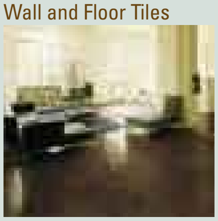
Consolidating initiatives

Annual Report 2006

During 2006, Grupo Lamosa posted consistently increasing revenues and strengthened its financial structure, continuing with its program of growth and capital expenditures, and almost completing its technical reconversion initiative. Foreign sales also grew significantly, extending Grupo Lamosa's presence in the United States and Canada with higher value added products.

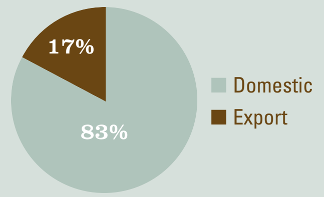
Business | Companies | Products | Sales Breakdown

Wall and Floor Tiles



Lamosa Revestimientos, S.A. de C.V.
Plants: Benito Juárez
Tlaxcala
San Luis Potosí
General de Minerales, S.A. de C.V.
Lamosa USA Corp.

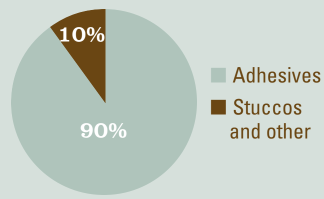
Floor tiles
Wall tiles
Skirting tiles
Porcelain enamel tiles
Special pieces



Adhesives

Crest, S.A. de C.V.
Plants: Santa Catarina
Guadalajara
Morelia
Chihuahua
Tizayuca
Adhesivos de Jalisco, S.A. de C.V.
Plants: Guadalajara
León
Mérida
State of Mexico
Industrias Niasa, S.A. de C.V.
Plants: Mexico City
State of Mexico
Guadalajara
Chihuahua
Navojoa
Tijuana

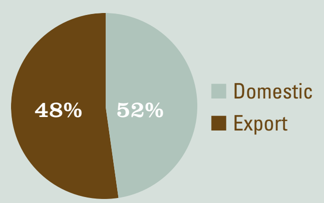
Adhesives for installing wall and floor tiles
Grouts
Stuccos
Texturized wall finishes
Waterproofing products



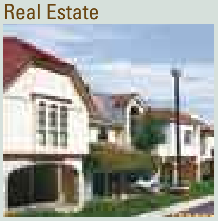
Sanitaryware

Sanitarios Lamosa, S.A. de C.V.
Plants: Monterrey
Benito Juárez

Toilets
Wall, pedestal, drop-in and hanging washbasins
Luxury bidets
Flushometer bowls
Urinals
Drinking fountains

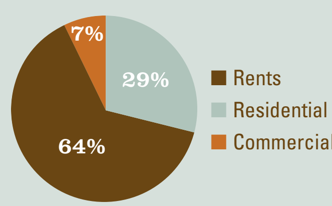


Real Estate



Grupo Inmobiliario Viber, S.A. de C.V.
Ladrillera Monterrey, S.A. de C.V.
Desarrollos Inmobiliarios Lamosa, S.A. de C.V.
Inmobiliaria GVO, S.A. de C.V.
Inmobiliaria PC, S.A. de C.V.
Servicios de Operadora de Centros Comerciales, S.A. de C.V.

Developments in the Monterrey metropolitan area
Housing developments
Commercial developments
Office park



Competitive Advantages

» Strategically located to serve the NAFTA region
» State-of-the-art technological platform
» Extensive nationwide leadership and geographic coverage
» Continuous design of high-quality products in line with market trends

» Products with outstanding characteristics and the highest quality standards in Mexico
» Extensive product availability and timely delivery through a large number of distributors
» Customer-oriented organization
» Ongoing new product research and development

» Product warranty
» Design and innovation of high-performance products
» Development of intelligent, water-efficient, *Dual Flush* toilet
» Focus on customer service throughout the NAFTA region

» More than 30 years of experience in the Monterrey metropolitan area
» Real estate developments that offer privacy, safety and attractive communal areas
» Strategic locations
» Project diversity, always seeking to maximize land value

During the year, the Company invested in the introduction of new products, affecting this year's annual results but with the expectation of enhanced profitability in the future.

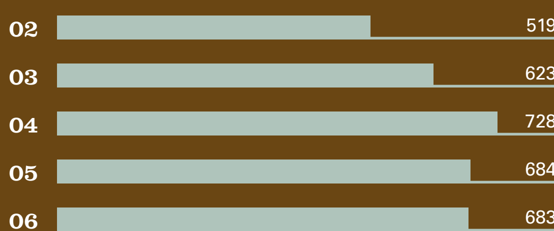
Products launched during 2006 include the Wall and Floor Tile Business's porcelain enamel line; new toilet designs for the institutional market; and a line of waterproofing products brought to market by the Adhesives Business during the last quarter of the year.

Grupo Lamosa is positioned favorably to leverage its current status and capitalize on opportunities in the markets it serves. The Company operates with a clear, consistent business strategy, sufficient resources and a healthy financial position, giving it the capacity to continue its dynamic and sustained growth.

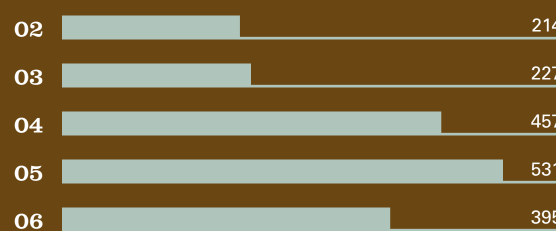
Net Sales
millions of Mexican pesos

Export Sales
millions of U.S. dollars

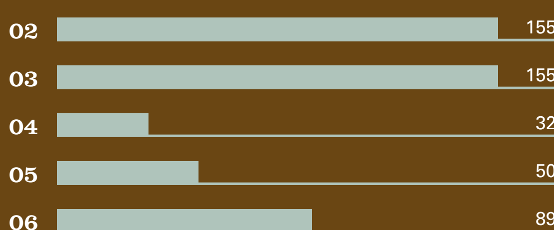
Operating Income
millions of Mexican pesos



Consolidated Net Income
millions of Mexican pesos



Comprehensive Financing Cost
millions of Mexican pesos



Net Operating Cash Flow
millions of Mexican pesos

18%

growth in export sales at the close of 2006

Financial highlights

	2006	2005	Var %
Results			
Net sales [1]	4,200	3,931	7
Export sales (millions of US$)	65	55	18
Export sales / net sales	17%	16%	
Operating income [2]	683	684	(0)
Operating income / net sales	16%	17%	
Comprehensive financing cost	89	50	78
Consolidated net income	395	531	(26)
Financial Position			
Total assets	5,890	5,765	2
Total liabilities	2,577	2,773	(7)
Stockholders' equity	3,313	2,992	11
Book value per share [3]	27.06	24.44	11
Cash Flow			
Net operating cash flow [4]	962	953	1
Capital expenditures	311	703	(56)
Number of Employees			
Total personnel	3,068	3,001	2

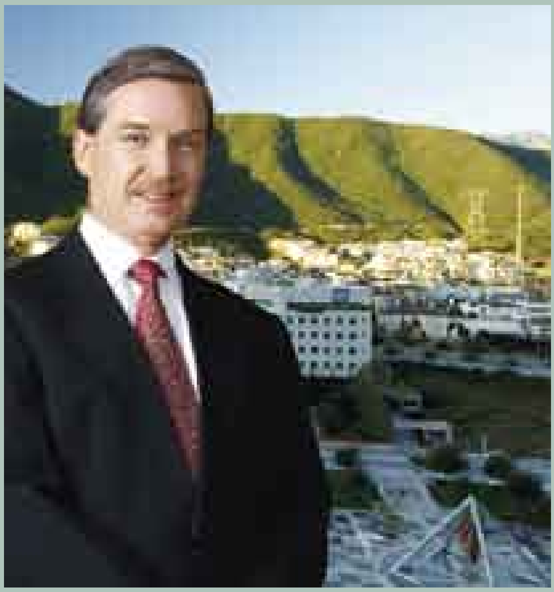
[1] In 2006, the Company's Real Estate Division made sales of Ps 79.6 million which were not posted because the title deeds had still not been signed.

[2] In 2006, operating income from the Real Estate Division's unposted sales totaled Ps 25.3 million.

[3] On a total of 122.4 million shares.

[4] Operating income plus depreciation, amortization and other virtual items.

Letter to our stockholders



Federico Toussaint Elosúa
Chairman of the Board of Directors

Monterrey, N.L. March 2007

2006 was a year in which all the Company's divisions consolidated important initiatives, reflecting the total transformation that Grupo Lamosa has been undergoing over the past few years.

These initiatives were largely focused on improving the Company's position in more attractive markets, by offering high value added products with specific attributes that the competition does not have and thereby setting it apart from other market players.

In 2006, Grupo Lamosa's revenues grew consistently and its financial structure strengthened significantly. The growth and capital expenditure program also continued, with the technological reconversion initiative currently in its final stages.

During the year, the Company made significant investments in the launch of new products, adversely affecting annual results, but with the vision of a future enhancement of profitability. New products introduced in 2006 include a line of porcelain enamel tiles; new toilet designs

Grupo Lamosa's consolidated sales reached Ps 4,200 million in 2006, 7% above those of the previous year.

for the institutional market; and a line of waterproofing materials launched by the Adhesives Business at the end of the year.

Grupo Lamosa's operating income for the year totaled Ps 683.0 million, an amount comparable to that of the previous year and similarly affected by sales made by the Real Estate Business which were not posted because of a change in the accounting system.

Grupo Lamosa's people are a key driver of the Company's capacity to capitalize on growth opportunities. As a result, during 2006 significant resources were invested in training, safety and creating opportunities for developing their talent.

Grupo Lamosa is positioned favorably to leverage its current status and capitalize on opportunities in the markets it serves. It operates with a clear, consistent business strategy, sufficient resources and a healthy financial position, giving it the capacity to continue its dynamic and sustained growth.

The perspectives for Grupo Lamosa continue to be very positive, especially as it participates in one of the most dynamic sectors of the economy. The structure of all the Company's businesses is solid and healthy, and they operate with a state-of-the-art technological platform, offering lines of high value added products and a renewed image that continues to consolidate Grupo Lamosa's position in the industry.

Once again, on behalf of Grupo Lamosa, I would like to thank our stockholders for their continued trust, our personnel for their ongoing efforts to meet the Company's objectives, and our creditors, suppliers, distributors, customers and friends for their constant support.

$262 million U.S. dollars
in capital expenditures (2002-2006)

Grupo Lamosa continued to implement the capital expenditure program in its different business units. This program has been in operation for the past five years.

Concluding our technological updating

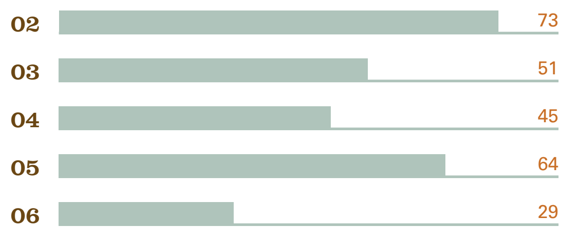
in order to strengthen our platform for growth into new market segments.

The Wall and Floor Tile Business was able to consolidate its technological renovation initiative, closing the year with almost 100% of its plants updated with state-of-the-art technology.

The capital expenditures made to give this business a world-class, leading-edge technological platform have enhanced its competitiveness and allowed it to access new markets at the right time to capitalize on growth opportunities.

The technological updating initiatives have also increased productivity and positioned the business to offer specialized, high-specification products in line with the latest design trends and largely targeted at high-end market segments.

Capital expenditures
millions of U.S. dollars



13% compound annual growth (2002-2006) in productivity

Grupo Lamosa's leadership position and the strength of its businesses have opened up new growth opportunities both in Mexico and abroad.

Diversifying our lines

in order to leverage the strength of our brands and expand in markets with high growth potential.

The Adhesives Business continued its strategy to introduce new products, thereby taking advantage of its brand positioning.

The new *Imper Crest* line of waterproofing products is just one example of its launch initiatives.

The business also made a concerted effort to increase its presence in regions with high growth potential, such as the northwestern and southeastern regions of Mexico.

Total sales / personnel
thousands of U.S. dollars

9% compound annual growth (2002-2006) in export sales

Grupo Lamosa continued to expand in foreign markets, making considerable inroads in both the United States and Canada, where the percent of total sales to the wholesale plumbing segment grew, especially in Texas and California.

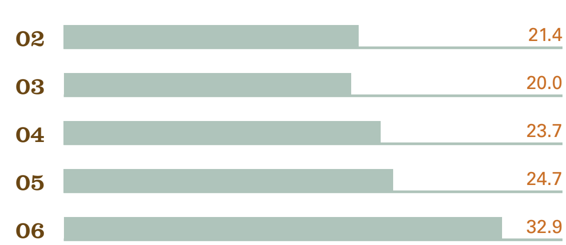
Rationalizing our portfolio
by focusing on high value added products and growth in foreign markets.

The Sanitaryware Business focused on strategic initiatives both in domestic and foreign markets.

In Mexico, the business significantly increased its share of the high-end market, thereby consolidating its leadership position.

In foreign markets, the business posted marked growth in the wholesale plumbing segment, a strategic channel for its product positioning.

Percent of export sales volume
for the wholesale plumbing channel in the United States and Canada %



+90%

occupancy in Grupo Lamosa malls

Our shopping centers posted occupancy figures in line with international standards, and Grupo Lamosa continued with the marketing of the *Privanzas*, *Cumbres Providencia* and *Contry Sur* residential developments.

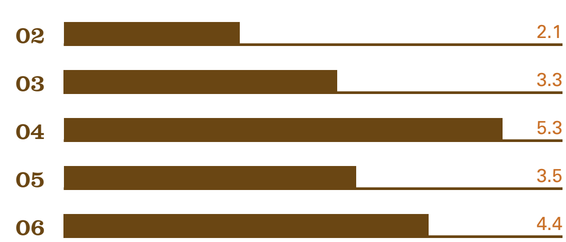
Generating a diversified portfolio of projects in order to offer a mix of residential and commercial developments in the medium and long term that allows Grupo Lamosa to capitalize on the dynamics of the real estate industry.

The Real Estate Business made progress with the consolidation and management of its shopping centers, posting favorable occupancy figures for the year.

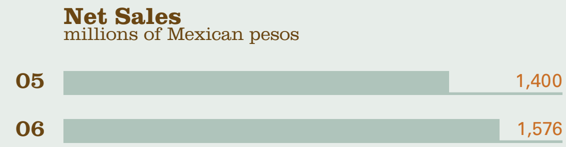
It also advanced with the promotion and marketing of its current residential developments, including *Privanzas, Contry Sur* and *Cumbres Providencia*.

The business continued evaluating new properties for potential acquisition in order to assure its future offer of projects.

Construction GDP
%



Wall and Floor Tile Business



Although 2006 was a difficult year for the Wall and Floor Tile Business because of the increase in energy prices and the start up of complex new plants, it posted favorable results. During the year, the new area of the San Luis Potosí plant began operations, positioning Grupo Lamosa to launch the new porcelain enamel tile line but impacting the productivity of this business during the first few months of the year.

Sales volume grew 14% year-over-year, driven to a large extent by export sales. Foreign sales represented 21% of total wall and floor tile sales, compared to 17% in 2005.

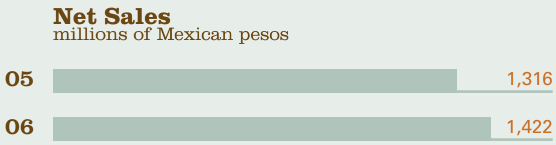
During the year, this business concluded the technological updating of its Tlaxcala plant, so the year closed with all its production facilities operating with a state-of-the-art technological platform, positioning the business as Mexico's most modern ceramic tile producer.

One of the highlights of the year was the launch of the new line of porcelain enamel tiles at the COVERINGS Exhibition in the United States, where the Company received an award for its product presentation. The Mexican launch of this line took place at the EXPOCIHAC Exhibition in Mexico City. Grupo Lamosa was also recognized for the display of its product lines at ExpoHabitat in Mexico City.

In 2006, this business focused on the promotion of the *Firenze* line through presentations in Mexico's most important cities. The presentations were attended by building professionals, architects, interior designers and construction specialists. Innovative products and designs with attractive formats were also introduced to complement this high-end luxury line.

The line was presented in 16 different locations with the involvement of more than 3,000 participants who learned directly about the outstanding *Firenze* products. Such initiatives have given very positive results, strengthening the market's perception that the Lamosa brand has moved to higher quality products with more value added, and highlighting the Company's continuous launch of improved products and product lines.

Moving forward, the challenge for this business is to continue being efficient and cost competitive, constantly offering new, innovative, high value added products.



Adhesives Business

2006 was a year in which the Adhesives Business performed well, posting outstanding results with a 10% increase in sales volume.

This growth, partly driven by sales of stuccos and specialized products, significantly exceeded the industry average and Grupo Lamosa's expectations at the beginning of the year, and allowed the business to consolidate its leadership position and maintain its rate of solid, consistent growth.

Highlights of the year included the favorable growth of operations in Guatemala through Tecnocreto, S.A., and the successful launch of the *Imper Crest* line of waterproofing materials at the end of the year. These latter products were well received by the market.

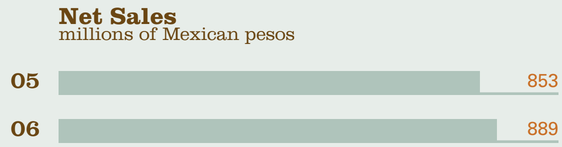
The Adhesives Business continued its efforts to come closer to installers and to promote a culture of using high-performance ceramic adhesives. To this end, an *Installer Day* event was held during the second quarter of the year, with more than 800 participants.

This segment also continued initiatives to maintain direct contact with professionals in the construction field, through e-mails supplying tips for the correct handling and use of its products and offering information on installation methodologies. At the current time, more than 12,000 professionals are registered in the user database.

For over half a century, the Adhesives Business has been committed to offering top-quality products and world-class service, and this philosophy has given it a solid market positioning and the undisputed leadership in the industry.

The business faces considerable challenges in the short term. It plans to continue with the strategy to increase sales in foreign markets, by leveraging its acquired capabilities and competitive advantages in markets such as Central America and the United States. It also intends to continue growing in parts of Mexico with high growth potential, such as the southeastern region and Baja California Norte.

Sanitaryware Business



The Sanitaryware Business's initiatives to rationalize its offer of low-end products and move to a mix richer in high value added products allowed it to post positive results both in the domestic market and abroad in 2006.

Despite the fact that the domestic sales volume was similar to that of the previous year, revenues grew 5%, reflecting the more profitable sales mix and an increased presence with high-end distributors.

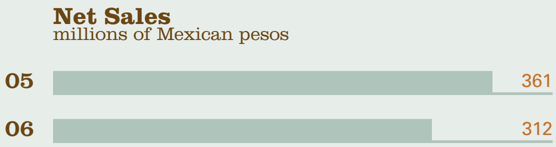
The intelligent, water-efficient *Dual Flush* toilet has consolidated its position in the market, with people specifically asking for it, reflecting their increased awareness of the need to save this vital liquid. At yearend 2006, toilets sold with this system represented 23% of total toilet sales.

During the year, this business made a concerted effort to serve the institutional market better through the direct specification of products. This initiative seeks to ensure that Grupo Lamosa products are used in Mexico's large real-estate developments. The Sanitaryware Business also made progress in the foreign marketplace, growing significantly in the wholesale plumbing segment both in the United States and Canada. This segment seeks a wide range of quality products and services, and currently represents 33% of export sales, compared to only 10% in the year 2000.

During 2006, the business significantly increased it presence in high-growth markets, such as Texas and California, qualifying in the latter state in different water-saving programs with products such as the 4-liter *Tornado* toilet which has been very well accepted by this resource-conscious market.

The Sanitaryware Business also implemented important initiatives in the area of operations, investing in totally automated, state-of-the-art machinery for producing high-pressure toilet bowls and improving the area of logistics in order to continue reducing lead times which are currently among the best in Mexico and below the industry average.

Maintaining and increasing this business's leadership in Mexico, and continuing to capitalize on opportunities for its high value added products and top-quality service in foreign markets are some of the challenges that this business faces as it moves forward.



Real Estate Business

2006 was a year of challenges and significant achievements for both the commercial and residential segments of Grupo Lamosa's Real Estate Business.

The business successfully consolidated its management of the *Plaza Cumbres* and *Galerías Valle Oriente* shopping centers, posting very acceptable occupancy figures in accordance with international standards and in excess of 90%. In fact, *Galerías Valle Oriente* is now recognized, even on an international level, as one of the best malls in the region.

During the year, sales of the *Contry Sur* residential development, a subdivision with an outstanding location, began. It posted favorable results for the year and received a great number of visitors. Moving forward, this development is expected to continue contributing positively to Grupo Lamosa's results.

The Real Estate Business also consolidated the operation of the *Cumbres Providencia* residential development in the western part of Monterrey, reporting levels of operation similar to those of the previous year.

In the Valle Oriente subdivision, the marketing and sale of apartments and the operation of the seventh and final sector of the *Privanzas* residential development continued. Also in the Valle Oriente subdivision, during the year the Real Estate Business sold a plot of land in its Office Park, where a new building is to be constructed. The business also concluded the construction of the *Torre I* office building, which will soon be home to Grupo Lamosa's headquarters.

It is important to note that, in response to modifications to Mexican tax law and accounting principles, during 2006 there was a change in the recording of the Real Estate Business's operations. This adversely affected results since sales amounting to almost Ps 80.0 million were not recorded because the corresponding title deeds had still not been signed.

A highlight of the year was the restating of this segment's business strategy, in order to seek new business opportunities and improve perspectives for long-term growth. As a result, the business will use its own infrastructure to leverage the experience accumulated over the past 30 years of operations.

One of the most important challenges for the Real Estate Business continues to be having a balanced inventory of land for the short, medium and long term, so it will constantly seek new opportunities to maintain this equilibrium with a long-term global vision.

Financial Performance

Share Price
Mexican pesos

Debt / EBITDA
times

Debt
millions of Mexican pesos

Grupo Lamosa closed the year once again with a solid financial structure and the capacity to generate operating cash flow. This situation enabled it to continue financing its capital expenditures program and meet all financial commitments in 2006.

During the year, the generation of internal cash flow enabled the Company to make investments amounting to Ps 310.9 million and reduce consolidated debt by Ps 260.9 million to Ps 1,334.6 million. The Debt/EBITDA ratio at the close of 2006 was 1.4 times, compared to 1.7 times at yearend 2005.

In 2006, Grupo Lamosa continued its investor relations program, in order to increase its contact with the financial community and showcase its results and value creation. Additionally, steps were taken to improve the performance of the Company's shares*. For example, at the Annual Stockholders' Assembly of Grupo Lamosa, S.A.B. de C.V. on March 16, 2006, the stockholders approved a stock dividend of 1%, as well as the traditional cash dividend. Additionally, the Repurchase Fund was active during the year in order to support the liquidity and trading volume of the shares in an orderly way and in accordance with applicable laws. As a result, in 2006 Lamosa shares produced a yield of 48.6%, similar to that of the general Mexican market index.

Today, Grupo Lamosa operates with a very favorable financial structure, giving it access to competitive sources of financing and assuring funding for the Company's future growth.

Corporate Governance

Grupo Lamosa has always endeavored to adhere to the Code of Best Corporate Practices, because the Company is convinced that this is the way to generate value and ensure competitiveness and permanence.

Grupo Lamosa completely reformed its Company Statutes during the first half of 2006, in order to align them with the new Stock Market Law which came into effect on June 28, 2006.

The new regulations are intended to develop a Stock Market that is fair, efficient and transparent in order to protect the interests of the investing public and promote healthy competition between market participants.

Members of the Audit Committee:

Carlos Zambrano Plant
COMMITEE CHAIRMAN

Francisco Javier Fernández Carbajal
Eduardo Padilla Silva

Members of the Corporate Practices Committee:

Eugenio Garza Herrera
COMMITEE CHAIRMAN

Eduardo Elizondo Barragán
Bernardo Elosúa Robles

Board of Directors and Company Officers

BOARD OF DIRECTORS

Federico Toussaint Elosúa
Chairman of the Board and Chief Executive Officer of Grupo Lamosa
MEMBER SINCE 1989

Max Michel Suberville
Honorary Chairman of El Puerto de Liverpool, S.A. de C.V.
I

Eduardo Elizondo Barragán
Chairman of the Board and CEO of CRIOTEC
MEMBER SINCE 1992 I
Corporate Practices Committee

José Alfonso Rubio Elosúa
Independent Consultant
MEMBER SINCE 1989

Bernardo Elosúa Robles
Independent Consultant
MEMBER SINCE 1993
Corporate Practices Committee

Antonio Elosúa González
CEO of Grupo UCALLI
MEMBER SINCE 1998

Juan Miguel Rubio Elosúa
CEO of Productos Alimenticios XICO
MEMBER SINCE 1996

Guillermo Barragán Elosúa
CEO of Hidrobart
MEMBER SINCE 1993

Javier Saavedra Valdes
Professional Painter
MEMBER SINCE 1998

José Manuel Valverde Valdes
Risk Management Director, Consumer Bank, Grupo Financiero BANORTE
MEMBER SINCE 1998

Eugenio Garza Herrera
Chairman of the Board and CEO of Xignux
MEMBER SINCE 1997 I
Corporate Practices Committee

Armando Garza Sada
Senior Vice-President for Development, Grupo ALFA
MEMBER SINCE 1997 I

Francisco Javier Fernández Carbajal
Independent Consultant
MEMBER SINCE 2002 I
Audit Committee

Eduardo Padilla Silva
Chief Executive Officer, FEMSA Comercio
MEMBER SINCE 2004 I
Audit Committee

Carlos Zambrano Plant
Consultant
MEMBER SINCE 1991 I
Audit Committee

Luis Francisco González Parás
Partner of the law firm Despacho Santos Elizondo Cantú-Rivera-González-de la Garza Mendoza, S.C.
MEMBER SINCE 1995
Secretary

I (Independent)
In accordance with the Stockholders' Assembly of March 16, 2006

COMPANY OFFICERS

Federico Toussaint Elosúa
CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

Sergio Narváez Garza
WALL AND FLOOR TILE VICE-PRESIDENT

Jorge Manuel Aldape Luengas
ADHESIVES VICE-PRESIDENT

José Mario Gutiérrez Peña
SANITARYWARE VICE-PRESIDENT

Óscar Lozano Ferral
REAL ESTATE VICE-PRESIDENT

Julio Rafael Vargas Quintanilla
HUMAN RESOURCES VICE-PRESIDENT

Tomás Luis Garza de la Garza
CHIEF FINANCIAL OFFICER

PHOTO LEFT TO RIGHT:

Julio Rafael Vargas Quintanilla, Tomás Luis Garza de la Garza, Jorge Manuel Aldape Luengas, Federico Toussaint Elosúa, Oscar Lozano Ferral and Sergio Narváez Garza.

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

Audit Committee Report

As of February 22, 2007

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

Pursuant to Article 43 of Mexican Stock Market Law and Article Forty-two of the Company Statutes, and in accordance with my position as Chairman of the Audit Committee, I would like to present you with my report on the Audit Committee's activities in regard to the financial year ended on December 31, 2006.

During the said fiscal year, we carried out the following activities:

1. We received the proposal of guidelines for the system of internal control and internal auditing of the Company and the other entities that the Company controls (Subsidiaries) that were prepared by the Chief Executive Officer to be presented in turn to the Board of Directors. After this Committee has issued its opinion thereon and once the Board of Directors has approved the said guidelines, we will be in a position to monitor that they are being followed.
2. To date, this Audit Committee has no knowledge of any non-compliance with the operating and accounting guidelines and policies of the Company and its Subsidiaries.
3. This Committee has met with the representative of the firm of external auditors and evaluated the performance both of the firm and the auditor responsible therefor. The firm is responsible for expressing an opinion on the fairness of the Company's financial statements and their compliance with Mexican Generally Accepted Accounting Principles. At the current time, we believe the performance of the firm and its auditors to be satisfactory.
4. This Committee authorized the payment to the firm that supplied external auditing services to the Company for the fiscal year of 2006. The said firm provided additional services, comprising a report to the Mexican Social Security Institute (IMSS), and services related to tax issues and transfer prices.
5. During 2006, this Committee had no knowledge of any modifications to the approved accounting policies, as perceived from the information provided by the Chief Executive Officer and the external auditor.
6. During the year, we observed nothing worthy of note with regard to the accounting, internal controls, and internal and external auditing, nor any claims relating to irregularities on the part of Management.
7. There have been no Grupo Lamosa Stockholders' Assemblies since June 28, 2006, the date on which the new Stock Market Law came into effect. With regard to the agreements made at the Company's Annual General Stockholders' Assembly of March 16, 2006, we have verified that the Chief Executive Officer has followed up on the same and that they have been formally implemented.
8. The Committee gave the Board of Directors a favorable opinion on the Annual Report of the Chief Executive Officer corresponding to the fiscal year of 2006.
9. On the basis of the external auditors' report, despite the limitations resulting from the short time for which the new Law has been in effect, this Committee believes that the accounting and information policies and criteria followed by the Company are adequate and sufficient, and have been applied consistently in the information presented by the Chief Executive Officer and by the Board of Directors, reflecting fairly the Company's financial position and results.

Carlos Zambrano Plant
Committee Chairman

Corporate Practices Committee Report

As of February 22, 2007

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

Pursuant to Article 43 of Mexican Stock Market Law and Article Forty-two of the Company Statutes, and in accordance with my position as Chairman of the Corporate Practices Committee, I would like to present you with my report on the Corporate Practices Committee's activities in regard to the financial year ended on December 31, 2006.

During the said fiscal year, we carried out the following activities:

1. We reviewed the previously defined goals, and individual and Company performance during the year and, where necessary, made any observations on the performance of Company officers.
2. We asked Company Management for a proposal for internal policies and guidelines for transactions with related parties and the use of Company assets. After this Committee has issued its opinion thereon and once the Board of Directors has approved the said guidelines, we will be in a position to monitor that they are being followed.
3. We reviewed the conditions and structure used to determine the total salary and benefits packages of the Chief Executive Officer and Company Officers and consider that they are in line with market salaries, professional fees and benefits for the region.
4. To date, this Committee is not aware that the Board of Directors or any Committee has given authorization for any board member, company officer or person in a position of command to take advantage of business opportunities – either for themselves or for third parties – that correspond to the Company or its Subsidiaries.
5. During 2006, the opinion of independent experts was sought on the proposal for the remuneration and benefit packages for the main Company officers referred to in Point 3.

Eugenio Garza Herrera
Committee Chairman

Examiner's Report

To the General Ordinary Stockholders' Assembly
of Grupo Lamosa, S.A.B. de C.V.

On March 16, 2006, the General Ordinary Stockholders' Assembly of Grupo Lamosa, S.A.B. de C.V. appointed me Company Examiner until June 28, 2006, the date on which the Company Statutes of Grupo Lamosa, S.A.B. de C.V. were adapted to the new dispositions of the Mexican Stock Market Law that determine, among other things, the disappearance of the figure of Company Examiner and the incorporation of different control mechanisms.

Therefore, in compliance with the Company Statutes and Mexican Corporate Law, I would like to inform you, as set out below, about the Company's activities until the aforementioned date; to do this, I have reviewed monthly accounting information on the Company and attended and participated in all the Meetings of the Board of Directors.

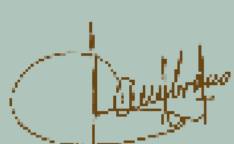
1. During the course of the first six months of the year, I examined and analyzed Grupo Lamosa, S.A.B. de C.V.'s financial statements as prepared by the Company on a monthly basis. Also during this period, the external auditors Galaz, Yamazaki, Ruiz Urquiza, S.C., a firm that is part of Deloitte Touche Tohmatsu, began the process of auditing and eventually issuing a report on the Financial Statements with figures as of December 31, 2006.
2. The Audit Committee of the Board of Directors held regular meetings during the year and I have attended all of them. At these meetings, the Committee was informed of the results of internal and external audits carried out on the Company, and as a result of the analysis of these, policies, programs and plans have been suggested to ensure that the Company's accounting practices and policies improve continuously. Also, corrective actions suggested have been analyzed and implemented.
3. I have also reviewed the quarterly reports that the Management of Grupo Lamosa, S.A.B. de C.V. presents to its stockholders through the Mexican Stock Exchange. Said financial statements have been prepared in accordance with the Company Statutes, with the corresponding Law, and with Mexican Generally Accepted Accounting Principles.

In my opinion, as Company Examiner, the Consolidated Financial Statements of Grupo Lamosa, S.A.B. de C.V. and Subsidiaries present fairly the financial position of the Company as of June 30, 2006, through the balance sheet, and statements of income, changes in financial position and changes in stockholders' equity for the period then ended.

In particular, the accounting and information criteria and policies followed by the Company are in accordance with the bulletins published by the Mexican Institute of Public Accountants and Mexican Generally Accepted Accounting Principles.

In addition, I should like to affirm that the behavior of the Board of Directors has been in accordance with the Company's Statutes and the provisions of the Law.

Because of the above, I recommend that this Stockholders' Assembly approve the said Financial Statements and the report of Company Management.



Carlos Zambrano Plant
Company Examiner

Monterrey, N.L., January 10, 2007

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

Independent Auditors' Report

To the Board of Directors and Stockholders of
Grupo Lamosa, S.A. B. de C.V.
(In thousands of Mexican pesos of purchasing power of December 31, 2006)

We have audited the accompanying consolidated balance sheets of Grupo Lamosa, S.A. B. de C.V. and subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years then ended, all expressed in thousands of Mexican pesos of purchasing power of December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 3, effective January 1, 2005, the Company adopted provisions of Bulletin C-10 "Derivative Financial Instruments and Hedging Activities" ("C-10"), thereby recognizing the fair value of an interest rate swap and foreign currency forward designated as cash flow hedging and natural gas price hedging. The initial effect in 2005 implied the recording of an asset for derivative financial instruments of $131,615, debiting the following accounts: deferred income tax liability for $38,169 and comprehensive income within stockholders' equity for $93,446. At the 2005 closing, the swap's fair value increased by $10,786, with an offsetting credit to comprehensive income of $7,658, net of deferred income tax.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Grupo Lamosa, S.A. B. de C.V. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended, in conformity with Mexican Financial Reporting Standards.

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

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

C.P.C. Carlos Javier Vázquez Ayala

February 22, 2007
(February 27, 2007 with respect to Note 22)

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

Consolidated Balance Sheets

As of December 31, 2006 and 2005
(In thousands of Mexican pesos of purchasing power of December 31, 2006)

Assets	**2006**	**2005**
Current assets:		
Cash and cash equivalents	$ 29,934	$ 40,155
Trade accounts receivable (net of $21,337 and $30,990 of allowance for doubtful accounts in 2006 and 2005, respectively)	809,324	751,605
Other accounts receivable	247,016	169,904
Inventories, net	470,499	419,339
Current assets	1,556,773	1,381,003
Real estate inventories	546,643	548,055
Commercial centers	930,619	922,646
Property, plant and equipment, Net	2,706,623	2,595,691
Goodwill	69,809	69,809
Other assets, Net	79,480	247,536
Total	**$ 5,889,947**	**$ 5,764,740**
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 386,466	$ 202,385
Trade accounts payable	544,584	469,376
Other payables and accrued expenses	321,467	281,932
Income tax and employee statutory profit sharing	73,857	75,464
Current liabilities	1,326,374	1,029,157
Long-term debt	948,203	1,393,245
Employee retirement obligations	112,599	112,944
Other long-term debt	22,483	14,704
Deferred income tax	167,260	222,752
Total liabilities	**2,576,919**	**2,772,802**
Stockholders' equity:		
Capital stock	322,344	322,320
Additional paid-in capital	143,693	69,293
Retained earnings	3,886,776	3,519,620
Insufficiency in restated stockholders' equity	(706,289)	(709,329)
Cumulative initial effect of deferred income tax	(362,117)	(362,117)
Derivative financial instruments	(19,292)	101,104
Majority stockholders' equity	3,265,115	2,940,891
Minority interest in consolidated subsidiaries	1,016	4,150
Trustee rights of third parties	46,897	46,897
Total stockholders' equity	3,313,028	2,991,938
Total	**$ 5,889,947**	**$ 5,764,740**

See accompanying notes to consolidated financial statements.

Ing. Federico Toussaint Elosúa
Chief Executive Officer

Ing. Tomás Garza de la Garza
Chief Financial Officer

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

Consolidated Statements of Income

For the years ended December 31, 2006 and 2005
(In thousands of Mexican pesos of purchasing power of December 31, 2006, except per share amounts)

	2006	2005
Net sales	$ 4,200,416	$ 3,930,901
Costs and expenses:		
Cost of sales	2,555,925	2,362,770
Operating expenses	961,559	883,786
	3,517,484	3,246,556
Operating income	682,932	684,345
Net comprehensive financing cost:		
Interest expense	157,031	144,612
Interest income	(1,479)	(3,641)
Monetary position gain	(69,961)	(52,486)
Exchange fluctuations, net	3,517	(38,365)
	89,108	50,120
Income after net comprehensive financing cost	593,824	634,225
Other expenses, net	20,966	79,475
Income before income tax and employee statutory profit-sharing	572,858	554,750
Income tax	163,546	11,921
Employee statutory profit-sharing	14,289	11,486
Consolidated net income	**$ 395,023**	**$ 531,343**
Net income per share (based on 122,777,380 and 119,620,683 of weighted average common shares outstanding during 2006 and 2005, respectively)	**$ 3.22**	**$ 4.44**

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2006 and 2005
(In thousands of Mexican pesos of purchasing power of December 31, 2006)

	Capital stock	Additional paid-in capital	Retained earnings	Insufficiency in restated stockholders' equity	Cumulative initial effect of deferred income tax	Derivative financial instruments	Trustee rights of third parties and minority interest	Total stockholders' equity
Balances as of January 1, 2005	$ 322,295		$ 3,065,953	$ (541,111)	$ (362,117)		$ 34,439	$ 2,519,459
Reclassifications			(30,452)	30,452				
Issuance of common stock and additional paid in capital	25	$ 69,293	(25)				57	69,350
Comprehensive income			531,343	(198,670)		$ 7,658	2,780	343,111
Dividends paid			(47,199)					(
Cumulative initial effect of valuation of derivate financial instruments						93,446		93,446
Trustors' contributions							13,771	13,771
Balances as of December 31, 2005	322,320	69,293	3,519,620	(709,329)	(362,117)	101,104	51,047	2,991,938
Issuance of common stock and additional paid in capital	24	74,400	(24)				26	74,426
Issuance of treasury stock			28,046					28,046
Comprehensive income			395,023	3,040		(120,396)	(3,160)	274,507
Dividends paid			(55,889)					(
Balances as of December 31, 2006	**$ 322,344**	**$ 143,693**	**$ 3,886,776**	**$ (706,289)**	**$ (362,117)**	**$ (19,292)**	**$ 47,913**	**$ 3,313,028**

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 2006 and 2005
(In thousands of Mexican pesos of purchasing power of December 31, 2006)

	2006	2005
Operating activities:		
Consolidated net income	$ 395,023	$ 531,343
Items that did not require (generate) resources:		
Depreciation and amortization	254,355	223,496
Employee retirement obligations	14,814	12,115
Bad debt expense	8,613	15,207
Deferred income tax and employee statutory profit sharing	17,807	(110,041)
Fixed asset impairment	23,365	10,712
Inventory impairment	8,811	14,857
Derivative financial instruments	(16,375)	
Other	1,612	12,581
	708,025	710,270
Changes in operating assets and liabilities:		
Trade accounts receivable	(66,332)	(88,923)
Other accounts receivable	(77,112)	29,996
Inventories	(127,346)	(275,276)
Trade accounts payable	75,208	26,453
Other	(5,407)	(27,508)
Net resources generated by operating activities	507,036	375,012
Financing activities:		
Proceeds from notes payable to financial institutions and others	2,432,049	2,793,561
Repayment of notes payable to financial institutions	(2,632,625)	(2,688,879)
Effect of inflation on notes payable to financial institutions	(60,385)	(56,550)
Derivate financial instruments	(146,453)	142,401
Trustee rights of third parties		13,771
Proceeds from issuance of common stock	74,426	69,350
Issuance of treasury stock, net	28,046	
Dividends paid	(55,889)	(47,199)
Net resources (used in) generated by financing activities	(360,831)	226,455
Investing activities:		
Acquisition of property, plant and equipment	(301,685)	(511,756)
Derivate financial instruments	146,453	(142,401)
Investments in other assets	(1,194)	(8,905)
Net resources used in investing activities	(156,426)	(663,062)
Cash and cash equivalents:		
Decrease	(10,221)	(61,595)
Balance at beginning of year	40,155	101,750
Balance at end of year	**$ 29,934**	**$ 40,155**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2006 and 2005
(In thousands of Mexican pesos of purchasing power as of December 31, 2006)

1. Nature of operations

Grupo Lamosa, S.A. B. de C.V. (previously Grupo Lamosa, S.A. de C.V.) and its subsidiaries (the "Company") is engaged in the manufacture of ceramic products for wall and floor coverings, bathroom fixtures, adhesives for ceramic tiles and development of real estate projects for sale and rent.

2. Basis of presentation

a) Basis of consolidation – The consolidated financial statements include those of Grupo Lamosa, S.A. B. de C.V. ("Glasa") and its subsidiaries. Currently, Glasa owns approximately 100% of the capital stock and trustee rights of a majority of its subsidiaries. For consolidation purposes intercompanies balances and transactions have been eliminated.

The consolidated subsidiaries, classified according to their activities, are shown below:

Ceramic segment:

Wall and floor tile business:
Lamosa Revestimientos, S.A. de C.V.
Mercantil de Pisos y Baños, S.A. de C.V.
Lamosa USA, Inc.
General de Minerales, S.A. de C.V.
Sanitary business - Sanitarios Lamosa, S.A. de C.V

Non–ceramic segment:

Adhesive business:
Crest, S.A. de C.V.
Proyeso, S.A. de C.V.
Adhesivos de Jalisco, S.A. de C.V.
Industrias Niasa, S.A. de C.V.
Sanitarios Azteca, S.A. de C.V.
Construmaquilas, S.A. de C.V.
Tecnocreto, S.A.
Servicios de Administración de Adhesivos, S.A. de C.V.
Servicios Industriales de Adhesivos, S.A. de C.V.

Real estate segment:

Grupo Inmobiliario Viber, S.A. de C.V.
Trusts for the urbanization, development and marketing of real estate
Desarrollos Inmobiliarios Lamosa S.A. de C.V. (1)
Inmobiliaria Galerías Valle Oriente, S. A. de C. V. (2)
Inmobiliaria Plaza Cumbres, S. A. de C. V. (2)

Corporate and other:

Servicios Administrativos Lamosa, S.A. de C.V.

(1) The company was incorporated in 2005 from a split of another of the Company's subsidiaries and it was liquidated in December of 2006.

(2) The companies were incorporated in December 2005.

b) Explanation for translation into English – The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Mexican Financial Reporting Standards (MFRS). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

c) Comprehensive income – Represents changes in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income. In 2006 and 2005, other comprehensive income items consist of the insufficiency in restated stockholders' equity and the translation effects of foreign subsidiaries.

3. Summary of significant accounting policies

New financial reporting standards – As of June 1, 2004, the function of establishing and issuing MFRS (which standards are called "Normas de Información Financiera" or "NIFs") became the responsibility of the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"). CINIF decided to rename the accounting principles generally accepted in Mexico (MEX GAAP), previously issued by the Mexican Institute of Public Accountants ("IMCP"), as Mexican Financial Reporting Standards. As of December 31, 2005, eight Series A standards had been issued (NIF A-1 to NIF A-8), representing the Conceptual Framework, intended to serve as the supporting rationale for the development of such standards, and as a reference to resolve issues arising in practice; NIF B-1, Accounting Changes and Correction of Errors, was also issued. The Series A NIFs and NIF B-1 went into effect as of January 1, 2006. Application of the new MFRS did not have a material impact on the Company's financial position, results of operations or related disclosures

The accounting policies followed by the Company are in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Although these estimates are based on management's best knowledge of current events, actual results may differ. The significant accounting policies of the Company are as follows:

a) Changes in accounting policies – Effective January 1, 2005, the Company adopted the revised provisions to Bulletin D-3, "Labor Obligations" ("D-3") related to recognition of the liability for severance payments at the end of the work relationship for reasons other than restructuring, which is recorded using the projected unit credit method, based on calculations by independent actuaries. The accrued liability as of January 1, 2005 calculated by independent actuaries is $10,354. The Company chose to record such amount as a transition liability to be amortized using the straight-line method over approximately 6.96 and 12.29 years, which represents the average labor life of employees expected to receive such benefits.

As of January 1, 2005, the Company adopted the provisions of Bulletin B-7, "Business Acquisitions" ("B-7"). Bulletin B-7 provides rules for the accounting treatment of business acquisitions and investments in associated entities. It establishes, among others, that a) the adoption of the purchase method as the sole valuation rule for these transactions; b) goodwill arising from an acquired entity should not be amortized, but should be subject to impairment tests, at least on an annual basis in conformity with Bulletin C-15, "Accounting for Impairment and Disposal of Long-lived Assets"; and c) any unamortized excess of recorded value over cost of subsidiaries and associated companies should be immediately considered in the year's results, and d) it also provides rules for the accounting treatment of asset transfers or share exchanges between entities under common control and for the acquisition of minority interest, the effects of which are recorded in stockholders' equity. The effect of adopting this principle beginning January 1, 2005 was an additional $5,428 income recorded in results of the year.

Effective January 1, 2005, the Company adopted provisions of Bulletin C-10 "Derivative Financial Instruments and Hedging Activities" ("C-10"), which requires that all derivative instruments be recognized at fair value, sets the rules to recognize hedging activities and requires separation, if practical, of embedded derivative instruments. With respect to cash flow hedging, C-10 establishes that the effective portion be recognized temporarily under comprehensive income within stockholders' equity, with subsequent reclassification to current earnings at the time it is affected by the hedged item. The ineffective portion should be immediately recognized in current earnings. Until December 31, 2004, according to prior accounting standards (Bulletin C-2, "Financial Instruments"), the Company did not recognize the effect of hedging derivatives under financial expenses until the flow exchanges mentioned in the swap contract were actually executed. At January 1, 2005, the effect of initial adoption of C-10 resulted in the recognition of an asset for derivative financial instruments of $131,615, with a corresponding debit to the following accounts: deferred income tax liability for $38,169, and comprehensive income within stockholders' equity for $93,446. At December 31, 2005, the swap's fair value increased by $10,786, with an offsetting credit to comprehensive income of $7,658, net of deferred income tax.

b) Recognition of the effects of inflation – The Company restates its consolidated financial statements to Mexican pesos purchasing power of the most recent balance sheet date presented. Accordingly, the consolidated financial statements of the prior year have been restated to Mexican pesos of purchasing power of December 31, 2006 and, therefore, differ from those originally reported in the prior year. However, the amounts in the financial statements are comparable, because they are expressed in constant pesos.

c) Cash and cash equivalents – This line item consists mainly of bank deposits in checking accounts and readily available daily investments of cash surpluses. This line item is stated at nominal value plus accrued yields, which are recognized in results as they accrue.

d) Inventories and cost of sales – Inventories are stated at the latest purchase price or production cost, without exceeding the net realizable value. Cost of sales is restated using replacement cost at the time of sale.

e) Real estate inventories – Real estate inventories consist of the cost of land, licenses, taxes, direct and indirect materials and costs incurred in the Company's real estate business. These costs are restated for inflation using the National Consumer Price Index (NCPI) without exceeding their fair market value.

Comprehensive financing cost incurred from loans related to real estate construction is capitalized. Comprehensive financing cost, expressly agreed to or implicit, in the debt, for the acquisition of land, is capitalized only during the development stage.

f) Commercial centers – Commercial centers are valued at acquisition cost of the lands and the construction thereon, and are restated using factors derived from the NCPI.

Comprehensive financing cost incurred from loans related to commercial centers is capitalized. Comprehensive financing cost, expressly agreed to or implicit, in the debt, for the acquisition of land, is capitalized only during the development stage.

g) Property, plant and equipment – Property, plant and equipment of domestic origin are initially recorded at acquisition cost and restated by applying factors derived form the NCPI. For fixed assets of foreign origin, restated acquisition cost expressed in the currency of the country of origin is converted into Mexican pesos at the market exchange rate in effect at the balance sheet date.

Depreciation is computed using the straight–line method, based on the estimated useful lives of the related assets as follows:

	Average years	
	2006	2005
Buildings and commercial centers	23	21
Machinery and equipment	8	9
Transportation equipment	2	3
Computer equipment	3	3
Furniture and mixtures	7	7

Net comprehensive financing cost incurred during the period of construction and installation of property, plant and equipment is capitalized and restated using the NCPI.

Maintenance and repair expenses are recorded as expense in the period in which they are incurred.

h) Impairment of long-lived assets in use – The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. The impairment indicators considered for these purposes are, among others, the operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the products manufactured, competition, definitive plants closing and other legal and economic factors.

i) Derivative financial instruments – The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value in the balance sheet, regardless of its intent for holding them. Fair value is determined using prices quoted on recognized markets. If such instruments are not traded, fair value is determined by applying recognized valuation techniques.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the ineffectiveness of the instrument will be measured.

Changes in the fair value of derivative instruments designated as hedging are recognized as follows; (1) for fair value hedges, changes in both the derivative instrument and the hedged item are recognized in current earnings, (2) for cash flow hedges, changes are temporarily recognized as a component of comprehensive income and then reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings, within comprehensive financing cost, regardless of whether the derivative instrument is designated as a fair value hedge or a cash flow hedge.

The Company uses interest rate swaps, foreign currency forward contracts and natural gas contracts to manage its exposure to fluctuations of interest rates, foreign currency and the market price of natural gas. As a policy, the Company does not carry out derivative transactions of a speculative nature.

j) Other assets – Other assets are restated using the NCPI and are amortized based on the respective expected life.

k) Goodwill – Goodwill represents the excess of cost over the fair value of subsidiary shares, as of the date of acquisition. It is restated using the NCPI and at least once a year is subject to impairment tests.

l) Employee retirement obligations – Seniority premiums and pension plans, and severance payments at the end of the work relationship are recognized as costs over employee years of service and are calculated by independent actuaries using the projected unit credit method at net discount rates. Accordingly, the liability is being accrued which, at present value, will cover the obligation from benefits projected to the estimated retirement date of the Company's employees.

m) Income tax, tax on assets and employee statutory profit sharing – Income tax (ISR) and employee statutory profit sharing (PTU) are recorded in results of the year in which they are incurred. Deferred income tax assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. Deferred ISR assets are reduced by any benefits about which there is uncertainty as to their realizability. Deferred PTU is derived from temporary differences between the accounting result and income for PTU purposes and is recognized only when it can be reasonably assumed that they will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

The tax on assets paid that is expected to be recoverable is recorded as an advance payment of ISR and is presented in the balance sheet decreasing the deferred ISR liability.

n) Provisions – Are recognized for current obligations that result from a past event, are probable to result in the use of economic resources, and can be reasonably estimated.

o) Foreign currency transactions – Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate at the date of the financial statements. Exchange fluctuations are recorded in results of operations, except those amounts capitalized as a component of construction cost (see Note 7).

p) Insufficiency in restated stockholders' equity – Insufficiency in restated stockholders' equity represents the accumulated monetary position result through the initial restatement of the financial statements and the increase in the restated value of non monetary assets above (below) inflation.

q) Revenue recognition – Revenues are recognized in the period in which the risks and rewards of ownership are transferred to customers, which generally coincides with the shipment of products to customers in satisfaction of orders and the transfer of the rights to possession of real estate inventories.

r) Monetary position gain – Monetary position gain, which represents the increase of purchasing power of monetary items caused by inflation, is calculated by applying NCPI factors to monthly net monetary position. Gains result from maintaining a net monetary liability position.

s) Earnings per share – Earnings per share are computed by dividing consolidated net income by the weighted average number of shares outstanding during each period.

t) Reclassifications – Certain amounts in the consolidated financial statements as of and for the years ended December 31, 2005 have been reclassified in order to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2006.

4. Other accounts receivable

	2006	2005
Recoverable taxes	$ 195,269	$ 120,229
Other	51,747	49,675
	$ 247,016	**$ 169,904**

	2006	2005

5. Inventories - net

	2006	2005
Finished products	$ 287,259	$ 234,817
Work in process	45,376	49,608
Raw materials	83,905	87,446
Supplies and spare parts	53,920	56,416
Merchandise in transit	1,859	1,856
Advances to suppliers	4,665	1,608
Reserve for obsolescence	(6,485)	(12,412)
	$ 470,499	**$ 419,339**

6. Real estate inventories

	2006	2005
Land in development for sale	$ 149,427	$ 150,167
Undeveloped land	163,944	182,245
Urbanization in progress	102,932	114,706
Construction in progress	130,340	100,937
	$ 546,643	**$ 548,055**

7. Property, plant and equipment, net

	2006	2005
Land	$ 639,308	$ 646,040
Buildings	965,415	908,249
Machinery and equipment	2,067,361	1,891,244
Transportation equipment	58,156	56,954
Furniture and mixtures	50,621	61,635
Computer equipment	49,920	47,092
Construction in progress	108,248	45,620
	3,939,029	3,656,834
Accumulated depreciation	(1,232,406)	(1,061,143)
	$ 2,706,623	**$ 2,595,691**

Unamortized capitalized net comprehensive financing cost was $41,702 and $44,861 at December 31, 2006 and 2005, respectively.

8. Other assets

	2006	2005
Trademarks acquired	$ 29,318	$ 43,684
Preoperating expenses	5,429	13,843
Intangible pension asset (Note 10)	12,524	17,768
Derivate financial instruments		142,401
Other	32,209	29,840
	$ 79,480	**$ 247,536**

9. Long–term debt

a) Long–term debt is summarized as follows:

	2006	2005
Unsecured medium-term notes, denominated in Mexican pesos, bearing interest at a floating rate based on 28 and 182 day treasury bonds (CETES), plus a spread of 3.5%, principal matures in 2007.	$ 220,000	$ 228,910
Unsecured bank loan, denominated in U.S. dollars, bearing interest at a floating rate based on LIBOR plus a spread between 0.25% and 1.1%, principal payable in various installments through 2013.	827,224	813,323
Unsecured bank loan, denominated in U.S. dollars, bearing interest at a fixed rate between 4.35% and 4.51%, principal payable in various installments through 2012.	157,795	194,706
Unsecured bank loan, denominated in Mexican pesos, bearing interest at a floating rate based on TIIE plus a spread 1.15% and 1.2%, principal matures in 2009.	96,600	41,620
Unsecured bank loan, denominated in Mexican pesos, bearing interest at a fixed rate between 8.6% principal matures in 2008.	20,000	145,670
Unsecured bank loan, denominated in investment units (UDIS), bearing interest at a fixed rate of 9.25%, principal matures in 2006.		151,394
Unsecured notes payable, denominated in U.S. dollars, bearing interest at a fixed rate of 10%, principal payable in various installments through 2008.	5,965	11,536
Capital lease, denominated in Mexican pesos, bearing interest at a floating rate based on TIIE plus a spread between 3.25% and 5%, principal payable in various installments through 2010.	7,085	8,471
Total long–term debt	1,334,669	1,595,630
Current portion of long–term debt	(386,466)	(202,385)
Long–term debt	**$ 948,203**	**$ 1,393,245**

As of December 31, 2006, the interest rates CETES, TIIE and LIBOR were 7.2%, 7.36% and 5.36%, respectively.

b) The schedule of contractual principal payments of long–term debt as of December 31, 2006, is as follows:

Year ending December, 31	Amount
2008	$ 269,412
2009	345,364
2010	251,478
2011	40,107
2012 and thereafter	41,842
	$ 948,203

c) Certain of the Company's long-term debt agreements contain restrictions and covenants that require maintaining of various financial ratios. The Company has complied with the restrictions and covenants at December 31, 2006.

d) The Company primarily uses interest rate swaps ("interest swaps") and currency swaps ("currency swaps") to manage its exposure to fluctuations in interest and foreign currency exchange rates. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various derivative transactions. It is the Company's policy not to enter into derivative financial instruments for speculative purposes.

The Company's interest swaps effectively convert a portion of its variable rate debt to fixed rate debt. Further, the Company's currency swaps effectively convert a portion of its dollars denominated debt to Mexican peso.

The following table summarizes the derivative financial instruments in place as of December 31, 2006:

Type of transaction	Commencement date	Termination date	Company pays fixed interest rate	Company receives interest rate	Company receives variable interest rate	Notional amount (Thousands)	Contract currency	Exchange rate
Interest swaps and currency swaps	January 26, 2006	January 26, 2010	8.27%	4.65%		US $ 40,000	U.S. dollars	10.5140
Interest swaps and currency swaps	January 20, 2006	July 20, 2012	7.98%	4.35%		US $ 10,948	U.S. dollars	10.5350
Interest swaps and currency swaps	October 1, 2005	October 1, 2009	7.57%	4.51%		US $ 3,636	U.S. dollars	10.5410
Interest swaps	January 26, 2006	January 26, 2010	3.90%		LIBOR reviewed every 3 months	US $ 40,000	U.S. dollars	
Interest swaps	January 26, 2006	January 26, 2010	3.90%		LIBOR reviewed every 3 months	US $ 25,000	U.S. dollars	

The effects in the statements of income of the above-mentioned transactions were:

	Income (expense) for the year ending December 31, 2006	2005
Interest swaps	$ 4,039	$ 3,011
Forward contracts		(8,603)
Currency swaps	968	(38)
Net	**$ 5,007**	**$ (5,630)**

As of December 31, 2006, the fair value of these derivative financial instruments resulted in the recognition of an asset of $13,571.

10. Employee retirement obligations

The disclosures relating to the Company's pension plans, seniority premiums and severance payments at the end of the work relationship, required by Bulletin D-3, issued by the CINIF, calculated as described in note 3 l), together with certain actuarial assumptions utilized, are presented below as of December 31, 2006 and 2005:

		2006		2005
Accumulated benefit obligations	**$**	**107,458**	**$**	**99,247**
Projected benefit obligations	$	112,011	$	115,332
Unrecognized transition obligations		(9,433)		(23,822)
Variations in assumptions and adjustments for experience		(10,004)		(1,045)
Net projected liability		92,575		90,464
Additional liability		20,024		22,480
	$	**112,599**	**$**	**112,944**
Net periodic cost	**$**	**14,814**	**$**	**12,115**
Rates used (net of inflation)				
Discount rate		4.50%		4.50%
Wage increases		1.50%		1.50%

11. Other long-term liabilities

		2006		2005
Deposits in guarantee	$	18,431	$	14,704
Derivative financial instruments		4,052		
	$	**22,483**	**$**	**14,704**

12. Stockholders' equity

a) As of December 31, 2006 and 2005, the minimum fixed capital stock consists of 120 million ordinary non-par value shares without voting rights, and variable capital consists of 2.412 million and 1.2 million ordinary shares, respectively, without par value. All the shares are unrestricted as to ownership.

b) At the general stockholders' meetings held on March 16, 2006,and 2005, dividends were declared for $55,889 ($54,204 at nominal value) and $47,199 ($44,400 at nominal value), respectively.

c) Pursuant to the general ordinary stockholders' meetings held March 16, 2006 and 2005, variable capital was increased by $24 and $25, capitalizing retained earnings for the same amount and issuing 1,212,000 and 1,200,000 ordinary shares without par value, effective August 1, 2006 and 2005, respectively.

d) Pursuant to the general ordinary stockholders' meeting held March 16, 2006, the resources to purchase of treasury stock was increased to $61,896 ($60,000 at nominal value). At December 31, 2006, the treasury stock authorized was $185,982 ($90,000 at nominal value), which is recognized within retained earnings.

e) Pursuant to the general ordinary stockholders' meetings of one of the Company's subsidiaries held March 14, 2006 and June 8, 2005, variable capital was increased by $74,426 ($72,000 at nominal value) and $69,350 ($65,000 at nominal value), which consisted of 144 and 130 shares respectively, without par value, paid in cash. The issuance resulted in an increase to additional paid-in capital of $74,400 and $69,293, in 2006 and 2005, respectively.

f) Retained earnings includes the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. At December 31, 2006 and 2005, the legal reserve, in historical pesos, was $480.

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

h) The balances of the stockholders' equity tax accounts as of December 31, 2006 are:

		2006		2005
Contributed capital account	$	255,361	$	255,361
Net tax income account		1,829,427		1,437,602
Net reinvested tax income account		21,221		76,902
Total	**$**	**2,106,009**	**$**	**1,769,865**

13 Trustee rights of third parties

Trustee rights of third parties correspond to contributions made by third parties as trustees in an enterprise trust fund for the construction of a building. During 2004, the trustees received the possession and rights that correspond to them according to the undivided percentage of the respective property, specified in the trusteeship agreement. The balance at December 31, 2006 and 2005, corresponds to the contributions of a third party as trustee to the capital of another business trust created in 2004.

14. Contingencies

a) The Company is not a party to, and none of its assets is subject to, any pending legal proceedings nor is the Company subject to any contingent liabilities arising in the normal course of business and against which the Company is adequately insured or indemnified or which the Company believes are not material in the aggregate.

b) The Company's consumption of natural gas during 2006 was approximately 2,689,684 Millions of British Thermal Units ("MMBTUS"), of which, it had hedged a total of 2,581,700 MMBTUS. The Company maintains hedges on the price of natural gas for approximately 831,180 MMBTUS with termination date in March, 2007 with Citibank, N.A., at a fixed price between $7.20 U.S. dollar and $8.02 U.S. dollar per MMBTUS. This agreement was designated by management as hedging the natural gas market price variations and resulted in a derivative asset of $17,623 as of December 31, 2006. Accordingly, stockholders' equity was affected by $12,669, net of deferred income tax, as the hedge was considered to be highly effective for accounting purposes (no ineffectiveness). As of February 22, 2007, the issuance date of these consolidated financial statements, the market price of natural gas is $6.53 U.S. dollars per MMBTUS.

15. Foreign currency balances and transactions

a) The monetary position in foreign currency, expressed in thousands of U.S. dollars as of December 31, 2006, is as follows:

	Foreign currency balances		Mexican peso equivalent
Monetary assets	10,418	$	112,824
Monetary liabilities [1]	(60,324)		(652,706)
Net liability position	**(49,906)**	**$**	**(539,882)**

[1] This amount included the decrease of the Company's agreements currency swaps by US$54,584.

b) Non–monetary assets of foreign origin, valued in thousands of U.S. dollars as of December 31, 2006 are as follows:

	Foreign currency balances		Mexican peso equivalent
Inventories	5,043	$	54,563
Machinery and equipment	87,429		945,742

c) Transactions in foreign currency, expressed in thousands of U.S. dollars, were as follows:

	2006	2005
Export sales	64,595	54,557
Interest expense, net	5,142	4,110
Import purchases	18,260	29,948

d) The exchange rate used to translate U.S. dollars to Mexican pesos as of December 31, 2006 was $10.82 (nominal pesos) per one U.S. dollar, compared with $10.62 (nominal pesos) per one U.S. dollar as of December 31, 2005. At February 22, 2007, the issuance date of these consolidated financial statements, the exchange rate was $10.9868 (nominal pesos) per one U.S. dollar.

16. Other expenses, net

	2006	2005
Severance payments due to reorganization		$ 3,857
Minority interest in trusts	$ 3,887	38,285
Preoperating expenses	14,531	30,057
Fixed asset impairment	23,365	10,712
Inventory impairment	8,811	14,857
Other income, net	(29,628)	(18,293)
	$ 20,966	**$ 79,475**

17. Income tax, tax on assets and employee statutory profit–sharing

a) In accordance with Mexican tax law, the Company is subject to ISR and tax on assets (IMPAC). ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position. In 2005 and 2006, the tax rate was 30% and 29%, respectively, and as of 2007, the tax rate will be 28%. Due to changes in the tax legislation effective January 1, 2007, taxpayers who file tax reports and meet certain requirements may obtain a tax credit equivalent to 0.5% or 0.25% of taxable income. In addition, as a result of changes in the tax law effective in 2005, cost of sales is deducted instead of inventory purchases. Taxpayers had the option, in 2005, to ratably increase taxable income over a period from 4 to 12 years by the tax basis of inventories as of December 31, 2004 with amount of $67,806 determined in conformity with the respective tax rules, and taking into account inventory turnover. As of 2006, PTU paid is fully deductible. The PTU rate is 10%.

b) Through 2006, IMPAC was calculated by applying 1.8% on the net average of the majority of restated assets less certain liabilities, including liabilities payable to banks and foreign entities. IMPAC is payable only to the extent that it exceeds ISR payable for the same period; any required payment of IMPAC is creditable against the excess of ISR over IMPAC of the following ten years. As of January 1, 2007, the IMPAC rate will be 1.25% on the value of assets for the year, without deducting any liabilities.

The current ISR and IMPAC are determined on a tax-consolidated basis.

c) The provision for ISR and PTU are analyzed as follows:

	2006	2005
ISR:		
Current	$ 145,952	$ 119,915
Deferred	17,594	(107,994)
Total	**$ 163,546**	**$ 11,921**
PTU:		
Current	$ 14,076	$ 13,532
Deferred	213	(2,046)
Total	**$ 14,289**	**$ 11,486**

d) To determine deferred ISR at December 31, 2006 and 2005, the Company applied the different tax rates to temporary differences according to their estimated dates of reversal. The result derived from applying the different tax rates is shown in the table below under effect of reduction in statutory rate on deferred ISR.

The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before ISR is:

	2006	2005
	%	%
Effective income tax rate	28.5	2.15
Effect of temporary items being converted into permanent differences		29.53
Effect of reduction in statutory rate on deferred ISR	1.3	1.40
Other	(0.8)	(3.08)
Statutory income tax rate	**29.00**	**30.00**

e) At December 31, 2006 the main items comprising the balance of deferred income tax are as follows:

	2006	2005
Deferred income tax liabilities:		
Property, plant and equipment	$ 138,999	$ 149,681
Inventories	37,003	68,201
Real estate inventories	114,123	102,309
Derivate financial instruments		41,296
Trademarks acquired	8,209	12,668
	298,334	**374,155**
Deferred income tax assets:		
Allowance for doubtful accounts	5,974	8,986
Tax loss carryforwards	25,565	39,494
Employee retirement obligations	28,345	28,531
Derivative financial instruments	1,135	
Other	23,753	27,220
	84,772	104,231
Tax on assets	46,302	47,172
Net liability	**$ 167,260**	**$ 222,752**

f) Tax loss carryforwards and recoverable tax on assets for which the deferred income tax asset and pre-paid income tax, respectively, have been recognized, can be recovered subject to certain conditions. Restated amounts as of December 31, 2006 and expiration dates are as follows:

Year of expiration	Tax on assets	Tax loss carry forwards
2009	$ 830	
2010	3,819	
2011	11,047	
2012	9,347	$ 44,356
2013	12,860	46,947
2014	8,399	
	$ 46,302	**$ 91,303**

g) The gain (loss) from holding non-monetary assets as shown in the statement of changes in stockholders' equity is presented net of the related deferred income tax effect of $4,668 in 2006 and $52,047 in 2005.

18. Transactions with related parties

a) On December 30, 1998, a subsidiary within the Company's real estate segment, entered into a contract as trustor "A" and trustee (No. 851-00103) with a trust institution (Banco Regional de Monterrey, S.A. "Fidudisa"), and into an irrevocable business activity trust ("Business Trust U-Calli") as trustor "B" and trustee with another entity (U-Calli Desarrollos Inmobiliarios, S.A. de C.V.), a related party acting. The purpose of such trusts is to operate and develop a mercantile real estate business.

The main features of the Business Trust U-Calli contract are:

- The trustor contributions to the trust consisted of plots of land, cash, accounts receivable, equipment and liabilities, for which it carried out negotiations related to the rights and obligations for loan transfers.
- The property contributions by the trustors were carried out with limited ownership rights, conserving the rights on the property.
- The trustee will primarily manage the trust's funds.
- The net income from the trust operations will be completely distributed among the trustees in accordance with the trust contract.

On December 13, 2005, the partial enforcement for the return of trust property was executed to Grupo Inmobiliario Viber, S. A. de C. V. ("Viber" or "trustor"). Such return consists of transferring the property and ownership over Viber's entire trust property, and having Viber acquire the real state properties free of encumbrance without any reservation of title, with all its uses, customs, easements, and whatever else they may have a right to as a matter of fact and law.

b) On August 29, 2001, the Business Trust U-Calli mentioned above entered into another trust agreement as trustor with a credit institution (Depositary), as the trustee. The purpose of the trust was to build a property with other companies who act as trustors and trustees in first lien. The Business Trust U-Calli contributed a property and cash and the other companies contributed cash. In 2005, this trust was partially extinguished (see note 13).

On December 13, 2005, the partial enforcement of the return of trust property was executed on behalf of the Business Trust U-Calli. In 2006, this trust was extinguishing.

c) In October 29, 2004, the Business Trust U-Calli mentioned above entered into another trust agreement as trustor with a credit institution (Depositary), as the trustee. The purpose of the trust was to build a property with other companies who act as trustors and trustees in first lien. The Business Trust U-Calli contributed a property and cash and the other companies contributed cash.

On December 14, 2005, the partial enforcement of the trust property reversal was executed on behalf of the Business Trust U-Calli.

d) The interest in the Business Trust U-Calli earnings for the trustees was as follows:

		2006		2005
Grupo Inmobiliario Viber, S.A. de C.V.	$	36,920	$	99,845
U-Calli Desarrollos Inmobiliarios, S.A. de C.V.		3,887		38,285
	$	**40,807**	**$**	**138,130**

19. Information by industry segment and geographical area

Glasa's reportable segments are strategic business units that offer a variety of products. The segments are managed separately; each requires different manufacturing operations, technology and marketing strategies; and each segment primarily serves a distinct customer base. Information by industry segment follows:

December 31, 2006:	Ceramic	Non ceramic	Real estate	Corporate and other	Total
Total net sales	$ 2,523,157	$ 1,521,854	$ 314,230	$ 150,361	$ 4,509,602
Intersegment sales	(57,802)	(99,365)	(1,974)	(150,045)	(309,186)
Net sales to third parties	2,465,355	1,422,489	312,256	316	4,200,416
Operating income (loss)	296,492	342,336	76,144	(32,040)	682,932
Total assets	2,946,009	619,906	1,711,433	612,599	5,889,947
Total liabilities	1,493,826	277,848	53,579	751,666	2,576,919
Capital expenditures	200,129	18,973	946	81,637	301,685
Depreciation and amortization	167,859	25,679	35,367	25,450	254,355
Fixed asset impairment	23,365				23,365

December 31, 2005:	Ceramic	Non ceramic	Real estate	Corporate and other	Total
Total net sales	$ 2,313,194	$ 1,402,046	$ 375,973	$ 154,814	$ 4,246,027
Intersegment sales	(60,006)	(86,283)	(15,383)	(153,454)	(315,126)
Net sales to third parties	2,253,188	1,315,763	360,590	1,360	3,930,901
Operating income (loss)	297,663	311,356	104,653	(29,327)	684,345
Total assets	2,952,717	578,398	1,638,969	594,655	5,764,740
Total liabilities	1,433,551	289,384	72,723	977,141	2,772,802
Capital expenditures	407,091	50,540	7,184	46,940	511,756
Depreciation and amortization	147,028	21,345	28,162	26,959	223,496
Fixed asset impairment	10,712				10,712

Export sales represent 17.30% and 16.20% of total sales in 2006 and 2005, respectively, and are made mainly to the United States of America.

20. New accounting principles

When Mexican NIF Series A went into effect on January 1, 2006, which represents the Conceptual Framework described in Note 3, some of its provisions created divergence with specific MFRS already in effect. Consequently, in March 2006, CINIF issued Interpretation Number 3 (INIF No. 3), Initial Application of MFRS, establishing, that provisions set forth in specific MFRS that have not been amended should be followed until their adaptation to the Conceptual Framework is complete. For example, in 2006, revenues, costs and expenses were not required to be classified as ordinary and non-ordinary in the statement of income and other comprehensive income items in the statement of stockholders' equity were not required to be reclassified into the statement of income at the time net assets that gave rise to them were realized.

CINIF continues to pursue its objective of moving towards a greater convergence with international financial reporting standards. To this end, on December 22, 2006, it issued the following MFRS, which will become effective for fiscal years beginning on January 1, 2007:

NIF B-3, Statement of Income
NIF B-13, Events Occurring after the Date of the Financial Statements
NIF C-13, Related Parties
NIF D-6, Capitalization of Comprehensive Financing Result

Some of the significant changes established by these standards are as follows:

NIF B-3, Statement of Income, sets the general standards for presenting and structuring the statement of income, the minimum content requirements and general disclosure standards. Consistent with NIF A-5, Basic Elements of Financial Statements, NIF B-3 now classifies revenues, costs and expenses, into ordinary and non-ordinary. Ordinary items (even if not frequent) are derived from the primary activities representing and entity's main source of revenues. Non-ordinary items are derived from activities other than those representing an entity's main source of revenues. Consequently, the classification of certain transactions as special or extraordinary, according to former Bulletin B-3, was eliminated. As part of the structure of the statement of income, ordinary items should be presented first and, at a minimum, present income or loss before income taxes, income or loss before discontinued operations, if any, and net income or loss. Presenting operating income is neither required nor prohibited by NIF B-3. If presented, the line item other income (expense) is presented immediately before operating income. Cost and expense items may be classified by function, by nature, or a combination of both. When classified by function, gross income may be presented. Statutory employee profit sharing should now be presented as an ordinary expense (within other income (expense) pursuant to INIF No. 4 issued in January 2007) and no longer presented within income tax. Special items mentioned in particular MFRS should now be part of other income and expense and items formerly recognized as extraordinary should be part of non-ordinary items.

NIF B-13, Events Occurring after the Date of the Financial Statements, requires that for (i) asset and liability restructurings and (ii) creditor waivers to their right to demand payment in case the entity defaults on contractual obligations, occurring in the period between the date of the financial statements and the date of their issuance, only disclosure needs to be included in a note to the financial statements while recognition of these items should take place in the financial statements of the period in which such events take place. Previously, these events were recognized in the financial statements instead in addition to their disclosure. NIF A-7, Presentation and Disclosure, in effect as of January 1, 2006, requires, among other things, that the date on which the issuance of the financial statements is authorized be disclosed as well as the name of authorizing management officer(s) or body (bodies). NIF B-13 establishes that if the entity owners or others are empowered to modify the financial statements, such fact should be disclosed. Subsequent approval of the financial statements by the stockholders or other body does not change the subsequent period, which ends when issuance of the financial statements is authorized.

NIF C-13, Related Parties, broadens the concept "related parties" to include a) the overall business in which the reporting entity participates; b) close family members of key or relevant officers; and c) any fund created in connection with a labor-related compensation plan. NIF C-13 requires the following disclosures: a) the relationship between the controlling and subsidiary entities, regardless of whether or not any intercompany transactions took place during the period; b) that the terms and conditions of consideration paid or received in transactions carried out between related parties are equivalent to those of similar transactions carried out between independent parties and the reporting entity, only if sufficient evidence exists; c) benefits granted to key or relevant officers; and d) name of the direct controlling company and, if different, name of the ultimate controlling company. Notes to comparative financial statements of prior periods should disclose the new provisions of NIF C-13.

NIF D-6, Capitalization of Comprehensive Financing Result, establishes general capitalization standards that include specific accounting for financing in domestic and foreign currencies or a combination of both. Some of these standards include: a) mandatory capitalization of comprehensive financing cost ("RIF") directly attributable to the acquisition of qualifying assets; b) in the instance financing in domestic currency is used to acquire assets, yields obtained from temporary investments before the capital expenditure is made are excluded from the amount capitalized; c) exchange gains or losses from foreign currency financing should be capitalized considering the valuation of associated hedging instruments, if any; d) a methodology to calculate capitalizable RIF relating to funds from generic financing; e) regarding land, RIF may be capitalized if development is taking place; and f) conditions that must be met to capitalize RIF, and rules indicating when RIF should no longer be capitalized. The entity may decide on whether to apply provisions of NIF D-6 for periods ending before January 1, 2007, in connection with assets that are in the process of being acquired at the time this NIF goes into effect.

On January 2007, CINIF issued Interpretation Number 4, (INIF No. 4), establishing that PTU should be presented in the statement of income as an ordinary expense within other income and expense. This interpretation will become effective for fiscal years beginning on January 1, 2007.

At the date of issuance of these financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information.

21. Financial statements issuance authorization

On February 22, 2007 (February 27, 2007 with respect to Note 22), the issuance of the consolidated financial statements was authorized by Ing. Federico Toussaint Elosúa, General Director of the Company and Ing. Tomás Luis Garza de la Garza, Finance Director. These consolidated financial statements are subject to approval at the general ordinary stockholders' meeting, where the financial statements may be modified, based on provisions set forth by the Mexican General Corporate Law.

22. Subsequent event

At February 27, 2007, Glasa, has signed an agreement for the sale of two commercial centers that operate in the city of Monterrey. The agreement was reached with a real estate institution based in the United States and is subject to certain governmental authorizations, amount other conditions common in this type of operations.

The Company expects that the operation will be finished during the second quarter of 2007.

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