932)	(477)
Suppliers and other accounts payable		283,325	(283,325)	(232,071)	(51,254)	-	-
Lease liabilities		8,554	(14,159)	(1,685)	(1,252)	(3,162)	(8,060)
		601,283	(639,470)	(314,468)	(78,249)	(154,311)	(92,442)
Derivate financial liabilities							
Derivative financial instruments		11,316	(11,316)	(408)	(676)	12,400	-

(In thousands of dollars)

As of December 31, 2021		Carrying amount	Contractual cash flows	0-6 months	6-12 months	1 - 3 years	3 years and thereafter
Non-derivate financial liabilities							
Bank loans and interest	$	239,318	(290,832)	(5,258)	(5,263)	(188,422)	(91,889)
Other liabilities		3,952	(3,952)	(1,488)	(375)	(1,620)	(469)
Suppliers and other accounts payable		265,998	(265,998)	(230,505)	(35,493)	-	-
Lease liabilities		9,469	(15,016)	(1,574)	(1,351)	(3,296)	(8,795)
		518,737	(575,798)	(238,825)	(42,482)	(193,338)	(101,153)
Derivate financial liabilities							
Derivative financial instruments		9,921	(9,921)	(1,312)	(492)	(5,960)	(2,157)

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.

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.

(In thousands of dollars)

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 at all times to 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.

Derived 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 technical bases and valuation inputs accepted by the financial field. 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.

(In thousands of dollars)

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, 2022 and 2021, the fair value of the portfolio of derivative financial instruments amounts to $11,316 and $(9,921), respectively.

In the next page, we detail the current portfolio in effect as of December 31, 2022 and 2021 of derivative financial instruments and their fair values:

Derived financial instruments classified and designated as hedges

(a) Cross Currency Swap

AAs of December 31, 2022 and 2021, 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 mitigate 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.

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2022:

	CCS EUR/USD	CCS EUR/USD	CCS EUR/USD	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN
Bank	Citibanamex	Santander	Scotiabank	Citibanamex	Santander	Scotiabank	Scotiabank
Delivery notional	24,656	36,915	16,424	7,028	15,228	2,344	4,703
Notional currency	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Receive notional	27,450	41,175	18,300	150,000	325,000	50,000	100,000
Notional currency	USD	USD	USD	MXN	MXN	MXN	MXN
Financial statement item 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	1.80%	1.70%	1.60%	3.46%	3.14%	2.9%	2.92%
Receive rate	LIBOR 3M + 1.90%	LIBOR 3M + 1.90%	LIBOR 3M + 1.90%	9.64%	9.64%	9.64%	9.64%
Fair value	2,782	4,151	1,938	93	235	57	96
Maturity date	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	3,557	5,089	2,319	1,160	2,388	369	741
Amount recognized in OCI	3,557	5,089	2,319	1,160	2,388	369	741
Ineffectiveness recognized in P&L	-	-	-	-	-	-	-
Reclassification from OCI to P&L	-	-	-	-	-	-	-
Carrying amount of the hedge (exposure)	194,214	194,214	194,214	194,214	194,214	194,214	194,214
Change in fair value to measuring the ineffectiveness of the hedging instrument	(2,782)	(4,151)	(1,938)	(93)	(235)	(57)	(96)
Coverage ratio	13%	19%	8%	4%	8%	1%	2%

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2021:

	CCS EUR/USD	CCS EUR/USD	CCS EUR/USD	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN	CCS EUR/MXN
Bank	Citibanamex	Santander	Scotiabank	Citibanamex	Santander	Scotiabank	Scotiabank
Delivery notional	27,856	41,705	18,556	7,940	17,204	2,648	5,313
Notional currency	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Receive notional	27,450	41,175	18,300	7,287	15,789	2,429	4,858
Notional currency	USD	USD	USD	MXN	MXN	MXN	MXN
Financial statement item 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	1.80%	1.70%	1.6%	3.46%	3.14%	2.92%	2.90%
Receive rate	LIBOR 3M + 1.90%	LIBOR 3M + 1.90%	LIBOR 3M + 1.90%	9.64%	9.64%	9.64%	9.64%
Fair value	(776)	(938)	(382)	(1,068)	(2,153)	(311)	(646)
Maturity date	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	(776)	(938)	(382)	(1,068)	(2,153)	(311)	(646)
Amount recognized in OCI Ineffectiveness recognized in P&L	2,791	4,030	1,805	(161)	(471)	(72)	(140)
Ineffectiveness recognized in P&L	-	-	-	-	-	-	-
Reclassification from OCI to P&L	-	-	-	-	-	-	-
Carrying amount of the hedge (exposure)	209,739 EUR	209,739 EUR	209,739 EUR	209,739 EUR	209,739 EUR	209,739 EUR	209,739 EUR
Change in fair value to measuring the ineffectiveness of the hedging instrument	776	938	382	1,068	2,153	311	646
Coverage ratio	13%	20%	9%	4%	8%	1%	3%

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, 2022 and 2021, the Company determined that the hedges are highly effective, giving a result of %86 and 99% of effectiveness for the hedging of EUR/MXN, and 104% and 101%, 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, 2022 and 2021, 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, 2022:

Bank	Citibanamex	Santander	Scotiabank
Notional	21,045	32,940	5,490
Notional currency	USD	USD	USD
Financial statement item where the hedge instrument is located	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Delivery rate	1.7%	1.7%	1.7%
Receive rate	TERM SOFR 3M	TERM SOFR 3M	TERM SOFR 3M
Fair value as of December 2022	1,121	1,716	299
Maturity date	sep-25	sep-25	sep-25
Change in fair value to measuring the ineffectiveness of the hedging instrument	1,476	2,258	386
Amount recognized in OCI	1,476	2,258	386
Ineffectiveness recognized in P&L	-	-	-
Reclassification from OCI to P&L	-	-	-
Carrying amount of the hedgeexposure (Total exposure)	146,400 USD	146,400 USD	146,400 USD
Change in fair value to measuring the ineffectiveness of the hedging instrument	(1,121)	(1,716)	(299)
Coverage ratio	14%	23%	4%

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2021:

	IRS Libor 3M	IRS Libor 3M	IRS Libor 3M
Bank	Citibanamex	Santander	Scotiabank
Notional	21,045	32,940	5,490
Notional currency	USD	USD	USD
Financial statement item where the hedge instrument is located	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Delivery rate	1.678%	1.715%	1.65%
Receive rate	LIBOR 3M + 1.90	LIBOR 3M + 1.90	LIBOR 3M + 1.90
Fair value as of December 2021	(355)	(542)	(87)
Maturity date	sep-25	sep-25	sep-25
Change in fair value to measuring the ineffectiveness of the hedging instrument	(355)	(542)	(87)
Amount recognized in OCI	934	1,463	348
Ineffectiveness recognized in P&L	-	-	-
Reclassification from OCI to P&L	-	-	-
Carrying amount of the hedge exposure (Total exposure)	146,400 USD	146,400 USD	146,400 USD
Change in fair value to measuring the ineffectiveness of the hedging instrument	355	542	87
Coverage ratio	14%	23%	4%

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 LIBOR 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 99% and 96% as of December 31, 2022 and 2021. 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 of 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, 2022:

	Fwd USDMXN	Fwd USDMXN
Bank	HSBC	HSBC
Company	Cinsa	Cinsa
Notional	550	7,000
Notional currency	USD	USD
Underlaying	Cost in USD	Cost in USD
Financial statement item where the hedging Instrument is located	Derivative Financial Instruments	Derivative Financial Instruments
Average Strike	20.5112	20.4373
Fair value as of December 2022	(19)	(220)
Maturity date	jun-23	jun-23
Change in fair value to measuring the Ineffectiveness of the hedging instrument	19	66
Amount recognized in OCI	19	66
Ineffectiveness recognized in P&L	-	-
Reclassification from OCI to P&L	-	-
Forecast of the item hedged (Exposition)	1,100	14,000
Exposition currency	USD	USD
Change in fair value to measuring the ineffectiveness of the hedging instrument	19	220
Coverage ratio	50%	50%

(In thousands of dollars)

The following are the most relevant data of the aforementioned hedges as of December 31, 2021:

	Fwd. USDMXN	Fwd. USDMXN	Fwd. EURMXN
Bank	HSBC	HSBC	HSBC
Company	Cinsa	Manufacturas Vitromex	Manufacturas Vitromex
Notional	8,400	3,388	7,050
Notional currency	USD	EUR	USD
Underlaying	Cost USD	Cost Euros	Cost USD
Financial statement item where the hedging instrument is located	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Average strike	21.33	24.48	21.06
Fair value as of December 2021	(154)	(92)	(86)
Maturity date	jun-22	jun-22	jun-22
Change in fair value to measuring the ineffectiveness of the hedging instrument	(154)	(92)	(86)
Amount recognized in OCI	(137)	(56)	308
Ineffectiveness recognized in P&L	-	-	-
Reclassification from OCI to P&L	-	-	-
Forecast of the item hedged (Exposition)	16,645	6,569	13,074
Exposition currency	USD	EUR	USD
Change in fair value to measuring the ineffectiveness of the hedging instrument	154	92	86
Coverage ratio	50%	52%	54%

In the evaluation of effectiveness, the Company determined that the hedge is highly effective, giving an average result of 100% of effectiveness at the year ended in 2022 for the positions currently held by Cinsa and an average result of 99% of effectiveness at the year ended in 2021. 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.

(In thousands of dollars)

(d) Natural gas swap

As of December 31, 2022 and 2021, 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.

The most relevant data of the aforementioned hedges at the end of 2022 are shown below:

	Swaps Natural Gas	Swaps Natural Gas
Bank	Citibanamex	Citibanamex
Company	Cinsa	Draxton México
Notional	120	480
Notional currency	MMBTU´s	MMBTU´s
Underlaying	Natural Gas Cost	Natural Gas Cost
Financial statement item where the hedge instrument is located	Derivative Financial Instruments	Derivative Financial Instruments
Average strike	3.0928	4.9448
Fair value as of December 2022	(171)	(676)
Maturity date	jun-23	dic-23
Change in fair value to measuring the ineffectiveness of the hedging instrument	(169)	(676)
Amount recognized in OCI	(169)	(676)
Ineffectiveness recognized in P&L	-	-
Reclassification from OCI to P&L	-	-
Forecast of item hedged (Exposition)	240	960
Exposition currency	MMBTU´s	MMBTU´s
Change in fair value to measuring the ineffectiveness of the hedging instrument	169	676
Coverage ratio	50%	50%

(In thousands of dollars)

The most relevant data of the aforementioned hedges at the end of 2021 are shown below:

	Swaps Natural Gas
Bank	Citibanamex
Company	Manufacturas Vitromex
Notional	1,120
Notional currency	MMBTUs
Underlaying	Natural Gas Cost
Financial statement item where the hedge instrument is located	Derivative Financial Instruments
Average strike	(1,472)
Fair value as of December 2021	(1,472)
Maturity date	jun-22
Change in fair value to measuring the ineffectiveness of the hedging instrument	(1,472)
Amount recognized in OCI	(969)
Ineffectiveness recognized in P&L	-
Reclassification from OCI to P&L	-
Forecast of item hedged (Exposition)	2,240
Exposition currency	MMBTUs
Change in fair value to measuring the ineffectiveness of the hedging instrument	1,472
Coverage ratio	50%

In the evaluation of effectiveness, the Company determined that the coverage is highly effective, giving an average result of 99% of effectiveness at the year ended in 2022. 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.

(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.

(In thousands of dollars)

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 2022 and 2021. 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.

The most relevant data of the aforementioned coverages at the end of 2022 are shown below:

	USD Debt
Bank	HSBC
Delivery notional	$59,475
Notional currency	USD
Financial statement item where the hedge instrument is located	Long-term debt
Delivery rate	LIBOR 3M + 1.90%
Fair value as of December 31, 2021	N/A
Maturity date	sep-25
Amount recognized in OCI	31,488
Ineffectiveness recognized in P&L	N/A
Reclassification from OCI to P&L	N/A
Carrying amount of the covered exposure (Exposition)	$822,239
Change in fair value to measuring the ineffectiveness of the hedging instrument	N/A
Coverage ratio	7%

(In thousands of dollars)

The most relevant data of the aforementioned hedges at the end of 2021 are shown below:

	USD Debt
Bank	HSBC
Delivery notional	$59,475
Notional currency	USD
Financial statement item where the hedge instrument is Located	Long-term debt
Delivery rate	LIBOR 3M + 1.90%
Fair value as of December 31, 2021	N/A
Maturity date	sep-25
Amount recognized in OCI	N/A
Ineffectiveness recognized in P&L	N/A
Reclassification from OCI to P&L	N/A
Carrying amount of the covered exposure (Exposition)	$777,080
Change in fair value to measuring the ineffectiveness of the hedging instrument	N/A
Coverage ratio	7.65%

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 (Term SOFR as of September 2022) 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, 2022 and 2021, the embedded derivative has a value of $86 and $ 860, respectively.

(In thousands of dollars)

Derivative financial instruments classified as for trading purposes (not designated for hedge accounting)

As of December 31, 2022 and 2021, 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.

Following is the exposure to foreign exchange risk, show in presentation currency:

	2022			
	USD	Zlotys	Euros	Rmb
Cash	1,031	335	16	3,046
Accounts receivable	26	2,148	45	32,424
Loans	(10,117)	(4,696)	-	(845)
Suppliers and other accounts payable	(350)	(3,988)	(13,847)	(14,714)
Related parties	(116)	-	(3)	-
Net exposure	(9,526)	(6,201)	(13,789)	19,911

	2021			
	USD	Zlotys	Euros	Rmb
Cash	46,667	382	545	3,571
Accounts receivable	1,957	42,317	1,100	46,445
Loans	(146,524)	(22,094)	-	(2,613)
Suppliers and other accounts payable	(15,408)	(1,572)	(6,926)	(10,655)
Related parties	11,641	-	1	-
Net exposure	(101,667)	19,033	(5,280)	36,748

The following exchange rates applied during the year:

	Exchange rate		Spot exchange rate
	2022	2021	at the date of the report
American dollar	19.41	20.58	18.95
Euro	20.69	23.25	20.33
Polish Zloty	4.43	5.04	4.16
Chinese Renminbi	2.80	3.20	2.73

Sensitivity analysis of exchange rates.

As of December 31, 2022 and 2021, 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.

	2022		2021	
	Equity	Income	Equity	Income
American dollar (10% of strengthening)	(10)	(10)	(102)	(102)
American dollar (10% of weakening)	10	10	102	102
Euro (10% of strengthening)	(14)	(14)	(5)	(5)
Euro (10% of weakening)	14	14	5	5

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 15.

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, 2022 and 2021:

		Carrying amounts	
		2022	2021
Short-term debt	$	60,302	-
Long-term debt		244,639	239,318
	$	304,941	239,318

(In thousands of dollars)

The following exchange rates were applied during the period:

	Libor rate at reporting date
Libor 3M	4.87
Term SOFR 3M	4.76
BSBY 3M	4.77
SOFR	4.55
TIEE	11.23

Sensitivity analysis of interest rate

	2022		2021	
	Equity	Income	Equity	Income
Libor (Increase 50 BP)	-	-	(1,197)	(1,197)
Libor (Increase 20 BP)	-	-	(479)	(479)
SOFR (Increase 50 BP)	(969)	(969)	-	-
SOFR (Increase 20 BP)	(387)	(387)	-	-
Libor (Decrease 50 BP)	-	-	1,197	1,197
Libor (Decrease 20 BP)	-	-	479	479
SOFR (Decrease 50 BP)	(1,937)	(1,937)	-	-
SOFR (Decrease 20 BP)	1,937	1,937	-	-

Carrying amounts of financial instruments measured at amortized cost

The fair values of financial liabilities along with the carrying amounts shown in the consolidated statement of financial position are presented below:

	2022		2021	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial liabilities measured at amortized cost				
Stock market debt and bank loans	$ (304,941)	(212,609)	(239,318)	(246,726)

(In thousands of dollars)

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 quoted 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 quoted 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.
- 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, 2022		**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	$	-	-	-	-
Derivative financial liabilities	$	-	11,316	-	10,598

December 31, 2021		**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	$	-	-	-	-
Derivative financial liabilities	$	-	9,921	-	9,921

21 Stockholders' equity and reserves

(a) Capital stock and additional paid-in capital

	Ordinary shares	
	2022	**2021**
Authorized shares - nominal value	319,232,636	330,960,241

(In thousands of dollars)

At the Annual Ordinary Shareholders' Meeting held on March 29, 2022, it was agreed to cancel 11,727,605 shares that it had acquired through repurchase operations, which represent 3.7% of its capital stock and, consequently, reducing the amount of capital stock by $5,509 for the equivalent of the nominal value of the canceled shares and the surplus, with respect to the previous repurchase, was recognized in the share issue premium for an amount of $10,922, leading to an increase in retained earnings of $16,431.

After the aforementioned movement, the Company's capital stock is represented by 319,232,636 ordinary nominative Series "A" shares, without expression of nominal value.

On March 24, 2021, the Annual Ordinary Shareholders Meeting agreed to cancel 9,715,090 shares it had acquired through repurchase transactions, which represent 2.9% of its capital stock and, consequently, reducing the variable portion of capital by $ 4,428 for the equivalent of the face value of the canceled shares and the excess, with respect to the previous repurchase, was recognized in the premium for the issuance and replacement of shares for an amount of $5,185, leading to an increase in retained earnings of $9,613.

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, S.A.B. de C.V. as of December 31, 2022 and 2021 include the following:

		2022	2021
Contributed Capital Account	$	161,925	162,355
Net Tax Profit Account		306,487	256,160

(b) Reserve for repurchase of own shares

At the General Ordinary Stockholder Meetings held on March 29, 2022 and March 24, 2021 the stockholders authorized allocating an amount of up to $40 million, respectively, 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:

		2022	2021
Purchase	$	16,454	14,711
Allowance increase		(12,803)	(12,780)
	$	3,651	1,931

(In thousands of dollars)

(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 assets revaluation surplus

The reserve for revaluation includes the effect of the revaluation of land and buildings that, according to the Company's accounting policy, was carried out during the year 2021, with an impact on the surplus within the reserve of $24,959, presenting a balance at closing on December 31, 2021 for $60,294.

(f) Dividendos

At the Annual Ordinary Shareholders' Meeting, held on March 29, 2022, the proposal to pay a dividend for each of the outstanding shares issued series "A" of $1.41 Mexican pesos, payable in two installments was approved: the first for the amount of $0.71 Mexican pesos per share that would be paid as of April 7, 2022 against the delivery of coupon 0011, and the second for the amount of $0.70 Mexican pesos per share, that would be paid as of October 6, 2022 , against delivery of coupon 0012; both of the definitive titles of shares of the issuance that are valid on the date of payment. The amount of the dividend declared amounted to $22,220.

At the General Ordinary Stockholders' Meeting held on March 24, 2021, was approved the proposal to pay a dividend for each outstanding shares of $1.97 Mexican pesos, payable in a single exhibition on April 5, 2021. The dividend amount to $31,403.

As of December 31, 2022, there are dividends declared and not paid to the stockholders for $89 that are represented by $11 during 2022, $16 during 2021, $9 during 2019, $8 during 2018, $7 during 2017, $8 during 2016, $7 during 2015, $13 during 2013, and $7 during 2012. These 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)

22 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

		2022	2021
Weighted average of outstanding shares for the period ended		315,136,233	324,755,245
EPS (Dollar per-share)	$	0.12	0.06

23 Revenues

Revenues include the following:

		2022	2021
Sales of products	$	966,830	788,714
Revenues from services		2,241	3,548
Total revenues	$	969,071	792,262

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.

As of December 31, 2022 and 2021, the Company has unrealized gains (customer contract liabilities) of $3,108 and $2,361, respectively, which represent the fair value of the portion of the consideration received in respect of the development of new products and technology.

Finally, as explained in Note 3 n), given that the Company's performance obligations are not inseparable from each other, as of December 31, 2022 and 2021 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)

24 Costs and expenses by nature

As of December 31, 2022 and 2021, cost and expenses by nature include the following:

		2022	2021
Raw material and consumable	$	539,337	427,636
Employee benefits		131,674	131,055
Basic services		76,824	48,188
Factory indirect expenses		74,423	62,334
Depreciation and amortization		64,341	57,837
Price variation		(6,280)	12,402
Maintenance		23,725	21,765
Fees		15,807	14,509
Others		8,584	3,959
	$	928,435	779,685

25 Other income, net

Other income, net include the following:

		2022	2021
Other income [(1)]	$	(15,879)	(13,666)
Income from power outage		(423)	(567)
Loss by sale of property, machinery and equipment		(471)	323
Update by tax refund		(371)	(637)
	$	(17,144)	(14,547)

(1) **Other income** - This item includes but is not limited to: sales of spare parts, raw materials, scrap, dividends received, and others.

(In thousands of dollars)

26 Revenue and financial expenses

		2022	2021
Recognized in profit or loss			
Fair value of derivative financial instruments	$	(1,597)	(4,557)
Interest income in investments held to maturity		(5,216)	(2,719)
Fair value of derivative financial instruments		(4,086)	(1,162)
Financial income	$	(10,899)	(8,438)
Liabilities leasing by financial expenses	$	372	420
Labor liability financial cost		939	1,011
Other financial expenses		9,959	7,454
Interest expense		13,704	11,532
Financial expenses	$	24,974	20,417
Exchange fluctuation gain	$	(42,817)	(32,231)
Exchange fluctuation loss		45,743	29,233
Exchange fluctuation gain, net		2,926	(2,998)
Net financial cost recognized in profit or loss	$	17,001	8,981

27 Related parties' transactions and balances

(a) Compensation to key management personnel:

For the years ended December 31, 2022 and 2021, the total compensation for services rendered by our advisors and directors was approximately $7,653 and $6,077, 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, 2022 and 2021 include the following:

		2022	2021
Accounts receivable:			
Infun-Ederlan Auto Parts (Wuhu)[(1)]	$	-	2,245
Gisederlan, S.A. de C.V. [(2)]		13,142	11,810
	$	13,142	14,055

(1) Carried out with Draxton Powertrain & Chasis, S.L.

(2) Carried out with Asesoría y Servicios GIS, S. A. de C. V. and Draxton México, S. de R.L de C.V.

(In thousands of dollars)

As of December 31, 2022, there are short-term accounts receivable for $9,142 and $4,000 as long-term; as well as at the end of 2021, there are $7,810 in the short term and $6,245 in the long term.

		2022	2021
Accounts payable:			
Gisederlan, S.A. de C.V. [4]	$	1,777	371

Operations with related parties as of December 31, 2022 and 2021 include the following:

Gisederlan		**2022**	**2021**
Revenues from sales of goods[4]	$	32,369	26,677
Services rendered[1][2]		2,241	2,779
Interest income[7]		176	103
Other Income[6]		77	215
Sale of tools[4]		526	-
Raw material purchases[4]		1,516	1,610
Interest expense[6]		82	21
Staff cost[1]		40	-
Maquila cost[4]		703	-

(1) Carried out with Asesoría y Servicios GIS, S.A. de C.V.
(2) Carried out with Aximus, S.A. de C.V. entity merged on December 1, 2021 with Draxton México, S. de R.L. de C.V.
(3) These operations correspond to the collection and administration of financial resources, to related parties.
(4) Carried out with Draxton Mexico, S. de R.L. de C.V.
(5) Loan granted by Grupo Industrial Saltillo, S.A.B. de C.V. with an interest rate of 7.22%
(6) This operation corresponds to the checking account that is managed by Grupo Industrial Saltillo, S.A.B. de C.V.

Infun-Ederlan Auto Parts (WUHU)		**2022**	**2021**
Revenue from sale of raw material[1]	$	-	8
Interest income[1]		-	89

(1) Carried out with Infun, S.A.U.

All outstanding balances with these related parties are priced to market and must be settled in cash within twelve months of the reporting date. None of the balances are guaranteed.

No expense has been recognized in the current year or in previous years due to insolvency or doubtful collection of amounts owed by related parties. No guarantees have been given or received.

(In thousands of dollars)

28 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 and of $50 millions of the revolving line, respectively this year, which outstanding balance of long-term debt as of December 31, 2022 is $146 million and of $50 millions of the revolving line, respectively.

(b) Pledge by Draxton Global, S.L.U. 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, 2022 is $146 million plus a Revolving Credit Line for $50 million undrawn at the end of this year.

(c) Pledge by Draxton Global, S.L.U. of the shares of Draxton Powertrain and Chassis, 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, 2022 is $146 million plus a Revolving Credit Line for $50 million undrawn at the end of this year.

(d) Pledge by Draxton Global, S.L.U. 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, 2022 is $146 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, 2022 of $1,375 million of pesos.

(f) Guarantee granted by Cinsa, S.A. de C.V., Draxton Mexico, S de R.L. de C.V., Automotive Components Europe, S.L., and Draxton Powertrain & Chassis, S.L.U. in favor of Grupo Industrial Saltillo, S.A.B. de C.V. in a committed revolving line of credit with Comerica Bank for up to an amount of $20 million which as of December 31, 2022 is undrawn.

(g) Draxton Global, S.L.U. 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, 2022 has an outstanding balance of $5 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 $900 million of pesos, which outstanding balance as of December 31, 2022 amounts to $596 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. and Cinsa USA Inc. in a non-recourse factoring agreement with Santander, S.A. (Spain) for up to 5% of the amount drawn over the authorized line of $52 million, which outstanding balance as of December 31, 2022 is $25 million.

(j) Draxton Global, S.L.U. as pledge in favor of Draxton México, S. de R.L. de C.V. in a non-recourse factoring agreement with CaixaBank, S.A. over the authorized line of $13 million, which outstanding balance as of December 31, 2022 is $6 million.

(In thousands of dollars)

k) 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 $9 million which outstanding balance as of December 31, 2022 is $4 million.

l) Fuchosa, SLU, as Guarantor of Automotive Components Europe, SL, 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, 2022 is not disposed.

m) 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, 2022 is not disposed.

n) Grupo Industrial Saltillo, S.A.B. de C.V., as Guarantor of Automotive Componets Europe, S.L., in a short-term Credit Policy with Banco Santander, S.A for up to €5 million, which as of December 31, 2022 is not disposed.

o) Grupo Industrial Saltillo, S.A.B. de C.V., as Guarantor of Draxton Powertrain & Chassis, S.L.U., in a short-term Credit Policy with Banco Santander, S.A for up to €5 million, which as of December 31, 2022 is not disposed.

p) Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O. and Draxton Brno s.r.o. as Borrowers and Joint Obligors jointly in a non-recourse factoring contract with CaixaBank, S.A. up to an amount of €28.5 million whose balance as of December 31, 2022 is €22 million

q) Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Mantenimento Foneria, S.L. and Infun For, S.A. as Guarantor for Draxton Powertrain and Chassis, S.L., in a non-recourse factoring agreement with CaixaBank, S.A., up to an amount of €19 million, whose balance as of December 31, 2022 is €17 million.

r) Casting Ros, S.A and Fundiciones Miguel Ros, S.A. as Guarantors for Draxton Powertrain and Chassis, S.L., in a non-recourse factoring agreement with Santander Factoring and Confirming, S.A., E.F.C., for up to €5 million, which outstanding balance as of December 31, 2022 is €912 thousand.

s) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O., Draxton Mexico, S. de R.L. de C.V. and Draxton Brno s.r.o. as Borrowers and Joint Obligors jointly up to the unpaid balance in the Confirming contract with Bankinter, S.A. up to an amount of €6.9 million whose balance as of December 31, 2022 is €4 million.

t) Draxton Powertrain & Chassis, S.L.U. Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Infun For, S.P.A. as Borrowers and Joint Obligors jointly up to the unpaid balance in the Confirming contract with Bankinter, S.A. up to an amount of €7 million whose balance as of December 31, 2022 is €6 million.

u) 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 jointly up to the unpaid balance in the Confirming contract with Banco Bilbao Vizcaya Argentaria, S.A. up to an amount of €7 million whose balance as of December 31, 2022 is €8 million.

v) Draxton Powertrain and Chassis, S.L.U., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., Manteniment Foneria, S.L. and Infun For, S.P.A. as Borrowers and Joint Obligors jointly up to the unpaid balance in the Confirming contract with Banco Bilbao Vizcaya Argentaria, S.A. up to an amount of €10 million whose balance as of December 31, 2021 is €10 million.

(In thousands of dollars)

w) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O., Draxton Brno s.r.o. Draxton Powertrain and Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., Infun For, S.P.A., Draxton Global, S.L. and Draxton Mexico, S. de R.L. de C.V. as Borrowers and Joint Obligors jointly up to the unpaid balance in the Confirming contract with CaixaBank, S.A. up to an amount of €15 million whose balance as of December 31, 2022 is €12 million.

x) 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, 2022 of $11 million, which have been issued with various national banking institutions.

y) At the end of 2022, Grupo Industrial Saltillo and its Subsidiaries have without recourse portfolio factoring agreements with various financial institutions, with a balance at the end of the 2022 of $178 million of pesos, $22 million and €5 million and at the end of the factoring lines arranged by Grupo Industrial Saltillo, S.A.B. de C.V. represent $231 million of pesos, $16 million and €36 million. The accounts receivable settled with these non-recourse factoring lines were written off from the consolidated statement of financial position presented at the end of the 2022 and 2021 financial years, respectively, in accordance with IFRS and what is mentioned in note 7.

29 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 income 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.

(In thousands of dollars)

iii) Some subsidiaries of the Group with Fiscal Domicile in Mexico have temporary importation programs authorized by the Ministry of Economy called "IMMEX". This program establishes certain obligations related to making certain export sales, use of the goods, custody and control, return abroad within the established periods, among others, and allows, among others, temporary importation free of import taxes and VAT on inventories, machinery and equipment used in their production processes, which may remain in the country temporarily while the program is in force. The tax authorities have the right to review compliance with these situations to confirm compliance.

(c) Contingent liability

There is a contingent liability derived from employee benefits, which is mentioned in note 3(i).

CONTACTS

FINANCIAL DIVISION

SAÚL CASTAÑEDA DE HOYOS
Chief Financial Officer
(844) 411 1095
saul.castaneda@gis.com.mx

PATRICIO GONZÁLEZ CHAVARRÍA
Treasury Director
(844) 411 1041
patricio.gonzalez@gis.com.mx

ARTURO MORALES RENDÓN
Head of Financial Planning and Investor Relations
(844) 411 1031
arturo.morales@gis.com.mx

LEGAL

EUGENIO MARTÍNEZ REYES
General Counsel
(844) 411 1074
eugenio.martinez@gis.com.mx

MEDIA

RICARDO SANDOVAL GARZA
Corporate Communications Director
(844) 411 1095
ricardo.sandoval@gis.com.mx

WWW.GIS.COM.MX