ANNUAL BUSINESS AND SUSTAINABILITY REPORT 2021

CONTENTS

GIS PROFILE

GRUPO INDUSTRIAL SALTILLO (GIS) is a Mexican Company with operations in the automotive, construction and housewares industries which is listed on the Mexican Stock Exchange trading under the ticker symbol "GISSA".

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

DRAXTON **VITROMEX** **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 industry, and we have R&D capabilities through technology centers.

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

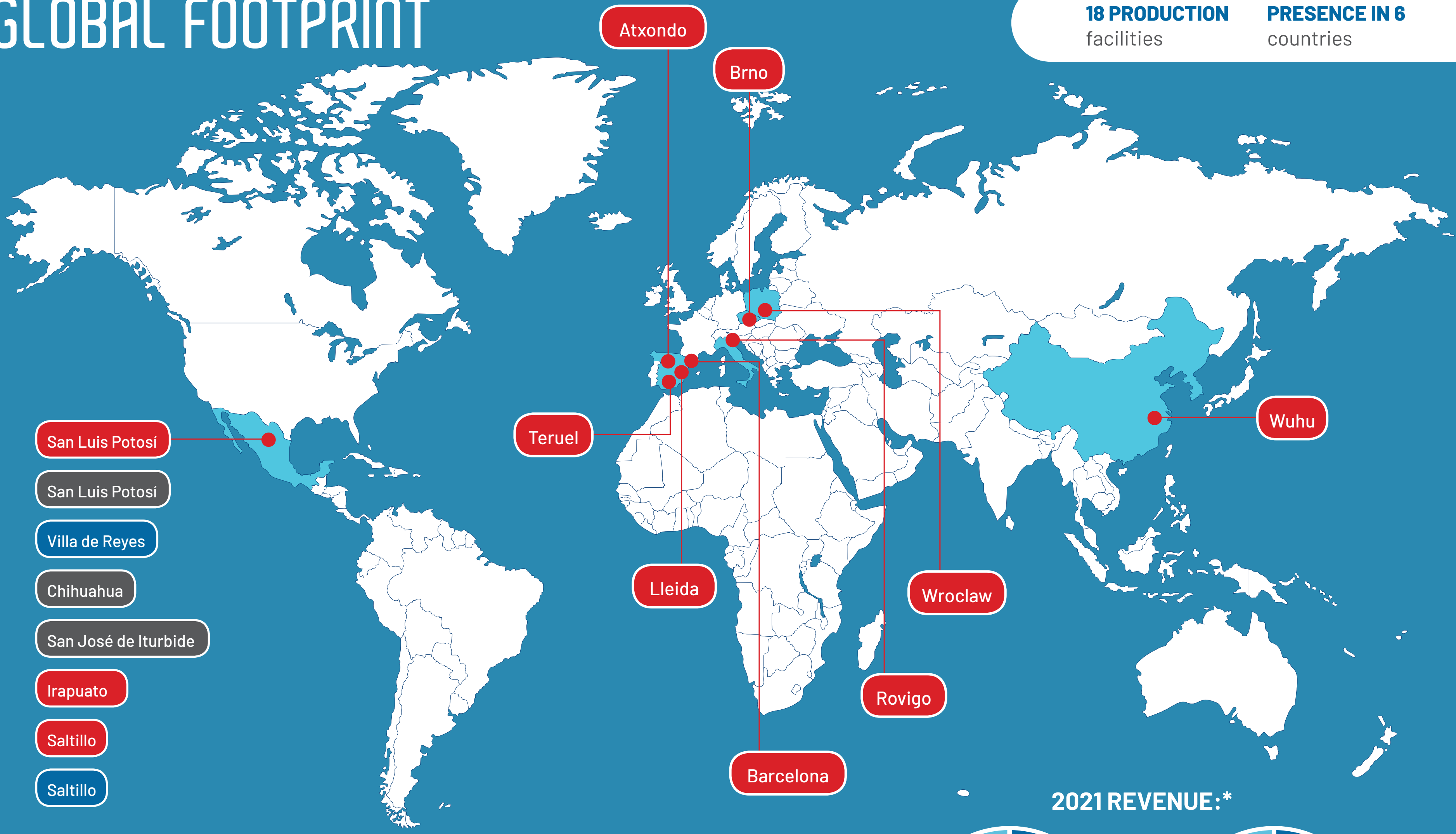
At Cinsa, we manufacture and sell kitchenware and tableware items made of enamel-on-steel, aluminum, and ceramic.

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 innovation and globalization.

GIS GLOBAL FOOTPRINT

18 PRODUCTION facilities

PRESENCE IN 6 countries

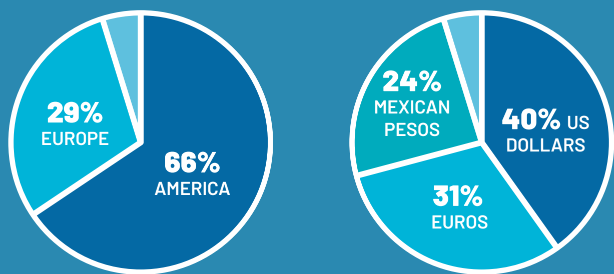


DRAXTON

VITROMEX

CINSA

2021 REVENUE:*



BY REGION

BY CURRENCY:

*5% ASIA - RENMINBI

LETTER TO OUR SHAREHOLDERS

MANUEL RIVERA GARZA
Chief Executive Officer of GIS

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

DEAR SHAREHOLDERS:

In 2021, GIS relied on the talent of its employees, its competitive position, and productive capabilities to tackle a challenging year, marked by volatility across most industries worldwide. We adhered to strict protocols to safeguard the health and well-being of our employees, ensuring business continuity in the face of the COVID-19 pandemic.

In response to external and transitory shocks, we acted with an approach to improvement, promoting our operational flexibility and productivity. In addition, throughout the year we worked extensively to capitalize on growth opportunities for our business units.

Despite the market backdrop, GIS achieved a positive result for the year, with sales of US$997 million and an EBITDA of US$120 million, up 34% and 23%, respectively, compared to 2020. More than 70% of sales were in hard currencies.

On top of this double-digit growth, we invested in technological upgrades, process efficiency and capacity expansion. During 2021 and by 2022, GIS will have invested US$140 million to increase capacity at Vitromex and Draxton, where we are also reinforcing our value-added processes such as machining and plating.

SALES
US $997 M.
EBITDA US $120 M,
34% and 23%
growths vs 2020.
We strengthened the positioning of our Businesses.

In 2021, the global automotive industry faced semiconductor shortages, significant increases in raw material costs and, particularly in Europe, an unprecedented five-fold hike in electricity costs. Against this landscape, Draxton carried out commercial and efficiency initiatives which allowed it to partially offset these negative trends, as well as to achieve stronger sales and EBITDA performances than in the previous year.

Draxton closed the year with a record of contracts won, totaling 124 thousand annual tons of castings, close to 20% of its global installed capacity, reaffirming the solid fundamentals of the industry and Draxton's strong positioning. As a result, we announced a US$30 million investment to increase capacity at our plant in San Luis Potosí, which will start operations by the end of 2022. With the new secured projects and potential ones in hand, we are evaluating the feasibility of additional investments in Mexico. In China, we completed the set-up of a facility for machining differential gearboxes for a European car manufacturer.

Record of contracts won at Draxton, totaling 124 thousand annual tons of castings, 20% of its global installed capacity.

More than

70%

of Draxton's new projects are for components compatible with hybrid and electric vehicles.

It is important to highlight that more than 70% of new contracts awarded are for components compatible with hybrid and electric vehicles.

In line with our growth strategy focused on value-added processes, we announced an investment of US$65 million to expand our machining capacity and develop a new plating process for cast and machined products.

Going forward, experts expect a gradual normalization of semiconductor supply and thus a surge to vehicle production. In addition to working closely with our customers in the development of their products, we are incorporating electricity price indexation formulas in our contracts to compensate for cost increases and provide certainty and stability to our operations.

For Vitromex, our floor and ceramic tiles business, 2021 was a year of relevant advances in its Profitability Recovery Program, posting over 200% growth in EBITDA compared to the previous year, totaling $522 million pesos.

Considering our operational strength, the dynamism of the domestic market and a faster pace of exports to the U.S. market, Vitromex will invest more than $35 million dollars to increase its installed capacity of our plants in the state of Guanajuato, which are expected to be operational by the end of 2022 and 2023. These investments and the debottlenecking measures taken in the second quarter of 2021 will bring us to gradually increase our capacity by more than 20%.

For Draxton North America, we announced an investment of US$65 million.

At Cinsa, our kitchenware and tableware business, we improved operating efficiency to deliver double-digit growth in 2021 sales and EBITDA. During the year, we successfully launched new product lines, strengthened e-commerce sales, and consolidated the Graniteware brand in the United States. All of this allowed us to grow more to than double the EBITDA to $175 million pesos.

Following the performance and growth prospects of our businesses, we implemented a financial strategy aimed at reducing the rate and improving the maturity profile. We closed the year with a net-debt-to-EBITDA ratio of 1.5 times, a reflection of a sound financial position that will allow us to support our current operations and seize strategic value-creation opportunities.

The vision, dedication and leadership of our Board of Directors have been key to successfully navigate the challenges and changes in the industries we participate. We are grateful for their support in defining our strategy, overseeing our performance and contribution to build our competitive advantage.

To our shareholders, we reaffirm our goal of moving forward with our strategy focused on commercial, operational, and financial excellence. We appreciate their trust and reiterate our commitment to maximize long-term value creation.

We thank our suppliers and customers for their loyalty and understanding that our relationship is a long-term one. Their strategic support is key to reach markets in a timely and efficient manner.

To our employees, our most sincere recognition for their responsibility, commitment, determination and discipline, values that have allowed us to adapt and change in order to overcome the challenges posed by the current environment.

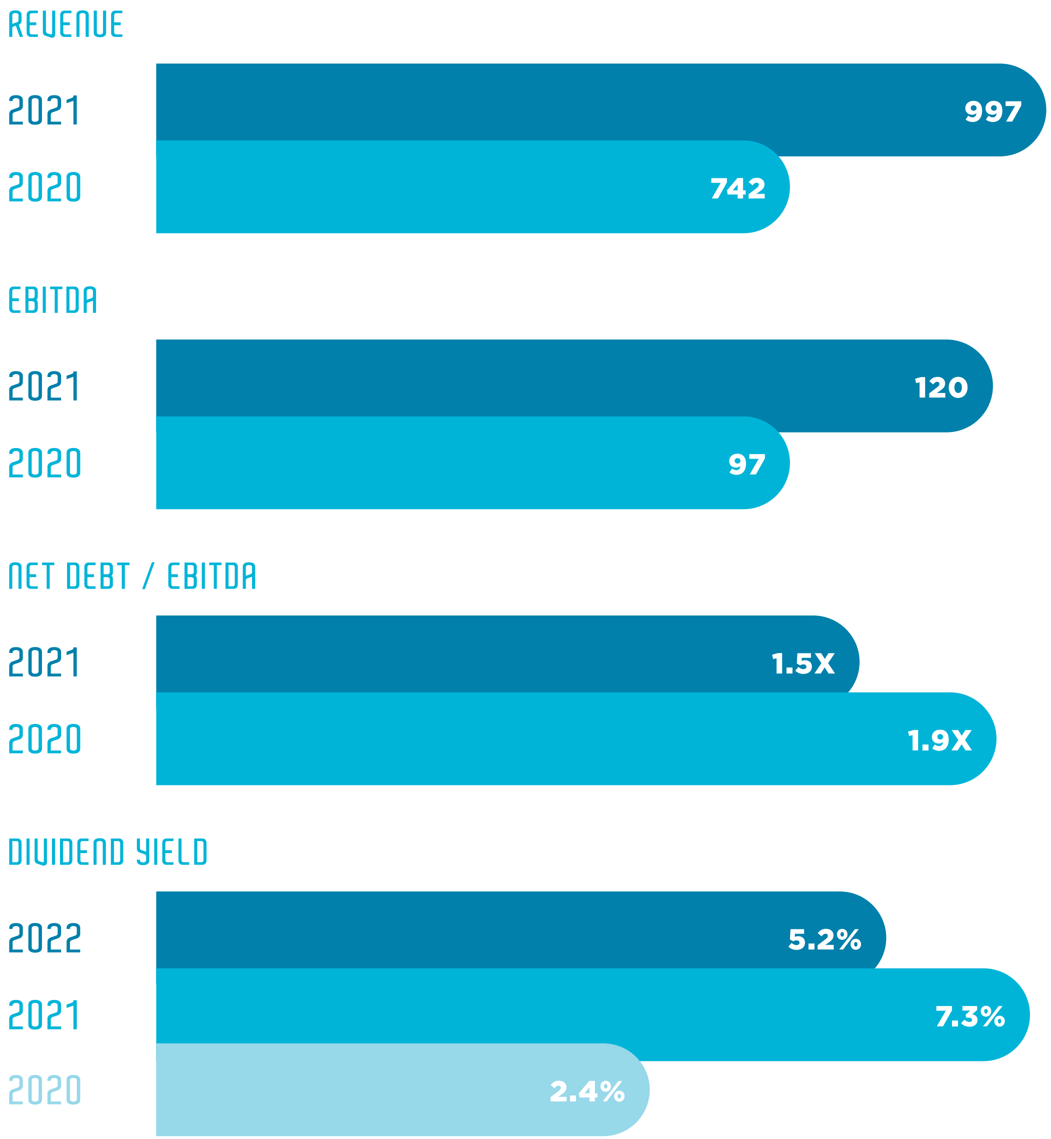
Sincerely,

For Cinsa, the kitchenware and tableware business, we improved operating efficiency.

MANUEL RIVERA GARZA
Chief Executive Officer of GIS

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

KEY FIGURES:



Stated in millions of USD
Dividend Yield calculated using a price of $27 Mexican pesos per share.
2021 Dividend Yield was 7.3%, comprised by an ordinary payment of 4.9% and an extraordinary one of 2.4%.

ECONOMIC PERFORMANCE

DRAXTON

Global provider of components designed for electric vehicles.

DRAXTON
Mobility inspired

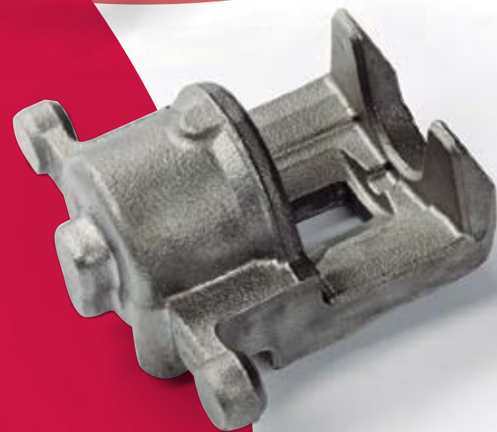
MEXICO EUROPE AND ASIA

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

12 PRODUCTION FACILITIES

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

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



SYSTEMS

• Brakes • Chassis • Powertrain •

DRAXTON

During 2021, Draxton maintained a focus on continuous improvement, execution of initiatives to boost productivity and operational flexibility to adapt to market needs.

The semiconductor shortages posed a significant challenge to the automotive industry, disrupting vehicle manufacturers' operations. It is important to highlight that in the three regions where we operate, North America, Europe and Asia, vehicle sales were limited due to the lack of semiconductors, and that as the supply normalizes, automotive production will pick up to cover the unmet demand. This will benefit automotive suppliers such as Draxton.

Draxton's sales increased 36% and EBITDA reached US$97 million at the end of the year, 4% higher than the previous year, despite the sharp increase in raw material and energy prices in the second half of the year.

36%
increase in sales and EBITDA of
US$97 million

Our commercial and new product development strategy allowed us to secure new businesses for 124 thousand annual tons of auto parts, equivalent to $189 million dollars in sales, a record figure for the business that represents close to 20% of its current installed capacity. These new contracts, which will begin production in 2023, are in line with the portfolio strategic shift towards components for electric vehicles, as more than 70% are for systems compatible with hybrid and electric platforms.

Draxton has worked in recent years to strengthen its global business culture with a focus on customer service and R&D through our D4C (Draxton for Competitiveness) Engineering and Development Centers, highlighting our new Differential Cases Development Center, with which we have achieved a high level of expertise in these strategic components.

In 2022, we are well-prepared to mitigate the impact of rising raw material and energy costs, particularly in Europe, while continuing to strengthen our leadership as a global auto parts supplier, especially in the brakes segment.

124

thousand tons of auto parts, equivalent to

US$189

million in annual sales.

DRAXTON NORTH AMERICA

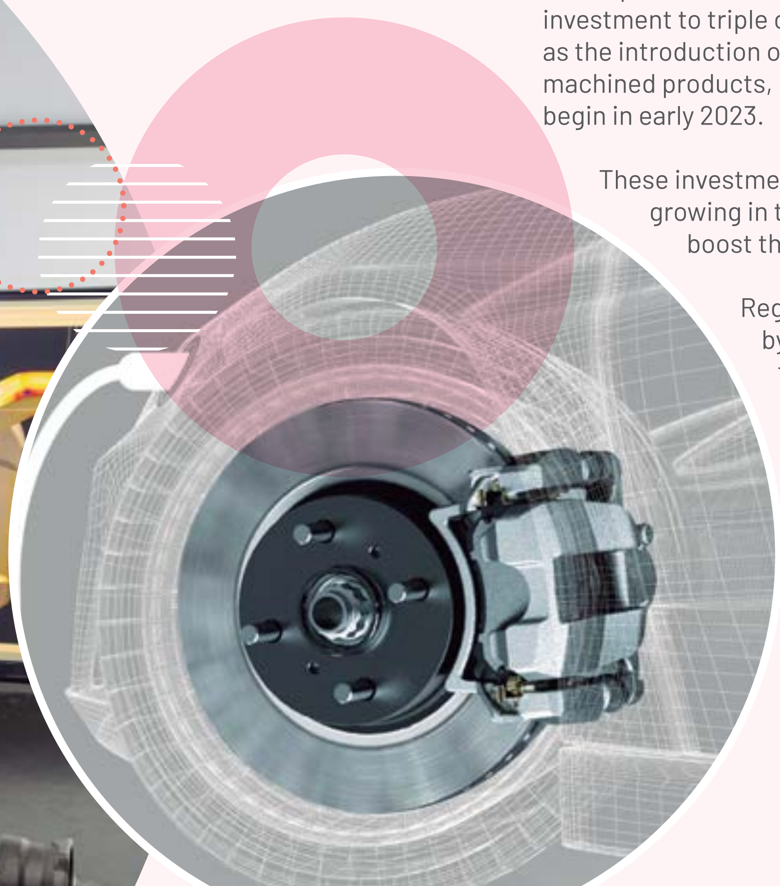
In 2021, the automotive industry's light vehicle sales grew 3.8% over the previous year. However, semiconductor shortages caused adverse conditions in the industry, limiting vehicle production to levels similar to the previous year.

In contrast to the market landscape, Draxton's sales volume increased 26% over the previous year, mainly due to contracts won during 2020. With 140 production programs in development, 50 of which started series production during the year, we more than offset the volume impact caused by the automotive industry's supply chain disruption.

At Draxton, we have bolstered our leadership in safety-critical components for braking systems and machined products, which enabled us to announce important investments during 2021. During the second quarter, we announced a capacity increase of 30 thousand annual tons in casting, on the back of new contracts. To this end, we began the expansion of our plant in San Luis Potosí with a US$30 million investment focused on the casting of critical parts for brake systems, which are 100% compatible with hybrid and electric vehicles. Operations are scheduled to begin by the end of 2022.

In addition, in line with our strategy focused on value-added processes, we announced a US$55 million investment to triple our machining capacity, as well as the introduction of the plating process for cast and machined products, both in Irapuato. Production will begin in early 2023.

These investments will allow us to continue growing in the industry's value chain and boost the profitability of the business.



Regardless of the challenges faced by the industry, particularly due to semiconductor shortages and rising costs of main raw materials, Draxton North America's casting volume climbed 26% and revenues increased 43% during the year, contributing significantly to the 4% growth in Draxton Global's EBITDA vs. 2020.

DRAXTON EUROPE AND ASIA

Our operations in Europe and Asia were also affected by the semiconductor shortage, as well as by rising raw materials and electricity costs. In the case of the latter, as of December 2021, prices were nearly five times higher than at the beginning of the year.

In Europe, light vehicle sales remained flat, while production fell 5.4% compared to 2020. In the Chinese market, vehicle sales moved sideways compared to 2020, but production increased 4.0%.

To address these challenges, we continued striving to achieve benchmark levels in operating indicators and making investments to improve our energy efficiency. In addition, we made progress in negotiations with our customers to index energy costs to our products' prices.

During 2021, we obtained 312 new contracts, more than 70% of which are compatible with hybrid or electric vehicles.

Along with the growth trend seen in the production of commercial vehicles in Europe, which in 2021 was 15%, we increased our share in this type of vehicles by securing more contracts and gaining new customers, among them a major manufacturer of braking systems for commercial vehicles.

Additionally, we have advanced in our strategy to increase our market share in higher value-added processes through investments in machining of auto parts, including stator machining lines, commercial vehicle frames, and other applications for light electric vehicles.

Supported by our Global Engineering Model, in 2021 we launched the Differential Cases Development Center, a key product in the powertrain of electric vehicles, which allowed us to secure new contracts for this product family at our Atxondo, Barcelona and Lleida plants.

In China, in 2021, we completed the set-up of facilities to machine differential cases for a European vehicle manufacturer, which will be used in vehicles produced in this country and Germany.

Draxton is poised to capture new opportunities brought about by the economic recovery and the technological transition to electromobility.

Advanced technology in machining stators, frames, differential cases, among other value-added applications

ECONOMIC PERFORMANCE

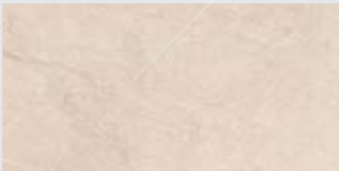
VITROMEX

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

VITROMEX®

WE DESIGN

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



4 PRODUCTION FACILITIES

- Chihuahua
- San Luis Potosi
- San Jose de Iturbide (2)

MARKETS

• Construction • Remodeling

BRANDS

VITROMEX® MI ESPACIO, MI MUNDO

ARKO® INNOVATION DESIGN

At year-end, Vitromex's sales grew 19% and EBITDA tripled

VITROMEX

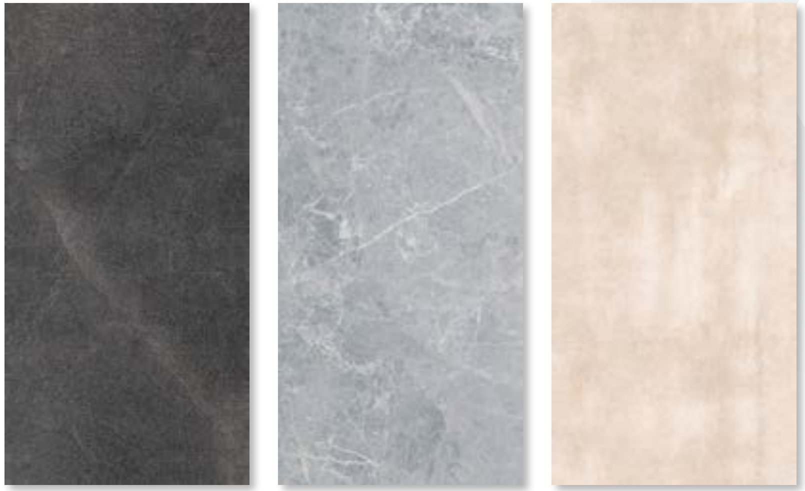
2021 was a year of outstanding progress in the Profitability Recovery Program of our Ceramic Tiles Business, which, coupled with the dynamism of the domestic market and the pace of the commercial strategy towards the United States, allowed Vitromex to achieve strong results.

At the end of the year, Vitromex's sales increased 19% as a result of higher volumes, driven by the extraordinary demand during the COVID-19 pandemic, which supported the dynamism of the remodeling market, as well as an upturn in prices.

To achieve this result, we stayed in close contact with our customers and carried out an extensive program of updating and remodeling points of sale, complemented by the development and launching of new products aligned with the needs of the market by segment, category, and type.

We continue to take decisive steps in our commercial strategy towards the United States, creating opportunities by segment, seeking greater penetration in this market. We also continued to make progress in strengthening our foothold in Central and South America with a view to selectively grow in those markets.

The significant improvements in productivity and efficiency that we achieved in this business allowed us to achieve an EBITDA of $522 million pesos, equivalent to 13% of sales, more than three times higher than in 2020.



Other actions included the debottlenecking of our production lines through efficiencies and minor investments, leading to a 10% increase in installed capacity. Furthermore, in the third quarter of the year we announced an investment to increase the capacity of one of our plants in Guanajuato by two million square meters, which is expected to start operations by the end of 2022.

We successfully debottlenecked our production lines, increasing installed capacity by

10%

At the beginning of this year, in light of the dynamism of the domestic market and our growth in other markets, we decided to invest US$25 million to increase the capacity of one of our Guanajuato plants by an additional three million square meters, starting operations in the second half of 2023.

During 2022, we expect a similar dynamism in the remodeling segment and a reactivation of the institutional market, reason why we will maintain our focus and efforts to meet the needs of both our domestic and overseas customers and will continue to strengthen our operational skills aimed at reducing costs.

ECONOMIC PERFORMANCE
CINSA

Achieving growth through client approach, operational efficiency and dynamism in exports

KITCHENWARE

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

In 2021, Cinsa, our kitchen and tableware business, achieved sales growth of 43% and a 106% increase in EBITDA compared to 2020, mainly driven by the following initiatives:

- Renewal of the product portfolio, focused by segment and channel, which allowed us to grow in Mexico through modern and legacy channels.
- Increased exports to the United States by 48%, as a result of the expansion of our customer base with the Granite Ware brand.
- Price adjustments to match market conditions.
- Successful launch of new products such as the Healthy Living, Perfect Cook and Ecos del Mundo lines.

43%
sales growth and
106%
increase in EBITDA

E-commerce sales growth of 14%.

- The commercial digitalization strategy, which led to a 14% growth in e-commerce sales.
- Partial compensation of the historical increase in the cost of steel sheet and other inputs through rightsizing, improved plant productivity, distribution costs and competitive procurement.

During 2022, we will maintain our growth focus on the U.S. market, as well as on the e-commerce, modern and legacy channels, in addition to the promotion of product innovation and special interest in the gradual recovery of the institutional channel. We will also continue with our operational efficiency and competitive supply programs, for which we are anticipating additional cost reductions.

ECONOMIC PERFORMANCE

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

At GIS, we are governed by our Board of Directors and three committees with strategic, operational and oversight roles to rule the links and relationships between shareholders, board members and the Company's management.

The Planning and Finance, Audit and Corporate Practices Committees are comprised of businessmen who bring their knowledge and experience to define and follow up on the strategy of GIS and its subsidiaries.

These bodies follow the provisions of Articles 24, 25, 28, 41 and 43 of the Mexican Securities Market Law.

BOARD OF DIRECTORS

This governing body defines, among other things, the corporate Strategic Vision, philosophy, and values, in addition to ensuring their implementation and overseeing related party transactions.

The Board promotes internal control schemes through the use of information quality assurance mechanisms, as well as systems for the identification, analysis, management, control, and adequate disclosure of risks.

Every year, the Chief Executive Officer of GIS presents to the Board of Directors the proposed investment budget based on the strategic plan, including acquisitions and improvements to production equipment, giving priority to the quality of life of our employees at work and environmental preservation and care.

The Board promotes internal control schemes through the use of information quality assurance mechanisms

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

During 2021, the Board of Directors of GIS was comprised of 14 directors: five proprietary members, one related and eight independents. The latter are individuals who have been selected for their ability, experience, and professional reputation.

The independent directors must qualify as such under the criteria established by Mexican law and are separate from those who may be nominated by the shareholders. Independent directors and their alternates are nominated and approved by the Shareholders' Meeting, which qualifies the independence of the candidates based on the information provided by the individuals to be appointed or ratified and that appears in the Company's records, in accordance with the provisions of Article 26 of the Mexican Securities Market Law.

The Board of Directors of GIS has a healthy diversity of criteria and points of view as a result of having independent and proprietary directors who are professionals with knowledge and experience relevant to the businesses and markets in which we participate.

The Board of Directors meets at least six times a year and considers the opinions of the corresponding committees to evaluate the financial results and the fulfillment of the Company's strategic, social, and environmental goals, among other activities.

Prior to the meetings, the directors receive the draft minutes of the previous meeting, as well as the information to be discussed during the meeting. In the event that they consider that additional information is required, GIS' senior management may be requested to provide it, and the directors may contact the relevant executives in order to have the items necessary to express their opinion and cast their vote.

There is the option to participate virtually in the Board Meetings through remote communication. This allows the directors to express their points of view and vote; such measures are valid for all legal purposes.

The Board of Directors sets the agenda for the meetings. Board members representing one quarter of the Board of Directors may request the inclusion of items for the meeting, provided that 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 Audit, Corporate Practices and Planning and Finance Committees oversee the compliance with the Corporate Governance practices and policies, as well as those established in the Code of Ethics, based on GIS Integrity Process, which governs the behavior and actions of the Company's employees and stakeholders, including the Board of Directors.

	COMMITTEES	CHARACTER
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
FRANCISCO GARZA EGLOFF	Corporate Practices	Independent
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		CEO
RICARDO E. SALDIVAR ESCAJADILLO[1]	Planning and Finance	Independent

Note: Board of Directors active in 2021
[1] Board Member as of March 2021.

AUDIT COMMITTEE

The Chairman of the Committee is appointed at the General Shareholders' Meeting, two additional independent directors are appointed by the Board of Directors.

Among other activities, the Committee is responsible for evaluating the performance of the external auditors, in addition to describing and assessing their non-audit services. It also evaluates the internal control systems and Internal Audit Management to identify and resolve any significant breaches, as well as to follow up on corrective or preventive measures to be adopted in the event of non-compliance with operating and accounting guidelines and policies.

The Board of Directors reviews and approves the financial statements submitted by the Audit Committee when presented by the Company. It also evaluates the effects resulting from any modification to the accounting policies approved during the fiscal year; it oversees compliance with the resolutions of General Shareholders' Meeting and the Board of Directors, ensuring compliance with the provisions of the Code of Ethics and the Whistleblower System.

The Committee meets at least five times a year and is in continuous communication with the Board of Directors through its meetings.

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

CORPORATE PRACTICES COMMITTEE

In addition to evaluating the performance of the key executive officers, this Committee is responsible for reviewing their compensation, as well as the policies and guidelines for the use or management of the assets owned by the Company and the legal entities it controls through related parties.

It supports the Board of Directors in the preparation of the Annual Report to be submitted at the Shareholders' Meeting and performs the activities established in the Mexican Securities Market Law.

The Committee is comprised of three independent directors. The Shareholders' Meeting appoints the Chairman of this Committee and the other two are appointed annually by the Board of Directors, at the proposal of the Company's Chairman.

The Committee meets at least twice a year and is in continuous communication with the Board of Directors through its meetings.

PLANNING AND FINANCE COMMITTEE

This Committee analyzes the strategic plans of the businesses, investments and proposals for acquisitions and divestments, issuing recommendations to the Board of Directors regarding the projects presented by GIS' senior management.

In 2021, the Planning and Finance Committee was composed by nine directors, who evaluate and express their opinion on the investment instruments and credits proposed to finance the Company's expansions, as well as on investment funds and policies.

EXERCISE OF OWNERSHIP RIGHTS OF INSTITUTIONAL INVESTORS

In accordance with the law and the Company's bylaws, shareholders are entitled to participate in decision-making and to be duly informed when such decisions involve fundamental changes in the Company. Furthermore, they have the opportunity to participate effectively and vote at Shareholders' Meetings. For this purpose, they have the forms, information, and the agenda that the Company makes available to them at least 15 days in advance.

All shares confer their holders' voting rights, without distinction.

Shareholders representing at least 10% of the capital stock may request that a General Meeting be called, as provided in Article 50 of the Mexican Securities Market Law, and the voting results must be disclosed in accordance with the applicable legal provisions. Details of the process are available on the Company's investor relations website, in the Code and Bylaws page, under the Corporate Governance section.

The vast majority of the Company's shares are owned by domestic investors and are held through Mexican brokerage firms. However, in order to facilitate the preparation and voting at Shareholders' Meetings, the Company has made efforts to publish its notices to Meetings well in advance of the minimum required by law.

The agenda of the Meeting specifies the specific proposal regarding the payment of dividends and cancellation of repurchased shares. Likewise, in the event of corporate restructurings, the Company publishes a brochure explaining the necessary information in order to facilitate decision-making and the corresponding vote of shareholders.

MANAGEMENT TEAM

Comprised of the general managers of the businesses and corporate, the Management Team meets once a month with the Chief Executive Officer of GIS, to discuss the monthly and year-to-date results, as well as the strategies and tactics to be followed during the year to achieve the goals committed to with the Board of Directors.

It meets once a year to define the long-term strategic planning and the annual budget based on the metrics to be met, which are authorized 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 approving the policies for the management of the businesses. This approach is used in all GIS businesses with an active CEO and executive teams.

The Audit, Corporate Practices, Planning and Finance Committees, as well as the Management Team, meet several times a year according to an agenda. Their suggestions and recommendations are submitted by the Company's CEO to the Board of Directors, which is the corporate body responsible for approving them.

MANUEL RIVERA GARZA
CEO

JORGE ALBERTO RADA GARZA
COO

ALBERTO HERNANDEZ TELLEZ
CEO - Draxton Europe and Asia

ROBERTO NOGUERA TORRES
COO - Draxton North America

LUIS ARENAS GARZA[1]
Head of Marketing and CFO - Draxton North America

CÉSAR CÁRDENAS RODRÍGUEZ
CEO - Vitromex

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[2]

[1] Also Head of Strategic Planning for Draxton Global
[2] Reports to the Audit Committee

ANNUAL REPORT FROM THE AUDIT COMMITTEE

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

In compliance with the provisions of Articles 42 and 43 of the 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, 2021. In the performance of our work, we have considered the recommendations set forth in the Code Principles and Best Corporate Governance Practices. We met at least quarterly and, based on a work program, we performed the activities described below.

RISK ASSESSMENT

We make sure 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 activities and controls to mitigate them.

INFORMATION TECHNOLOGIES: CYBERSECURITY AND DISASTER RECOVERY PLAN

Considering that, in 2021, cybersecurity risk has increased globally and continues to be a significant risk area for the organization, the Audit Committee devoted special attention to monitoring the progress of the main vulnerabilities identified during the cybersecurity assessments and to reviewing the proper implementation of information security initiatives that ensure the uninterrupted operation of the information processes areas.

In 2021, the Committee requested to the Management more frequent updates on the progress in implementing the necessary strategies and controls to mitigate this risk.

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, through quarterly reports prepared by the respective areas and, as a result, we have expressed our comments and observations, which have been considered for its improvement.

EXTERNAL AUDIT

We recommended to the Board of Directors the hiring of external auditors to review the Company's financial information for the year ended on December 31, 2021. To this end, we verified their independence and that the external auditor complied with the provisions set forth in the Article 20 of the Circular Única and the requirements established by Mexican laws, including the Disposiciones de Carácter General Aplicables a las Entidades y Emisoras por la Comisión Nacional Bancaria y de Valores que Contraten Servicios de Auditoría Externa de Estados Financieros Básicos, which came into effect as of August 1, 2018. With them, we analyzed 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 external auditors.

We reviewed the external audit work program and its coordination with the internal audit area.

We maintained constant and direct communication with them to keep track of the progress of their work, their observations, 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 the observations and recommendations they developed in the course of their work.

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

Considering the Management's views, we initiated the assessment of the external auditors' performance for 2020, which was reported in due course at the Board Meeting held on July 22, 2021.

INTERNAL AUDIT

In order to maintain its independence and objectivity in accordance with the applicable regulations in force, and in agreement with the General Management, we concluded that 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 in the different units of the Group. Consequently, we also approved the annual budget and the organizational structure of the function.

We received periodic reports on the progress of the approved work program, 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 personnel.

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 with the persons responsible for their preparation, the quarterly and annual financial statements of the Company 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 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 fairly reflects the financial position, the operating results, and the cash flows of the Company for the year ended December 31, 2021.

We also reviewed the quarterly reports prepared by the Management 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 an integral process that provides reasonable assurance regarding its content. In conclusion, in each quarter we recommended that the Board approve their publication.

We approved the incorporation into the Company's accounting policies of the new accounting procedures that came into effect in 2021, as a result of the adoption of the International Accounting Standards.

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

- GIS strategy on addressing COVID-19 impacts.
- Assurance of the implementation of the necessary changes for compliance with the law on labor subcontracting.
- Impact on Draxton and Joint Ventures operations due to semiconductor shortages, raw material price increases and rising energy prices in Europe.

COMPLIANCE WITH REGULATIONS, LEGAL ASPECTS AND CONTINGENCIES

We confirmed the existence and reliability of the controls established in the Group to ensure compliance with the different legal provisions to which it is subject, ensuring that they were adequately disclosed in the financial information.

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

CODE OF CONDUCT

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

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

ADMINISTRATIVE ASPECTS

We held regular Committee meetings with the Management 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 development of their work, any limitations they might have faced in performing their work, and we sought to facilitate any private communication that they might wish to have with the Committee.

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

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

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

Sincerely

ING. LUIS ARIZPE JIMENEZ
Chairman of the Audit Committee

February 22, 2022

REPORT FROM THE CORPORATE PRACTICES COMMITTEE

For the year ended December 31, 2021.

February 17, 2022

To the Board of Directors
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 has 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 performance of the key executive officers during 2020 was analyzed, as well as the payment of their fixed and variable compensation. The objectives for 2021 were also approved.
2. The guidelines on increasing salary and wage increases for GIS were 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, including their profiles, as well as development plans were evaluated.
4. Follow-up of the GIS strategy on the issue of labor subcontracting arising from the new outsourcing regulations.
5. Reviewed the transition of the GIS COO.
6. Reported on the results of the formalization of the collective bargaining agreements by plant.
7. The fees paid to Board Members were reviewed.
8. The current status of the Company's sustainability activities was presented.
9. The total redesign of the new COVA LP scheme was approved.
10. The new talent strategy was analyzed, which evolves from a transversal format that is the same in all businesses to a differentiated strategy with emphasis on the complexities of each business.

To date, this Committee has no knowledge that the Board of Directors or any Director, key executive officer, or person with power of command, 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. FRANCISCO GARZA EGLOFF
Chairman of the Corporate Practices Committee

ENVIRONMENTAL PERFORMANCE

ENVIRONMENTAL PERFORMANCE

Seeking to create a competitive advantage in the present and in the future based on three pillars: economic, environmental, and social, we recognize that sustainability is the ability to generate value, transparency, and trust. Therefore, we continue to use the UN Sustainable Development Goals as a foundation to determine the environmental aspects that are relevant to the operation of our businesses.

One of our values is Sustainable Development, for this reason we use clean and efficient technologies to preserve the ecosystem and generate savings by increasing the productivity and efficiency of our operating plants.

Based on the expectations and needs identified in our stakeholders, we have found three common topics for the operation of our businesses: energy consumption (electricity and natural gas), water management and CO2 emissions reduction.

During 2021, our businesses improved their energy indicators as a result of the actions we took to improve efficiency and productivity.

In addition, we made investments focused on improving the environmental performance of the businesses, which are evaluated and reviewed by the Board of Directors every year. These decisions are made based on analysis and assessment performed by business units' leaders.

We use clean and efficient technologies seeking to preserve the ecosystem and generate savings.

In Mexico, our operations have a verified measurement of greenhouse gas emissions in two scopes, guaranteeing the reliability of the information and the validity of the methodology used.

Pursuing the goal of using affordable and clean energy, Draxton operations in Europe used more than 54 million kWh of electricity from 100% renewable sources.

Seeking to build a culture of environmental care, during the year we carried out activities among our employees and their families to promote sustainable development. We held a virtual rally to promote ecological awareness, we donated plants among our staff, and we aided the Conservation of the San Lorenzo Canyon in Saltillo, by supporting the remodeling of the park rangers' house, which will be operational in 2022.

100%

of the energy used at the plant in Atxondo, Spain, was from renewable sources.

According to the evaluation of the Company's Internal Audit Area, during 2021, no critical non-compliance in relation to the applicable environmental legislations was found at Cinsa, Draxton or Vitromex. Also, no records of material spills within our facilities, or reportable according to the criteria established by the authority, were identified.

DRAXTON NORTH AMERICA

Dedicated to the casting and machining of gray and nodular iron auto parts at production plants in Saltillo, San Luis Potosí, and Irapuato, we apply measures to reduce their carbon footprint on three main fronts: efficient use of resources, operational excellence, and use of energy from cleaner sources, taking as a guideline the goal of affordable and clean energy.

One of our main raw materials are metallic inputs, which we obtain from scrap metal for recycling, thus extending the useful life of this material. In addition, through an agreement with another company, we use scrap molding sand for the manufacture of cement. In this way, we contribute to the fulfillment of our production and responsible consumption objectives.

Regarding water, we strive to minimize the extraction of aquifers, thereby reducing the environmental impact at the Saltillo and San Luis Potosí plants by using more treated water for manufacturing processes and irrigation of green areas.

In 2021, we invested approximately US$2 million in actions aimed at reducing our environmental impact. Grid standards were implemented in our plants to improve the quality of electrical energy for the entire distribution network. In Irapuato and Saltillo, we upgraded the dust and fume extraction ducts, and in San Luis Potosí we implemented collector encapsulation systems to eliminate emissions.

We apply measures to reduce our carbon footprint in all plants.

Reflecting Draxton's commitment and environmental management, in 2021 we achieved ISO 14001 certification for the Saltillo plant and recertification for the Irapuato and San Luis Potosí production units.

At our Evercast plant in Irapuato, we completed the construction and start-up of a new production line in 2020, and even with the higher volume during 2021, we were able to maintain and improve our environmental indicators compared to the previous year.

We remain committed to sustainable development through substantial investments and continuous improvement actions in all regions.

DRAXTON NORTH AMERICA*

ENVIRONMENTAL AGENT

ELECTRICTY CONSUMPTION (kWh/ton produced)

2021	1,868
2020	1,981
2019	2,028

NATURAL GAS CONSUMPTION (m^3/ton produced)[1]

2021	6.26
2020	7.26
2019	7.46

LP GAS CONSUMPTION (lts/ton produced)[2]

2021	17.3
2020	17.2
2019	12.9

CO^2 EMISSIONS (tons CO^2/ton produced)

2021	0.92
2020	0.93
2019	0.87

WATER CONSUMPTION (m^3/ton produced)

2021	2.29
2020	2.57
2019	2.54

*Indicators for North America now include Evercast
[1] Consumption at Saltillo and Irapuato plants
[2] Consumption at San Luis Potosí and Evercast plants

Engaged in the machining of iron parts, GISederlan is the result of a 50/50 joint venture between GIS and Fagor Ederlan with a manufacturing plant in San Luis Potosí.

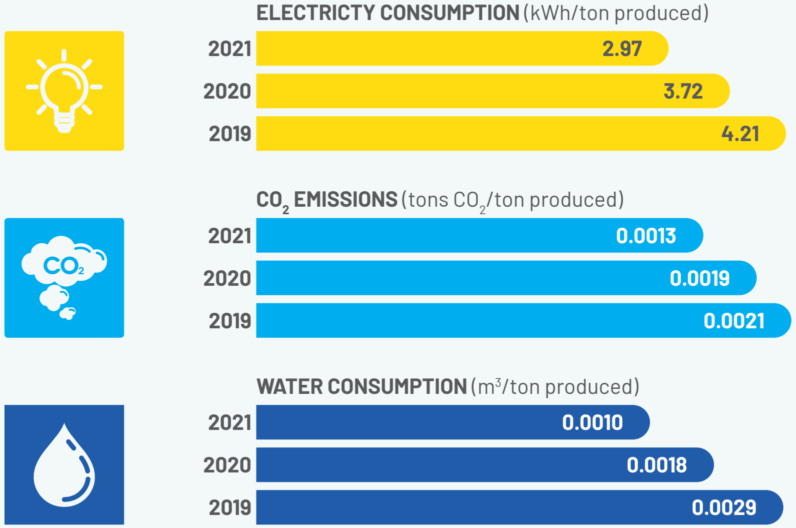
During the year, the indicators of electricity consumption, CO2 emissions and water consumption decreased compared to 2020 as a result of a more efficient use of equipment.

We are working to lower our environmental impact by limiting the generation of hazardous waste and continuing to replace lighting fixtures with LED technology.

In August 2021, we received a follow-up audit for ISO 14001:2015 certification, achieving zero non-compliances.

GISEDERLAN

ENVIRONMENTAL AGENT



We received a follow-up audit for the

ISO 14001:2015

certification, achieving zero non-conformities.

DRAXTON
EUROPE AND ASIA

With operations in Spain, Italy, Czech Republic, Poland, and China, we are a global supplier of auto parts for the manufacture of brake, engine, and chassis systems, with a firm environmental commitment aligned with the regulations and undertakings of the European Green Agreement and the bases of China's five-year plan.

For this reason, during 2021 we conducted an analysis of our operations through a Carbon Footprint study, in addition, in line with decarbonization, this 2021 in Draxton E&A, we carried out the Environmental Product Declaration for certain key products required by some customers.

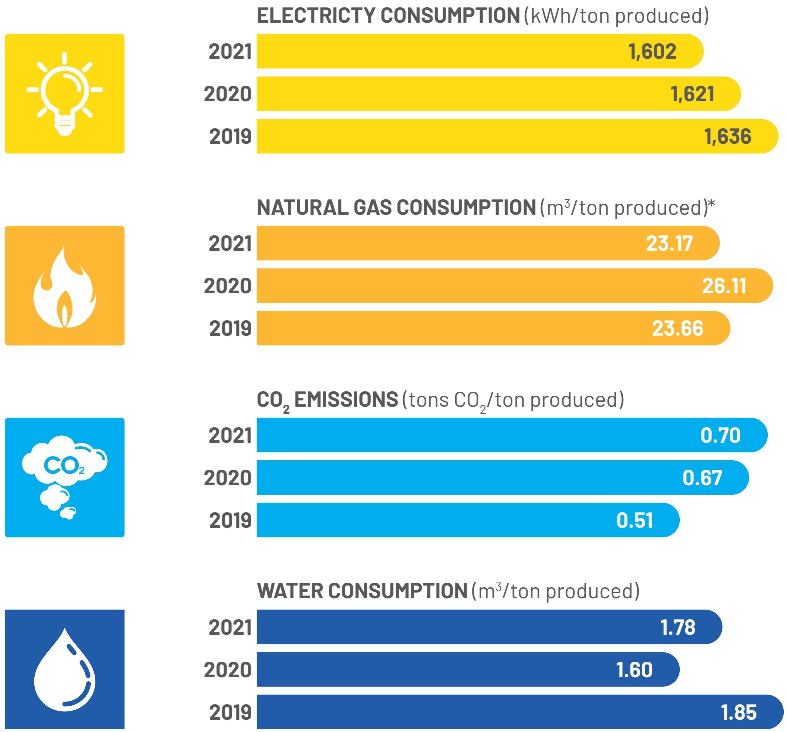
In the year, we invested more than €1 million euros in projects that directly or indirectly have an impact on the environment by improving our energy efficiency, yield, and scrap indicators, thus reducing electricity and natural gas consumption compared to the previous year.

We continued to make progress in the use of electricity from renewable sources in our operations in Europe and Asia, thus reducing the carbon footprint per ton produced. Our Atxondo plant in Spain deserves a special mention, as 100% of the energy used came from clean sources, thus promoting the use of affordable and non-polluting energy sources.

We work on the implementation and continuous improvement of our management systems which allows us to comply with and maintain certifications under ISO-14001:2015 for all our operations, EMAS (Eco-Management and Audit Scheme) at our Atxondo plant in Spain and ISO 50001:2018 (Energy Efficiency) at the production unit in Wroclaw, Poland.

DRAXTON EUROPE & ASIA

ENVIRONMENTAL AGENT



*Includes tons of machining at the Lleida plant.

VITROMEX®

VITROMEX

ENVIRONMENTAL AGENT

ELECTRICTY CONSUMPTION (kWh/ton produced)

2021	3.08
2020	3.25
2019	3.39

NATURAL GAS CONSUMPTION (m^3/ton produced)

2021	2.58
2020	2.69
2019	2.80

CO_2 EMISSIONS (tons CO_2/ton produced)

2021	0.0068
2020	0.0071
2019	0.0072

WATER CONSUMPTION (m^3/ton produced)

2021	0.0129
2020	0.0148
2019	0.0162

VITROMEX

Our floor and ceramic tile business has as one of its materially relevant topics to contribute to the improvement and preservation of biodiversity in the communities where it operates, considering that the main manufacturing input is stone materials, therefore our plants are located in places that are not protected areas and we take measures for the conservation and restoration of banks of materials.

We achieved sustainability recertification of the Green Squared tile production process.

We have a total of four production plants, two located in Guanajuato, one in San Luis Potosí and one in Chihuahua.

In 2021, we improved electricity, natural gas and water consumption indicators compared to the previous year and to the objectives set for the year, as a result of better use of equipment and efforts focused on maintenance, productivity, and efficiency.

We installed a tree nursery at the San Luis Potosí plant to contribute to the care of the ecosystem and the conservation of biodiversity, where different species of trees and plants are produced and used for reforestation in our operations. Furthermore, we rescued native species that were in the material and milling sites, seeking their subsistence and reintegration into the natural environment.

During the year, we achieved the sustainability recertification of the Green Squared tile production process and maintained the Environmental Product and Life Cycle Declaration certification by UL Certified.

We continuously receive audits from our customers who can verify that we comply with applicable environmental regulations through the use of technological control tools.

CINSA

Our kitchen and tableware business has five production units, three of them dedicated to the production of pots, pans and cookware in vitrified steel and aluminum, another one to the manufacture of ceramic tableware, located in Saltillo, Coahuila and one in San Luis Potosí dedicated to the assembly of products for food processing.

During 2021, demand rebounded in the domestic and overseas markets, which led us to expand capacity in the factory floor. Despite this increase in production, our environmental indicators improved compared to the previous year.

CINSA – KITCHENWARE

ENVIRONMENTAL AGENT – (KITCHENWARE PRODUCTION PLANT)

ELECTRICTY CONSUMPTION (kWh/ton produced)

2021	591.7
2020	638.0
2019	753.0

NATURAL GAS CONSUMPTION (m^3/ton produced)

2021	0.59
2020	0.61
2019	0.65

CO_2 EMISSIONS (tons CO_2/ton produced)

2021	1.93
2020	1.95
2019	1.71

WATER CONSUMPTION (m^3/ton produced)

2021	4.03
2020	4.22
2019	5.36

Thanks to the action plans and measures adopted aimed at productivity and efficiency in the business, the plants dedicated to the production of kitchenware registered a reduction in electricity consumption of 7% and 3% in natural gas consumption compared to 2020.

The kitchen and tableware plants optimized their water consumption by 5% and 19%, respectively, compared to the previous year, thanks to their adherence to strategies for controlling the use and recovery of resources and increasing productivity.

Waste generation in the kitchenware plants is an important issue for Cinsa; out of the total waste generated, 100% of the steel scrap is recycled and represents more than 4,100 tons of waste per year. With this process, more than 85% of the waste from our houseware production plants is recycled.

CINSA – TABLEWARE

ENVIRONMENTAL AGENT – (TABLEWARE PRODUCTION PLANT)

ELECTRICTY CONSUMPTION (kWh/ton produced)

2021	0.339
2020	0.358
2019	0.358

NATURAL GAS CONSUMPTION (m^3/ton produced)

2021	0.000318
2020	0.000317
2019	0.000304

CO_2 EMISSIONS (tons CO_2/ton produced)

2021	0.001019
2020	0.00104
2019	0.00081

WATER CONSUMPTION (m^3/ton produced)

2021	0.0031074
2020	0.00386
2019	0.00419

The kitchen and tableware plants optimized their water consumption by 5% and 19%.

SOCIAL PERFORMANCE

SOCIAL PERFORMANCE

Our Social Responsibility model is based on promoting quality of life in the company, upholding, and striving for ethical behavior, as well as caring for the environment, fostering harmonious relations with our community.

This business philosophy has been forged throughout the more than 90 years of history of GIS, as a legacy of the humanitarian vision of our founder Mr. Isidro López Zertuche and that today all our businesses strive and practice. Therefore, following the same corporate values, in 2001, our businesses received the Socially Responsible Company Distinction for the tenth consecutive year.

We prioritize health

The last two years were marked by the conditions brought about by the COVID-19 pandemic worldwide, which represented a major challenge for humanity, in which GIS took a step forward, taking responsibility for the health of its employees, while supporting the community.

In 2021, we continue to prioritize health in the design, development, and execution of our productive, social, and community activities. Respecting, promoting, and enforcing preventive health protocols: use of masks, social distancing, and proper hand washing.

GIS joined the intensive vaccination campaign in Mexico.

With the good news of the development and approval of a vaccine against COVID-19, GIS joined the intensive vaccination campaign in Mexico, proposing Cinsa, a kitchen and tableware business, as a vaccination point in the city of Saltillo, Coahuila.

More than 36,000 workers of every age and from different companies in the Southeast Coahuila Region came to Cinsa to be vaccinated, with the support of more than 65 GIS volunteers who assisted in the coordination and inoculation in 23 vaccination days, for a total of 10,000 volunteer hours in coordination with the federal government.

In addition, we maintained epidemiological analysis activities among our personnel to identify their health condition and comorbidities that could constitute a risk for COVID-19, and we continued with our serological testing strategy to identify positive cases, which we dealt with in a timely manner.

During the year, we continuously updated our protocols for patient care according to the types of COVID-19 strains detected and their clinical behavior. To this end, we acquired equipment and supplies to support and care for our collaborators, who tested positive, in their homes, using a basic list of specific medications according to the severity of their clinical condition.

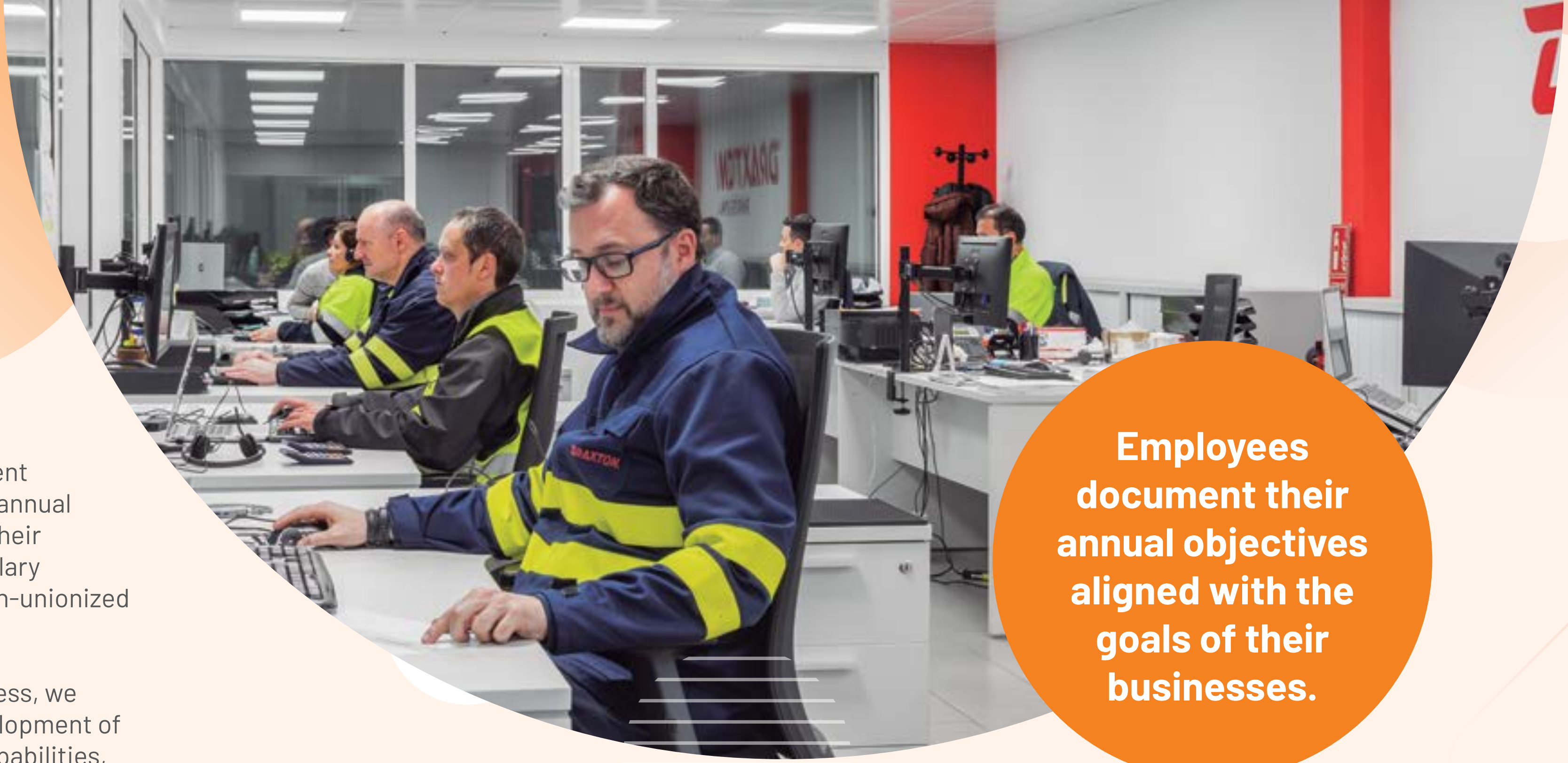
Additionally, during 2021, we maintained the prevention campaigns for the detection of high blood pressure, diabetes mellitus and overweight, benefiting more than 4,000 employees. We applied more than 4,800 vaccinations against seasonal influenza, and carried out more than 3,200 periodic medical exams, including 30 Pap test screenings and 80 mammograms, and provided more than 17,205 medical consultations for respiratory conditions.

OUR EMPLOYEES

By the end of 2021, we had a team of 6,696 employees worldwide, committed people who put their dedication and hard work into designing, developing, producing, marketing, and distributing products of the highest quality, valued, and appreciated by our customers and consumers.

The challenging environment and fair treatment we provide for our talent, in addition to the benefits we offer them such as: life insurance, health insurance, pension fund, savings fund, disability coverage, parental leave, flexible work schedules, special agreements with businesses, among others, allowed us to close the year with a monthly voluntary turnover of 3.3% in Mexico.

We strive to have a trained work team, aligned with the operational and productive requirements of our businesses, for which we invested in training programs that, in 2021, totaled more than 10 million pesos for personnel in Mexico and more than 55 thousand euros for Europe and Asia.



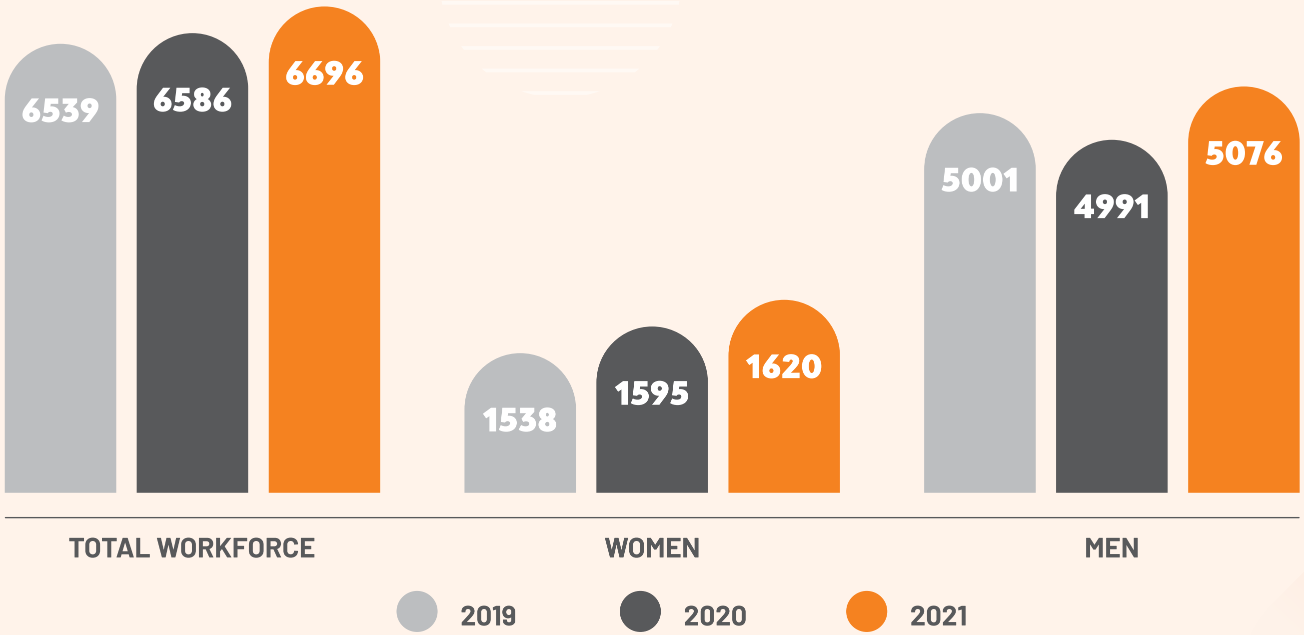
Employees document their annual objectives aligned with the goals of their businesses.

Through the Performance Management Process, employees document their annual objectives aligned with the goals of their businesses, through which annual salary increases are defined for 100% of non-unionized employees.

Through the Talent Succession Process, we recognize the commitment and development of our employees by evaluating their capabilities, skills, and potential in order to establish succession plans aimed at strengthening the Group's long-term sustainability.

With full awareness of human rights, diversity of gender, beliefs, social background, and political affiliation, as well as the inclusion of people with different abilities, we seek an environment of respect for all employees that allows equal opportunities for gender participation within the organization, where 25% of them are women out of 5,220 collaborators in Mexico at the end of 2021.

In Europe and Asia plants, women account for 21.3% of a workforce of 1,476 people. The production unit in Poland stands out, where women represented 36% of employees.



We are committed to caring for the integrity and health of our employees, therefore, in addition to providing everything necessary to care for sick personnel during the pandemic, we carried out actions and efforts focused on prevention. For this end, during the year, we maintained social distancing measures and barriers for common spaces such as locker rooms, dining rooms and meeting rooms, and increased the use of virtual communication tools to avoid personal contact as much as possible.

We have maintained an intensive communication campaign aimed at prevention, care, and assistance to employees affected by COVID-19. However, we are aware that physical health is not everything, therefore through our emotional support program, "Mentoría de Vida", we provided more than 60,000 psychological health sessions and 9,700 interviews with employees and their families during the year.

In 2022, we celebrate 20 years of establishing a firm and open commitment to promote our Code of Ethics.

INTEGRITY PROCESS

We promote ethical behavior in all activities across the organization, from respect for the dignity of the person, equal opportunities and business practices grounded in the laws and trust built by an environment of integrity.

In 2022, we celebrate 20 years of establishing a firm and open commitment to promote our Code of Ethics, which unites and strengthens us as an organization thanks to the professional and independent performance of our Integrity Process.

We seek, oversee, and promote compliance with the Code of Ethics among all our employees, partners, customers, and suppliers, through the GIS Integrity Process, a system developed by a Central Integrity Committee, comprised of the Company's top-level management and each Business Integrity Committees, who handle cases of possible non-compliance with ethics policies and issue recommendations to correct deviations based on criteria to apply sanctions according to the case.

In line with our GIS Values, we are respectful of people's Human Rights. Therefore, our Code of Ethics prohibits child and forced labor, and we also adhere to the Universal Declaration of Human Rights and the Declaration of the International Labor Organization regarding its principles and rights.

Of the total number of complaints received in 2021, 79% were anonymous. Of the 100% of the cases reported, 31% of them resulted in no action, in 35% of the cases a warning was recommended, in 9% of the complaints a suspension or termination of contract was recommended, in 6% a clarification of facts was requested, and 19% of the complaint cases would be closed by 2022.

Faced with the challenges posed by the pandemic, we carried out a reflection exercise based on the requirements and new conditions related to health. Therefore, we made some adjustments to the Code of Ethics to clearly establish non-discrimination based on health conditions.

INTEGRITY PROCESS	2021	2020	2019
Number of Complaints / Total Employees	1.19%	1.32%	2.79%
No action taken	31%	29%	36%
Clarification of Facts	6%	15%	4%
Warning	35%	23%	37%
Contract Suspension or Termination	9%	8%	12%
In Process of Resolution	19%	25%	8%

In 2021, we also received the Kaena Award, granted by the Kaena Association of Saltillo Coahuila for GIS's contribution to good labor practices with a gender perspective in our subsidiaries.

In 2021, we also received the Kaena Award for GIS's contribution to good labor practices with a gender perspective in our subsidiaries.

OUR FAMILIES, COMMUNITIES AND STAKEHOLDERS

Our businesses have been awarded the Socially Responsible Company distinction, which reflects the business philosophy of GIS companies and the relationship they maintain with the communities of which they belong around the world.

To this end, we have a Social Responsibility Committee and representatives in each of our plants in Mexico who, in a planned and coordinated manner, carry out social impact activities and promote a culture of volunteerism among GIS employees.

Despite the social distancing conditions caused by the pandemic, all plants carried out community engagements events such as "Navidad para Todos", "Yo te Abrigo", support for the elderly, among others, benefiting more than 19,000 people in Mexico.

In Saltillo, we continue working on the Draxton District program, through which we strengthen the link with the community near our production plant, carrying out actions such as the rehabilitation of two public schools in preparation for the return to school after the pandemic, in addition to the rehabilitation of the walkway on Blvd. Isidro López Zertuche in coordination with the Municipality of Saltillo and with a temporary support program, with food and cleaning supplies, for low-income elderly people affected by the pandemic, during the second half of 2021.

We continued working on the Draxton District program, through which we strengthen our ties with the community near our production plant.

In Irapuato, Guanajuato, we carried out a blood donation day in Draxton, in addition, with the support of volunteer collaborators we carried out the rehabilitation of the José María Liceaga Kindergarten. In Europe, in Wroclaw, we supported the race for health, and, in China, our team joined efforts to support the fire department in Wuhu with food.

For the second year, we decided to postpone the 45th edition of our GIS San Isidro 15K race, prioritizing the health of our employees and the more than 3,000 runners who participate every year in this traditional sports event in the Southeast Region of Coahuila.

In the different Draxton Europe and Asia plants, events and activities were held to promote environmental care, celebrate special days such as International Women's Day, Christmas, and local festivities. In addition, employees were recognized for their loyalty and seniority within the Company. At the same time, the importance of a healthy diet was promoted, and at the Berno plant, vitamin packs were handed to our employees.

In response to the humanitarian situation happening in Eastern Europe due to the war conflict, Draxton employees in Lleida and Wroclaw are collecting food, medicine, and clothing to support Ukrainian refugees who have had to emigrate from their country, in addition to providing voluntary financial aid from employees in Europe.

Virtual Rally, through which our employees and their families adopted trees in public areas near their homes.

Seeking to eliminate the risks of contagion, in 2021 we carried out non-physical events with the community. However, thanks to the voluntary participation of our employees, we held the "Navidad para todos" event in Mexico, supporting more than 700 children and elderly people from different nursing homes in Saltillo, San Luis Potosí, and Irapuato.

With the aim of promoting the integral development of our employees and their families, during the year we held virtual conferences on health and personal finance topics, among others, as well as a workshop to promote the values of citizenship exclusively for the children of our employees in Mexico.

In addition, we carried out different activities to celebrate Children's, Mother's, and Father's Day, among others. Additionally, we recognized our employees for their commitment to zero absences and perfect attendance, and we also celebrated the seniority of all our employees who had worked with us for 5 to 40 years.

We have maintained the training and development program for individuals and families carried out by the Asociación Nacional Pro Superación Personal A.C. (ANSPAC) for more than 15 years. In 2021, more than 20 female collaborators and wives of our personnel graduated from this program.

We strive to care for and protect the environment by complying with the standards for each business, and we also promote an environmental culture among our employees and their families through a Virtual Rally in which they adopted trees in public areas near their homes.

In Saltillo, employees volunteered as donors to support the San Lorenzo Conservation Association, to preserve the protected natural area that is one of the most important sources of water for the city. We also provided resources for the rehabilitation of the park rangers' house and the installation of restrooms at the entrance to this recreational area, which will be operational in 2022.

During the year we continued to support students from the Intec Don Bosco high school through the Fundación Oportunidades Educativas.

Through the EFIARTES cultural support program, we contributed 1.4 million pesos to carry out the "Pulmones" theater play in 2022, which promotes a culture of environmental care and is the first staging with a neutral carbon footprint, by measuring its environmental impact and performing actions such as the reuse of scenery, costumes, and the commitment to carry out a reforestation of a tree for each ticket sold.

OUR FOCUS: EDUCATION

Education is a key element to foster a more just community that allows for its development and growth, which is why the GIS Foundation's main focus is on this topic.

In 2021, we continued to welcome students who opt to participate in the Mexican Dual Training Model, through which high school students carry out a project within the Company with the support and assistance of internal personnel. GIS has been a spearhead and pioneer in the development and implementation of this model.

After five years, in GIS businesses we have 99 Dual Training students in nine generations. During the year we continued to support students from the Intec Don Bosco high school through the Fundación Oportunidades Educativas. The involvement and leadership of GIS in the community has allowed some of its executives to participate prominently in regional and national chambers and business organizations, where currently two of our relevant executives chair the Dual Training commissions in the Mexican Business Council and Coparmex at the national level.

Thanks to the dynamics of virtual classes, we developed the Executives to Virtual Classrooms program, in which volunteer collaborators participated in classes with students from the Universidad Autónoma de Coahuila to share their experiences and knowledge.

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, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

INDEPENDENT AUDITOR'S REPORT

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

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

(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, 2021 and 2020, 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, 2021 and 2020, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key Audit Matters

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

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

See Notes 10, 11 and 12 to the consolidated financial statements.

The key audit matter	How the key audit matter was addressed in our audit
The property, machinery and equipment and intangible assets with a defined useful life (long-lived assets) for $802,772 which represent 66% of consolidated total assets, include $65,691 corresponding to the subsidiary Manufacturas Vitromex, S.A. de C.V., which constitutes a cash-generating unit (CGU Vitromex). Management carries out the long-lived assets impairment testing when there are triggering events that the carrying amounts of such assets may not be recoverable. In the determination of estimated fair value are used several key assumptions, including estimates of future volume and sales prices, operating costs and discount rate. We have identified the impairment testing of long-lived of defined useful life of the CGU Vitromex as a key audit matter due to the complexity and the required significant judgment for determinate the estimated fair value.	Our audit procedures for this key audit matter included the following, among others: • We involved our specialists to assist us in reviewing the methodology and evaluating the discount rate used and comparing it with available public information of comparable companies. • We evaluated the assumptions applied to key data such as volume and sales prices, operating costs, inflation, and long-term growth rates, which included comparing data with public information of comparable companies, as well as our evaluation based on our knowledge of the customer and the industry. • We performed a sensitivity analysis, which included evaluating the effect of reasonably possible reductions in projected cash flows, to evaluate the impact on the estimated fair value of the CGU.

Impairment testing of goodwill

See Note 12 to the consolidated financial statements.

The key audit matter	How the key audit matter was addressed in our audit
As of December 31, 2021 the Group has recognized goodwill for $199,155. The annual goodwill impairment test is considered as a key audit matter due to the complexity of the calculations and the significant judgments necessary in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the cash-generating units (CGUs) is based on the greater of the value in use or fair value less the costs of sale, derived from the projected discounted cash flow models. These models use several key assumptions, including future volumes and prices sales, operating costs, terminal values growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures for this key audit matter included the following, among others: • We involved our specialists to assist us in reviewing the methodology and evaluating the adequacy of the discount rates used, which included comparing the weighted-average cost of equity to the average of the sectors of the relevant markets wherein the CGUs operate. • We evaluated the assumptions applied to the key data such as volume and sales prices, operating costs, inflation and long-term growth rates, which included comparing that data to external sources as well as our evaluation based on our knowledge of the Group and the industry. • We carried out our own sensitivity analysis, which included assessments of the effects of possible reasonable reductions in growth rates and projected cash flows. • We assessed the adequacy of the disclosures in the financial statements, including key disclosures of significant assumptions and judgments.

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, 2021, 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. Luis Gabriel Ortiz Esqueda
Monterrey, N.L. February 20, 2022.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

	Note		2021	2020
Assets				
Current assets				
Cash and cash equivalents	6	$	73,726	92,530
Trades and other accounts receivable, net	7		137,907	140,906
Recoverable taxes	8		9,798	18,192
Recoverable income tax			4,779	2,171
Related parties	27		7,810	8,857
Inventories, net	9		115,873	77,340
Prepaid expenses			1,699	1,420
Total current assets			**351,592**	**341,416**
Non-current assets				
Long-term spare parts	10	$	17,239	16,731
Property, machinery and equipment, net	10		480,014	484,400
Right-of-use asset, net	11		9,193	12,588
Intangible assets, net	12		296,326	327,446
Other assets			130	136
Related parties	27		6,245	2,500
Investments under equity method	13		7,541	6,146
Deferred taxes	19		39,257	46,575
Total non-current assets			**855,945**	**896,522**
Total assets		$	**1,207,537**	**1,237,938**

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, 2021 AND 2020

(In thousands of dollars)

	Note		2021	2020
Liabilities				
Current liabilities				
Current installments of long-term debt	15	$	-	7,099
Current installments of long-term other liabilities	16		770	1,635
Current installments of lease liabilities	17		2,712	3,622
Tax consolidation liability	19		1,459	2,008
Suppliers and other accounts payable	14		265,998	224,256
Taxes payable and others			4,417	1,588
Deferred income	23		2,361	1,729
Derivative financial instruments	20		1,804	1,046
Related parties	27		371	271
Total current liabilities			**279,892**	**243,254**
Non-current liabilities				
Debt, excluding current installments	15		239,318	247,946
Other long-term liabilities	16		3,182	3,125
Lease liability	17		6,757	8,979
Deferred tax	19		34,235	39,094
Long term liability for tax consolidation	19		3,538	6,746
Employee benefits	18		15,151	17,922
Derivative financial instruments	20		8,117	22,071
Total non-current liabilities			**310,298**	**345,883**
Total liabilities			**590,190**	**589,137**
Stockholder's Equity	21			
Capital stock		$	245,013	249,441
Additional paid-in capital			1,388	6,573
Reserve for repurchase of own shares			39,257	41,188
Reserve for cumulative translation effect			(172,539)	(144,287)
Reserve for valuation effects of financial Instruments			(22,993)	(29,536)
Reserve for actuarial remeasurements of benefits plan			(2,588)	(5,513)
Reserve for fixed assets revaluation surplus			60,294	35,937
Income tax on comprehensive income items			(14,510)	(6,131)
Retained earnings			451,177	467,152
Controlling interest			**584,499**	**614,824**
Non-controlling interest			**32,848**	**33,977**
Total stockholder's equity			**617,347**	**648,801**
Total liabilities and stockholder's equity		$	**1,207,537**	**1,237,938**

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

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

CONSOLIDATED STATEMENTS OF OPERATIONS

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars except profit per share)

	Note		2021	2020
Revenues	23	$	996,659	742,423
Cost of sales	24		840,384	601,722
Gross profit			**156,275**	**140,701**
Administration and selling expenses	24		133,137	131,238
Other income, net	25		(14,833)	(8,290)
Income from operating activities			**37,971**	**17,753**
Financial income	26		(7,224)	(4,375)
Financial costs	26		19,647	19,743
Exchange fluctuation gain, net	26		(2,586)	(1,085)
Financial cost, net			**9,837**	**14,283**
Share of profit in investments measured under the equity method	13		(860)	125
Income before income taxes			**28,994**	**3,345**
Income taxes	19		6,928	7,607
Net consolidated income (loss)			**22,066**	**(4,262)**
Non-controlling interest			3,471	1,404
Net income (loss) from controlling interest		$	**18,595**	**(5,666)**
Earnings per share “EPS”:				
Basic and diluted earnings (loss) per share	22	$	0.06	(0.02)

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

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

	Note		2021	2020
Net income (loss) from controlling interest		$	**18,595**	**(5,666)**
Other comprehensive income items				
Items that can be reclassified to profit or loss				
Cumulative translation effect of foreign operations			(28,252)	27,801
Net changes in fair value of derivative financial instruments			6,543	(26,857)
Income tax on other comprehensive income items			(584)	8,057
			(22,293)	9,001
Items that are not reclassified to profit or loss				
Actuarial gains (losses) from defined benefit plans	18		2,925	(4,850)
Net change in fair value of land and buildings	10		24,357	-
Income tax on other comprehensive income			(7,795)	1,455
			19,487	(3,395)
Other comprehensive income for the year, net of income taxes			**(2,806)**	**5,606**
Total comprehensive income (loss) for the year – controlling interest		$	**15,789**	**(60)**
Non-controlling interest			3,371	1,768
Total comprehensive income for the year		$	**19,160**	**1,708**

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

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

	Note		Capital stock	Additional paid-in capital	Reserve for repurchase of own shares	Reserve for cumulative translation effect
			Attributable to Company Stockholders			
Balance as of January 1, 2020		$	**256,680**	**17,932**	**31,448**	**(172,088)**
Net income			-	-	-	
Translation effect of foreign operations			-	-	-	27,801
Financial instruments			-	-	-	-
Actuarial losses from defined benefit plan			-	-	-	-
Total comprehensive income			-	-	-	**27,801**
Transactions with stockholders recognized directly in stockholders' equity			-	-	-	-
Repurchase and reallocation of shares	21b		-	-	(10,186)	-
Increase in reserve for repurchase of shares	21b		-	-	19,926	-
Extinction and cancellation of treasury shares	21		(7,239)	(11,359)	-	-
Dividends declared to stockholders	21f		-	-	-	-
Total transaction with stockholders of the Company			**(7,239)**	**(11,359)**	**9,740**	-
Balance as of December 31, 2020		$	**249,441**	**6,573**	**41,188**	**(144,287)**

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

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

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

	Note	Capital stock	Additional paid-in capital	Reserve for repurchase of own shares	Reserve for cumulative translation effect
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 losses from defined benefit plan		-	-	-	-
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

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

Reserve for valuation effects of financial instruments	Reserve for actuarial remeasurements of benefits plan	Reserve for fixed assets revaluation surplus	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**

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

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of dollars)

	Note		2021	2020
Cash flows from operating activities:				
Net income		$	18,595	(5,666)
Adjustments for:				
Depreciation and amortization	10, 11,12		81,581	79,275
Share of profit in investments measured under the equity method	13		(860)	125
Non-controlling interest			3,471	1,404
Write off and amortization of debt issuance costs	15		984	1,393
Financial cost, net			12,423	13,956
Loss on sale of property, machinery and equipment	25		323	1,901
Provision of employee statutory profit sharing			3,514	717
Income taxes expense	19		6,928	7,607
Variation in the fair value of financial instruments			(508)	-
Cash flows provided by operating activities before accruals			**126,451**	**100,712**
Change in inventories			(38,533)	19,107
Change in trades and other accounts receivable net, recoverable taxes and income tax recoverable			8,785	(2,806)
Change in prepaid expenses of current assets			(279)	(60)
Change in trades and other accounts payable, taxes payable, deferred income and other liabilities			30,964	4,081
Related parties			1,147	(1,699)
Change in accruals and employee benefits	18		(978)	634
Cash flows provided by operating activities before income taxes			127,557	119,969
Income taxes paid			(11,527)	(21,539)
Net cash flows provided by operating activities			**116,030**	**98,430**
Cash flows from investment activities				
From the sale of property, machinery and equipment			342	1,350
Acquisition of property, machinery and equipment			(49,548)	(31,951)
Acquisition of intangible assets	12		(7,900)	(8,012)
Interest received			3,344	2,380
Related parties			(3,745)	(500)
Net cash flows used in provided by investment activities			**(57,507)**	**(36,733)**
Cash flows from financing activities:				
Loans obtained	15		261	131,190
Repurchase of own shares	21 (b)		(14,711)	(10,186)
Loans paid	15		(14,425)	(159,345)
Other liabilities			(1,143)	(1,170)
Interest paid			(11,533)	(11,052)
Financial instruments			(2,773)	5,760
Leases paid	17		(4,257)	(4,344)
Dividends paid	21 (f)		(31,403)	-
Dividends paid to non-controlling interest	21 (f)		(4,500)	(2,100)
Net cash flows used in financing activities			**(84,484)**	**(51,247)**
Net (decrease) increase of cash and cash equivalents			**(25,961)**	**10,450**
Cash and cash equivalents at the beginning of the year			92,530	88,817
Exchange fluctuation effect on cash and cash equivalents			7,157	(6,737)
Cash and cash equivalents as of December 31	**5**	**$**	**73,726**	**92,530**

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

(In thousands of dollars)

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

1. Reporting entity, acquisitions and other relevant events

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

The consolidated financial statements of the Company as of December 31, 2021 and 2020 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 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.

Additionally, the Company has entered into joint ventures, as of December 31, 2021 and 2020 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) y Gisederlan, S.A. de C.V.

Relevant events

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 income statement of operations within the financial cost.

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.

(In thousands of dollars)

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, with which Draxton San Luis Potosí will increase its installed foundry capacity per year. The start of operations is scheduled for the last quarter of 2022.

2020

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

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

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

The comparative consolidated financial statements and their notes were modified due to the change in the presentation currency applying the methodology established by IAS 21, using closing exchange rates for the consolidated statements of financial position and the exchange rates on the date they were accrued for the consolidated statements of operations, consolidated statements of other comprehensive income and consolidated statements of cash flows. Historical equity transactions were translated at the exchange rates of the transaction date and subsequently maintained at historical value. The exchange rates used in the translation are those described in Note 20.

b) Impacts of COVID-19

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

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

- Operational and financial performance: Since various countries did not allow non-essential businesses to operate, the Company proceeded to suspend production in some units and production lines during the first and second quarters of 2020, causing it to not generate revenues during these periods.

  Towards the end of the year, there was an increase in sales in the construction business, as a result of social distancing, generating a reassignment of the consumer, towards home remodeling, causing an increase in demand for the different products offered in this sector. As a result, consolidated revenues were affected by an estimated decrease of $ 142 million for the year ended December 31, 2020.

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

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

- Liquidity: To confront liquidity risk management and optimize cash flows in the event of any unforeseen events during the pandemic, the Company decided to postpone capital investments outside of those necessary for operational continuity; Additionally, as of December 31, 2020, committed credit lines were available which were settled during the same year. The financial risk management strategies that the Company carries out, including compliance with its obligations and payment commitments, are detailed in Note 15.

- Financial position: The Company made amendments to some of its credit contracts, in order to ensure compliance with the financial covenants stipulated during the period of the pandemic (see Note 15). As of December 31, 2020, the Company was able to return to the levels of financial covenants that were originally contracted, thanks to the improvement in the financial results of the second half of the year, despite the fact that the obligations of said financial covenants continue at the levels of the amendments mentioned here. Additionally, the effects of the pandemic led to a detailed evaluation of triggering events in the businesses, concluding that there is no impact that should be recognized (see Note 12 a).

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

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 20, 2022, Manuel Rivera 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 which is measured at present value and the following major items of consolidated statement of financial position, which were measured at fair value:

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

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

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

The item "Other income, net" in the consolidated statements of operations includes 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 Operations", and the second statement brings forward net income or loss reported in the Consolidated Statement of Operations and includes OCI and equity in the OCI of other entities, which is called "Consolidated Statement of 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. Because some of the Company's subsidiaries have identified the Mexican peso, United States dollar, euro, zloty and renminbi as functional currency, the financial information has been translated in accordance with the guidance in IAS 21 "Effect of Changes in Foreign Exchange Rate" to consolidate the financial statements, considering the methodology described in Note 3 b).

As of December 31, 2021, 2020, the dollar/peso exchange rates were $20.58 and $19.95, respectively. Furthermore, the euro/peso exchange rates were $1.13 and $1.22, respectively; and the exchange rate dollar/Renminbi was $0.15 and $0.15, respectively; and the exchange rate dollar/Zloty was $0.25 and $0.27, respectively. Unless otherwise indicated, all financial information presented in dollars has been rounded to the nearest thousand.

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

(f) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the 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.

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 set out below have been consistently applied in the preparation of the consolidated financial statements 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

Un negocio conjunto es un acuerdo contractual mediante el cual las partes que tienen el control conjunto del acuerdo tienen derecho a los activos netos del negocio conjunto. El control conjunto es el acuerdo contractual para compartir el control en un negocio, el cual existe cuando las decisiones sobre las actividades relevantes requieren la aprobación unánime de las partes que comparten el control. Los resultados y los activos y pasivos de los negocios conjuntos se incorporan a los estados financieros consolidados utilizando el método de participación. Cuando la Compañía lleva a cabo transacciones con su negocio conjunto, la utilidad o pérdida resultante de dichas transacciones se reconoce en los estados financieros consolidados de la Compañía sólo en la medida de la participación en el negocio conjunto que se relacione con 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) that of the date they were accrued for income, costs and expenses, except for those arising from nonmonetary items that are translated at the historical exchange rate of the nonmonetary item. Translation effects are recognized in the income statement of the period.

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

The financial statements of foreign operations are converted to the reporting currency, initially identifying whether the functional currency and the recording currency of the foreign operation are different and, later, the functional currency is converted to the reporting currency, using for this is the historical exchange rate and/or the exchange rate at the end of the year. The functional currency is that in which each consolidated entity has its main generation and distribution of cash. The corresponding translation effect is included under "Other equity reserves" and is presented in the statement of 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, 2021 and 2020, 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 31,2021 and 2020, 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 that requires a more robust and qualitative analysis and the alignment of all hedging relationships with the risk management strategy. The Company contracts and designates its derivative financial instruments as hedges, in accordance with its risks policy.

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

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

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

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

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

Cash 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 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, 2021 and 2020, the embedded derivative has a value of $0.86 million and $2.6 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 operations.

(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.

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.

(ii) 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 31,2021 and 2020, the provision for restoration costs is presented under de heading of sundry creditors of the consolidated statement of financial position and amounts to $118 and $115, respectively.

(iv) Depreciation

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

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

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

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

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

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

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

(f) Intangible assets

(i) Goodwill

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

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

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

(iii) Development costs

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

Development activities involve a plan or design 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.

(In thousands of dollars)

(v) Amortization of intangibles

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

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

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

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

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

(g) Inventories

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

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

(h) Impairment

(i) Financial assets

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

The impairment loss is a weighted estimate of the probability of expected loss. The amount of impairment loss is measured as the present value of any lack of liquidity (the difference between the contractual 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.

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.

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.

As of December 31, 2021and 2020, the Company did not recognize an impairment loss in its financial and non-financial assets.

(i) Employee benefits

(i) Defined benefit plans

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

An economic benefit is available for the Company if it can be realized during the life of the plan, or upon settling the obligations of the plan.

When the plan benefits are improved, the portion of improved benefits related to prior services by the employees is recognized in the 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.

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

(In thousands of dollars)

(ii) Defined contribution benefit plans

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

(iii) Termination benefits

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

(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.

(In thousands of dollars)

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

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

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

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

Country	2021	2020
	%	%
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.

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.

(In thousands of dollars)

(m) Financial income and costs

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

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

Exchange 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.

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.

Cuando los pagos del contrato contienen componentes que no son de rentas (servicios), la Compañía ha elegido, para algunas clases de activo, no When the contract payments contain non-lease components (services), the Company has chosen, for some asset classes, not to separate them and measure all payments as a single lease component; however, for the rest of the asset classes, the Company measures the lease liability only considering the payments of components that are rents, while the services implicit in the payments are recognized directly in results as operating expenses.

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

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

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

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

(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, 2021. The conclusions related to their adoption are described below:

Amendment to IFRS 16, COVID-19 Related rent concessions beyond 30 June 2021

The amendments to IFRS 16 extend for an additional year the amendment issued on May 2020, which introduces a practical expedient that provides lessees the option not to assess whether a rent concession that meets certain conditions is a lease modification. The practical expedient is applicable to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments is substantially equal to, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments due on or before June 30, 2022; (originally due on or before June 30, 2021); and
- There is no substantive change to other terms and conditions of the lease.

Additionally, the amendments include the following changes:

- Lessee applies such amendments for annual periods beginning on April 1, 2021.
- Lessees who applied such amendments do so retrospectively, recognizing the cumulative effect of having applied the amendments initially as as adjustment to the initial balance of retained earnings at the beginning of the annual period in which the lessee applies these amendments.

The Company adopted these amendments to IFRS 16 which had no effect on the consolidated financial statements, because there were no amendments to its lease contracts with third parties arising from the COVID-19 pandemic.

(In thousands of dollars)

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

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

Regarding to the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate at the moment a fallback clause is triggered by the substitution of defined benchmark rate in the contract, without requiring recognition of a modification of measuring of financial.

On the other hand, regarding to hedge accounting, the amendments to IFRS 9 allow that the hedge relationships, which the hedge item is LIBOR rate, not to be broken by the elimination of such benchmark rate; therefore, the Company will manage that when it maintains a hedging derivative financial instrument, the reserve clause of the instrument is activated at a similar moment to the moment in which the clause of the hedged item is activated, for example, a debt with interest at variable rate LIBOR

The Company is in the process of analyzing and no changes in financial instruments related to LIBOR rate have been formalized so there are not quantitative effects to be recognized or disclosed for adopting these amendments.

New 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.

Amendments to IAS 16 - Proceeds before intended use of property, plant and equipment

The amendments do not allow deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of items produced while that asset is being brought to the location and conditions necessary for it to be able to operate in the manner intended by management. Instead, an entity should recognize in the income statement the proceeds from the sale of those 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 does not expect any impact from adopting these amendments, due to it does not have situations in which it generates income from its production and which reduces the cost of its investments in property, plant and equipment.

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

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

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

(In thousands of dollars)

- 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.

- 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.

- Amendments to IAS 37 - Costs of fulfilling an onerous contract (1). These modifications are not considered applicable to the Company because it does not maintain onerous contracts.

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

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

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

4 Determination of fair values

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

- 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.

(In thousands of dollars)

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, 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	(5,691)	993,880
Sales to related parties	$	-	-	-	-	2,779	2,779
Net sales	$	350,171	340,644	204,397	104,359	(2,912)	996,659
Total operating activities income (loss)	$	41,812	3,289	12,696	5,969	(25,795)	37,971
Net financial 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

(In thousands of dollars)

For the year ended December 31, 2020		Auto parts America	Auto parts Europe/Asia	Construction	Home products	Corporate and eliminations (2)	Consolidated
Sales to third parties	$	244,714	264,314	164,644	69,919	(3,222)	740,369
Sales to related parties	$	-	-	-	-	2,054	2,054
Net sales	$	244,714	264,314	164,644	69,919	(1,168)	742,423
Total operating activities income (loss)	$	27,946	13,757	(4,916)	1,607	(20,641)	17,753
Net financial cost	$	1,879	708	2,083	769	8,844	14,283
Income taxes	$	7,348	896	223	(592)	(268)	7,607
Share of profit	$	9	(134)	-	-	-	(125)
Net income (loss) from controlling interest	$	5,677	7,482	(8,317)	(1,009)	(9,499)	(5,666)
Total assets	$	315,453	357,417	206,409	71,559	287,100	1,237,938
Total liabilities	$	97,920	140,793	70,428	27,518	252,478	589,137
Depreciation and amortization	$	23,932	27,120	12,126	2,570	13,527	79,275
EBITDA (1)	$	51,878	40,877	7,210	4,177	(7,114)	97,028

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

		2021	2020
Total operating activities	$	37,971	17,753
Depreciation and amortization		81,581	79,275
EBITDA		119,552	97,028

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

(b) Main clients

In 2021 and 2020, revenue from a customer of the auto parts Segment represented approximately 18% and 14.4%. respectively, of the total revenues of the Company.

6 Cash and cash equivalents

Cash and cash equivalents include the following:

		2021	2020
Bank balance	$	21,051	35,271
Investments at immediate realizable value		52,675	57,259
Total cash and cash equivalents	$	73,726	92,530

(In thousands of dollars)

7 Trades and other accounts receivable, net

Trades and other accounts receivable include the following:

		2021	2020
Trades receivables (include allowances for discounts and rebates by $6,317 and $5,204 in 2020)	$	122,925	134,321
Other non-commercial accounts receivable (1)		16,466	9,368
		139,391	143,689
Less:			
Expected credit loss		(1,484)	(2,783)
Total trades and other accounts receivable	$	137,907	140,906

(1) **Other non-commercial accounts receivable** – As of December 31, 2021 this item includes, mainly, advanced payments of property, machinery and equipment for $5,138, arising investments in process of auto parts business.

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

Note 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:

		2021	2020
Recoverable value added tax	$	5,997	8,175
Advance payments and recoverable withholdings of income tax		3,801	10,017
Total recoverable taxes	$	9,798	18,192

(In thousands of dollars)

9 Inventories

Inventories include the following:

		2021	2020
Raw material and spart parts	$	56,256	30,017
Finished goods		39,232	34,726
Work in process		17,746	11,357
Material in transit		2,639	1,240
Total inventories	$	115,873	77,340

As of December 31, 2021 and 2020, the raw material, supplies and changes in finished goods and work in process recognized as part of cost of sales amounted to $415,087 and $313,058, respectively.

The estimates expenses for obsolescence and slow inventory movements for the years ended December 31, 2021 and 2020 were $(1,303) and $(1,315), 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, 2020	$	318,191	642,150	3,857	3,547	5,531	40,535	1,013,811
Additions		3,282	8,006	434	208	282	23,787	35,999
Transfers		5,021	36,040	41	-	277	(41,379)	-
Disposals		(1,133)	(1,768)	(92)	(350)	(139)	-	(3,482)
Derecognition of assets due to non-use		(127)	(34,300)	-	-	(96)	-	(34,523)
Held for sale		746	-	-	-	-	-	746
Translation effect		(2,877)	16,044	922	22	362	318	14,791
Balance as of December 31, 2020	**$**	**323,103**	**666,172**	**5,162**	**3,427**	**6,217**	**23,261**	**1,027,342**
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
Disposals		2,237	22,282	(84)	572	422	(25,429)	-
Derecognition of assets due to non-use		(46)	(2,588)	(3)	(272)	(60)	-	(2,969)
Held for sale		(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**
Accumulated depreciation								
Balance as of January 1, 2020	$	139,905	356,057	3,016	2,116	3,012	-	504,106
Depreciation of the period		6,996	48,771	449	160	653	-	57,029
Disposals		-	(85)	-	(184)	-	-	(269)
Derecognition of assets due to non-use		(18)	(29,003)	-	-	(78)	-	(29,099)
Translation effect		(1,403)	12,329	(5)	76	178	-	11,175
Balance as of December 31, 2020	**$**	**145,480**	**388,069**	**3,460**	**2,168**	**3,765**	-	**542,942**

(In thousands of dollars)

		Land and buildings	Machinery and equipment	Furniture and equipment	Transportation equipment	Computer equipmen	Investments in process	Total
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	**$**	**185,416**	**412,412**	**4,959**	**2,288**	**6,083**	-	**611,158**
Net carrying amount								
December 31, 2020	**$**	**177,623**	**278,103**	**1,702**	**1,259**	**2,452**	**23,261**	**484,400**
December 31, 2021		**191,057**	**266,155**	**2,512**	**969**	**1,639**	**17,682**	**480,014**

For the year ended December 31, 2021 and 2020, the depreciation in profit or loss represented $58,968 and $57,029 respectively, and mainly, was part of expenses by nature that are reported in note 24.

As of December 31, 2021 and 2020, 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 2020, there was not change in value.

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

(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, 2021 and 2020, the investments in progress represented for $17,682 and $23,261, respectively. As of December 31, 2021, there are projects in the auto parts business (new production line, investment in equipment and technology, and machining project) and in the construction business (oven inspection and installation project).

As of December 31, 2020, there are related mainly to investments in the auto parts business in ACE Group (increase in capacity, automation and adaptations), in Draxton Mexico (security spare parts), in Evercast (expansion project of line 3) and the construction business through Manufacturas Vitromex (increase in capacity, conversions and acquisitions of a new system gas measurement).

(c) Long-term spare parts

As of December 31, 2021 and 2020, long-term spare parts are the following:

		2021	2020
Long-term spare parts [1]	$	17,239	16,731

(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, 2021 and 2020 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, 2020	$	6,616	6,348	5,254	18,218
Additions		1,411	1,758	868	4,037
Disposals		(61)	(672)	(252)	(985)
Translation effect		527	(702)	(168)	(343)
Balance as of December 31, 2020	**$**	**8,493**	**6,732**	**5,702**	**20,927**
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**

(In thousands of dollars)

		Lands and buildings	Machinery and equipment	Transport and computer equipment	Total
Accumulated depreciation					
Balance as of January 1, 2020	$	891	2,013	1,639	4,543
Depreciation expense		877	1,684	1,435	3,996
Translation effect		(27)	(136)	(37)	(200)
Balance as of December 31, 2020	**$**	**1,741**	**3,561**	**3,037**	**8,339**
Balance as of January 1, 2021		1,741	3,561	3,037	8,339
Depreciation expense		877	1,697	1,131	3,705
Disposals		(81)	-	(1,786)	(1,867)
Translation effect		(811)	(1,422)	(1,023)	(3,256)
Balance as of December 31, 2021	**$**	**1,726**	**3,836**	**1,359**	**6,921**
Net carrying amount					
Balance as of December 31, 2020	**$**	6,752	3,171	2,665	12,588
Balance as of December 31, 2021	**$**	5,107	2,104	1,982	9,193

For the years ended December 31, 2021 and 2020, the depreciation expense was $3,705 and $3,996, 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, 2021 and 2020:

		2021	2020
Expense from low-value leases	$	916	2,640
Expense from short-term leases	$	53	316

(In thousands of dollars)

12 Intangible assets

Intangible assets are described below:

		Goodwill	Patents and trademarks	Development costs	Customer relationship	Security deposits and other	Total
Cost							
Balance as January 1, 2020	$	199,027	5,252	24,864	135,722	6,839	371,704
Additions		-	5,548	2,464	-	-	8,012
Disposals		-	-	-	-	(1,392)	(1,392)
Transfers		-	6,813	(6,813)	-	-	-
Translation effect		15,314	(363)	(1,376)	14,376	(218)	27,733
Balance as of December 31, 2020	**$**	**214,341**	**17,250**	**19,139**	**150,098**	**5,229**	**406,057**
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**
Amortization							
Balance as January 1, 2020	$	170	291	10,639	41,032	4,711	56,843
Amortization expense		-	2,232	3,776	12,242	-	18,250
Translation effect		(9)	173	(267)	3,882	(261)	3,518
Balance as of December 31, 2020	**$**	**161**	**2,696**	**14,148**	**57,156**	**4,450**	**78,611**
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	**$**	**156**	**2,701**	**18,635**	**68,525**	**4,326**	**94,343**
Net carrying amount							
December 31, 2020	**$**	214,180	14,554	4,991	92,942	779	327,446
December 31, 2021	**$**	**198,999**	**14,162**	**14,343**	**68,310**	**512**	**296,326**

(a) Customer relationships

- As of December 31, 2020 GISSA had recognized an intangible asset for the customer relationship, from the acquisition of Grupo INFUN, now at the year ended December 31, 2021, and with share restructuring disclosed in note 1 a, Draxton Global, S.L.U., has recognized an intangible amount for the customer relationship that amounts to $101,254 amortizable in 10 years, according to the evaluation of the Purchase Price Allocation, ("PPA"). As of December 31, 2021 and 2020, there is an accumulated depreciation of $50,627 and $43,849, respectively.

- ACE Group has recognized an intangible asset for the customer relationship that amounts to $21,328, amortizable in 10 years, in accordance with the Purchase Price Allocation ("PPA"). As of December 31, 2021 and 2020, there is a cumulative amortization of $12,797 and $10,730, 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, 2021 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, 2021 and 2020, the accumulated amortization of this asset amounts to $3,923 and $2,616, respectively.

(b) Recoverability of development costs

The carrying amount of development costs as of December 31, 2021, before amortization includes $10,444 related to the updating project of the accounting software for the Company. These costs include both, the value of the licenses of $2,607, such as costs of implementing such software of $7,837. The implementation was carried out in different stages from 2014 to 2017. The useful life estimated by the Company for the implementation costs and licenses is 7 years, the amortization for 2021 and 2020 is related to the software in operation.

(c) 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.

(In thousands of dollars)

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	
		2021	2020
INFUN unit	$	-	171,872
ACE unit		-	19,947
Draxton Europe unit		177,041	-
Draxton Asia unit		17	-
Draxton México unit		13,352	13,777
Evercast unit		8,745	8,745
	$	199,155	214,341

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

	Discounting rate	
	2021	2020
INFUN unit	-	9.30%
ACE unit	-	9.30%
Draxton Europe unit	10.11%	-
Draxton Asia unit	9.78%	-
Draxton México unit	10.22%	10.35%
Evercast unit	9.97%	10.59%

- 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 2021 was calculated based on the weighted average cost of capital, which was based on: a) a possible debt leverage range of 24.49% - 43.04% at a market interest rate of 3.37%; b) capital of 56.96% - 75.51% with a market cost between 10.21% - 16.94%, per cash-generating unit. At the end of 2020, the discount rate was calculated based on the weighted average cost of capital, which was based on: a) a possible debt leverage range of 33% at a market interest rate of 3.44%; b) capital of 67% with a market cost between 10.14% - 15.30%, per cash-generating unit.

- The growth rates used in 2021 for Draxton Europe and Asia CGUs and Draxton America were 2.5% 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 (10.22 + 0.5, 10.11 + 0.5 and 9.78 + 0.5) according to the CGU, the value obtained as flow is sufficient to cover even the assets analyzed.

As of December 31, 2021 and 2020, according to our analysis, we have no evidence that indicates the need to recognize impairment of recognized intangible assets.

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 2021 the shareholding of Draxton Global, S.L.U (Industria Automotriz Cifunsa, S. A. de C. V. until year ended 2020, merged on 2021 in Draxton Global, S.L.U) in the Company is 50% and the remaining 50% is held by Fagor Ederlan.

Ineder Projects, S.L. (Ineder) is a company engaged in the processing of iron components for the automotive parts sector. The shareholding in the Company is 50% and the remaining 50% is held by Fagor Ederlan.

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.

(In thousands of dollars)

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

		Gisederlan		Ineder	
		2021	2020	2021	2020
Revenues	$	49,180	26,008	-	2,584
Profit (loss) from continuing operations		4,509	712	(614)	(111)
Comprehensive financing result		717	191	185	285
Net income (loss)		2,608	18	(888)	(268)
Current asset	$	20,648	14,597	-	8,668
Non-current asset		32,443	34,761	-	3,542
Total asset		53,091	49,358	-	12,210
Current liability		20,187	16,739	-	7,130
Non-current liability		13,331	16,039	4,490	9,368
Total liability		33,518	32,778	4,490	16,498
Total stockholder's equity	$	19,573	16,580	(4,490)	(4,288)

As of December 31, 2021 and 2020, the equity investment measured under the equity method is as following:

Equity investments	%		2021	2020
Gisederlan, S.A. de C.V.	50	$	9,787	8,290
Ineder Projects, S.L.	50		(2,246)	(2,144)
Total		$	7,541	6,146

	%		Share of profits	
			2021	2020
Gisederlan, S.A. de C.V.	50	$	1,304	9
Ineder Projects, S.L.	50		(444)	(134)
Total		$	860	(125)

The translation effect recognized in profit and loss in 2021 and 2020 amounted to $535 and $168, respectively.

(In thousands of dollars)

14 Suppliers and other accounts payable

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

		2021	2020
Suppliers	$	200,830	157,064
Provisions [2]		24,339	26,667
Nacional Financiera, SNC		-	3,277
Advance from customers		5,336	6,553
Sundry creditors [1]		35,493	30,695
	$	265,998	224,256

(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, 2021 and 2020:

		Wages and other payments to personnel	Other	Total
Balance as of January 1, 2020	$	12,890	11,508	24,398
Provision created during the year		7,452	83,194	90,646
Provision used during the year		(14,355)	(76,113)	(90,468)
Annual present value effect		-	7	7
Translation effect		2,061	23	2,084
Balance as of December 31, 2020	$	8,048	18,619	26,667
Balance as January 1, 2021	$	8,048	18,619	26,667
Provision created during the year		5,720	48,581	54,301
Provision used during the year		(3,720)	(47,376)	(51,096)
Payments		-	(4,126)	(4,126)
Translation effect		(676)	(731)	(1,407)
Balance as of December 31, 2021	$	9,372	14,967	24,339

(In thousands of dollars)

(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, 2021 and 2020, there is a provision of $14,967 and $18,619, 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.

15 Debt

(a) The activity of the debt as of December 31, 2021 and 2020 is presented below:

		2021	2020
Balance as of January 1	$	255,045	282,920
New short-term debt		-	135,881
Payments of debt		(14,425)	(159,345)
Fair value changes		(508)	-
Reclassifications to other liabilities		(446)	-
Debt issuance costs write-off		1,661	1,412
New debt issuance costs		(131)	(4,691)
Translation effect		(1,878)	(1,132)
Balance as of December 31	$	239,318	255,045

(In thousands of dollars)

(b) Long-term debt

As of December 31, 2021 and 2020, the bank loans are presented below:

Financial Institution	Rate	Currency	Maturity date	Outstanding balance in dollars	Contracting cost (1)	Outstanding balance after contracting cost 2021	Outstanding balance after contracting cost 2020
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	4,029	142,371	154,303
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	602	30,748	32,058
Listed Securities under the ticker symbol GISSA 17 with an outstanding balance of $1,375 million MXN,	Fixed of 9.64% annual	MXP	2027	66,801	602	66,199	68,237
Center for Industrial Technology Development, Public Business Entity with an outstanding balance of €14 thousand euros.	Preferential	EUR	2027	-	-	-	104
Center for Industrial Technology Development, Public Business Entity with an outstanding balance of €280 thousand euros.	Preferential rate	EUR	2026	-	-	-	343
					Grand total	239,318	255,045
					Current installment	-	7,099
					Long-term debt	239,318	247,946

(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) As mentioned in note 1, in June 2021, a refinancing of the Evercast debt contract with Comerica Bank was carried out, which includes a term extension for three years, with which the maturity is now located in December 2026, a deferral of amortizations originally planned in 2021 and 2022 (for $5.4 million and $10.4 million, respectively), interest rate reduction from Libor + 2.50% to Libor + 1.90% and a two-year extension to the revolving line, as of March 2024.

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)

During the year 2020 and in relation to the long-term Syndicated Loan Agreement and the Issuance of Bonds Listed Securities with ticker symbol GISSA 17, both where Grupo Industrial Saltillo, S.A.B. de C.V. is the borrower, amendments were carried out in which certain new levels of leverage were determined ranging from 3.5x to 5.5x in 2020, from 5.75x to 3.25x at the end of 2021 and 3.00 from 2022, which at the end of the year have been met.

As of December 31, 2021 and 2020, the Company and its subsidiaries have complied with the covenants to do and not to do, and financial obligations (if any), established in the different debt contracts mentioned above.

The long-term Syndicated Loan 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 $4,029 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 $602 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 $66,801 of which $602 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:

2023	$	24,080
2024		61,133
2025		75,406
2026		12,499
2027 and thereafter		66,200
Total	$	239,318

The Company and its subsidiaries have lines of credits for the issue of letters of credit for up to a total of $128.5 million, of which $38.5 million may also be used for short-term loans. As of December 31, 2021 and 2020, the drawn balance amounts to $11.2 and $5.1 million, respectively, used in letters of credit.

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

During 2020, to face liquidity risk and optimize cash flows in the face of any unforeseen event during the pandemic, the Company had several committed credit lines, which were settled as of December 31, 2020. 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, 2021 and 2020, the other long-term liabilities include the following:

					Outstanding balance after contracting cost	
Financial institution	**Rate**	**Maturity date**	**Outstanding balance**	**Contracting cost**	**2021**	**2020**
Center for Industrial Technology Development with an outstanding balance of €36 thousand	Preferential rate / Not interest	2027	41	9	32	367
Ministry of Industry, Tourism and Commerce with an outstanding balance of €259 thousand	Preferential rate / Not interest	2024	293	6	287	411
Society for the Promotion and Industrial Reconversion with an outstanding balance of €105 thousand	Preferential rate / Not interest	2022	119	-	119	128
Center for Industrial Technology Development with an outstanding balance of €1.4 million	Preferential rate / Not interest	2032	1,601	75	1,526	2,415
Center for Industrial Technology Development with an outstanding balance of €355 thousand	Preferential rate / Not interest	2029	402	50	352	351
Center for Industrial Technology Development with an outstanding balance of €245 thousand	Preferential rate / Not interest	2026	277	30	247	-
Center for Industrial Technology Development with an outstanding balance of €284	Preferential rate / Not interest	2025	321	25	296	427
Other liabilities (1)					1,093	661
Total					**3,952**	**4,760**
Current portion					770	1,635
Non-current portion					3,182	3,125
					3,952	**4,760**

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

(In thousands of dollars)

From the outstanding balance of the financings granted to Fuchosa, S.L.U. by the Center for Industrial Technology Development for €36 thousand, or the equivalent in dollars of $41 thousand is subtracted $9 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 €259 thousand or the equivalent in dollars of $293 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 Society for the Promotion and Industrial Reconversion for €105 thousand or the equivalent in dollars of $119 thousand.

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 €1.4 million, or the equivalent in dollars of $1.6 million is subtracted $75 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 €355 thousand, or the equivalent in dollars of $402 thousand is subtracted $50 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 €245 thousand, or the equivalent in dollars of $277 thousand is subtracted $30 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 €284 thousand, or the equivalent in dollars of $321 thousand is subtracted $25 thousand for adjustments to the aforementioned loans according to their own characteristics.

The maturities of long-term creditors are listed below:

2022	$	1,781
2023		666
2024		266
2025		181
2026 and thereafter		288
Total	$	3,182

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.

(In thousands of dollars)

17 Lease liability

The balance of lease liability as of December 31, 2021 and 2020, is detailed below:

		2021	2020
Current portion:			
In dollars	$	719	1,132
In Mexican pesos		931	1,031
In euros		785	1,191
Other currencies		277	268
Current lease liability	$	2,712	3,622
Non-current portion			
In dollars	$	332	986
In Mexican pesos		1,179	1,665
In euros		1,241	1,677
Other currencies		4,005	4,651
Non - current lease liability	$	6,757	8,979

As of December 31, 2021 and 2020, according to the opening balance, the changes in the lease liability from financing activities in accordance with the cash flow are integrated as follows:

		2021	2020
Opening balance	$	12,601	13,814
Additions/new contracts		3,109	4,229
Write-offs		(1,654)	(831)
Interest expense of lease liabilities		440	512
Lease payments		(4,128)	(4,690)
Translation effect		(899)	(433)
Final balance	$	9,469	12,601

(In thousands of dollars)

The total minimum future payments of leases that include non-accrued interest as of December 31, 2021 and 2020, are analyzed as follows:

		2021	2020
- Less than 1 year	$	2,925	3,964
- More than 1 year and less than 5 years		3,625	5,037
- More than 5 years		8,466	9,685
Total	$	15,016	18,686

18 Employee benefits

(a) Defined benefit plans

		2021	2020
Present value of defined benefit obligations without funding	$	15,151	17,922
Present value of defined benefit obligations with funding		6,352	6,382
Total present value of defined benefit obligations		21,503	24,304
Plan assets at fair value		(6,352)	(6,382)
Net projected liabilities in the consolidated statement of financial position	$	15,151	17,922

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

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

During the period there were no amendments, curtailments and settlements in the plans of benefits granted to employees.

(i) Composition of plan assets

		2021	2020
Equity securities	$	4	4
Stock investment companies		1,152	1,161
Public debt securities		4,063	4,108
Private debt securities		1,133	1,109
	$	6,352	6,382

(In thousands of dollars)

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

		2021	2020
Defined benefit obligations as of January 1	$	24,304	20,976
Benefits paid by the plan		(1,099)	(2,047)
Labor cost of current service and financial cost		2,278	2,311
Actuarial remeasurements recognized in the comprehensive income account		(3,108)	4,046
Transfer of personnel effect		(39)	-
Translation effect		(833)	(982)
Defined benefit obligations as of December 31	$	21,503	24,304

(iii) Change in the present value of plan assets

		2021	2020
Fair value of plan assets as of January 1	$	6,382	8,538
Benefits paid by the plan		(816)	(1,352)
Contributions made during the year		817	-
Expected return on plan assets		419	536
Actuarial remeasurements recognized in the comprehensive income account		(184)	(804)
Transfer of personnel transfer effect		(60)	-
Translation effect		(206)	(536)
Fair value of plan assets as of December 31	$	6,352	6,382

(iv) Cost recognized in profit or loss

		2021	2020
Current service cost	$	737	1,059
Interest on obligation		1,541	1,252
Expected return on plan assets		(419)	(536)
	$	1,859	1,775

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

		2021	2020
Cost of sales	$	737	1,062
Financial cost		1,122	713
	$	1,859	1,775

(In thousands of dollars)

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

		2021	2020
Accumulated amount as of January 1	$	(5,513)	(663)
Recognized during the year		2,925	(4,850)
Accumulated amount as of December 31	$	(2,588)	(5,513)

(vi) *Actuarial assumptions*

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

	2021	2020
Discount rate as of December 31	8.00%	6.25%
Expected rate of return on plan assets	8.00%	6.25%
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:

	2021	2020
Longevity upon retirement of current pensioners:		
Men	21.88	21.88
Women	24.43	24.43
Longevity upon retirement of current members whose age is:		
Men	24.28	24.28
Women	26.23	26.23

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

(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%)	$	19,738	23,548
Future compensation increase (change of 1%)		23,157	19,974

(In thousands of dollars)

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, 2021 and 2020 was approximately $325 and $285, 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, 2021 there is an income tax payable of $1,459 in the short and $3,538 in long term, as well as of December 31, 2020 there is $2,008 and $6,746 as short-term payable, respectively.

In accordance to the law in force in Mexico as of December 31, 2013, the Company during 2021 and 2020 paid $1,989 and $9,132 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.

The tax expense for the years ended December 31, 2021 and 2020 includes the following:

		2021	2020
Current income tax	$	11,015	9,420
Deferred income tax		(4,482)	(2,000)
Recognition of income tax for leaving the consolidation regime		395	340
Others		-	(153)
Total income taxes	$	6,928	7,607

(In thousands of dollars)

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:

		2021	2020
(Loss) income from continuing operations	$	22,067	(4,262)
Income tax expense		6,928	7,607
Income before taxes	$	28,995	3,345
"Expected" expense	$	8,699	1,004
Increase (decrease) of:			
Effect of inflation, net		(4,452)	(1,299)
Long-term liability inflation adjustment due to tax consolidation		395	347
Current-year tax loss and property, machinery and equipment for which no deferred tax asset is recognized		-	4,465
Recognizing of deferred tax asset for tax losses and property, machinery and equipment.		(10,189)	-
Share in permanent investments		(258)	38
Effect from the difference in foreign jurisdiction rates		519	(1,624)
Non-deductible items		2,131	1,927
Reversal of deferred disposal of Calentadores shares		6,217	-
Currency translation		3,982	3,149
Other, net		(115)	(400)
Income tax expense	$	6,928	7,607

(a) **Deferred tax assets and liabilities recognized**

The deferred tax assets and liabilities are integrated as following:

		2021	2020
Deferred tax assets:			
Other assets	$	-	6,333
Provisions and employee benefits		22,849	33,801
Tax losses		17,772	11,612
Total deferred tax assets	$	40,621	51,746

(In thousands of dollars)

		2021	2020
Deferred tax liabilities:			
Property, machinery and equipment	$	(10,574)	(11,489)
Intangible assets		(25,025)	(32,776)
Total deferred tax liabilities	$	(35,599)	(44,265)
Deferred asset, net	$	5,022	7,481
Of which:			
Net position of deferred tax asset of Mexican entities	$	32,438	43,871
Net position of deferred tax liabilities of foreign entities		(27,416)	(36,390)
Net position of deferred tax asset	$	5,022	7,481

As of December 31,2021 and 2020, the balances of deferred tax assets and liabilities in the statement of financial position are as follows:

		2021			2020		
		Asset	Liability	Net	Asset	Liability	Net
Mexican entities	$	36,807	(4,369)	32,438	45,578	(10,296)	35,282
Foreign entities		2,450	(29,866)	(27,416)	997	(28,798)	(27,801)
	$	39,257	(34,235)	5,022	46,575	39,094	7,481

(In thousands of dollars)

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

		January 1, 2021	Recognized in income	Other comprehensive income	Translation effect	December 31, 2021
Property, machinery and equipment	$	(11,489)	4,869	(7,169)	3,215	(10,574)
Intangible assets		(32,776)	7,136	-	614	(25,026)
Other assets		6,333	(5,780)	(583)	30	-
Provisions and employee benefits		33,801	(8,526)	(874)	(1,550)	22,851
Tax losses		11,612	6,783	-	(624)	17,771
Deferred assets, net	$	7,481	4,482	(8,626)	1,685	5,022

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

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

As of December 31, 2021 and 2020, the Company has not recognized deferred tax assets of approximately $10,473 and $21,253, respectively, 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 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 $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.

(In thousands of dollars)

As of December 31, 2021, the tax losses carryforward 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, 2021
2013	2023	$	7,347
2014	2024		17,701
2015	2025		8,661
2016	2026		6,696
2017	2027		17,220
2018	2028		19,587
2019	2029		13,548
2020	2030		2,953
2021	2031		1,251
		$	94,964

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

		2021	2020
Deferred liability for consolidation purposes	$	8,754	17,923
Liability inflation adjustment for consolidation purposes		395	347
Payments of deferred liability, tax regime for group companies		(2,035)	(2,598)
Payments of deferred liability for tax consolidation		(1,989)	(9,132)
Deferred tax, optional regime for group companies		(128)	2,214
Total		4,997	8,754
Short-term liability due to tax consolidation		(1,459)	(2,008)
Deferred liability for consolidation purposes	$	3,538	6,746

(In thousands of dollars)

20Financial 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, 2021 and 2020, 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.

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

Investments

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

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

		Carrying amount	
		2021	**2020**
Cash and cash equivalents	$	21,051	35,271
Investments held to maturity		52,675	57,259
Trades		122,925	134,321
	$	197,063	226,851

(In thousands of dollars)

Then, the maximum credit risk exposure for trade receivables as of December 31, 2021 and 2020 by geographical region is shown below, excluding discounts and rebates of $6,317 and $5,204, respectively.:

		Carrying amount	
		2021	2020
Domestic	$	58,834	59,445
United State of America		22,276	20,541
Other Latin American countries		2,542	1,438
Euro Zone countries		16,473	32,200
Other countries		29,117	25,901
	$	129,242	139,525

The maximum credit risk exposure for trades receivable as of December 31, 2021 and 2020 by type of client is shown below, excluding discounts and rebates of $6,317 and $5,204, respectively:

		2021	2020
Wholesale costumers	$	105,446	128,821
Self-service		3,602	6,034
Promotions		271	371
Catalog		1,257	1,318
Other		18,666	2,981
	$	129,242	139,525

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

		2021		2020	
		Gross	Impairment	Gross	Impairment
Current	$	115,932	(38)	121,497	(231)
0 to 30 days overdue		6,291	(62)	8,626	(323)
31 to 120 days overdue		4,046	(150)	4,370	(320)
More than 120 days overdue		2,973	(1,234)	5,032	(1,909)
	$	129,242	(1,484)	139,525	(2,783)

(In thousands of dollars)

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

		Expected credit loss	
		2021	**2020**
Balance at the beginning of the year	$	2,783	2,800
Increase during the year		596	1,379
Amounts written off against trade accounts receivable		(622)	(267)
Reduction due to reversal		(1,181)	(975)
Effect of currency translation		(92)	(154)
Ending balance	$	1,484	2,783

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 2021 and 2020, 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.

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

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

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

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

(In thousands of dollars)

Liquidity risk

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

In the next page, 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	$	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)

As of December 31, 2020		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	$	255,045	(322,946)	(8,099)	(11,651)	(147,268)	(155,928)
Other liabilities		4,760	(5,210)	(1,525)	(919)	(2,249)	(517)
Suppliers and other accounts payable		224,256	(224,256)	(193,561)	(30,695)	-	-
Lease liabilities		3,622	(18,686)	(2,130)	(1,834)	(4,688)	(10,034)
		487,683	(571,098)	(205,315)	(45,099)	(154,205)	(166,479)
Derivate financial liabilities							
Derivative financial instruments		23,117	(23,117)	(526)	(520)	(15,614)	(4,457)

(In thousands of dollars)

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.

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.

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

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.

Derivative financial instruments

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

The fair value of swap contracts is determined based on recognized market prices and, when not listed on an organized market, this value is determined on 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.

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, 2021 and 2020, the fair value of the portfolio of derivative financial instruments amounts to $(9,921) and $(23,117), respectively.

In the next page, we detail the current portfolio in effect as of December 31, 2021 and 2020 of derivative financial instruments and their fair values:

Derivative financial instruments classified and designated for hedging purposes

(a) Swaps de moneda (Cross Currency Swap)

As of December 31, 2021 and 2020, 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 thousands of dollars)

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.

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	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%

(In thousands of dollars)

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

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

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, 2021 and 2020, the Company determined that the hedges are highly effective, giving a result of % for the hedging of 99% of effectiveness for the hedging of EUR/MXN, and 101% and 97%, 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, 2021 and 2020, 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, 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	1.68%	1.72%	1.65%
Receive rate	LIBOR 3M + 1.90	LIBOR 3M + 1.90	LIBOR 3M + 1.90
Fair value as of December 2020	(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%

(In thousands of dollars)

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

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

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 96% and 108% as of December 31, 2021 and 2020. The method used by the Company is the compensation of flows using a hypothetical derivative, which consists in comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect coverage of the hedged item.

(In thousands of dollars)

(c) Forwards 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, 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 in USD	Cost in EUR	Cost in 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 2020	(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 thousands of dollars)

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

	Fwd USDMXN	Fwd USDMXN	Fwd USDMXN	Fwd EURMXN
Bank	HSBC	HSBC	HSBC	HSBC
Company	Cinsa	Vitromex	Vitromex	Vitromex
Notional	4,200	4,200	5,400	3,300
Notional currency	USD	USD	USD	EUR
Underlaying	USDMXN	USDMXN	USDMXN	EURMXN
Financial statement item where the hedging instrument is located	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments	Derivative Financial Instruments
Average Strike	20.20	21.65	20.65	24.86
Fair value as of December 2020	(17)	(320)	(87)	(37)
Maturity date	jun-21	jun-21	dic-21	jun-21
Change in fair value to measuring the ineffectiveness of the hedging instrument	(17)	(320)	(87)	(37)
Amount recognized in OCI	(17)	(320)	(87)	(37)
Ineffectiveness recognized in P&L	-	-	-	-
Reclassification from OCI to P&L	-	-	-	-
Forecast of the item hedged (Exposition)	8,960	8,393	10,570	6,662
Exposition currency	USD	USD	USD	EUR
Change in fair value to measuring the ineffectiveness of the hedging instrument	17	320	87	37
Coverage ratio	47%	50%	51%	50%

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

	Forward PLN/EUR	Forward PLN/EUR
Total Notional (in thousand)	4,800	1,600
Currency notional	PLN	PLN
Fair value as of December 31, 2020	($54)	($18)
Maturity date	ago-21	feb-21

(In thousands of dollars)

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 2021 for Manufacturas Vitromex. For Cinsa, the Company determined that is highly effective, giving an average result of 99% of effectiveness at the year ended in 2021. At the end of 2020, an average result of 104% effectiveness was obtained. The method used by the Company is the compensation of flows using a hypothetical derivative, which consists in comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect coverage of the item hedged.

The source of the ineffectiveness may be caused mainly by the credit risk, the difference in the settlement date of the hedging instruments and the items hedged and that the budget would be less than the hedging instruments.

(d) Natural gas swap

As of December 31, 2021 and 2020, various natural gas swaps had been entered into in order to mitigate the risk due to the variability of the price of natural gas originated from the purchase of natural gas.

The Company is exposed to the risk of variations in the price of natural gas derived from forecasted transactions of the natural way of the business. Therefore, the Company designates Natural Gas Swaps under the cash flow hedging model to hedge the price of a forecasted transaction, setting the price of the molecule and the consumption of Natural Gas.

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 thousands of dollars)

The most relevant data of the aforementioned hedges at the end of 2020 are shown below:

	Swap HSC	Swap EPP
Bank	Citibanamex	Citibanamex
Company	Vitromex	Vitromex
Notional	$670	$240
Notional currency	MMBTU's	MMBTU's
Underlaying	Houston Ship Channel	El Paso Permian
Financial statement item where the hedge instrument is located	Derivative Financial Instruments	Derivative Financial Instruments
Average Strike	3.06	2.84
Fair value as of December 2020	($393)	($127)
Maturity date	jun-21	jun-21
Change in fair value to measuring the ineffectiveness of the hedging instrument	($393)	($127)
Amount recognized in OCI	($393)	($127)
Ineffectiveness recognized in P&L	-	-
Reclassification from OCI to P&L	-	-
Forecast of item hedged (Exposition)	1,343	496
Exposition currency	MMBTU's	MMBTU's
Change in fair value to measuring the ineffectiveness of the hedging instrument	$393	$127
Coverage ratio	50%	48%

In the evaluation of effectiveness, the Company determined that the coverage is highly effective, giving an average result of 104% 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 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 2021 and 2020. The coverage will be effective as long as the notional debt designated as a hedging instrument is equal to or less than the value of the net assets of the hedged foreign operation. On the other hand, when the value of the net assets of the foreign operation is lower than the notional value of the designated debt, the Company rebalances the hedging relationship and recognizes the ineffectiveness in the consolidated statements of operations.

	USD Debt
Bank	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, 2020	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%

The most relevant data of the aforementioned hedges at the end of 2020 are shown below:

	USD Debt
Bank	HSBC
Delivery notional	$65,000
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, 2020	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)	$293,620
Change in fair value to measuring the ineffectiveness of the hedging instrument	N/A
Coverage ratio	22%

(In thousands of dollars)

Separable embedded derivatives

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

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

As of December 31, 2020, an amendment was made to the Senior Credit Secured Agreement that the Company maintains with HSBC; therefore, an assessment was made of the accounting impacts of this amendment on the accounting characteristics. The contract has a clause that determines as a floor of the value of the variable rate of reference Libor a value of 0.70%. An analysis was carried out and, as of the modification date, it was identified that said clause implies the existence of an embedded derivative. Management concluded that it should be segregated and recognized as a derivative with changes in its fair value through the consolidated statements of operations. As of December 31, 2021 and 2020, the embedded derivative has a value of $0.86 million and $ 2.6 million, respectively.

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

As of December 31, 2021 and 2020, 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:

	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

(In thousands of dollars)

	2020			
	USD	Zlotys	Euros	Rmb
Cash	54,263	184	1,345	13
Accounts receivable	35,366	66	1,590	17
Loans	(192,342)	-	-	-
Suppliers and other accounts payable	(43,194)	(2,485)	(9,039)	(9)
Related parties	(19,257)	(1,230)	26,317	-
Net exposure	(165,164)	(3,465)	20,213	21

The following exchange rates applied during the year:

	Exchange rate		Spot exchange rate at the date of the report
	2021	2020	
American dollar	20.58	19.95	20.23
Euro	23.25	24.40	23.17
Polish Zloty	5.04	5.34	5.10
Chinese Renminbi	3.20	3.04	3.20

Sensitivity analysis of exchange rates.

As of December 31, 2021 and 2020, 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.

	2021		2020	
	Equity	Income	Equity	Income
American dollar (10% of strengthening)	(102)	(102)	(165)	(165)
American dollar (10% of weakening)	102	102	165	165
Euro (10% of strengthening)	(5)	(5)	20	20
Euro (10% of weakening)	5	5	(20)	(20)

(In thousands of dollars)

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, 2021 and 2020:

		Carrying amounts	
		2021	**2020**
Short-term debt	$	-	7,099
Long-term debt		239,318	247,946
	$	239,318	255,045

The following exchange rates were applied during the period:

	Libor rate at reporting date
Libor 3M	0.4881

Sensitivity analysis of interest rate

	2021		2020	
	Equity	**Income**	**Equity**	**Income**
Libor (Increase 50 BP)	(1,197)	(1,197)	(1,275)	(1,275)
Libor (Increase 20 BP)	(479)	(479)	(510)	(510)
Libor (Decrease 50 BP)	1,197	1,197	1,275	1,275
Libor (Decrease 20 BP)	479	479	510	510

(In thousands of dollars)

Comparison of fair values versus and carrying amounts of financial instruments measured at amortized cost

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

		2021		2020	
		Carrying amounts	Fair value	Carrying amounts	Fair value
Financial liabilities measured at amortized cost					
Stock market debt and bank loans	$	(239,318)	(246,726)	(255,045)	(263,596)

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

31 de diciembre de 2020		Level 1	Level 2	Level 3	Total
Derivative financial assets	$	-	-	-	-
Derivative financial liabilities	$	-	23,117	-	23,117

(In thousands of dollars)

21 Stockholders' equity and reserves

(a) Capital stock and additional paid-in capital

	Ordinary shares	
	2021	2020
Authorized shares - nominal value	330,960,241	340,675,331

At the Annual Ordinary Shareholders' Meeting held on March 24, 2021, it was agreed to cancel 9,715,090 shares that it had acquired through repurchase operations, which represent 2.9% of its capital stock and, consequently, reducing the amount of capital stock by $4,428 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 $5,185, leading to an increase in retained earnings of $9,613

On April 28, 2020, the Annual Ordinary Shareholders Meeting agreed to cancel 15,375,909 shares it had acquired through repurchase transactions, which represent 4.3% of its capital stock and, consequently, reducing the variable portion of capital by $ 7,239 (the equivalent of $ 144,404 thousand Mexican pesos).

After the aforementioned movement, the Company's capital stock as of December 31, 2021 is represented by 330,960,241 ordinary nominative Series "A" shares, with par value.

Series "A" will represent the total number of common shares that will have full voting rights and enjoy all political and equity rights that law grants.

The updated amounts of the adjusted capital stock account (CUCA) and of the net taxable income account (CUFIN), of the legal entity Grupo Industrial Saltillo, as of December 31, 2021 and 2020 include the following:

		2021	2020
Contributed Capital Account	$	162,355	156,051
Net Tax Profit Account		270,246	239,183

(b) Reserve for repurchase of own shares

At the General Ordinary Stockholder Meetings held on March 24, 2021 and April 28, 2020 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.

(In thousands of dollars)

As of December 31, the movements of the reserve for the repurchase of shares were as follows:

		2021	2020
Purchase	$	14,711	10,572
Sale		-	(386)
Allowance increase		(12,780)	(19,926)
	$	1,931	(9,740)

(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) Dividends

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, 2021, there are dividends declared and not paid to the stockholders for $74 that are represented by $16 during 2021, $9 during 2019, $8 during 2018, $7 during 2017, $7 during 2015, $7 during 2014, $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

		2021	2020
Weighted average of outstanding shares for the period ended		324,755,245	338,397,965
EPS (Dollar per-share)	$	0.06	(0.02)

23 Revenues

Revenues include the following:

		2021	2020
Sales of products	$	993,111	740,369
Revenues from services		3,548	2,054
Total revenues	$	996,659	742,423

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, 2021 and 2020, the Company has unrealized gains (customer contract liabilities) of $2,361 and $1,729, 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, 2021 and 2020 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 of 2021 and 2020, the costs and outgoings by nature are integrated as follow:

		2021	2020
Raw material and consumable	$	415,087	313,058
Employee benefits		119,358	114,519
Depreciation y amortization		81,581	79,275
Price variation		71,150	(6,985)
Basic services		74,253	45,724
Production overhead		65,419	48,339
Maintenance		43,092	34,184
Fees		16,515	15,725
Others		87,627	88,661
Expected credit loss		(561)	460
	$	973,521	732,960

25 Other income, net

Other income, net include the following:

		2021	2020
Other income[1]		(13,944)	(5,124)
Income from power outage	$	(567)	(4,950)
Loss by sale of property, machinery and equipment		323	1,901
Update by tax refund		(645)	(117)
	$	(14,833)	(8,290)

(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 Financial income and costs

		2021	2020
Recognized in profit or loss			
Interest income in investments held to maturity	$	(3,344)	(2,380)
Fair value of derivative financial instruments		(3,880)	(1,995)
Financial income	$	(7,224)	(4,375)
Interest expense	$	18,080	18,518
Labor liability financial cost		1,122	713
Financial expense for leased furniture and real state		445	512
Financial costs	$	19,647	19,743
Exchange fluctuation gain	$	(36,755)	(87,593)
Exchange fluctuation loss		34,169	86,508
Exchange fluctuation gain, net		(2,586)	(1,085)
Net financial cost recognized in profit or loss	$	9,837	14,283

27 Related parties' transactions and balances

(a) Compensation to key management personnel:

For the years ended December 31, 2021 and 2020, the total compensation for services rendered by our advisors and directors was approximately $6,077 and $5,259, 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, 2021 and 2020 include the following:

		2021	2020
Accounts receivable			
Infun-Ederlan Auto Parts (Wuhu)[(2)]	$	2,245	2,547
Gisederlan, S.A. de C.V.[(1)]		11,810	8,810
	$	14,055	11,357

(In thousands of dollars)

As of December 31, 2021, there are short-term accounts receivable for $7,810 and $6,245 as long-term; as well as at the end of 2020, there are $8,857 in the short term and $2,500 in the long term.

		2021	2020
Accounts payable:			
Gisederlan, S.A. de C.V.[4]	$	371	271

Operations with related parties as of December 31, 2021 and 2020 include the following:

Gisederlan		2021	2020
Revenues from sales of goods[4]	$	26,677	14,155
Services rendered[1][2]		2,779	2,054
Revenues from software licenses		-	170
Interest income[7]		103	159
Other Income[6]		215	-
Raw material purchases[4]		1,610	603
Interest expense[6]		21	32
Recoverable expense[1]		-	(129)
Financial cost[3]		71	159

(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) Grupo Industrial Saltillo, S.A.B. de C.V.
(4) Carried out with Draxton Mexico, S. de R.L. de C.V.
(5) These operations correspond to the collection and administration of financial resources, to related parties.

Infun-Ederlan Auto Partes (WUHU)		2021	2020
Revenue from sale of raw material[1]	$	8	-
Interest income[1]		89	-

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

(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 this year, which outstanding balance of long-term debt as of December 31, 2021 is $146.4 million.

(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, 2021 is $146.4 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, 2021 is $146.4 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, 2021 is $146.4 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, 2021 of $1,375 million of pesos.

(f) Grupo Industrial Saltillo, S.A.B. de C.V. as Guarantor for Gisederlan, S.A. de C.V. (non-consolidated company being a joint business but accounted for by the equity method) in a Bank Loan with Santander, S.A. (Spain) for up to 50% of the outstanding balance which, through December 31, 2021 has an outstanding balance of $2.8 million.

(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, 2021 has an outstanding balance of $8.3 million.

(h) Grupo Industrial Saltillo, S.A.B. de C.V as Joint Obligor in a current account line of credit agreement for factoring to suppliers with Nacional Financiera, S.N.C, for up to $700 million of pesos, which outstanding balance as of December 31, 2021 amounts to $556 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 $46.4 million, which outstanding balance as of December 31, 2021 is $26.6 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 $13.3 million, which outstanding balance as of December 31, 2021 is $383.

(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, 2021 is $6.5 million.

(l) Fuchosa, SLU, as Guarantor of Automotive Componets Europe, SL, in a short-term Credit Policy with Banco Bilbao Vizcaya Argentaria, S.A. up to an amount of €4 million euros which as of December 31, 2021 is not disposed.

(m) Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether in a non-recourse factoring agreement with CaixaBank, S.A. up to an amount of €19.9 million whose outstanding balance as of December 31, 2021 is €11.1 million.

(n) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O., Draxton México, S. de R.L. de C.V. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether up to the outstanding balance in the Confirming contract with Bankinter, S.A. up to an amount of €4.9 million whose balance as of December 31, 2021 is €2.5 million.

(o) Automotive Components Europe, S.L., ACE 4C, AIE, Fuchosa, S.L.U., European Brakes and Chasis Components SP. Z O.O. and Draxton Brno s.r.o. as Borrowers and Joint Obligors altogether up to the unpaid balance in the Confirming contract with Banco Bilbao Vizacaya Argentaria, S.A. up to an amount of €5 million whose balance as of December 31, 2021 is €4.5 million euros

(p) 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. and Draxton México, S. de R.L. de C.V. as Borrowers and Joint Obligors altogether up to the unpaid balance in the Confirming contract with CaixaBank, S.A. up to an amount of €4 million whose balance as of December 31, 2021 is €1.8 million.

(q) 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, 2021 is not disposed.

(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, 2021 is €416 thousand.

(s) 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 €4 million, whose balance as of December 31, 2021 is €3.2 million.

(t) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Mantenimento Foneria, S.L. and Infun For, S.P.A. as Guarantor for Infun For, S.A., in a non- recourse factoring agreement with CaixaBank, S.A., up to an amount of €8.9 million, whose balance as of December 31, 2021 is €6.1 million.

(u) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Manteniment Foneria, S.L. and Infun For, S.P.A. as Borrowers and Joint Obligors altogether up to the outstanding balance in the Confirming contract with Bankinter, S.A. up to an amount of €8.5 million euros whose balance as of December 31, 2021 is €5.8 million.

(v) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., and Mantenimento Foneria, S.L. and Infun For, S.P.A. as Borrowers and Joint Obligors altogether up to the outstanding balance in the Confirming contract with Banco Bilbao Vizcaya Argetaria, S.A. up to an amount of €10 million euros whose balance as of December 31, 2020 is €4.2 million euros.

(w) Draxton Powertrain & Chassis, S.L., Fundiciones Miguel Ros, S.A., Casting Ros, S.A., Altec Engineering, S.L.U., Mainteniment Foneria, S.L. e Infun For, S.P.A. and Draxton México, S. de R.L. de C.V., as Borrowers and Joint Obligors altogether up to the outstanding balance in the Confirming contract with CaixaBank, S.A. up to an amount €6 million whose balance as of December 31, 2021 is €2.2 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, 2021 of $11.2 million, which have been issued with various national banking institutions.

(y) At the end of 2021, Grupo Industrial Saltillo and its Subsidiaries have without recourse portfolio factoring agreements with various financial institutions, with a balance at the end of the 2021 of $231.2 million of pesos, $16 million and €35.5 million and at the end of 2020 for $88.8 million of pesos, $13.5 million and €24.5 million, which were written off the balance presented at the end of the year 2021 and 2020 respectively, according to IFRS and to what is mentioned in Note 3 subsection (c) point (i).

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.

30 Subsequent events

On January 11, 2022, the public agreements adopted by the General Meeting of the entity Ineder Projects, S.L., through which the dissolution, liquidation and extinction of said company in which the Company has an investment is approved. As of December 31, 2021, the investment had a negative balance of $(2,246) without the Company maintaining funding obligations on Ineder Projects; therefore, on the date of liquidation and extinction of the entity, the Company will recognize the reversal of the negative balance to reflect the derecognition of the investment with effect on the results of the period, without this representing a collection right for the liquidation.

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