IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, AS AMENDED (THE "SECURITIES ACT")) OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE SECURITIES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES ("QUALIFIED INVESTORS"). IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS "RELEVANT PERSONS"). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA"), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE SECURITIES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO US.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-US persons (within the meaning of Regulation S under the Securities Act) outside the United States. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act), and (2) you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Merrill Lynch, Pierce, Fenner & Smith Incorporated, GBM International, Inc., Goldman, Sachs & Co. or Santander Investment Securities Inc. (the "Initial Purchasers") or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Initial Purchasers or any person who controls them or any of their directors, officers, employees or any of their agents or any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

OFFERING MEMORANDUM

125,406,431 Shares
Grupo Rotoplas, S.A.B. de C.V.
Single Series, Class II Shares of Common Stock

Offering Price: Ps.29.00 per Share

We are offering a total of 125,406,431 shares of our Single Series, Class II shares of common stock, no par value (the "Shares"), in a global offering consisting of (1) an international offering of 62,908,957 Shares in the United States of America (the "United States") to "qualified institutional buyers" ("QIBs") as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and in other countries outside the United States and the United Mexican States ("Mexico") to certain non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S") in each case through the initial purchasers named elsewhere in this offering memorandum and pursuant to transactions exempt from registration under the Securities Act (the "International Offering"), and (2) a concurrent initial public offering of 62,497,474 Shares in Mexico authorized by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the "CNBV") and conducted through the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*, or the "BMV") by the Mexican underwriters named elsewhere in this offering memorandum (the "Mexican Offering," and together with the International Offering, the "Global Offering"). The Shares being offered in the Global Offering may be reallocated between the International Offering and the Mexican Offering, depending upon demand and other related factors in the Mexican and international markets. The closings of the International Offering and the Mexican Offering are conditioned upon each other.

We have granted the initial purchasers and the Mexican underwriters options, to be exercised from time to time, for a period of 30 days from the date on which the purchase price of the Shares is determined, to purchase up to an aggregate of 18,810,964 additional Shares at the offering price, less the underwriting discount, to cover over-allotments, if any, in the Global Offering. See "Plan of Distribution."

Investing in the Shares involves risks. See "Risk Factors" beginning on page 16.

This is our initial public offering and no public market currently exists for the Shares. We have applied to register the Shares in Mexico with the National Securities Registry (*Registro Nacional de Valores*, or the "RNV") maintained by the CNBV and to list the Shares for trading on the BMV under the ticker symbol "AGUA." The Shares have not been and will not be listed in any national securities exchange or quoted in any automated interdealer quotation system in the United States or elsewhere outside of Mexico. Registration of the Shares with the RNV does not imply any certification as to the investment quality of the Shares, our solvency or the accuracy or completeness of the information contained in this offering memorandum, and such registration does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

The Shares have not been and will not be registered under the Securities Act or under any other U.S. securities laws. The Shares may not be offered and sold within the United States, except to qualified institutional buyers as defined in and in reliance on the exemption from registration provided by Rule 144A, and in offshore transactions to certain non-U.S. persons in reliance on Regulation S. You are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions" for a description of the restrictions regarding the purchase and transfer of the Shares.

None of the U.S. Securities and Exchange Commission (the "SEC"), the CNBV or any state or foreign securities commission or any other regulatory authority has approved or disapproved the offering of the Shares, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering memorandum. Any representation to the contrary is a criminal offense.

The Shares are being offered pursuant to an exemption from the requirement to publish a prospectus under Directive 2003/71/EC (as amended and supplemented from time to time, the "Prospectus Directive") of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Directive.

We expect that delivery of the Shares will be made to investors on or about December 16, 2014, in book-entry form through the facilities of the Mexican Depository Institution (*S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.*, or the "Indeval") in Mexico City, Mexico.

Joint Global Coordinators and Joint Bookrunners

BofA Merrill Lynch **GBM International, Inc.** **Goldman, Sachs & Co.**

Joint Bookrunner

Santander

The date of this offering memorandum is December 9, 2014.

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You should rely only on the information contained in this offering memorandum. Neither we, nor the initial purchasers have authorized anyone to provide you with information that is different from or additional to that contained in this offering memorandum, and we and the initial purchasers take no responsibility for any other information that others may give you. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the Shares. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. This document may only be used where it is legal to offer or sell the Shares. Neither we nor any of the initial purchasers is making an offer to sell the Shares nor soliciting offers to buy the Shares in any jurisdiction where such an offer or sale is not permitted.

THIS OFFERING MEMORANDUM IS SOLELY THE RESPONSIBILITY OF GRUPO ROTOPLAS, S.A.B. DE C.V. AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. APPLICATION HAS BEEN MADE TO REGISTER THE SHARES IN MEXICO WITH THE RNV MAINTAINED BY THE CNBV, WHICH IS A REQUIREMENT UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DE MERCADO DE VALORES*, OR THE "LMV"). SUCH REGISTRATION IS EXPECTED TO BE OBTAINED ON OR BEFORE THE CLOSING OF THE GLOBAL OFFERING, AND DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE SHARES, OUR SOLVENCY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM, AND SUCH REGISTRATION DOES NOT RATIFY OR VALIDATE ACTS OR OMISSIONS, IF ANY, UNDERTAKEN IN CONTRAVENTION OF APPLICABLE LAW. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN NATIONALS WHO MAY ACQUIRE SHARES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF GRUPO ROTOPLAS, S.A.B. DE C.V., THE TERMS OF THE GLOBAL OFFERING, THE SHARES AND THE FINANCIAL INFORMATION INCLUDED HEREIN, INCLUDING THE MERITS AND RISKS INVOLVED.

NOTICE TO INVESTORS

The Mexican Offering is being made in Mexico pursuant to a Spanish-language prospectus, with the same date as this offering memorandum, that complies with the requirements of the LMV and the regulations thereunder. The Mexican prospectus, which has been filed and reviewed by the CNBV, and this offering memorandum contain substantially similar information, except that the Mexican prospectus includes other information and information that is presented in a different manner from that in this offering memorandum, as required by applicable Mexican law. The International Offering is being made in the United States and elsewhere outside Mexico solely on the basis of information contained herein.

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Shares described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the general public to subscribe for or otherwise acquire the Shares. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees to make no copies of this offering memorandum.

Neither we nor the initial purchasers are making an offer to sell the Shares nor soliciting offers to buy the Shares in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Shares under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States and Mexico so they can consider a purchase of the Shares. This offering memorandum may be used only for the purposes for which it has been published. By accepting delivery of this offering memorandum, you acknowledge that the use of the information in this offering memorandum for any purpose other than to consider a purchase of the Shares is strictly prohibited. These undertakings and prohibitions are for our benefit, and we may enforce them. U.S. federal securities laws restrict trading in our securities while in possession of material non-public information with respect to us. By accepting delivery of this offering memorandum and by purchasing the Shares, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering memorandum. The Shares are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser of the Shares, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum is based on information provided by us and other sources that we believe are reliable. We and the initial purchasers cannot assure you that this information is accurate or complete. This offering memorandum summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum.

Neither we nor the initial purchasers are making any representation to any purchaser regarding the legality of an investment in the Shares by such purchaser under any legal investment or similar laws or regulations. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Shares under applicable investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, accounting, business and tax advice regarding any investment in the Shares.

We reserve the right to withdraw this offering of Shares at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe the Shares in whole or in part and to allot to any prospective investor less than the full amount of Shares sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the Shares.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

None of the SEC, the CNBV or any state or foreign securities commission or any other regulatory authority has approved or disapproved the offering of the Shares, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive. This offering memorandum has been prepared on the basis that any offer of Shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make within the European Economic Area any offer of Shares which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer (other than permitted public offers) of Shares in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Shares under, the offer contemplated in this offering memorandum will be deemed to have represented, warranted and agreed to and with each initial purchaser and us that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the initial purchasers has been given to the offer or resale; or (2) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU."

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum is only being distributed to and is only directed at (1) persons who are outside the United Kingdom, (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Shares are only available to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

For additional information for investors in certain countries, see "Plan of Distribution" and "Transfer Restrictions."

ENFORCEMENT OF CIVIL LIABILITIES

We are a publicly traded corporation with variable capital stock (*sociedad anónima bursátil de capital variable*) incorporated under the laws of Mexico having our registered address (*domicilio social*) in Mexico City. Most of our directors and officers and certain directors and officers of certain of our subsidiaries, reside outside the United States. A significant portion of our assets and the assets of certain of our subsidiaries are located, and a majority of our revenues and the revenues of certain of our subsidiaries are derived from sources, outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Mexico, as the case may be, or to enforce against such parties any judgment obtained in courts located outside of Mexico predicated on civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated on the civil liability provisions of the U.S. federal securities laws or other laws of the United States. Based on the opinion of Romero Solórzano, S.C., our Mexican counsel, there is doubt as to the enforceability against these persons in Mexico, whether in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the U.S. federal securities laws.

AVAILABLE INFORMATION

We are not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). For so long as any of the Shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish, upon the request of any holder of the Shares, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the Shares or interests therein who is a QIB, information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Exchange Act or furnish the information to the SEC in accordance with Section 13 or Section 15 of the Exchange Act. Any such request may be made to us in writing at our main offices, located at Paseo de la Reforma 115, 18th Floor, Col. Lomas de Chapultepec, Mexico City, Federal District 11000. For so long as our Shares are registered with the RNV and listed with the BMV, we will be required to furnish certain information periodically, including quarterly and annual reports, to the CNBV and to the BMV, which will be available in Spanish for inspection on the BMV's website at www.bmv.com.mx and on the CNBV's website at www.cnbv.gob.mx.

GLOSSARY OF TERMS AND DEFINITIONS

Unless otherwise specified, the following terms will, for purposes of this offering memorandum, have the meaning ascribed to them below, whether used in singular or plural form.

"APS" means our division Water Forever (*Agua para Siempre*), created exclusively to service the program Water for Everyone (*Agua para Todos*), which involves contracts related to our cisterns (which are part of our individual water solutions product mix) and rainwater harvesting systems (which are part of our integrated water solutions product mix).

"Banamex" means Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex, a Mexican bank.

"Banorte" means Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, a Mexican bank.

"BMV" means the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*).

"BNDES" means Banco Nacional de Desenvolvimento Econômico e Social, a Brazilian development bank.

"CAGR" means compounded annual growth rate.

"centralized water solutions" means water solutions for individual dwellings, industrial or institutional facilities, clusters of homes or businesses and isolated communities, that are part of permanent infrastructure and managed, directly or indirectly, by governmental entities.

"CNBV" means the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*).

"Corporativo GBM" means Corporativo GBM, S.A.B. de C.V.

"Dalkasa Ecuador" means our associate Dalkasa, S.A.

"decentralized water solutions" means water solutions for individual dwellings, industrial or institutional facilities, clusters of homes or businesses and isolated communities, that are part of permanent infrastructure and can be managed as stand-alone systems.

"Exchange Act" means the United States Securities Exchange Act of 1934.

"External Auditors" means PricewaterhouseCoopers, S.C.

"Federal Official Gazette" means the Mexican Federal Official Gazette (*Diario Oficial de la Federación*).

"Fight Against Hunger" means the program sponsored by the Mexican Federal Government denominated Fight Against Hunger (*Cruzada contra el Hambre*).

"GBM" means GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, a Mexican brokerage firm.

"GDP" means gross domestic product.

"General Rules for Brokerage Firms" means the Mexican General Rules for Brokerage Firms (*Disposiciones de Carácter General Aplicables a las Casas de Bolsa*), issued by the CNBV.

"General Rules for Issuers" means the Mexican General Rules for Securities Issuers and other Participants of the Securities Markets (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a otros Participantes del Mercado de Valores*), issued by the CNBV.

"IASB" means the International Accounting Standards Board.

"IFRIC" means the International Financial Reporting Interpretations Committee.

"IFRS" means the International Financial Reporting Standards, issued by the IASB.

"Indeval" means the Mexican Depository Institution (S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.).

"INEGI" means the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*).

"INFONAVIT" means the Mexican National Institute of the Workers Housing Fund (*Instituto del Fondo Nacional para la Vivienda de los Trabajadores*).

"LMV" means the Mexican Securities Market Law (*Ley del Mercado de Valores*), as amended.

"Mexican Corporations Law" means the Mexican General Corporations Law (*Ley General de Sociedades Mercantiles*), as amended.

"QIB" means qualified institutional buyers as defined in Rule 144A.

"Regulation S" means Regulation S under the Securities Act.

"RNV" means the Mexican National Securities Registry (*Registro National de Valores*).

"Rule 144A" means rule 144A under the Securities Act.

"Santander (Brasil)" means Banco Santander (Brasil) S/A, a Brazilian bank.

"Santander (México)" means Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, a Mexican bank.

"SAP" means SAP AG.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended.

"SEDESOL" means the Mexican Social Development Ministry (*Secretaría de Desarrollo Social*).

"SEMARNAT" means the Mexican Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*).

"SKU" means stock keeping unit.

"TIIE" means the Mexican inter-bank lending interest rate (*Tasa de Interés Interbancaria de Equilibrio*).

"TNS" means TNS Research International, an international firm dedicated to market research with presence in Mexico since 1970.

"U.S. GAAP" means accounting principles generally accepted in the United States.

"Water for Everyone" means the government program sponsored by the federal government of Brazil under the government program PAC 2 introduced in 2010 as part of the Brazil without Extreme Poverty Plan (*Plano Brasil Sem Miséria*), to benefit families affected by water scarcity in the Brazilian semiarid region.

"World Water Report" means the 2012 World Water Development Report, titled Managing Water under Uncertainty and Risk, prepared by United Nations agencies and entities which make up UN-Water (the United Nations Inter-Agency Mechanism on all Freshwater Related Issues, including Sanitation).

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "Grupo Rotoplas," our "Company," "we," "us" and "our" are references to Grupo Rotoplas, S.A.B. de C.V. and its subsidiaries.

Consolidated Financial Statements

This offering memorandum includes our consolidated statements of financial position as of December 31, 2013, 2012 and 2011 and the related consolidated statements of income, comprehensive income, changes in stockholder's equity and cash flows for each of the years then ended, together with the notes thereto (the "Audited Financial Statements"), as well as our unaudited condensed consolidated interim statements of financial position as of September 30, 2014 and December 31, 2013 and the related unaudited condensed consolidated interim statements of income, comprehensive income, changes in stockholder's equity and cash flows for each of the nine-month periods ended September 30, 2014 and 2013, together with the notes thereto (the "Interim Financial Statements" and, together with the Audited Financial Statements, the "Financial Statements"), beginning on page F-1.

Our Audited Financial Statements and the audited financial information included in this offering memorandum have been prepared in accordance with IFRS as issued by the IASB and the related interpretations as issued by the IFRIC. Our Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the IASB. IFRS differs in certain significant respects from U.S. GAAP and financial reporting standards and generally accepted accounting principles used in other jurisdictions. We have made no attempt to quantify the impact of those differences by a reconciliation of our Financial Statements or the other financial information included in this offering memorandum to U.S. GAAP or such other financial reporting standards and generally accepted accounting principles. We urge you to consult your own advisors regarding the differences between IFRS and U.S. GAAP and how these differences might affect our Financial Statements and the rest of the financial information included in this offering memorandum.

Unless otherwise specified, terms that make reference to financial statement line items refer to the line items included in the Financial Statements.

In making an investment decision, all investors, including any Mexican nationals who may acquire shares from time to time, must rely on their own examination of our Company, the terms of the Global Offering, the Shares and the financial information included herein, including the merits and risks involved.

Non-IFRS Financial Measures

This offering memorandum contains financial measures that are not calculated or recognized in accordance with IFRS, primarily EBITDA and net debt. EBITDA represents operating income *plus* depreciation and amortization and charitable donations. Our management uses this measure as an indicator of our operating results and financial condition. However, you should not consider EBITDA as an alternative to net profit, as an indicator of our operating performance or as a substitute for analysis of our results as reported under IFRS, since, among others:

- it does not reflect the depreciation and amortization of our operating assets;
- it does not reflect our finance costs;
- it does not reflect any income taxes we may be required to pay; and
- it does not reflect our cash expenditures or future requirements for cash expenditures or our working capital needs or charges.

Our management believes that, for comparison purposes with other companies, EBITDA can be useful as an objective and comparable measure of operating profitability, because it excludes those elements of earnings that may not consistently provide information about the current and ongoing operations of our existing businesses. Although our calculation of EBITDA may not be comparable to calculations of similarly titled measures used by other companies, our management believes that disclosure of EBITDA can provide useful information to investors in their evaluation of our operating performance.

We define "net debt" as long-term debt (including the current portion) minus cash and cash equivalents. Debt levels and, therefore, the impact of interest rates on earnings vary in significance between companies. Thus, for comparison purposes, our management believes that net debt can be useful as an objective and comparable measure of our liquidity, because it recognizes the net cash position of our current operations.

Currency and Other Information

Unless otherwise stated, the financial information appearing in this offering memorandum is presented in Mexican pesos. In this offering memorandum, references to "pesos" or "Ps." are to Mexican pesos, references to "U.S. dollars," "dollars" or "US$" are to United States dollars, references to "reais" are to Brazilian reais and references to "ARS" or "Argentine pesos" are to Argentine pesos.

This offering memorandum contains translations of certain Mexican peso, Brazilian real and Argentine peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso, Brazilian real and Argentine peso amounts actually represent such U.S. dollar amounts, or that any of such amounts could be converted at the rates indicated.

Unless otherwise indicated, U.S. dollar amounts that have been translated from

- Mexican pesos, have been so translated at an exchange rate of (i) Ps.13.49 per U.S. dollar, with respect to financial information other than statement of comprehensive income data included in this offering memorandum, which was the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on September 30, 2014; and (ii) Ps.13.11 per U.S. dollar, with respect to statement of comprehensive income data included in this offering memorandum, which was the daily average of the exchange rates on each day during the nine-month period ended September 30, 2014;

- Brazilian reais, have been so translated at an exchange rate of 2.45 reais per U.S. dollar, which was the selling exchange rate reported by the Central Bank of Brazil (*Banco Central do Brasil*) on September 30, 2014; and

- Argentine pesos, have been so translated at an exchange rate of ARS8.43 per U.S. dollar, which was the selling exchange rate reported by the Argentine Central Bank (*Banco Central de la República Argentina*) on September 30, 2014.

See "Exchange Rates" for information regarding rates of exchange of Mexican peso to U.S. dollar for the periods specified therein.

In this offering memorandum, where information is presented in thousands, millions or billions of U.S. dollars, Mexican pesos, Brazilian reais or Argentine pesos, amounts of less than one thousand, one million, or one billion, as the case may be, have been truncated unless otherwise specified.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. All percentages have been rounded to the nearest percent or one-tenth of one percent, as the case may be. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our Financial Statements. Certain numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

Industry and Market Data and Statistical Information

Industry and market data and other statistical information (other than with respect to our historical financial results and performance) used throughout this offering memorandum are based on independent industry publications, government publications, reports by market research firms or other public independent sources. We believe that we have taken reasonable care to ensure that the market data and other statistical information presented is accurately reproduced from such sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. In addition, these sources may use different definitions of the relevant markets from those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise.

Some data are also based on our estimates, which are derived from our review of internal survey and analysis. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding our results of operations and financial position; (ii) statements of plans, objectives or goals, including those related to our operations; and (iii) statements of assumptions underlying the aforementioned statements. Words such as "aim," "anticipate," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "seek," "should," "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements, including the following factors:

- limitation on our ability to conduct our business profitably;
- changes in market prices of our water solutions, customers' preferences, competition conditions and the general level of demand of our water solutions;
- governmental actions in the different jurisdictions where we operate, including the modification of public policies regarding water infrastructure, and the regulations issued by governmental authorities which could affect our business;
- the performance of our customers' business which could affect the level of demand of our water solutions;
- our ability to predict fair market rates for long-term leases that we may enter into in connection with our integrated water solutions;
- severe weather conditions that could make us more susceptible to seasonality;
- increases in the prices of raw materials and in operating expenses;
- our ability to continue developing innovative solutions;
- disruptions in the operation of our production facilities or distribution centers, our supply chain or distribution network, including those caused by natural disasters, operational hazards or social disturbances;
- limitations on foreign trade in the countries where we operate;
- increases in our capital expenditures and inability to complete projects within the expected timeframe and budget;
- our ability to realize the expected return on our investments, including investments in production facilities and innovation and research for our water solutions, and to effectively manage our growth;
- our ability to execute our corporate strategies;
- our expansion plans in connection with our integrated water solutions and our expected sales' growth;
- our ability to start operations in new markets or consolidate our operations in the markets in which we participate, including the United States and other jurisdictions or regions;
- competition in our industry and markets;
- our ability to access sources of financing on competitive terms;

- our ability to service our debt, fund our working capital requirements and comply with our obligations under any debt instruments;
- our ability to refinance our financial obligations as needed;
- our ability to hire and retain key personnel;
- our ability to successfully undertake or complete potential acquisitions or joint ventures and to integrate acquisitions or joint ventures that we may enter into;
- the costs of complying with environmental protection and safety laws and any related liabilities;
- labor conflicts and liabilities;
- our ability to adequately protect our intellectual property and patents;
- failure of our information technology systems, including data, communications and distribution systems;
- the performance of the economies and the financial markets of the countries where we operate and the global economy;
- changes in exchange rates, market interest rates or inflation rates;
- restrictions on foreign currency convertibility and remittance outside the countries where we operate;
- the effect of changes in governmental policies, the enactment of new legislation, intervention by regulatory authorities, legal or governmental directives and monetary or fiscal policy in Mexico, Brazil and the rest of the countries where we operate;
- violence or the perception of violence in the countries where we operate; and
- other risk factors discussed in "Risk Factors."

All forward-looking statements contained in this offering memorandum are qualified in their entirety by these risks, uncertainties and other factors. Future events or circumstances could cause actual results to differ materially from historical results or those anticipated. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, forecasted or intended. Prospective investors should read the sections of this offering memorandum entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Our Business" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate.

In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur. These forward-looking statements speak only as of the date of this offering memorandum and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information or future events or developments. Although we believe the plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that those plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

SUMMARY

This section includes a summary of our activities, financial and operating information, competitive advantages and strategies. This summary highlights selected information about us and the Shares that we are offering. It may not contain all of the information that may be important to you. Before investing in the Shares, you should read the entire offering memorandum carefully for a more complete understanding of our business and this offering, including our Financial Statements, and the sections entitled "Risk Factors," "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Company

Overview

We are a leading provider of individual and integrated water solutions in Latin America in terms of sales volumes, with more than 35 years of experience in the Mexican water solutions industry. Our individual water solutions, which consist of cisterns, industrial tanks, water tanks, accessories, hydraulic pumps, sanitary catch pits, hydraulic and sewer pipes, biodigesters, water heaters, water filters and water purifiers, are designed to store, carry and treat water, offering end-users a complete solution to their water management needs. We market and sell our individual water solutions without added services, such as installation and maintenance. Most of the customers for our individual water solutions are authorized distributors such as hardware stores, home centers (home improvement stores) and construction supplies stores that purchase our individual water solutions to resell them to end-users in their different points of sale. We leverage our extensive experience in individual water solutions to provide a wide variety of on-site integrated water solutions to address more complex water management needs. We market and sell our integrated water solutions, which consist of rainwater harvesting systems, outdoor composting bathrooms, drinking fountains, water purifying units and wastewater treatment plants, with value-added services such as engineering, installation, site development, project management and maintenance to achieve maximum functionality. Most of the customers for our integrated water solutions are government entities and agencies that sponsor government programs, construction companies and industrial and agricultural businesses.

For the last twenty years, we have significantly increased the efficiency of our manufacturing, distribution and sale processes by improving our production and logistics infrastructure and developing and implementing a robust and state-of-the-art technological platform. During this time, we expanded our operations from two individual water solutions marketed and sold to 3,000 points of sale in only one country, to 17 individual and integrated water solutions marketed and sold to 23,000 points of sale in twelve countries. Throughout our history, we have revolutionized markets by replacing traditional products for storing, carrying and treating water, with novel, value-added water solutions that better satisfy our customers' needs. For the last three years, we have expanded our product offering from individual water solutions to comprehensive value-added integrated water solutions.

We believe that satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability. We seek to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people. We believe we have the market experience and technological know-how to design and develop effective and innovative solutions to face global challenges related to water scarcity and poor water quality. We operate in markets where clean water is scarce due to droughts, water pollution and limited, unfeasible and unreliable water infrastructure and supply that makes it difficult for end-users to adequately satisfy their water management needs. These countries require a major improvement in water infrastructure, such as storage and distribution systems, and decentralized water solutions to allocate water across regions that lack access to clean water and sanitation. Governments in some of these countries have recently launched comprehensive programs to address the population's unmet basic water and sanitation needs. These and other characteristics specific to the countries where we operate make our products an attractive solution to our customers' water management needs.

We conduct research and develop new technologies through our research and development center to create innovative water solutions and improve our existing water solutions and production processes. This allows us to expand our product mix, reduce our operating costs while achieving optimal operations and react quickly to the changing needs of our customers and industry trends. Every new water solution goes through a development and testing process and once the new water solution satisfies the proper quality standards and measurements, and comprehensive market research has been conducted, we start commercializing the water solution within a specific country or market.

In 1996 we began expanding internationally. As of the date of this offering memorandum, we have operations in twelve countries in the Americas, with 25 production facilities and six distribution centers strategically located in Mexico, Brazil, Peru, Argentina, Central America and the United States. We benefit from state-of-the-art production facilities and a strategic distribution network that allowed us to reach 23,000 points of sale through 6,850 distributors as of September 30, 2014 (considering only distributors that made purchases in the six-month period then ended). We have a diversified customer base, including hardware stores, home centers (home improvement stores), construction supplies stores, government entities and agencies, construction companies and industrial and agricultural businesses.

Our operations are managed under the Rotoplas Way (*Estilo Rotoplas*), through a centralized service center in Mexico that manages our production processes, personnel and systems. This platform focuses on reducing operating expenses and standardizing processes to support our strategic growth plan and profitability. The Rotoplas Way is based on four key aspects of our business: taking advantage of new business opportunities efficiently, streamlining processes that allow a comprehensive and efficient execution of initiatives and a quick reaction to market trends, developing a corporate culture that promotes collaboration within our geographic markets benefiting from synergies, and implementing sound corporate governance practices.

For the year ended December 31, 2013 and the nine-month period ended September 30, 2014, we had consolidated net sales of Ps.5,411.8 million (US$412.8 million) and Ps.4,955.8 million (US$378.0 million), respectively, net consolidated profit of Ps.436.5 million (US$33.3 million) and Ps.292.5 million (US$22.3 million), respectively, EBITDA of Ps.805.4 million (US$61.4 million) and Ps.608.8 million (US$46.4 million), respectively, and EBITDA margin of 14.9% and 12.3%, respectively. We have experienced significant and steady growth over the last twenty years, increasing our net sales and EBITDA at a CAGR of 15.3% and 15.1%, respectively.

Water Solutions

We offer individual and on-site integrated water solutions for urban and rural areas. We account for and report each type of solution as a different operating segment. For the nine-month period ended September 30, 2014, our individual and integrated water solutions accounted for 74.2% and 25.8% of our consolidated net sales, respectively.

Individual Water Solutions

Our individual water solutions have historically been our primary source of growth and revenue. From 2011 to 2013, net sales of our individual water solutions grew at a CAGR of 28.3%. Our individual water solutions are classified in:

- *Water storage*. Our individual water storage solutions include cisterns, industrial tanks, water tanks and accessories made of rotationally molded polyethylene, with a storage capacity ranging between 250 liters and 25,000 liters. As of September 30, 2014, we had 21 production facilities that produced individual water storage solutions.

- *Water flow*. Our individual water flow solutions include hydraulic pumps, sanitary catch pits, and hydraulic and sewer pipes made of polypropylene available in diameters ranging between 20 mm and 160 mm. Our hydraulic pipes have an internal layer of antibacterial film that differentiates our pipes from those of our competitors. As of September 30, 2014, we had one production facility that produced individual water flow solutions.

- *Water treatment*. Our individual water treatment solutions include biodigesters, water heaters, water filters and water purifiers. As of September 30, 2014, we had one production facility that produced individual water treatment solutions. In addition, certain individual water treatment solutions are produced in some of our individual water storage solutions plants.

Integrated Water Solutions

We offer a wide variety of on-site integrated water solutions to address more complex water management needs. These solutions require a more sophisticated marketing and sales effort and value-added services such as engineering, installation, site development, project management and maintenance, which we expect will result in higher profit margins. These solutions include rainwater harvesting systems, outdoor composting bathrooms, drinking fountains, water purifying units and wastewater treatment plants. From 2011 to 2013, net sales of our integrated water solutions grew at a CAGR of 237.2%. In the upcoming years, we intend to focus our operations on our integrated water solutions as we believe they represent an attractive business opportunity. We expect our investment in pre-operating and development expenses in the nine-month period ended September 30, 2014, will have a positive impact in our profit margins for our integrated water solutions in the upcoming years.

The table below sets forth a historical breakdown of our net sales, EBITDA and EBITDA margin for our individual and integrated water solutions:

	Nine months ended September 30,			Year ended December 31,			
	2014	**2014**	**2013**	**2013**	**2013**	**2012**	**2011**
	(in millions of US$, except percentages)	(in millions of Ps., except percentages)		(in millions of US$, except percentages)	(in millions of Ps., except percentages)		
Individual Water Solutions							
Net sales	280.6	3,678.6	3,788.2	378.6	4,963.1	4,636.2	3,016.3
EBITDA	37.0	485.0	517.9	55.9	732.8	621.1	283.5
EBITDA margin (%)	13.2%	13.2%	13.7%	14.8%	14.8%	13.4%	9.4%
Integrated Water Solutions							
Net sales	97.4	1,277.2	92.3	34.2	448.7	43.8	39.5
EBITDA	9.5	123.9	10.1	5.5	72.6	5.3	0.1
EBITDA margin (%)	9.7%	9.7%	11.0%	16.2%	16.2%	12.1%	0.2%
Total							
Net sales	378.0	4,955.8	3,880.4	412.8	5,411.8	4,680.0	3,055.8
EBITDA	46.4	608.8	528.0	61.4	805.4	626.4	283.5
EBITDA margin (%)	12.3%	12.3%	13.6%	14.9%	14.9%	13.4%	9.3%

Geographic Markets

As of the date of this offering memorandum, we have operations in twelve countries in the Americas. We classify these twelve countries in three different regions, which we account for and report as three different geographic markets:

- *Mexico*. Our operations in Mexico include the production, marketing and sale of individual water storage, flow and treatment solutions and integrated water solutions. As of September 30, 2014, we had eleven production facilities in Mexico located in Mexico City and in the states of Chiapas, State of Mexico, Guanajuato, Jalisco, Nuevo León, Sinaloa, Veracruz and Yucatán, one distribution center located in Hermosillo, Sonora and one research and development center located in León, Guanajuato. For the nine-month period ended September 30, 2014, our operations in Mexico accounted for 46.2% of our consolidated net sales.

- *Brazil*. Our operations in Brazil include the production, marketing and sale of individual water storage and treatment solutions and integrated water solutions, mainly rainwater harvesting systems. As of September 30, 2014, we had nine production facilities in Brazil located in the states of Alagoas, Bahía, Ceará, Minas Gerais, Pernambuco, Piauí and Tocantins. For the nine-month period ended September 30, 2014, our operations in Brazil accounted for 43.2% of our consolidated net sales.

- *Other*. We conduct operations in Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua in Central America, Peru and Argentina in South America and, since September 2014, in the states of Arizona, California and Nevada, in the United States. These operations include the production, marketing and sale of individual water storage, flow and treatment solutions and integrated water solutions. As of September 30, 2014, we had five production facilities located in Guatemala, Peru (province of Lima), Argentina (provinces of Buenos Aires and Tucumán) and the United States (California) and five distribution centers located in Costa Rica, El Salvador, Honduras, Nicaragua and Peru. For the nine-month period ended September 30, 2014, our operations in these countries accounted for 10.7% of our consolidated net sales.

We also have presence in Ecuador through an indirect, non-controlling investment in our associate Dalkasa Ecuador. See "Our Business—Geographic Markets—Others—Ecuador."

Market Opportunity

We expect there will be continued and strong demand for our solutions in coming years throughout the Americas. According to LatinFocus, Mexico and Brazil are the leading economies in Latin America with steady gross domestic product, growth rates and positive demographic trends. According to the World Bank, the population in Latin America is expected to grow from 568 million in 2010 to 685 million in 2030, and according to the World Water Report, approximately 40 million people in 2013 lacked access to drinking water. In addition, according to the World Bank, in 2013, approximately 120 million people in Latin America lacked access to any sanitation or sewage services, with rural areas access at just 55.0%, and less than 28.0% of wastewater was treated. According to Blue Water Revolution Report, three of the top ten cities with highest water and wastewater tariff increases in the world are located in Latin America. We believe that the growing population as a result of a sustained birth rate, the significant lack of access to drinking water and sanitation or sewage services and expanded domestic and rural water consumption in the markets in which we operate translates into a continued and increased demand for water. We expect that this increased demand will represent an attractive market opportunity for our water solutions.

We believe that the markets in which we operate present significant growth opportunities for our individual water solutions. We expect to continue to expand our production of individual water solutions in Mexico and introduce our complete portfolio of individual water solutions in the rest of the countries where we operate. For example, we expect to have high customer acceptance of our polypropylene hydraulic and sewer pipes as they present a more affordable and resistant alternative to other types of technologies available in these countries. We expect strong demand for these individual water solutions given our successful track record in the marketing and sale of individual water storage solutions in these markets. We believe there are significant opportunities to continue growing our individual water solutions business. According to Euromonitor, in 2013, Mexico was the largest consumer of bottled water in the world mainly as a result of water pollution and limited and unreliable clean water infrastructure. We believe this represents an attractive opportunity for decentralized water solutions such as our water filters and water purifiers as consumers in Mexico seek for affordable substitutes to bottled water.

Governments in the markets in which we operate have recently launched various comprehensive programs to satisfy the population's basic water needs. Programs such as Water for Everyone in Brazil and Fight Against Hunger in Mexico are focused on supplying water management products to poor communities to help them store and treat water effectively. We expect these programs will continue to grow in the future as the trend to satisfy basic water needs continues to be in the forefront of public policy. In line with this trend, in March 2014, the Mexican federal government launched a comprehensive program to encourage the consumption of water in schools in an intent to reduce high rates of childhood obesity. Recently enacted laws now require public and private schools in Mexico to offer a sufficient number of drinking fountains with continuous drinking water supply in each education facility. Private schools have 18 months and public schools have three years from May 2014 to install drinking fountains. The Mexican federal government has indicated that it will award two types of contracts for drinking fountains in public schools: sale contracts, where the government will buy water purifiers and drinking fountains without any added services, and long-term lease agreements, where the government will lease water purifiers and drinking fountains for extended periods of time and will include added services such as installation and maintenance for the duration of the lease. We expect that this demand for water purifiers and drinking water will represent a unique opportunity. We recently developed affordable and durable drinking fountains made of polyethylene that are specifically designed for children use. We expect to leverage our high service and quality standards, added-value to our customers, operational efficiency and innovative water purifier and drinking fountain solutions to take advantage of this business opportunity. As of September 30, 2014, we had been awarded directly or through our distributors four water purifier and drinking fountain sale and maintenance contracts in Mexico. We expect that these four contracts will generate revenues for Ps.28.1 million (US$3.0 million) during the fourth quarter of 2014.

Our participation in these programs is consistent with our goal to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people. We have a proven ability and know-how to participate in major government processes and execute large-scale government contracts. We believe that our production capacity, infrastructure, competitive prices, product quality and experience increase our opportunities to obtain new government contracts.

We expect the United States will represent an attractive market opportunity for our water solutions. According to the U.S. Drought Monitor and the United Nations Statistics Division, in recent years, extreme weather conditions and increased water use have put stress on freshwater resources in the United States where many states experiencing water stress, such as California, Texas, Oklahoma, Colorado, Wyoming and New Mexico, are expected to experience a population growth of over 20.0% by 2030. Moreover, it is estimated that 99.8% of the state of California is currently in a state of moderate to exceptional drought. According to the National Association of Water Companies, it is estimated that the United States requires a US$650 billion investment in wastewater and drinking water infrastructure in the next 20 years; the states of California, Arizona and Nevada representing 11.5%, 1.9% and 1.3%, respectively, of the total investment. As part of the solution, California recently passed a US$7.5 billion water plan amid a historic drought to attend the water deficit in the region and in 2012, it passed the Rainwater Capture Act promoting residents to capture and use harvested rainwater. We expect that the increased demand for solutions to satisfy the increasing droughts and need for clean water in the United States, specifically in the states where we currently operate, will represent an attractive market opportunity for our water solutions.

Competitive Advantages

We have a combination of capabilities and competitive advantages that we believe allow us to capitalize specific market opportunities to continue providing our innovative and value-added water solutions. We believe that our key competitive advantages are:

Leading position in Latin America

We believe we have significant market shares in the water storage, water flow and water treatment industries in Mexico and most of the countries in Latin America in which we operate. Our well-established business in this market, our geographic footprint and our capacity to fill small, medium and large scale orders provide us with a significant advantage over our competitors in the markets in which we operate. We believe we are the only company that combines capabilities to provide large-scale integrated solutions to store and treat water in rural areas that lack adequate water infrastructure. According to our internal studies, as of September 30, 2014, we were the leader in providing water storage and water flow solutions in Mexico, in providing integrated water solutions in Brazil, and in providing water storage solutions in Peru, Central America and Argentina.

Diversified business

We maintain a diversified portfolio of water solutions, customers and distribution channels in the markets and countries where we operate. This diversification allows for a resilient business model with little correlation to GDP. In the last five and ten years, our net sales grew at a CAGR seven and five times higher than the Latin American economies, respectively. We have a wide variety of individual and integrated water solutions classified into 17 product lines that include outdoor composting bathrooms, drinking fountains, biodigesters, hydraulic pumps, water heaters, cisterns, water filters, water purifying units, wastewater treatment plants, water purifiers, sanitary catch pits, rainwater harvesting systems, industrial tanks, water tanks, hydraulic pipes, sewer pipes and other accessories. Our commercial, marketing and research and development initiatives allow us to meet specific water management needs and develop attractive and competitive water solutions. Our product portfolio is classified by type of solution and is comprised of approximately 5,900 SKUs. Our income is well-diversified among the markets in which we operate and we have a diversified customer base, including hardware stores, home centers (home improvement stores), construction supplies stores, government entities and agencies, construction companies and industrial and agricultural businesses. For the nine-month period ended September 30, 2014, our sales in Mexico, Brazil and the other countries where we operate accounted for 46.2%, 43.2%, and 10.7%, respectively, of our net sales, and only one customer represented more than 10.0% of our net sales for such period.

Strategic distribution network

We benefit from state-of-the-art production facilities and a strategic distribution network which allows us to deliver our solutions to our extensive and diversified customer base. Our strategic distribution network allowed us to reach 23,000 points of sale through 6,850 distributors as of September 30, 2014 (considering only distributors that made purchases in the six-month period then ended). Our high quality customer service has allowed us to develop and maintain long-term relationships with certain distributors across our portfolio. We offer distributors wholesale and bulk discounts to encourage large purchase orders, generate new business and cultivate customer loyalty. We also offer our distributors, decision influencers and service providers, such as plumbers, training and certifications to make our water solutions their preferred choice. From 2011 to 2013, we trained and certified more than 5,000 plumbers per year, 7,251 of which are currently in our database to help us ensure product reliability and ease to install our solutions based on their feedback. In addition, we sell our water solutions to federal, state and municipal governments in the countries where we operate, directly or through government suppliers. From January 1, 2011 to September 30, 2014, we executed more than 15,000 purchase orders from different governmental entities in the countries where we operate, either through contracts awarded directly to us or as a result of public bidding processes, or through their supplier network.

Strong brand recognition

We believe that one of our main competitive advantages is our strong brand recognition in the markets in which we operate. According to a study conducted by TNS in January 2014, our brand name and company name, *Rotoplas*, had a top-of-mind awareness of 75.0% for our individual water storage solutions and was ranked the most remembered brand in Mexico for products of its kind. We believe that the *Rotoplas* brand has developed iconic status and is immediately recognized by millions of customers in the markets in which we operate. We strive to position our brands in the markets in which we operate as synonymous of value, quality, social responsibility and reliability. A study conducted by Millward Brown in July 2014, revealed that customers in Mexico strongly associated our brand *Rotoplas* with these values. Our strong brand recognition has made some of our water solutions, including the water tank, to be considered aspirational products necessary in every household, allowing us to market these water solutions as premium products and establish benchmark prices. In addition, our millions of water tanks sold with our name and logo imprinted serve as an additional advertising tool.

Record of innovation and introduction of value-added water solutions

We are focused on developing water solutions with added value for end-users. Our focus and investment in research and development over the years have been key factors in the creation of innovate individual and integrated water solutions that have contributed to our expansion and growth into new markets. For nearly two decades, we have conducted research and developed new technologies through our research and development center to create innovative water solutions and improve our existing water solutions and production processes. This has allowed us to expand our product mix, reduce our operating costs while achieving optimal operations and react quickly to the changing needs of our customers and industry trends. For example, our research and development center was responsible for launching our integrated water solutions development platform for products such as the outdoor composting bathrooms, drinking fountains, rainwater harvesting systems, water purifying units and wastewater treatment plants which have changed the lifestyle of people that otherwise lacked access to drinking water and sewage or sanitation services. Other water solutions that have revolutionized markets are our water tanks and cisterns made of polyethylene that substituted the heavy and unsafe water tanks made of asbestos and cisterns made of cement, which were costly and difficult to install.

Centralized and efficient platform of processes and systems that support sustained growth

Our operations are managed under the Rotoplas Way, through a centralized and services center located in Mexico which manages processes, personnel and systems through a centralized platform. This platform focuses on reducing operating expenses and standardizing processes to support our strategic growth plan and profitability. We have established and implemented solid operating, administrative, sales and business processes that we believe have allowed us to grow rapidly in an orderly and structured fashion. We have evolved from a family-owned business into a well-established and institutional company with operations in twelve countries in the Americas, driven mainly by institutional evaluation and decision making processes that provide greater strength and foundations to our business plans. Our centralized services center in Mexico has helped us reduce our operating expenses and standardize information reported to our management. We believe this centralized approach has proven to be a key factor in our sustained growth and provides us with a solid platform to explore new markets and take advantage of new business opportunities. Since 2008, we implemented and have been enhancing our Enterprise Resource Planning software developed *ad-hoc* for us by SAP, allowing us to refine and improve our operating processes. For more than ten years, we have established strong corporate governance standards and created committees and other management bodies focused on defining and implementing our growth strategy. Our processes and systems are focused on quickly and efficiently developing new water solutions with our customers and markets. We believe that the consolidation of these processes represents a competitive advantage that allows us to produce high-value data bases to continue with our expansion and growth plans within the countries where we currently operate and successfully enter into new markets. Our steady growth in Brazil exemplifies this. Our processes and corporate infrastructure allowed us to establish nine production facilities in Brazil and increase our production capacity by 250.0%, nearly matching our production capacity in Mexico, in a short period of time (from November 2011 to June 2013). Of these nine production facilities, four were established in a period of 60 days after our first governmental contract was awarded in Brazil.

Strategically located production facilities and ability to install and transfer production facilities efficiently

Our production facilities are strategically located in the countries where we operate. A key aspect of our strategy is to produce our water solutions within a reasonable distance of where they are to be distributed, delivered or installed, allowing us to reduce our distribution costs. Our production facilities have the capacity to distribute our water solutions efficiently within a radius of up to 500 km. We believe that our strategically located production facilities provide us with a unique competitive geographic advantage by allowing us to deliver water solutions efficiently in regions that our competitors can hardly reach. We have the ability to install and transfer our production facilities quickly and at low costs to satisfy existing demand in any specific geographic region. This allows us to maximize our profitability by satisfying high demand for our water solutions in such geographic regions. This also has a favorable impact by reducing our distribution costs and increasing our geographic diversification.

Ability to capitalize on market opportunities in the markets in which we operate

We believe that satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability. Governments in some of the countries where we operate have recently launched comprehensive programs to address the population's unmet basic water and sanitation needs. As a result, these countries require a major improvement in water infrastructure, such as storage and distribution systems, and decentralized water solutions to allocate water across regions that lack access to clean water and sanitation. The demand for quality water in some of the communities in the countries where we operate and in new markets we could decide to enter, is increasingly more evident and is given more importance by governments in these regions. According to the World Water Report, Mexico, Brazil, Peru, Argentina, Colombia and Chile have implemented structural reforms for water management and infrastructure during the past two decades that have produced a steady increase in water supply and sanitation. Government interest in finding solutions to water scarcity in different communities is increasing rapidly, as enhanced by programs such as Water for Everyone in Brazil and Fight Against Hunger in Mexico. Due to our extensive experience in the water solutions industry, we believe we are well positioned to efficiently satisfy this demand with high-quality products and outstanding service.

Experienced management team with extensive experience in the water industry

Our strong management team has extensive experience in the water solutions industry, with over 100 years of service with us in the aggregate. Our management team has led us through different economic cycles while maintaining high sales growth. This team has been key in the creation of solutions that have revolutionized markets. For example, from the introduction of water tanks made of polyethylene to the creation of our more complex and innovative integrated water solutions, our management team is devoted to developing water solutions that improve the quality of life of people. Our management team has also played a central role in our successful international expansion and institutionalization. We believe that our management team's extensive experience and in-depth knowledge of the water solutions industry provide us a solid platform for the development and implementation of our growth and expansion plans and give us a significant competitive advantage.

Strategy

Our primary goal is to consolidate our position as the leading provider of individual and integrated water solutions in the countries where we operate and expand our operations to other countries in the Americas. We intend to focus our strategy mainly on increasing the penetration of our brands and market share of our individual water solutions and consolidating our business of integrated water solutions in the countries where we operate. We believe that there is potential for significant expansion in the Americas in the near term due to increasing population and a pressing need for more water infrastructure and better quality water and sanitation. Our slogan "more and better water for people" ("*que la gente tenga más y mejor agua*") confirms our mission to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people.

Continue to provide high-quality, value-added water solutions to our customers and achieve operating excellence

We intend to continue to capitalize on our extensive experience in the water storage industry and our in-depth knowledge of manufacturing processes, sale and distribution networks, international market trends and internal capabilities to continue to provide high-quality, value-added water solutions to our customers. We strive to achieve operating excellence and to gain a deeper understanding of our customers to provide them an adequate and affordable solution to their water management needs. We believe that by following this strategy we have positioned ourselves as leaders in most of the countries where we operate and has distinguished us from our competitors. Our current high service and quality standards, added-value to our customers, operational efficiency and innovative products, have been key factors for us winning highly competitive public bids and being awarded government contracts in Mexico, Brazil, Peru and Central America (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). We intend to adhere to this key element of our strategy to continue to obtain future large-scale contracts and develop new and innovative individual and integrated water solutions to better satisfy our customers' water management needs.

Consolidate our position as a leading supplier and developer of integrated water solutions

We are a leading provider of individual and integrated water solutions in Latin America in terms of sales volumes. We expect to continue to expand our product offering from individual water solutions to comprehensive value-added integrated water solutions. To achieve this goal, we expect to continue to launch innovative integrated water solutions, capitalize on existing markets by promoting among our customers the benefits of our integrated water solutions and invest in our production facilities to increase our production capacity. From 2011 to 2013, net sales of our integrated water solutions grew at a CAGR of 237.2%. In the upcoming years, we intend to focus our operations on our integrated water solutions as we believe they represent an attractive business opportunity. We expect our investment in pre-operating and development expenses in the nine-month period ended September 30, 2014, will have a positive impact in our profit margins for our integrated water solutions in the upcoming years. We believe that our strategy of developing and offering bespoke integrated water solutions to address complex water management needs distinguishes us from our competitors which are only focused on offering individual products to the construction, infrastructure and agricultural industries.

Continue to be an innovative company

Our experience in the water solutions industry, our research and development activities and our business model have allowed us to focus on improving and developing innovative value-added water solutions and services that adequately satisfy the changing and complex water management needs of our customers. For the nine-month period ended September 30, 2014, more than 37.0% of our sales derived from products that were introduced during the last five years and, currently, they are our highest growth products. Every year, we seek to invest at least 1.0% of our net sales in research and development. Through our research and development center we intend to continue to focus on creating water solutions that revolutionize markets. We have changed the markets and products that customers used before and after we started producing and selling new water solutions made of polyethylene and polypropylene. For example, we introduced water tanks made of polyethylene to substitute the heavy and unsafe water tanks made of asbestos which dominated the Mexican water storage market in the 1980s. We introduced cisterns made of polyethylene to substitute cisterns made of cement, which were costly and difficult to install. We also introduced hydraulic pipes made of polypropylene as a more affordable alternative to metal pipes and have additional benefits that make them more durable than CPVC pipes. In addition, we have developed integrated water solutions such as drinking fountains, an affordable solution to encourage the consumption of water in line with recent government programs, as well as outdoor composting bathrooms to substitute latrines and rainwater harvesting systems to substitute the manual collection of water after travelling long distances, which have been the cornerstone of the government program Water for Everyone in Brazil. We currently serve the water value chain, offering a wide variety of water solutions and services that better satisfy our customers' water management needs.

Continue to seek new business opportunities and maintain profitable growth to add value to our business and our shareholders

We began operations in Mexico and have so far expanded our operations to Central and South America, and more recently to the United States. We believe that the experience gained so far in the countries where we operate, favorably positions us to take advantage of growth opportunities in these countries. As a critical part of our strategy, we are constantly analyzing and looking for new business opportunities through organic and inorganic growth. We believe that our differentiated portfolio of water solutions as well as our well-established operating processes allow us to take advantage of new business opportunities to grow. We intend to continue to strive for long term sustainable growth focused on increasing our profitability in each of the markets in which we operate. To achieve this goal, we expect to capitalize on growth opportunities (both organically or through acquisitions and/or strategic alliances) in our individual and integrated water solutions in the markets in which we operate or in new markets that provide a platform for attractive growth.

THE GLOBAL OFFERING

The following is a brief summary of certain terms of the Global Offering. For a more complete description of our Shares, see "Description of Our Capital Stock and Bylaws."

Issuer	Grupo Rotoplas, S.A.B. de C.V.
Shares offered in the Global Offering...	125,406,431 shares of our Single Series, Class II common stock, no par value.
Offering price per Share	Ps.29.00 per Share.
The International Offering....................	We are offering a total of 62,908,957 Shares in the United States to "qualified institutional buyers," as defined in Rule 144A under the Securities Act, and in other countries outside the United States and Mexico to certain non-U.S. persons in reliance on Regulation S under the Securities Act, in each case through the initial purchasers and pursuant to transactions exempt from registration under the Securities Act.
The Mexican Offering	Concurrently with the International Offering, we are carrying out an initial public offering of 62,497,474 Shares in Mexico authorized by the CNBV and conducted through the BMV by the Mexican underwriters. The Mexican Offering is being made in Mexico pursuant to a Spanish-language prospectus, with the same date as this offering memorandum, that complies with the requirements of the LMV and the regulations thereunder. The Mexican prospectus, which has been filed and reviewed by the CNBV, and this offering memorandum contain substantially similar information, except that the Mexican prospectus includes other information and information that is presented in a different manner from that in this offering memorandum, as required by applicable Mexican law.
The Global Offering	Together, the International Offering and the Mexican Offering are sometimes referred to herein as the Global Offering. The closings of the International Offering and the Mexican Offering are conditioned upon each other. See "Plan of Distribution."
Reallocations	The numbers of Shares to be offered pursuant to the International Offering and the Mexican Offering, respectively, may be subject to reallocation among the initial purchasers and the Mexican underwriters prior to settlement, depending on investor demand. See "Plan of Distribution."
Over-allotment options	We have granted the initial purchasers and the Mexican underwriters options, to be exercised from time to time, for a period of 30 days from the date on which the purchase price of the Shares is determined, to purchase up to an aggregate of 18,810,964 additional Shares at the offering price, less the underwriting discount, to cover over-allotments, if any, in the Global Offering. Each of the options granted to the initial purchasers and the Mexican underwriters may be exercised independently but in a coordinated manner, from time to time, in accordance with applicable law. See "Plan of Distribution."

Shares outstanding immediately following the Global Offering	After the Global Offering we expect to have an aggregate of 467,423,970 shares outstanding, assuming no exercise by the initial purchasers and the Mexican underwriters of their over-allotment options, and 486,234,934 shares if the over-allotment options are exercised in full.
Basis for the determination of the offering price	The offering price per Share has been determined taking into consideration, among other factors, (i) our financial and operating condition, (ii) the performance of the securities issued by other participants in our industry in Mexico and abroad, (iii) the expected trends in the markets in which we operate, and (iv) the general condition of the Mexican and global securities markets. The Shares in the Global Offering will represent 26.8% of our outstanding shares immediately following the Global Offering assuming no exercise by the initial purchasers and the Mexican underwriters of their over-allotment options, or 29.7% if the over-allotment options are exercised in full.
Use of proceeds	We estimate that the net proceeds from the sale of the Shares being offered in the Global Offering will be approximately Ps.3,468.2 million (US$257.1 million) assuming no exercise by the initial purchasers and the Mexican underwriters of their over-allotment options, or Ps.3,991.9 million (US$295.9 million) if the over-allotment options are exercised in full, in each case after deducting all estimated underwriting discounts and commissions and other expenses we must pay in connection with the Global Offering. We intend to use the net proceeds of the Global Offering to fund our working capital and capital expenditure needs in order to increase our market share of individual water solutions in the United States and consolidate our business of integrated water solutions (mainly water fountains and water purifiers, wastewater treatment plants, rainwater harvesting systems and outdoor composting bathrooms) in Mexico and Brazil, to finance our growth through acquisitions, and the remainder, if any, for general corporate purposes. See "Use of Proceeds."
Listing..	We have applied to register the Shares with the RNV maintained by the CNBV, and to list the Shares on the BMV under the ticker symbol "AGUA." We expect that, simultaneously with the consummation of the Global Offering, such registration and listing will have been effected. Prior to the Global Offering, there has been no trading market for the Shares in Mexico, the United States or elsewhere. We cannot assure you that a trading market for the Shares will develop or will continue if developed.
Voting and ownership rights.................	All of the Shares have voting rights in our shareholders' meetings. Each Share grants full voting rights to its holder. See "Description of Our Capital Stock and Bylaws."

Payment, settlement and delivery	Settlement of the Shares will be made on December 16, 2014 through the book-entry, settlement and custody system of Indeval. The initial purchasers will deliver the Shares in book-entry form only through the facilities of Indeval, in Mexico City, Mexico, on or about December 16, 2014.
Principal shareholders	After giving effect to the Global Offering and assuming the over-allotment options are exercised in full, our principal shareholders will beneficially own approximately 50.2% of our outstanding voting stock; however, based on a voting agreement with certain minority shareholders, our principal shareholders will effectively control and have the indirect and direct power to vote 64.0% of our outstanding voting stock. See “Management–Voting Trust.” If the over-allotment options are not exercised, our principal shareholders will beneficially own approximately 52.2% of our outstanding voting stock after giving effect to the Global Offering and will effectively control and have the indirect and direct power to vote 66.6% of our outstanding voting stock. See “Our Shareholders.”
Transfer restrictions	The Shares have not been and will not be registered under the Securities Act or under any other U.S. securities laws. The Shares may not be offered and sold within the United States, except to qualified institutional buyers as defined in and in reliance on the exemption from registration provided by Rule 144A, and in offshore transactions to certain non-U.S. persons in reliance on Regulation S. You are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See “Transfer Restrictions” for a description of the restrictions regarding the purchase and transfer of the Shares. As a result of these restrictions, investors are advised to consult their legal counsel prior to making any reoffering, resale, pledge or transfer of our shares.
Lock-up agreement	We, our principal shareholders and our directors and officers have agreed, subject to certain exceptions, for a period of 180 days from the date of this offering memorandum, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, GBM International, Inc., and Goldman, Sachs & Co., not to issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any equity securities or securities convertible into or exchangeable or exercisable for, or that represent the right to receive, any of our equity securities. See “Plan of Distribution.”
Dividends	See “Dividends and Dividend Policy” for further information.
Taxation	Under Mexican law, dividends paid by us to holders of our shares are subject to a withholding tax of 10.0% and could be subject to additional corporate taxes, to the extent not paid from a net profits account. This withholding applies to dividends from profits earned after January 7, 2014. Gains from the sale of our shares by holders who are non-residents of Mexico for tax purposes will be subject to a withholding tax of 10.0% if the transaction is carried out through the BMV. See “Taxation” for a discussion of certain material U.S. federal income tax and Mexican tax consequences of holding and disposing of our Shares.
Corporate approvals	The Global Offering was authorized by our shareholders by means of unanimous resolutions adopted in lieu of a shareholders’ meeting on

	November 24, 2014.
Initial purchasers	Merrill Lynch, Pierce, Fenner & Smith Incorporated, GBM International, Inc., Goldman, Sachs & Co. and Santander Investment Securities Inc.
Mexican underwriters	GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Merrill Lynch México, S.A. de C.V. Casa de Bolsa and Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México.
Risk factors	Investing in our Shares involves significant risks. See "Risk Factors" beginning on page 16 for a discussion of certain risk factors you should carefully consider in evaluating an investment in our Shares.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary financial data and other information in conjunction with our Financial Statements and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum.

The financial information set forth in the following tables derives from our Financial Statements. Our Audited Financial Statements and the audited financial information included in this offering memorandum have been prepared in accordance with IFRS as issued by the IASB and the related interpretations as issued by the IFRIC. Our Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the IASB.

The U.S. dollar amounts provided below are translations from the Mexican peso amounts, solely for the convenience of the reader. See "Presentation of Financial and Certain Other Information—Currency and Other Information" for an explanation of the exchange rates used to translate Mexican peso amounts into U.S. dollars. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate.

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)[1]	(in millions of Ps.)[1]		(in millions of US$)[1]	(in millions of Ps.)[1]		
Income statement data:							
Net sales	378.0	4,955.8	3,880.4	412.8	5,411.8	4,680.0	3,055.8
Cost of sales	232.0	3,042.2	2,303.9	244.9	3,210.0	2,846.0	1,914.0
Gross profit	146.0	1,913.6	1,576.5	167.9	2,201.8	1,834.0	1,141.8
Operating expenses	109.2	1,431.1	1,152.4	118.4	1,552.7	1,346.8	958.0
Other expenses (income), net	-	-	-	0.3	3.6	(8.9)	3.4
Operating income	36.8	482.5	424.1	49.2	645.5	496.0	180.5
Finance income	(8.9)	(117.3)	(63.4)	(8.2)	(107.1)	(221.3)	(91.3)
Finance expense	14.5	190.6	190.9	18.3	239.4	325.2	170.7
Finance costs, net	5.6	73.3	127.5	10.1	132.4	104.0	79.4
Share of results of associate	(0.1)	(0.7)	(0.6)	(0.1)	(1.0)	(0.7)	(0.6)
Profit before income tax	31.3	409.9	297.3	39.2	514.2	392.8	101.8
Income tax	9.0	117.3	61.6	5.9	77.7	48.0	6.6
Net consolidated profit	22.3	292.5	235.7	33.3	436.5	344.7	95.2
Profit attributable to:							
Controlling interest	22.3	291.7	235.0	33.2	435.3	343.8	94.9
Non-controlling interest	0.1	0.8	0.7	0.1	1.2	1.0	0.3
EBITDA	46.4	608.8	528.0	61.4	805.4	626.4	283.5
Total debt/EBITDA[2]	1.37	1.37	1.89	1.64	1.64	1.25	1.69
Net debt/EBITDA[2]	0.92	0.92	1.09	0.95	0.95	1.01	1.25
EBITDA/Finance costs, net	8.31	8.31	4.14	6.08	6.08	6.03	3.57
Earnings per share	0.87	0.87	0.70	1.30	1.30	2.43	0.67
Weighted average number of shares outstanding	338,046,871	338,046,871	333,916,511	333,916,511	333,916,511	141,477,724	141,477,724

(1) Except ratios, earnings per share and weighted average number of shares outstanding.

(2) Data for the nine-month periods ended September 30, 2013 and 2014, were calculated using EBITDA for the twelve-month periods then ended.

	As of September 30,		As of December 31,			
	2014	2014	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)	(in millions of US$)	(in millions of Ps.)		
Balance sheet data:						
Current assets:						
Cash and cash equivalents	29.7	401.2	41.3	557.5	148.4	126.6
Accounts receivable	97.1	1,309.5	92.9	1,253.1	782.3	556.3
Related parties	0.2	3.3	0.6	7.6	1.4	2.6
Recoverable income tax	1.2	15.9	2.2	30.1	25.3	72.4
Other recoverable taxes	16.2	219.2	21.5	289.5	222.8	40.2
Inventories	63.3	853.8	47.8	645.4	647.1	474.5
Prepaid expenses	5.0	67.8	1.1	15.3	8.2	6.5
Total current assets	212.8	2,870.7	207.4	2,798.5	1,835.5	1,279.2
Non-current assets:						
Related parties	4.7	64.0	3.7	49.4	45.8	42.4
Investment accounted under the equity method	0.6	7.4	0.5	6.8	5.7	5.0
Property, plant and equipment, net	84.2	1,135.4	91.2	1,230.9	1,241.9	1,122.3
Intangible assets	8.3	111.7	7.0	94.2	109.0	142.4
Deferred income taxes	8.7	117.1	14.6	197.3	135.5	118.9
Derivative financial instruments	-	-	-	-	3.6	12.2
Guarantee deposits	3.0	40.9	2.6	35.4	36.0	14.4
Total non-current assets	109.5	1,476.6	119.6	1,613.9	1,577.6	1,457.5
Total assets	322.3	4,347.2	327.1	4,412.3	3,413.0	2,736.7
Liabilities and stockholders' equity						
Current liabilities:						
Short-term bank loans	0.7	9.6	8.0	107.7	396.4	-
Accounts payable	41.0	553.7	30.1	406.2	501.0	411.4
Other accounts payable	26.8	363.6	32.9	444.1	241.9	208.5
Accrual of expenses	4.6	62.4	1.4	19.3	10.7	6.5
Income taxes payable	6.6	88.7	6.0	80.6	38.9	18.2
Other taxes payable	1.9	26.3	7.2	97.4	92.8	88.0
Employees' profit sharing	1.2	16.6	1.2	16.4	18.0	13.6
Total current liabilities	82.9	1,120.8	86.9	1,171.7	1,299.6	746.2
Long-term liabilities:						
Long-term bank loans	89.5	1,207.5	90.1	1,215.9	387.5	479.9
Employee benefits	0.5	6.5	0.4	5.5	11.8	9.1
Deferred income taxes	2.5	34.3	3.3	45.2	34.7	71.5
Derivative financial instruments	0.3	4.0	0.2	2.2	-	-
Total long-term liabilities	92.8	1,252.3	94.1	1,268.7	434.0	560.4
Total liabilities	180.9	2,373.1	180.9	2,440.4	1,733.6	1,306.7
Equity:						
Capital stock	88.3	1,190.5	87.2	1,176.8	539.7	539.7
Premium on share issuance	2.5	33.8	2.2	29.5	29.5	29.5
Retained earnings	54.2	730.8	53.0	715.2	921.3	577.5
Foreign currency translation adjustment	(16.5)	(222.3)	(14.1)	(190.3)	(50.9)	43.7
Revaluation surplus	17.6	237.2	17.6	237.2	237.2	237.2
Equity attributable to:						
Controlling interest	146.0	1,969.9	145.9	1,968.4	1,676.8	1,427.6
Non-controlling interest	0.3	4.2	0.3	3.5	2.6	2.4
Total stockholders' equity	146.3	1,974.1	146.2	1,971.9	1,679.5	1,430.1
Total liabilities and stockholders' equity	322.3	4,347.2	336.6	4,412.3	3,413.0	2,736.7

RISK FACTORS

An investment in our Shares involves risks. Before making a decision to buy our Shares, you should carefully consider the risks described below as well as the other information contained in this offering memorandum. Any of the following risks could materially affect our business, prospects, financial condition and/or results of operations. In such case, the price or the liquidity of our Shares could decline and you could lose all or part of your investment. The risks described below are those that we currently believe may adversely affect us or our Shares. Additional risks that are presently unknown to us or that we currently deem immaterial may also impair our business, financial condition, results of operations or prospects.

Risks Related to our Operations

Changes in our customers' purchasing power and preferences could affect our results of operation

We are exposed to economic, political and social factors in Mexico, Brazil and the rest of the countries where we operate, which could affect consumer confidence in and preferences for our water solutions. External factors beyond our control that affect consumer confidence include unemployment rates, levels of personal disposable income, national, regional or local economic conditions, increased or the perception of increased violence and diminished safety, and the flow of remittances to Mexico from abroad. Changes in economic conditions and consumer confidence could adversely affect preferences, purchasing power and spending patterns of end-users. A decrease in overall consumer spending as a result of changes in economic conditions could adversely affect our sales and negatively impact our results of operation.

Our business and operating results depend upon the appeal of our water solutions. Our continued success in the water industry will depend upon our ability to redesign, restyle and extend our existing core solutions as consumer preferences evolve, and to develop, introduce and gain customer acceptance of new solutions. Several trends in recent years have presented challenges in our business, including higher consumer expectations for product quality, functionality and value, customer acceptance of newly developed products, the acceptance of new products, and the development of products that are more sustainable and environmentally-friendly. We cannot assure you that our current solutions will continue to appeal end-users or that newly developed solutions will achieve any significant degree of market acceptance.

Our performance is tied to public sector spending and certain customers within this sector

For the nine-month period ended September 30, 2014, sales to the government sector represented 48.7% of our total sales. Therefore, our results of operation and performance are tied to public sector spending in Mexico, Brazil and the rest of the countries where we operate. Public sector spending, in turn, generally has been dependent on the local economy. A decrease in public sector spending, including decreases or changes in the budget devoted to social programs, as a result of a deterioration of the economy, changes in governmental policy, changes in budgetary priorities, delay in budgetary approvals or for any other reasons could have an adverse effect on our financial condition and results of operations.

For the nine-month period ended September 30, 2014, our sales to entities and agencies of the federal government of Brazil represented 37.7% of our total sales, 12.8% of which were sales to a single government entity. See "Our Business—Customers" for a description of our customer portfolio. There can be no assurance that we will be able to maintain the current level of sales to these entities and our ability to do so depends on many factors beyond our control, including competitive factors, changes in government personnel making contract decisions, spending limits, changes in laws and regulations and economic and political factors. In addition, macroeconomic and competitive conditions may affect our customers. Any decrease in sales to entities and agencies of the federal government of Brazil or if any of our principal customers stops buying our water solutions or default on their obligations to us, could have a material adverse effect on our business, financial condition and results of operations. Our sales to entities and agencies of the federal government of Brazil as a percentage of our total sales could increase in the future. As a result, we could experience significant levels of concentration of our customer portfolio and our sales. This concentration could also be present with other customers or in respect of certain of our water solutions.

A substantial portion of our sales to governments are derived from contracts awarded through competitive bidding processes

A substantial portion of our sales to governments are derived from contracts awarded through competitive bidding processes, which result in greater competition and increased pricing pressure. Our success in generating government sales depends on our ability to adequately participate in these bidding processes and be awarded the relevant government contracts. Bidding processes involve significant cost and managerial time to prepare bid proposals for contracts that may not be awarded to us. Even if we are awarded contracts, we may experience significant expenses or delays, contract modifications or terminations as a result of challenges by other bid participants or in case the awarding entity decides to delay the project for which the relevant contract was awarded. In addition, we may fail to accurately estimate the resources and costs required to perform a contract, which could negatively impact the profitability of any contract awarded to us and, consequently, affect our results of operation.

A substantial portion of our sales derive from retail sales. If the retailers have financial difficulties or prefer the products of our competitors our financial situation could be affected

A substantial portion of our sales derives from retail sales which are made through our traditional channel. This channel is focused on sales to points of sale dedicated to the sale and commercialization of construction materials and products, such as hardware stores, home centers (home improvement stores) and construction materials stores. During 2011, 2012 and 2013, sales through our traditional channel represented 63.6%, 46.7% and 40.3%, respectively, of our total sales. Our sales through the traditional channel have decreased as a percentage of our total sales due to an increase in our sales through our government channel. In line with this trend, for the nine-month period ended September 30, 2014, sales through our traditional channel represented 33.9% of our total sales. Retailers offer and sell our water solutions to end-users. A significant deterioration of our main retailers' business in our traditional channel could negatively affect sales of our water solutions. In addition, retailers offer and sell products that compete with ours. It is possible that retailers could prioritize the sale of our competitors' products or form alliances with them, or prioritize the sale of their own brands. If the retailers stop buying our water solutions or prefer our competitors' products, our business, financial position and operating results could be adversely affected.

Income derived from long-term leases involving our integrated water solutions, including our drinking fountains, may decrease over time

We expect that a significant amount of sales to governments of our integrated water solutions, including our drinking fountains, will be made under long-term leases. Leases of long duration, or with renewal options that specify a maximum rate increase, may not result in fair market lease rates over time if we do not accurately judge the potential for increases in market rental rates. In that case, our income derived from such leases would be lower, which could in turn adversely affect our financial condition and results of operations.

Our business may be affected by severe weather conditions, especially prolonged periods of rain, and could make us more susceptible to seasonality

Historically, our sales volume remains constant throughout the calendar year. However, weather conditions, mainly prolonged periods of rain, may affect demand for our individual water storage solutions and integrated water solutions with water storage capacity (such as our rainwater harvesting systems) because of the overabundance of water that reduces our customer's need to store it for future use. Conversely, sales of these products are typically benefited by prolonged periods of drought because of the scarcity of water that increases our customers' need to store it for future use. These climate events could have a material adverse effect on our results of operation and may make us susceptible to seasonality.

Our operations and financial condition could be adversely affected by fluctuations in the prices of our raw materials

Our operations are highly dependent on the acquisition of key raw materials, which we acquire from national and international suppliers. Our main raw materials are polyethylene and polypropylene whose prices usually fluctuate along with the price of oil. Although we contract derivative financial instruments from time to time to hedge our exposure, an increase or severe fluctuation in oil prices and oil derivatives or severe fluctuation of the exchange rate of the peso against the U.S. dollar and the euro could adversely affect the price of raw materials we currently import from the United States, Portugal and Italy. This increase in prices of raw materials could in turn adversely affect the market price of the resins used in our manufacturing processes. Any of these factors could have an adverse effect on our operating costs, liquidity, margins and financial position and could delay our expansion plans, especially if such fluctuations remain in the market for prolonged periods of time.

In recent years, the price of oil and oil derivatives which we use in our manufacturing processes have experienced significant increases in international markets, thus increasing production costs, as well as the prices of our water solutions. Although recently these prices have not been subject to severe fluctuations as a result of an increase of the availability of gas in North America, future fluctuations in the price of oil and oil derivatives may result in an increase in the cost of inputs used in our operations, which may adversely affect our results of operations.

Our ability to implement our strategy and achieve overall performance and prospects depends and will continue to depend, in large part, upon the successful, timely and cost-effective acquisition and deployment of raw materials. Because the price of these supplies depends in large part on the international price of oil, we cannot assure that we will have a stable supply of gas or electricity, that the supplies will be available at reasonable prices or that our suppliers will be willing to continue supplying us with these materials on current terms or at all, which could adversely affect our operating results or financial position. There is no assurance that we will be able to pass on any significant increases in the price of supplies. In addition, a decrease in the supply of certain raw materials, a decrease in the number of suppliers, the inability to import, export or transport such raw materials, price volatility or any other factor affecting our raw materials that are beyond our control may result in higher prices, which could adversely affect our business, financial condition and results of operations.

Our competitive advantage as an innovative company could be adversely affected by our inability to develop innovative solutions

A key driver for our success is our reputation for high-quality products and our ability to satisfy the needs of our customers by offering a wide variety of individual and integrated solutions. We are subject to risks related to the introduction of new solutions, including low acceptance of new products in the market, delays in the development of new solutions or failures in our manufacturing processes. The development of new and better solutions depends on our ability to successfully implement cutting-edge technology in the design, engineering and assembly of solutions, which require significant capital expenditures. A significant reduction in our capital expenditures may affect our ability to develop and use better technology in our products, which could adversely reduce demand for our water solutions.

Any interruption of our production facilities, supply chain, distribution centers or distribution network may adversely affect our business

As of September 30, 2014, we had 25 production facilities strategically located in Mexico, Brazil, Peru, Argentina, Guatemala and the United States and six distribution centers located in Mexico, Costa Rica, El Salvador, Nicaragua, Honduras and Peru. Any disruption in any or all of our production facilities or distribution centers due to reasons beyond our control, such as natural disasters, accidents, technological failures, power shortages or labor strikes, among other disruptions, could affect the production and delivery of our water solutions which could adversely affect our results and operation.

Any interruption in the supply of raw materials, particularly resins and other oil derivatives, could affect our ability to operate our production facilities at the required capacity. Any severe disruption in the supply of raw materials could adversely affect our production. We currently do not depend on a single supplier and are able to obtain our raw materials from a number of different suppliers around the world, such as Pemex, Braskem, Dow Chemical, Indelpro, Equistar and Vinmar. Although alternative supplier options are always considered and identified and we constantly compare prices offered by our suppliers to ensure they remain competitive, we cannot assure you that any problem with the supply of our raw materials would not result in delays in our manufacturing and supply processes that may have an adverse effect on our financial position and results of operation.

Our suppliers' failure to timely deliver their products to us or the decision by any of them to stop doing business with us for any reason, could result in our failure to promptly deliver solutions to our customers, which in turn could cause such customers to cancel purchase orders, refuse to accept our water solutions, demand lower prices or reduce the volume of future orders. In addition, if we lack sufficient inventory to supply our products to our customers, our sales could be significantly affected and our business adversely affected.

If our water solutions contain defects or otherwise fail to perform as expected, we could be liable for damages and incur unanticipated warranty, recall and other related expenses, our reputation could be damaged, we could lose market share and, as a result, our financial condition or results of operations could be affected

Our water solutions may contain defects or experience failures due to any number of issues in design, materials, deployment and/or use. Failure of some of our water solutions, such as drinking fountains, water purifiers and water filters, to function properly could result in water contamination which could in turn give rise to health problems and, consequently, we may be subject to claims, potential liabilities and fines. If any of our water solutions contain a defect or fail to function properly, we may have to devote significant time and resources to find and correct the issue. Such efforts could divert the attention of our management team and other relevant personnel from other important tasks. Although we have not experienced many claims for product defects or malfunctions and have not recorded any material costs associated with warranty claims, product recalls, write-offs of returned products and customer repair programs in the past, we can provide no assurance that any of these events will not occur in the future. A product defect, malfunction, recall or a significant number of product returns could be expensive; damage our reputation and relationships with our distributors; result in property damage, health problems or physical injury; result in the loss of business to competitors; and result in litigation against us. Some of our water solutions carry long-term or even lifetime warranties. Should actual product failure rates, material usage, defects, or other issues differ from the original estimates, we could end up incurring materially higher warranty expenses than we anticipated, which could harm our business, financial condition, and results of operations.

Limitations on foreign trade in Mexico, Brazil or any of the countries where we operate may affect our business

Mexico, Brazil and the rest of the countries where we operate or from which we acquire raw materials have established different policies and regulations regarding the import and export of goods. These policies and rules may change from time to time or these countries may impose trade restrictions for multiple reasons, including tariff or non-tariff measures and restricting, limiting or prohibiting the international trade of goods or raw materials. Any of these measures could adversely affect our manufacturing processes or our supply chain since we import and export a significant portion of our raw materials from our raw materials facility located in Mexico and export a significant amount of merchandise to countries where we currently have no production facilities.

Maintenance of, increases in, and improvements related to our production capacity generally require significant investments, but there can be no assurance that we will be able to realize the expected return on these investments

We have recently made and plan to continue to make significant capital investments related to our production capabilities, environmental security, efficiency and modernization. In particular, the production of individual water storage solutions requires a significant investment in the design and construction of rotomolding facilities. Because of the size and distribution and transportation costs of products such as cisterns, water tanks and industrial tanks, we must have rotomolding facilities strategically located within a reasonable distance of our different points of sale and delivery. In addition, we expect to make significant capital investments in the development and marketing of our integrated water solutions. In particular, we expect to invest in the production and marketing of drinking fountains with the expectation of increased number of government contracts awarded under current and future government programs aimed at improving water infrastructure at education facilities in Mexico. There is a possibility that we may be unable to realize the expected return on these and other investments if adverse developments arise in the markets for our water solutions, including if our decisions related to the timing or the manner of such investments are based on projections regarding future market demands or other developments that prove to be inaccurate or unforeseeable. Our investments may be also affected if we cannot secure sufficient resources to make any necessary capital expenditures. Any of these events could have an adverse effect on our results of operations, including as a result of asset impairment charges.

In addition, we may be unable to complete our current or future projects in a timely manner, or at all, due, for example, to an inability to secure financing, regulatory changes, unreliability or unavailability of contractors and subcontractors, and logistical problems.

Our inability to effectively manage our growth could adversely affect our business and our operating results

The successful implementation of our expansion plan implies significant investments and expenses before generating considerable income and depends on a series of factors, including our ability to locate and obtain adequate locations pursuant to our budget and operating needs, hire suppliers and qualified personnel, the present and future competitive environment, the availability of excess capital, our ability to successfully implement sales strategies and launch innovative products, as well as favorable economic conditions and the right conditions in the local and foreign financial markets. In addition, the success of our organic expansion strategy depends on our ability to perform strategic significant investments in production facilities and distribution centers. To effectively manage our business and planned growth, we must continue to improve our operational, financial and management processes, controls, systems and procedures. If we are unable to implement these processes and procedures, our expenses may increase more than expected, our revenues could decline or grow more slowly than expected and we may be unable to implement our business strategy.

We expect that the continuing expansion and development of our business will require significant capital, which we may be unable to obtain on acceptable terms or at all, to fund our capital expenditures and operating expenses, including working capital needs. We may fail to generate sufficient cash flow from our operations to meet our cash requirements.

We cannot guarantee that we will carry out, totally or partially, our desired expansion and, if we do, that we will successfully manage increased operating activities and satisfy increased demand. Any of the factors described above may have an adverse effect on our business, financial condition and results of operations.

We may be unable to successfully expand our operations into new markets, including the United States

We are constantly analyzing and looking to expand our operations into new markets. In order to achieve our expected results in new markets we may be required to make significant investments to achieve brand awareness and position the *Rotoplas* brand as a high-quality brand with innovative water solutions. Each of the risks applicable to our ability to successfully operate in our current markets is also applicable to our ability to successfully operate in new markets. In addition to these risks, we may not possess the same level of familiarity with the dynamics and market conditions of any new markets that we may enter, which could adversely affect our ability to expand into or operate in those markets. We may be unable to create similar demand for our water solutions and business, which could adversely affect our profitability. If we are unsuccessful in expanding our operations into new markets, we could be materially and adversely affected.

In September 2014, we began operations in the states of Arizona, California and Nevada, in the United States. Although we believe the United States presents an attractive opportunity for growth, the U.S. market is highly competitive and a highly fragmented market in the water storage industry. Other markets that we may expand to in the future could present similar challenges. For example, in Australia, there is a company involved in the water storage business that also uses the brand *Rotoplas* to commercialize its products. We may not be able to compete successfully with established companies in new markets or may have to compete under a different brand in markets where our brands or brands that are similar to our brands are already being used.

We face intense competition for our individual water flow solutions

We face strong competition in the water flow industry based on price, performance, product quality, product deliverability and customer service. The competitive environment could vary significantly at any given time, and our ability to adjust our product mix based on market conditions is limited due to the limitations inherent in the manufacturing processes. Our competitors include larger companies or those better established within our markets or companies with more competitive advantages due to a combination of different factors such as higher degree of specialization, access to more financial resources, benefits from integration and economies of scale, availability of raw materials at lower costs, diversification and risk management. An increase in competition in the water flow industry may have an adverse effect on our profitability and operating results.

We might not be able to obtain the necessary resources to finance our working capital needs and capital expenditures or to implement our growth strategy

If our generated cash flow and cash balance, together with our financing transactions, are insufficient to perform investments, acquisitions or provide necessary working capital in the future, we might need to obtain additional financing from other sources. Our ability to obtain such additional financing will depend on the current situation of capital markets, the situation of our industry and its operating results, and such factors could affect our efforts to obtain additional financing on favorable terms. In recent years, market volatility has generated pressures that have lowered access of companies to financing sources, their creditworthiness and that of any other participants of the financial markets. If we are not able to obtain financing or obtain it on favorable terms—which might happen if the current instability and volatility persist or worsen—our ability to access the capital markets could be adversely affected and we could be prevented from performing investments, seize business opportunities for acquisitions or any type of transactions, or respond to challenges posed by competitors. Likewise, we cannot assure that we will be able to continue obtaining financing from pre-existing sources, other sources, or in similar conditions to our existing financings or more favorable or at all.

If we incur additional debt in the future, it could have, among others, the following effects: limit our ability to pay our debts; increase our vulnerability to economic and industry conditions; require that we dedicate an important portion of our cash flow to pay our debt, which could put us at a disadvantage against our less leveraged competitors; limit our flexibility to plan or react to changes in our business and our industry; affect our ability to capitalize opportunities to acquire other businesses or implementing expansion plans; limit our cash available for dividends payment; limit our capacity to obtain additional financing; limit our ability to grant collateral or increase the cost of additional financing.

In addition, we may incur additional debt in foreign currency in the future. The depreciation of the peso against other currencies increases our financing cost in pesos, which results in an exchange rate loss. Since our income is denominated in different currencies, mainly pesos and reais, any such depreciation would only be partially offset or mitigated by an increase in exchange rate gains.

We depend on the expertise of our senior management and skilled personnel. Our continued growth requires us to hire and retain qualified personnel

Our senior management possesses extensive operating experience and industry knowledge. We depend on our senior management to set out strategies, direction and manage our business and we believe that their involvement is crucial to our success. Furthermore, over the past years, the demand for employees who engage in and are experienced in the services we perform has continued to grow. The continued growth of our business is dependent upon being able to attract and retain personnel, including engineers, corporate managers and craft employees, with the necessary and required experience and expertise. Competition for this kind of personnel is intense and we may experience difficulty in attracting and retaining personnel, which could reduce our capacity to perform adequately in present and future projects. Particularly, our top executives have considerable experience and knowledge of the water industry. The loss of any of our senior management team, or our inability to attract and retain sufficient and qualified additional executives, could adversely affect our ability to implement our business strategy. The remuneration and incentive schemes we have in place may not be sufficient in retaining the services of our experienced personnel.

Our success also depends on a continuous identification, hiring, training and retaining of qualified sales, marketing, research and management personnel, among others. The competition for such qualified personnel is intense. Our business could be adversely affected if we cannot attract the required personnel.

If any significant acquisition which we may perform is not successfully integrated with our company, this may adversely affect our operating results

We are constantly evaluating possible targets for inorganic growth. Acquisitions involve risks, including the following: failure of acquired businesses to achieve expected results; failure to achieve expected savings arising from synergies; difficulties in integrating operations, technologies and control systems; possible inability to retain or hire key personnel of acquired businesses; possible inability to achieve expected economies of scale; unanticipated liabilities; and antitrust and regulatory considerations. If we are unable to integrate or manage acquired businesses successfully, we may not realize anticipated cost savings, revenue growth and levels of integration, which may result in reduced profitability or operating losses. In addition, we may face unforeseen costs and expenses in connection with the integration of any acquired business, and we may experience other unanticipated adverse effects, all of which may adversely affect us.

The costs of complying with environmental protection and safety laws, and any liabilities arising thereunder, may increase and adversely affect our business, results of operations, cash flows or financial condition

We are subject to various federal, local and municipal environmental protection and safety laws and regulations governing among other things the health and safety of our employees. Environmental laws are complex, change frequently and have tended to become more stringent over time. While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws, we cannot assure you that environmental laws will not change or become more stringent in the future. Subsequent changes in or additions to existing environmental, health and safety laws or regulations, or stricter enforcement or application of such laws or regulations could force us to make significant additional capital expenditures, which could affect our profitability, operations or financial condition in the future. Changes in local circumstances or to applicable laws and regulations could require us to modify our authorizations or permits or to change our processes and procedures to comply with such provisions, or to obtain additional authorizations or permits not foreseen to operate our facilities at this moment. Therefore, we cannot assure you that we will be able to comply in the future with new laws or regulations if they change and become stricter. Additional changes to current regulations could increase our costs or increase the prices of our products, which could adversely affect our results of operations or financial condition.

We are also required to obtain, maintain and renew regularly our permits, licenses and authorizations from governmental authorities to construct and operate our production facilities and distribution centers. We try to maintain at all times complete compliance with such laws, regulations and permits, however, we cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

Natural disasters, production hazards and other events could adversely affect our business

Natural disasters, such as torrential rains, hurricanes and earthquakes, could impede operations, damage our infrastructure or adversely affect our production facilities and distribution centers. We could also be subject to acts of vandalism or disturbances, which could affect our infrastructure and/or our distribution network. Any of these events could increase our capital expenditures for repairs.

Our operations are subject to hazards, such as fires, explosions and other accidents, associated with the handling of chemicals and the storage and transportation of our water solutions. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. A significant accident at one of our production facilities could force us to suspend our operations temporarily and result in significant remediation costs and lost sales.

We have insured our facilities and distribution centers against damage caused by natural disasters, accidents or other similar events and resulting consequential damages; however, if losses occur, we cannot assure you that losses caused by damage to our facilities will not exceed policy limits. Damages significantly in excess of our insurance policy limits or that were not foreseeable and covered by our policies could have a material adverse effect on our business, results of operations, financial condition and prospects. In addition, even if we receive insurance proceeds as a result of a natural disaster, facilities could suffer interruptions in production as we complete repairs, which could materially and adversely affect our business, results of operations, financial condition and prospects.

Additionally, we could experience difficulties to reach acceptable efficacy in our manufacturing processes thanks to the complexity of the same. Such difficulties increase with the use of new materials and new technologies. Our operations could be adversely affected if we cannot overcome these difficulties.

Union conflicts and labor liabilities and litigation could have an adverse effect on our operations, financial condition and operating results

At September 30, 2014, approximately 60.2% of our employees were unionized. See "Our Business—Human Resources." Historically, our relationships with labor unions have been respectful and cordial. We renegotiate collectively-bargained wage and benefit agreements on a regular basis in accordance with applicable laws in the different jurisdictions where we operate. While we have enjoyed satisfactory relationships with all of the labor unions, we cannot assure the future stability of our relationships with each of the labor unions, therefore, labor-related disputes may still arise and these disputes may result in strikes or other disruptions that could increase our operating costs, damage our relationships with our customers and adversely affect our business, financial condition and results of operations. Likewise, as any other business, from time to time, we can suffer personnel rotation or conflicts with the labor unions that could result in labor litigation or, even, in the payment of compensatory indemnities.

Additionally, general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have an adverse effect on our financial condition and results of operations. We sponsor a number of defined benefit plans for employees, including healthcare, severance and other employment benefits. The annual cost of benefits can vary significantly from year to year and is materially affected by certain factors such as changes in the assumed or actual rate of return on the underlying assets of the plans, changes in the weighted-average discount rate used to calculate obligations, the rate or trend of health care cost inflation, and the outcome of collectively-bargained agreements. Any of these events could in turn have an adverse effect on our financial condition and results of operations.

The protection and recognition of our intellectual property, patents and other intellectual property rights are key for our business

The protection and reputation of our brands and patents are essential for our business because they allow us to promote our growth and the sale of our water solutions. Consequently, trademarks, trade names, patents and any other intellectual property rights are key assets for our business. Maintaining the reputation of our brands and patents in the markets in which we operate is essential to our ability to attract and retain distributors, customers and employees, which is critical to our future success and the consolidations of our expansion plans. Failure to maintain the reputation of our brands, trade names, patents or any other intellectual rights could have a material adverse effect on our business, results of operations and financial condition. If we fail, or appear to fail, to deal with various issues that may give rise to reputational risk, we could harm our business prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, satisfaction of warranties and customer service, safety conditions in our operations, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our business.

Our principal trademarks are registered in the countries where we use such trademarks. Our inability to maintain an adequate protection of our brands, trademarks, patents and other intellectual property rights in the countries where we operate could represent a risk for our operations and adversely affect our business, operating results and financial position.

We also intend to enforce our trademark rights against infringement by third parties, our actions to establish and protect our trademark rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products on grounds that our products violate their trademarks and proprietary rights. If a competitor were to infringe on our trademarks, enforcing our rights would likely be costly and would divert resources that would otherwise be used to operate and develop our business. Although we intend to actively defend our brands and trademark rights, we may not be successful in enforcing our intellectual property rights, which could materially and adversely affect us. See "Our Business—Patents, Licenses, Trademarks and Other Contracts."

To the extent that our innovations and products are not protected by patents, copyrights or other intellectual property rights in any of our key markets, third parties (including competitors) may be able to commercialize our innovations or products or use our know-how, which could have a material adverse effect on our business, financial condition and results of operations. In addition, legal protection of our intellectual property rights in one country will not provide protection in other countries where we operate.

A material disruption of our information systems could adversely affect our operations

We are dependent upon multiple customized information systems to operate our businesses, including processing transactions, responding to customer and distributors inquiries and managing our accounting, purchasing and collections. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information to be lost or delayed which could result in delays in the delivery of merchandise to our customers and ultimately could cause our sales to decline. In addition, any material interruption or slowdown in our information systems could alter the adequate operation of our distribution network, which would negatively affect orders, production, inventory, transportation and delivery of our products to our points of sale. Such disruption would have an adverse effect on our business, financial condition and results of operations.

Risks Related to Mexico, Brazil and the Rest of the Countries Where We Operate

Adverse economic conditions in Mexico, Brazil and the rest of the countries where we operate may adversely affect our business, financial condition and results of operations

We currently have operations in Mexico, Brazil, Peru, Argentina, Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the Unites States. Additionally, we have a presence in Ecuador through an indirect, non-controlling investment in our associate Dalkasa Ecuador. Therefore, our operations and operating results are dependent upon the performance of the local economy of these countries. Our activities, financial position and operating results may be adversely affected by economic conditions in Mexico, Brazil and the rest of the countries where we operate which are beyond our control. Particularly, Mexico and Brazil have experienced prolonged periods of economic crisis and downturns, caused by internal and external factors, characterized by exchange rate fluctuations (including major currency devaluations), high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. We cannot assure you that such conditions will not have an adverse effect on our business, financial condition or results of operations. A decrease in the growth rate of the Mexican or the Brazilian economies, or periods of negative growth, or increases in inflation may result in lower demand for our water solutions.

According to INEGI, in 2011 Mexico's GDP grew by 4.0% and the inflation rate was at 3.8%. In 2012, it grew by 3.9% and the inflation rate was at 3.6% and in 2013 it grew by 1.0% and the inflation rate was at 3.9%. In addition, current nominal interest rates in Mexico have been and are expected to be above those of other countries. In 2011, 2012 and 2013, the average annual rate of the Treasury Bonds issued by the Mexican Federal Government (*CETES*, by its acronym in Spanish) with a 28-day maturity was 4.2%, 4.2% and 3.8%, respectively. On the other hand, according to World Bank, in 2011 Brazil's GDP grew by 2.7% and the inflation rate was at 6.6%. In 2012, it grew by 1.0% and the inflation rate was at 5.4% and in 2013 it grew by 2.5% and the inflation rate was at 6.2%. In addition, nominal interest rates in Brazil have been and are expected to be above those of other countries. According to the Central Bank of Brazil (*Banco Central do Brasil*), in 2011, 2012 and 2013, the average annual rate was 11.4%, 7.1% and 9.4%, respectively.

If the economies of Mexico or Brazil enter into recession, if there is an increase in inflation or interest rates or if these economies are adversely affected by any other cause, our activities, financial position and operating results could also be adversely affected.

Exchange rate fluctuations in the countries where we operate and foreign currency exchange controls in these counties could adversely affect us

We operate in different currencies in Mexico, Brazil and the rest of the countries where we operate. However, the reporting and functional currency of our Financial Statements is the Mexican peso. These currencies, including the peso and the real, have suffered and could suffer important depreciations. Any significant devaluation or depreciation of the different currencies of the countries where we operate could cause governmental intervention and the establishment of exchange controls, as it has happened in the past. The imposition of exchange controls could restrict our ability to receive dividends from our foreign subsidiaries or limit our ability to make payments in currencies different to the local currency, which could affect the real price of our inputs and raw materials and services paid in local currency. The fluctuation in the value of these currencies or the imposition of exchange controls could have an adverse effect on our financial position. We cannot guarantee that the governments of the countries where we conduct business will maintain their current currency and exchange policies, or that the value of such currencies will not significantly change in the future.

We plan to continue incurring debt denominated in Mexican pesos and in other currencies, including reais and Argentine pesos, to perform our projects, which generate capital in Mexican pesos and other currencies to pay such financings. To the extent we continue to incur financings in Mexican pesos, reais and Argentine pesos, the applicable interest rates could be higher.

The inflation rate in the markets in which we operate may have an adverse effect on our investments and business

An increase in the rate of inflation in the countries where we operate, particularly Mexico or Brazil, may adversely affect our business, financial condition and results of operations by adversely impacting our customers' demand for our water solutions, purchasing power, thereby adversely affecting consumer demand for our water solutions, increasing our costs and decreasing the benefit to us of revenues earned to the extent that inflation exceeds growth in our pricing levels.

Changes in governmental policies in Mexico, Brazil and in the other countries where we operate could adversely affect our business, financial condition, results of operations, and prospects

The governments of Mexico, Brazil and the other countries where we operate, have exercised, and continue to exercise, significant influence over the economy of their respective countries. Accordingly, the governmental actions and policies of those countries concerning the economy in general and our industry in particular could have a significant impact on us, as well as on the conditions, market prices and profits of our shares. We cannot assure you that changes in the governmental policies of these countries will not adversely affect our business, financial condition results of operations and prospects.

Political and social events in Mexico, Brazil and other countries where we operate may adversely affect our business and operating results

The actions and policies of the governments of Mexico, Brazil and the other countries where we operate in connection with the economy, tax regimes, environmental and labor regulations and the social and political context could have a significant impact in private companies in general and us in particular, as well as in the condition of capital markets and the prices and rates of return of the securities that are traded in the BMV. Such actions include increase in the interest rates, changes in tax policies, price controls, currency devaluations, capital controls and import limits, among others. Our business, financial condition, operating results and dividend distribution could be adversely affected by changes in governmental policies and regulations that affect our management, operations and tax regime.

Presidential elections were held in Mexico on July 1, 2012, resulting in a victory for Enrique Peña Nieto, the candidate for the Institutional Revolutionary Party (PRI). The new administration has implemented and may continue to implement significant changes in laws, public policy or regulations that could adversely affect the Mexican economic and political situation and our business. Particularly, during his first two years in office, the president of Mexico promoted and passed structural reforms such as the energy, electoral, telecommunications, antitrust, educational, financial and tax reforms, any of which could adversely affect our business.

In October 2014, the presidential election in Brazil led to the reelection of Dilma Rousseff. The president of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy as well as the creation or continuation of government programs such as the Water for Everyone program. Any changes in public policy, laws and regulations in Brazil may affect the operations and financial performance of businesses such as ours. These and other future developments in the Brazilian economy and governmental policies could have a material and adverse effect on our business, financial condition and results of operation.

We cannot assure you that changes in the policies of the governments of Mexico, Brazil and the rest of the countries where we operate will not adversely affect our business, financial position or results of operation. The different tax laws in Mexico, Brazil and the rest of the countries where we operate are subject to changes and we cannot guarantee that the different governments will propose or approve amendments to the same or to any political, social, economic policies, which could have a significant adverse effect in our business, financial condition, results of operation or our future prospects.

Violence or the perception of violence in Mexico and Brazil could adversely affect our business

In recent years, Mexico and Brazil have experienced a substantial rise in violence. This has had and could continue to have an adverse impact in the economy and in our business. In addition, high crime rates and conflicts related to drug trafficking—particularly in Mexico's northern states—have recently increased and may increase in the future. The rise in violence has had an adverse impact on Mexico's economy in general and could also have it on our business, including our ability to operate and offer our water solutions. We cannot assure you that the levels of violence in Mexico, Brazil and the rest of the countries where we operate, which are beyond our control, will not increase or decrease and will not have any adverse effects on these economies and our business, results of operations or financial condition.

Developments in other countries could adversely affect the economies of Mexico, Brazil and the rest of the countries where we operate, the market value of our shares and our financial condition and results of operations

The market value of securities of Mexican companies is affected by economic and market conditions in developed and other emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Mexico, adverse economic conditions may expand regionally or investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, prices of both Mexican debt and equity securities have in some cases suffered substantial drops as a result of developments in other countries and markets.

In addition, in recent years, economic conditions in Mexico and Brazil have been linked increasingly to economic conditions in the United States, China and Europe as a result of developments in international trade, including the free trade agreements and similar agreements signed between Mexico and Brazil and between these two countries and the United States and the European Union, which have increased economic activities in these regions. The Mexican and Brazilian economies are still strongly influenced by U.S. and European economies and in the case of Brazil, by China. Therefore, the termination of free trade agreements and other related events, a deterioration in economic conditions or delays in the recovery of the U.S. or European economies or a slowdown in the Chinese economy, could affect the economic recovery in Mexico and Brazil. These events could have a material adverse effect on our business, financial condition and results of operations.

Amendments to tax laws could adversely affect our business, financial condition and results of operations

Changes in tax laws or tax rates may occur in one or more of the countries where we operate which may materially increase the cost of operating our business. We cannot predict the timing and effects that these changes or other changes to tax regulations in the countries where we operate will have on us. Adverse or unanticipated tax consequences with respect to our business can have a material adverse impact on our financial condition and results of operations.

Effective January 1, 2014, the Mexican Government enacted a comprehensive federal tax reform. Among other changes, these reforms affect individuals and legal entities, increasing the possibility of an increase in production costs and to reduce the purchasing power of our customers and the demand for our products. Among others, value-added tax increased in Mexican borders from 11.0% to 16.0%, increased the income tax applicable to individual with an annual income of more than Ps. 750,000, withholding taxes were imposed at a 10.0% rate on the payment of dividends and capital gains from the sale of shares by and to Mexican and foreign shareholders, and the corporate flat tax (IETU) and Tax on cash deposits (*IDE*, by its acronym in Spanish) were eliminated. These changes could have an adverse impact on our financial position.

Brazilian tax regime is complex. We have exposure to the tax structure in Brazil, where we have noted that several other companies have had issues with Brazilian tax authorities that have negatively impacted earnings. We, in conjunction with our Brazilian tax advisors, continuously review and analyze the impact of tax laws and regulations in Brazil in order to avoid claims by Brazilian authorities. We cannot assure you that these revisions would be effective or that they can detect deficiencies, anomalies or calculation mistakes regarding taxes paid to the Brazilian authorities. As part of our expansion strategy in Brazil, we have focused on establishing our operations where there are tax incentives to promote economic activity. These tax incentives could be modified or eliminated in the future, having a negative impact on us, our income and our operations in Brazil and the relevant province.

Risks Related to the Shares and the Offering

There is currently no active trading market for our Shares, and the relatively low liquidity and the high volatility of the Mexican market may cause the prices of our Shares and trading volumes to fluctuate significantly

Although we have applied for our Shares to be admitted for trading on the BMV, an active trading market may not develop or, if developed, may not be maintained. Although the BMV is one of the largest stock exchanges in Latin American, the Mexican securities market continues to be relatively smaller, less liquid and more volatile than major international securities markets, such as those in the United States and Europe. Although the general public participates in securities transactions through the BMV, a significant portion is effectuated on behalf of large institutional buyers. These market characteristics may substantially limit the ability of our shareholders to sell them, or to sell our shares at the price and time which such shareholders would want to sell them, and this may negatively affect the market price and liquidity of our shares. The trading volumes with securities issued by companies incorporated or that operate in emerging markets tend to be less that the trading volumes of securities of companies incorporated or that operate in developed countries.

The market price of our Shares may fluctuate significantly and you could lose all or part of your investment

The initial offering price of our Shares has been determined by negotiations between us, the initial purchasers and the Mexican Underwriters based upon a number of factors. The initial offering price may not be indicative of prices that will prevail in the market after completion of the Global Offering. In addition, volatility in the market price of our Shares may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price and liquidity of the market for our Shares may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- significant volatility in the market price and trading volume of securities of companies in our sector, which are not necessarily related to the operating performance of these companies;
- investors' perceptions of our prospects and the prospects of our sector;
- difference between our actual financial and operating results and those expected by investors;
- changes in earnings or variations in operating results;
- operating performance of companies comparable to us;
- actions by our principal shareholders with respect to the disposition of the shares they beneficially own or the perception that such actions might occur;
- additions or departures of key management personnel;

- perceptions regarding how our key management personnel render their services and perform their functions;
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures, or capital commitments;
- an increase in competition;
- new laws or regulations or new interpretations of current laws and regulations, including tax guidelines, applicable to our businesses or the Shares;
- general economic trends in Mexico, the United States and other global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events; and
- political conditions or events in Mexico, the United States and other countries.

In addition, although there is no present intention to do so, in the future, we may issue additional equity securities or our principal shareholders may dispose of their interest in us. Any such issuances or sales or the prospect of any such issuances or sales could result in a dilution of shareholders' economic and voting rights in us or a negative market perception in which could adversely affect the market price of the Shares.

Our bylaws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders

As required by Mexican law, our bylaws provide that non-Mexican shareholders will be considered to be Mexicans with respect to their ownership interests in us and will be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under these provisions, a non-Mexican shareholder is deemed to have agreed not to invoke the protection of his or her own government by asking such government to interpose a diplomatic claim against the government of Mexico with respect to the shareholder's rights as a shareholder, but is not deemed to have waived any other rights he or she may have, including any rights under the U.S. securities laws, with respect to his or her investment in our Company. If any non-Mexican investor invokes such governmental protection in violation of such agreement, his or her shares could be forfeited for the benefit of the Mexican government.

Our transformation into a publicly traded stock corporation could involve additional administrative costs

In connection with this Global Offering, our shareholders approved our transformation from a privately held corporation into a publicly traded stock corporation regulated not only by the Mexican Corporations Law but also by the LMV and the rules and regulations promulgated thereunder. This involves, among other things, greater information disclosure requirements and more corporate formalities. While we believe that this transition to a publicly traded stock corporation should not give rise to any significant problems, it could involve additional administrative costs.

If we issue additional equity securities in the future, you may suffer a dilution and the trading prices of our Shares may decline

While we currently do not have specific plans to do so, we may issue additional shares to finance future acquisitions or new projects or for other general corporate purposes. Any such issuance could result in a dilution of your shareholding and/or the perception of any such issuances could have an adverse impact on the market price of the Shares.

In addition, if we decide to issue securities in the future ranking senior to our shares or otherwise incur indebtedness, it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to holders of our shares. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our shares and may result in dilution to holders of our shares. Because our decision to issue securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our shares and dilute their value.

Substantial sales of our Shares after this Global Offering could cause the price of such Shares to decrease

We, our principal shareholders and our directors and officers have agreed, subject to certain exceptions, for a period of 180 days from the date of this offering memorandum, not to issue, sell or transfer, any shares of our capital stock or any securities convertible into or exchangeable for, or that represent the right to receive, shares of our capital stock. After this lock-up period expires, the shares subject to such agreement will be eligible for sale in the market. The market price of our shares could drop significantly if a substantial number of our shares are sold or if the market expects such sales to occur.

You will experience immediate and substantial dilution in the book value of the Shares you purchase in this Global Offering

The issuance of shares at a higher offering price than the prior book value per share gives rise to an immediate dilution in book value per share for new shareholders acquiring shares at the established offering price. As a result of this dilution, investors subscribing for shares pursuant to an offering do not have a book value per share equal to their initial contribution. In any event, there is a dilution effect in net earnings per share.

Because the offering price of our Shares being sold in this Global Offering will be substantially higher than the net book value per share, you will experience immediate and substantial dilution in the book value of these Shares. Net book value per share represents the amount of our total tangible assets less our total liabilities, divided by the total number of our shares outstanding on the date of this offering memorandum. As a result, we currently expect that you will incur immediate dilution of Ps.17.4 per Share you purchase in this Global Offering, assuming no exercise by the initial purchasers and the Mexican underwriters of their over-allotment options. If the initial purchasers and the Mexican underwriters exercise their over-allotment options in full, you will experience an immediate dilution of Ps.16.7 per Share. See “Dilution.”

Our principal shareholders will continue to have significant influence over us after the Global Offering, and their interests could conflict with yours

After giving effect to the Global Offering and assuming the over-allotment options are exercised in full, our principal shareholders will beneficially own approximately 50.2% of our outstanding voting stock; however, based on a voting agreement with certain minority shareholders, our principal shareholders will effectively control and have the indirect and direct power to vote 64.0% of our outstanding voting stock. See “Management–Voting Trust.” Therefore, our principal shareholders have and will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders, including the appointment of the majority of the members of the board of directors and, as a result, any decision taken by such board of directors. Our principal shareholders will continue to have a significant influence in the determination of strategic policies after the Global Offering and, substantially, over all of our operating and management matters including, among others, determinations with respect to mergers, other business combinations and other transactions, including those that may result in a change of control; whether dividends or other distributions are made and the amount of any such dividends or distributions; sales and dispositions of our assets and the amount of debt financing we incur. Their interests might conflict or be contrary to the interests of the rest of the shareholders and under certain circumstances they may be able to prevent other shareholders, including you, from blocking these actions or from causing different actions to be taken.

In addition, actions by our principal shareholders with respect to the disposition of our shares, or the perception that such actions might occur, may negatively affect the trading prices of our shares.

The protections afforded to minority shareholders in Mexico are different from those in the United States and other jurisdictions

Our corporate matters are governed by our bylaws and Mexican law. The protections afforded to minority shareholders and the fiduciary duties of officers and directors are, in certain respects, different from those afforded to companies incorporated in other jurisdictions in the United States, such as Delaware or New York, or any other jurisdictions different from Mexico. For example, under Mexican law, the protections afforded to minority shareholders and the fiduciary duties of officers and directors are, in certain respects, not as comprehensive or different from those in the United States and other jurisdictions. Particularly, the Mexican legal regime concerning fiduciary duties of directors is not as comprehensive as in the United States or other jurisdictions and has not been subject to judicial interpretation. In addition, the criteria applied in the United States and other jurisdictions to ascertain the independence of corporate directors is different from the criteria applicable under corresponding Mexican laws and regulations.

Particularly, any action against our officers or directors could only be filed by us or any shareholder or group of shareholders holding 5.0% or more of our outstanding shares and such action filed by a shareholder derivative suit exclusively benefits us and not the relevant shareholder. Also, rules and regulations regarding related party transactions and conflict of interest might be less defined in Mexico than in the United States or other jurisdictions, which could represent a disadvantage to our shareholders. Additionally, the duties of care and loyalty of directors and officers are only defined in the LMV and have not been interpreted or defined by competent courts; therefore, the judicial interpretation of these duties is still uncertain. Recently, diverse reforms in Mexico were published that allow class actions, to be filed, following specific procedures in accordance with Mexican law. To this date, there are no significant claims related to the breaches of fiduciary duties, either through derivate or class actions, that might motivate the filing of any action based on the breach of these duties or to assist in the prediction of the result of a possible claim. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors, officers or controlling shareholders than it would be for shareholders of a company incorporated in the United States or other jurisdictions.

We have not established a dividend policy, therefore, the payment and amount of dividends are subject to the recommendation of our board of directors and the determination of our shareholders' meeting

Our board of directors submits our annual consolidated financial statements each fiscal year to the annual ordinary shareholders' meeting for approval. Once our shareholders approve our annual consolidated financial statements, they determine the allocation of our net profits for the preceding fiscal year. We have not established a dividend policy, therefore, the payment and amount of dividends are subject to the recommendation of our board of directors and the determination of our general ordinary shareholders' meeting based on our results and net profit for previous years. There may be years where our board of directors may not recommend the payment of dividends to our shareholders or, if they do so, our general ordinary shareholders' meeting may determine a different amount or reject the proposal.

As long as our principal shareholders continue to have significant influence over our affairs, which they will continue to do upon the consummation of the Global Offering, they will have the ability to determine whether dividends are to be paid and the amount of any such dividends. As a result, there may be years in which we distribute no dividends and other years in which we distribute a substantial portion of our earnings. In the latter situation, our growth potential may be limited. Any payment of dividends recommended by our board of directors will depend on a number of factors, including operational results, financial position, cash flow requirements, business perspective, tax implications, financing terms and conditions that may limit our ability to pay dividends and other factors that our board of directors and shareholders may take into consideration. In any event, under Mexican law we can only pay dividends in respect of full year financials that have been approved by our shareholders, if losses for prior fiscal years have been paid or absorbed and if the applicable payment of dividends has been expressly approved by our general ordinary shareholders' meeting and applicable legal reserves have been created. Subject to certain limited exceptions, the distribution and payment of dividends in Mexico and other countries where we operate are subject to withholding taxes. Any payment of dividends in the past does not guarantee that we will pay dividends in the future.

In addition, under Mexican law, prior to any distribution of dividends, at least 5.0% of our net earnings must be allocated to a legal reserve fund, until such legal reserve fund is equal to at least 20.0% of our capital stock.

Additional amounts may be allocated to other reserve funds as the shareholders may determine, including the amount allocated to a fund for the repurchase of shares. The remaining balance, if any, may be distributed as dividends.

Cash currently available for the payment of dividends could vary significantly from estimations. Even when there is an intention to pay such dividends, we cannot ensure that we will be able to pay or maintain cash dividends or the amounts of the dividends will increase in the future. Results could vary significantly from the board of directors estimations to recommend the payment of dividends to the general ordinary shareholders' meeting or to establish a dividend policy. Although we have paid dividends in the past, we have historically reinvested our retained earnings to finance our growth and optimize our production processes. This trend may continue in the future.

Dividend distributions to holders of our shares will be made in pesos

We will make dividend distributions to our shareholders in Mexican pesos. Any significant fluctuations in the exchange rates between Mexican pesos and dollars or other currencies could have an adverse impact on the dollar or other currency equivalent amounts shareholders receive from the conversion. In addition, the amount paid by us in Mexican pesos may not be readily convertible into dollars or other currencies. While the federal government does not currently restrict the ability of Mexican or non-Mexican individuals or entities to convert Mexican pesos into dollars or other currencies, the Mexican government could institute restrictive exchange control policies in the future as it has done in the past. Future fluctuations in exchange rates and the effect of any exchange control measures adopted by the Mexican government cannot be predicted.

Non-compliance with requirements for maintaining our shares listed on the BMV or of their registration in the RNV maintained the CNBV may have an adverse effect on the price or liquidity of our shares

We are subject to certain requirements set forth by the CNBV and the BMV, such as disclosure requirements, to maintain our registration with the RNV maintained by the CNBV and our shares listed on the BMV. If we are not able to comply with such requirements, the listing of our shares on the BMV may be suspended or cancelled, which may have a material adverse effect on the market price of our shares or on the liquidity of our shares.

Our holding company structure may limit our ability to pay dividends to our shareholders because we will rely on distributions from our subsidiaries

We are a holding company with no direct business operations other than our ownership of the capital stock of our subsidiaries. Therefore, we will be dependent upon the ability of our operating subsidiaries to generate earnings and cash flows and distribute them to us in the form of dividends, interest payments, principal payments or in any other form, to enable us to meet our expenses and to pay dividends to our shareholders. As a result, we do not receive such collections as cash flow. Each subsidiary is an independent legal entity, thus, its ability to make these distributions to us could be limited by legal or contractual provisions. Furthermore, Mexican subsidiaries may only distribute dividends over retained income, after the contribution to the legal reserve and after the absorption of all the losses from past years. If we are unable to generate sufficient distributions from our subsidiaries, we may not be able to make payments under our outstanding indebtedness or comply with our other obligations. Any material change in the financial position and results of operations of our subsidiaries could adversely affect our financial condition.

Preemptive rights may be unavailable to non-Mexican shareholders

Under current Mexican law, whenever we issue and offer new shares, subject to certain exceptions (including exceptions related to public offerings), we must grant preemptive rights to all our shareholders, giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We may not be able to offer shares to non-Mexican shareholders pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares, unless we comply with specified requirements established by the law of the respective non-Mexican shareholders' jurisdictions. In the case of the United States, we may not be able to offer shares pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares unless a registration statement under the Securities Act is effective or a similar procedure is followed with respect to such rights and shares or an exemption from the registration requirements of the Securities Act or a similar exemption is available.

We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with a registration statement or any similar requirement to enable United States shareholders and other non-Mexican shareholders to exercise their preemptive rights, the indirect benefits of enabling United States shareholders and other non-Mexican shareholders to exercise preemptive rights and any other factors that we consider appropriate at the time. We will then decide whether to file such a registration statement or fulfill any similar requirement. Such a registration statement or any similar requirement may not be filed or fulfilled. As a result, United States shareholders and other non-Mexican shareholders may not be able to exercise their preemptive rights in connection with future issuances of our shares. In this event, the economic and voting interest of United States shareholders and other non-Mexican shareholders in our outstanding capital stock would decrease in proportion to the size of the issuance. Depending on the price at which shares are offered, such an issuance could result in dilution to United States shareholders and other non-Mexican shareholders.

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling shareholders

We are a publicly traded stock corporation with variable capital (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico, with our principal place of business (*domicilio social*) located in Mexico. In addition, most of our directors, officers and controlling persons, as well as certain experts named in this offering memorandum, reside outside the United States, and all or a substantial portion of their assets and our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these persons or to enforce against them, either inside or outside the United States, judgments obtained against these persons in U.S. courts, or to enforce in U.S. courts judgments obtained against these persons in courts in jurisdictions outside the United States, in each case, in any action predicated upon civil liabilities under the U.S. federal securities laws. Based on the opinion of Romero Solórzano, S.C., our Mexican counsel, there is doubt as to the enforceability against these persons in Mexico, whether in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the U.S. federal securities laws.

Corporate and financial disclosure in Mexico may differ from disclosure regularly published by or about issuers of securities in other countries, including the United States

A principal objective of the securities laws of Mexico is to promote full and fair disclosure of all material corporate information, including accounting information. However, we are not subject to most of the U.S. securities regulations and securities regulations of other jurisdictions; therefore, our reported and disclosed information may be different or less publicly available information than is regularly made available by public companies in the United States and other jurisdictions and that are subject to their respective disclosure requirements. In addition, we currently prepare our financial statements in accordance with IFRS, which differ from U.S. GAAP in a number of respects.

The ownership and transfer of our shares are subject to certain restrictions pursuant to Mexican law and our bylaws, which could delay or block a change of control

The ownership and transfer of our Shares are subject to certain restrictions pursuant to the LMV and CNBV rules, as well as other applicable Mexican securities laws, rules and regulations, including insider trading rules and disclosure requirements. In addition, our bylaws provide that any purchase or disposition of more than 10.0% of our shares by any person or group of persons acting in concert requires prior approval by our board of directors. These provisions may discourage, delay or prevent a change of control or a change in our management, which could in turn affect our minority shareholders and, as the case may be, the price of our shares. In general, the LMV requires any person or group of persons wishing to acquire control of us to launch a tender offer in respect of all of our outstanding shares and pay the same price to every tendering shareholder.

If any person acquires our shares in violation of the provisions established in our bylaws, such person may be obligated to pay us an amount equal to the book-value of the shares as liquidated damages. If the value of such shares exceeds 10.0% of our outstanding capital stock, such person may be obligated to pay us an amount equal to the market value of such shares as liquidated damages.

For more information regarding these restrictions and other restrictions related to the ownership or transfer of our shares, see “The Mexican Securities Market—Insider Trading, Trading Restrictions and Disclosure Requirements” and “Description of Our Capital Stock and Bylaws—Changes in Our Capital Stock and Capital Increase Preemptive Rights in our Bylaws.”

GBM International, Inc. and GBM may have a conflict of interest with respect to the Global Offering

Our principal shareholder, chairman of our board of directors and executive president, Carlos Rojas Mota Velasco, is a member of the Rojas Mota Velasco family, a group of shareholders that controls Corporativo GBM. GBM International, Inc., an initial purchaser in the International Offering, is an affiliate of Corporativo GBM, and GBM, a Mexican underwriter in the Mexican Offering, is a subsidiary of Corporativo GBM. Unlike the United States and other jurisdictions, there is currently no requirement under Mexican law to designate a qualified independent person to address any potential conflicts of interest. This could create potential conflicts of interest and we cannot assure you that we will adequately address any such conflicts of interest.

In addition to the commercial relationships arising from the Global Offering, from time to time, Corporativo GBM and its subsidiaries and affiliates maintain commercial relationships with us and our affiliates and have provided, and may provide in the future, investment banking, financial advisory and other banking services to us and our affiliates, in the ordinary course of their business, for which they have received or may receive customary fees and commissions. In addition, we may in the future enter into co-investments, joint ventures or similar transactions with Corporativo GBM or any of its subsidiaries and affiliates that may result in economic benefits to such entities.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Shares being offered in the Global Offering will be approximately Ps.3,468.2 million (US$257.1 million) assuming no exercise by the initial purchasers and the Mexican underwriters of their over-allotment options, or Ps.3,991.9 million (US$295.9 million) if the over-allotment options are exercised in full, in each case after deducting all estimated underwriting discounts and commissions and other expenses we must pay in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering to fund our working capital and capital expenditure needs in order to increase our market share of individual water solutions in the United States and consolidate our business of integrated water solutions (mainly drinking fountains and water purifiers, wastewater treatment plants, rainwater harvesting systems and outdoor composting bathrooms) in Mexico and Brazil, to finance our growth through acquisitions, and the remainder, if any, for general corporate purposes.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization (i) as of September 30, 2014, and (ii) as adjusted to reflect our receipt of the net proceeds from the sale of the Shares by us in the Global Offering, assuming no exercise by the initial purchasers and Mexican underwriters of their over-allotment options. This table should be read together with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements included elsewhere in this offering memorandum.

	As of September 30, 2014			
	Actual		As Adjusted[1]	
	(in millions of US$)	(in millions of Ps.)	(in millions of US$)	(in millions of Ps.)
Cash and cash equivalents	29.7	401.2	286.8	3,869.4
Short-term debt:				
Bank loans	0.7	9.6	0.7	9.6
Total short-term debt	0.7	9.6	0.7	9.6
Long-term debt:				
Bank loans	89.5	1,207.5	89.5	1,207.5
Total long-term debt	89.5	1,207.5	89.5	1,207.5
Total debt	90.2	1,217.1	90.2	1,217.1
Stockholders' equity	146.3	1,974.1	403.4	5,442.3
Total capitalization	236.6	3,191.2	493.7	6,659.4

(1) The "As Adjusted" column included in the above table assumes no exercise by the initial purchasers and Mexican underwriters of their over-allotment options.

DILUTION

Below we describe the dilution effect of the Global Offering in amount and percentage, calculated as required under the General Rules for Issuers and resulting from the difference between the initial offering price and the book value per share based on our Interim Financial Statements. Likewise, we describe the dilution effect, in amount and percentage, for our existing shareholders that do not participate in the Global Offering, as well as the dilution in the earnings and book value per share that would occur from the issuance of new Shares pursuant to the Global Offering.

As of September 30, 2014, we had 338,046,871 shares outstanding. On November 24, 2014, 3,970,668 treasury shares were subscribed and paid for as part of our stock option plan. All the figures and data in this section were calculated taking into account such treasury shares. As of September 30, 2014, including the treasury shares, we had 342,017,539 shares outstanding.

As of September 30, 2014, our book value per share was Ps.5.8. Book value per share is calculated by dividing stockholders' equity by the number of shares outstanding. Our book value per share as of September 30, 2014, taking into effect the Global Offering, would increase to Ps.12.3, assuming the initial purchasers and the Mexican underwrites exercise their over-allotment options in full, or Ps.11.6, assuming no exercise of the over-allotment options, in each case taking into account the following:

- the initial offering price set forth below; and
- the deduction of all estimated underwriting discounts and commissions and other expenses we must pay in connection with the Global Offering.

This amount represents an immediate increase of Ps.6.5 in book value per share to our existing shareholders, assuming the initial purchasers and the Mexican underwriters exercise their over-allotment options in full, and Ps.5.9, assuming no exercise of the over-allotment options, and an immediate dilution of Ps.16.7 in book value per share to new investors purchasing Shares at the initial offering price, assuming the initial purchasers and the Mexican underwriters exercise their over-allotment options in full, and Ps.17.4 per Share, assuming no exercise of the over-allotment options.

The following table shows the dilution in net book value:

	Non-exercise of over-allotment options	Exercise of over-allotment options
	Per share in pesos	
Initial offering price	29.0	29.0
Book value before the Global Offering	5.8	5.8
Increase in book value attributable to the sale of the Shares by the Company	5.9	6.5
Book value after the Global Offering	11.6	12.3
Dilution in book value to investors	17.4	16.7

For the nine-month period ended September 30, 2014, we had net earnings per share of Ps.0.86. Giving effect to the Global Offering, assuming the initial purchasers and the Mexican underwriters exercise their over-allotment options in full, our net earnings per share would have been Ps.0.60 for the nine-month period ended September 30, 2014. This represents a decrease of approximately 29.7% in our net earnings per share.

During the last three years and under our stock option plan, certain of our officers have been granted options to subscribe and pay for shares at a price of Ps.3.78 and Ps.4.34 per share, compared to the initial offering price of Ps.29.00 per Share. To this date, we have only granted the options to purchase our shares described in "Management—Compensation of Directors and Senior Management—Stock Option Plan."

See "Risk Factors—Risks Related to the Shares and the Offering—If we issue additional equity securities in the future, you may suffer a dilution and the trading prices of our shares may decline."

DIVIDENDS AND DIVIDEND POLICY

The declaration, amount and payment of dividends must be approved by our shareholders' meeting. Under the Mexican Corporations Law, dividends may only be paid from retained earnings included in financial statements that have been approved by the shareholders and if losses for prior fiscal years have been recovered. The payment of dividends could be limited by covenants in debt instruments we enter into in the future and by our subsidiaries' ability to pay dividends to us. As of the date of this offering memorandum, we were not limited or restricted from declaring and paying dividends to our holders.

We currently do not have a dividend policy. Any policy and the payment of dividends would be subject to the approval of our ordinary shareholders' meeting, applicable law and will depend on a number of factors, including our results of operations, financial condition, cash requirements, future prospects, taxes, the terms and conditions of future debt instruments that may limit our ability to pay dividends and other factors that our board of directors and shareholders deem relevant. Although we have paid dividends in the past, we have historically reinvested our retained earnings to finance our growth and optimize our manufacturing processes.

Our principal shareholders currently have, and after the consummation of the Global Offering will continue to have, significant influence in the approval of any dividend policy and matters related to the payment of dividends.

In 2011 and 2012, we did not pay any dividends to our shareholders since we reinvested our retained earnings in such years to finance our growth and optimize our manufacturing processes. In 2013 and the nine-month period ended September 30, 2014, we paid dividends to our shareholders in the amount of Ps.641.4 million (US$47.5 million) and Ps.276.1 million (US$20.5 million), respectively.

We have not entered into any agreement and there are no contractual restrictions on our ability to pay dividends.

EXCHANGE RATES

Mexico has had a free market for foreign exchange since the end of 1994 and the Mexican Central Bank allows the peso to float freely against the U.S. dollar and other foreign currencies. The Mexican Central Bank intervenes directly in the foreign exchange market only to reduce excessive short-term volatility. Since late 2003, the Mexican Central Bank has been conducting auctions of dollars in an attempt to reduce the levels of its foreign reserves. The Mexican Central Bank conducts open market operations on a regular basis to determine the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. The Mexican Central Bank may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions will be required to allocate more funds to their reserves, which will reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds to increase. The opposite happens if reserve requirements are lowered. This mechanism, known as "*corto*" or "*largo*," as the case may be, or more formally "the daily settlement balance target," represents a device used by the Mexican Central Bank to adjust the level of interest and foreign exchange rates.

There can be no assurance that the Mexican Central Bank will maintain its current policies with respect to the peso or that the peso will not depreciate significantly in the future. In addition, there can be no assurance that in the event of a shortage of foreign currencies, private sector companies will continue to have access to the foreign exchange market or that we will be able to obtain foreign currencies required to service our debt obligations denominated in currencies other than Mexican pesos, if any, without incurring significant additional costs.

The following table sets forth, for the years and periods indicated, the period-end, average, high and low exchange rates published by the Mexican Central Bank expressed in Mexican pesos per U.S. dollar. The average annual rates presented in the following table were calculated by using the exchange rates on the last day of each month during the relevant period, whereas the average monthly rates were calculated by using the daily exchange rates for that month. No representation is made that the Mexican peso amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

We cannot assure you that the Mexican government will maintain its current policies with respect to the Mexican peso or that the Mexican peso will not appreciate or depreciate significantly in the future.

	Exchange Rate (Ps. per US$)[1]			
Year Ended December 31,	**Low[2]**	**High[2]**	**Average[3]**	**Period- End**
2009	12.60	15.37	13.50	13.04
2010	12.16	13.18	12.63	12.38
2011	11.50	14.24	12.42	13.98
2012	12.63	14.39	13.17	12.99
2013	11.98	13.44	12.77	13.07
Month Ended				
March 31, 2014	13.08	13.32	13.20	13.08
April 30, 2014	12.96	13.14	13.07	13.10
May 30, 2014	12.85	13.09	12.94	12.85
June 30, 2014	12.86	13.10	12.99	13.00
July 30, 2014	12.93	13.14	12.98	13.14
August 29, 2014	13.05	13.27	13.15	13.11
September 30, 2014	13.08	13.49	13.22	13.49
October 31, 2014	13.38	13.57	13.47	13.47
November 28, 2014	13.48	13.77	13.60	13.77
December 2014 (through December 8)	13.90	14.30	14.06	14.30

(1) Source: Mexican Central Bank.
(2) Rates shown are the actual low and high, on a day-by-day basis for each period.
(3) Average of month end rates in the case of yearly averages and average of daily rates in the case of monthly averages.

THE MEXICAN SECURITIES MARKET

The information concerning the Mexican securities market set forth below has been prepared based on materials obtained from public sources, including the CNBV, the BMV and the Mexican Central Bank, and information made public by market participants. The following summary does not purport to be a comprehensive description of all of the material aspects related to the Mexican securities market and its regulations.

Our capital stock

Prior to this Global Offering, there has been no trading market for any of our outstanding capital stock in Mexico, the United States or elsewhere. Our Shares will be registered in the RNV, and we have applied for listing on the BMV under the ticker symbol "AGUA."

Trading on the BMV

The BMV commenced operations in 1907 and is the only stock exchange in Mexico. The BMV is organized as a variable capital public stock corporation (*sociedad anónima bursátil de capital variable*). Securities trading on the BMV occur each business day from 8:30 a.m. to 3:00 p.m., Mexico City time, subject to adjustments to operate during times in which markets in the United States are open.

Since January 1999, all trading on the BMV has been electronic. The BMV may impose a number of measures to promote an orderly and transparent trading price of securities, including mechanisms of automatic suspension of trading in shares of a particular issuer when disorderly conditions exist, including market fluctuation in the price or volume of value operations that are not consistent with the historic performance of the shares and cannot be explained solely through information publicly available through BMV systems; and in times of extreme fluctuations generally of the BMV when price fluctuations exceed certain limits.

The sale of shares on the BMV must be liquidated within three business days following the sale. Deferred settlement, even when both parties agree, is not permitted without the prior approval of the BMV. The certificates representing most securities traded on the BMV, including our shares, are deposited with Indeval, a private institution in charge of acting as a securities depositary performing as a clearinghouse, depositary and custodian, as well as an agent for settlement, transfer and registration of BMV transactions, eliminating the need for the physical transfer of securities.

Settlement of transactions through the BMV must be done in pesos except under certain limited circumstances in which a settlement in foreign currencies may be permitted.

Although the LMV provides for the existence of an over-the-counter market, no such market for securities has formally developed in Mexico.

The LMV establishes that shares issued abiding to foreign laws may only be traded by brokerage firms and lending institutions through the International Trading System (*Sistema Internacional de Cotizaciones* or "SIC"). These securities may be listed through the SIC provided that (i) they are not already registered with the RNV, (ii) the issuer, the market of origin or the shares issued by the issuer have received based on its characteristics, recognition from the CNBV and (iii) the securities comply with all requirements established under the BMV rules.

Market regulation and registration standards

The Mexican Banking Commission (*Comisión Nacional Bancaria*) was established in 1925 with the purpose of regulating banking activity and, in 1946, the Mexican Securities Commission (*Comisión Nacional de Valores*) was established to regulate stock market activity. In 1995, the CNBV was created as a result of the merger of these two governmental agencies.

The CNBV is in charge of regulating the public offering and trading of securities, oversee the operations of the participants in the Mexican securities market and has authority to impose sanctions for insider trading and other violations of the LMV. The CNBV also supervises and regulates the Mexican securities market, the BMV, and brokerage firms through its staff and board of governors composed of thirteen members.

The Mexican Securities Market Law

Publicly traded companies are principally regulated by the provisions of the LMV and supplementary regulated by the Mexican Corporations Law. The current LMV was enacted and published in the Federal Official Gazette on December 30, 2005, and became effective on June 28, 2006. Companies that were publicly traded at such time were provided a period of 180 days to adjust their bylaws pursuant to the new corporate governance provisions. The LMV introduced various changes to the previous Mexican securities regulations by introducing reforms aiming to bring the Mexican regulatory framework applicable to the securities market and publicly traded companies up to international standards.

On January 10, 2014, a decree was published in the Federal Official Gazette amending 34 financial laws, including the LMV. Except for a few articles related to insider trading and policies that certain entities must implement relating to insider trading, amendments to the LMV became effective on January 13, 2014. Additionally, certain regulated entities such as brokerage firms and investment advisors were given terms ranging from 6 months to 1 year to comply with certain requirements of this financial reform.

The LMV, among other relevant aspects, (i) sets forth that public companies and the entities controlled by them (i.e, majority and wholly owned subsidiaries) are considered a single economic unit, (ii) clarifies the rules for tender offers, dividing them into voluntary and mandatory categories, (iii) clarifies standards for disclosure of shareholder holdings in public companies, (iv) expands and strengthens the role of the board of directors of public companies, including by requiring independent directors, (v) clarifies and defines the responsibility and standards applicable to the board of directors and the duties of the board, each director, its secretary, the chief executive officer and other executive officers (introducing concepts such as the duty of care, duty of loyalty and safe harbors), (vi) replaces the role of statutory auditor (*comisario*) and its duties with an audit committee, a corporate practices committee and external auditors, (vii) defines the roles and responsibilities of executive officers, (viii) improves the rights of minority shareholders relating to legal remedies and access to company information, (ix) introduces concepts such as consortiums, groups of related persons or entities, control, related parties and decision-making power, (x) expands the definition of applicable sanctions for violations of the LMV, including punitive damages and criminal penalties, (xi) clarifies rules relating to types of equity securities that may be offered by public companies, (xii) sets forth rules for share repurchases and (xiii) specifies requirements for anti-takeover measures.

Under the LMV, public companies must have a board of directors comprised of no more than 21 members, of which at least 25.0% must be independent. Independent board members must be selected at the issuer’s general ordinary shareholders’ meeting based on their experience, ability and reputation, among other factors. The decision as to whether a director fulfills the necessary requirements to be considered independent is made by the issuer’s shareholders, and such determination may be challenged by the CNBV. The LMV permits current members of the board of directors, under certain circumstances, to appoint, on a temporary basis, new members of the board of directors. The LMV permits the designation of provisional directors without shareholders’ meeting approval when a substitute for the relevant director has not been designated, or the designee has not accepted such position, or when a director’s membership is revoked pursuant to the terms of Article 155 of the Mexican Corporations Law. In the event provisional directors have been designated, the following shareholders’ meeting must consider ratifying such appointments or designate substitute directors. The LMV also introduced concepts such as the duty of care, duty of loyalty and certain safe harbors, in connection with the performance of the members of the board.

The board of directors of a public company is required to meet at least four times during each calendar year. Its principal duties are: (i) the determination of the issuer’s general business strategies, (ii) the approval of guidelines for the use of corporate assets, (iii) the approval, on an individual basis, of transactions with related parties, subject to certain limited exceptions, (iv) the approval of unusual or non-recurring transactions and any transaction related to the acquisition or sale of assets with a value equal to or exceeding 5.0% of the issuer’s consolidated assets, or the granting of collateral or guarantees, or the assumption of liabilities, equal to or exceeding 5.0% of the issuer’s consolidated assets, (v) the appointment or removal of the chief executive officer, (vi) the approval of accounting and internal control policies, and (vii) the approval of policies for disclosure of information. Directors are required to seek the best interests of the issuer and may not favor any shareholder or group of shareholders.

The LMV imposes the duty of care and loyalty to the members of the board and establishes exceptions to responsibilities in case of the failure to comply with such duties. The duty of care to obtain sufficient information and be sufficiently prepared to support their decisions, and to act in the best interests of the public company. The duty of care is principally complied with when a director requests and obtains from the issuer or officers of the issuer, as the case may be, all information that may be necessary to participate in discussions requiring the presence of such director, and by requesting and obtaining information from third-party experts, as well as by attending board meetings and disclosing material information in possession of such board member. Failure of a director to act pursuant to the duty of care would make the relevant director jointly and severally liable for damages and losses caused to the company and its subsidiaries, which may be limited (other than in the case of bad faith, willful misconduct and illegal acts) under the company's bylaws or by resolution of a shareholders' meeting. Liability for a breach of the duty of care may also be covered by indemnification provisions and director and officer liability insurance policies.

The duty of loyalty primarily consists of maintaining the confidentiality of information received in connection with the performance of a director's duties and abstaining from discussing or voting on matters where the board member has a conflict of interest. Additionally, the duty of loyalty is breached when the director obtains an economic benefits for himself, when they knowingly favor the interests of a shareholder or group of shareholders without the express approval of board of directors, and when a director takes advantage of a corporate opportunity without a waiver from the board of directors or when they take advantage either for themselves or a third party the use and enjoyment of the goods that form part of the issuers patrimony or its subsidiaries, against the policies approved by the board of directors. The duty of loyalty further implies that the directors must inform the audit committee and the external auditors all of the irregularities that they gained knowledge about while their time as director; not disclosing information that is false or misleading, or omitting to register any such information in the issuer's minute books and other corporate records. The duty of loyalty is also breached if the director uses corporate assets or approves the use of corporate assets in violation of an issuer's policies, discloses false or misleading information, orders or causes an incorrect entry of any transaction in an issuer's records that could affect its financial statements, or causes material information not to be disclosed or to be modified. The violation of the duty of loyalty makes the relevant directors jointly and severally liable for damages and losses caused to the company and its subsidiaries. This liability also arises if damages and losses are sustained as a result of benefits wrongfully obtained by the director or directors or third parties as a result of activities carried out by the breaching board member. As opposed to the duty of care, liability for breach of the duty of loyalty may not be limited by the company's bylaws, by resolution of the shareholders' meeting or otherwise.

Claims for liability of the breach of the duty of care and the duty of loyalty may be made solely for the benefit of an issuer (as a derivative suit) and may only be made by the issuer or to its benefit directly by shareholders who either individually or conjunctly represent at least five percent of the aggregate amount of such issuer's outstanding capital stock. The directors of the issuer that are subject to criminal action may face up to 12 years' imprisonment for certain illegal acts involving willful misconduct that result in losses to the issuer. Such acts include the alteration of financial statements and records.

As a safe-harbor for directors, the liabilities described above do not arise if the director acted in good faith and (i) complied with applicable law and the bylaws of the issuer, (ii) the decision was made based on information provided by officers, external auditors or third-party experts, the capacity and credibility of which were not subject to reasonable doubt, (iii) adverse effects of such decision were made based on good faith and not reasonably foreseeable and (iv) the actions were taken in compliance with resolutions adopted at the shareholders' meeting.

Under the LMV, an issuer's principal executives are also required to act for the benefit of the public company and not for the benefit of any shareholder or group of shareholders. Principal executives are required to submit major business strategies to the board of directors for approval, submit proposals for internal controls to the audit committee, disclose all material information to the public and maintain adequate accounting and registration systems and mechanisms for internal control.

The LMV provides that any Issuer must have one or more committees responsible for audit functions and corporate practices. These committees should be composed of at least three members appointed by the board of directors, all of whom must be independent (except that in the case of stations controlled by a person or group of persons holding 50.0% or more of the capital will suffice most of the members of the corporate governance committee are independent directors).

The audit committee is responsible for (i) providing opinions to the board of directors in connection with internal control guidelines, accounting policies, financial statements and the engagement of external auditors, (ii) evaluating the performance of the external auditors and reviewing reports prepared by them, (iii) analyzing and supervising the preparation of the financial statements, (iv) submitting to the board a report regarding the effectiveness of internal control systems, (v) oversee the operations with related parties, (iv) require the relevant directors any reports which it deems necessary, (vi) notify the board of directors of any irregularities that they may encounter, (vii) monitor the performance of the executive officers and (viii) submit to the board of directors an annual report of its activities. Because of its monitoring functions (coupled with certain powers entrusted to the board of directors) the audit committee supplements the statutory auditor (*comisario*) stated in the Mexican Corporations Law.

The corporate practices committee is in responsible for (i) preparing and providing corporate practice opinions to the board of directors, (ii) request and obtain opinions from independent third-party experts (primarily in respect of transactions with related parties and securities transactions), (iii) call shareholders' meetings, (iv) provide assistance to the board of directors in connection with the preparation of annual reports, (v) provide an annual report of its activities to the board of directors and (vi) making nominations and compensations proposals to the board.

Minority shareholders' protections

The LMV provides that any transaction or series of transactions that, during any fiscal year, represent 20.0% or more of the issuer's consolidated assets must be approved by a shareholders meeting.

The LMV affords shareholders, among other minority rights: (i) to shareholders that, individually or as a group, hold 5.0% or more of the outstanding voting, limited voting or non-voting shares of a publicly traded corporation, the right to initiate a shareholder derivative suit against the directors for breach of fiduciary duties for the benefit of the issuer or the person controlling the issuer or the person with significant influence, which suffers damages; (ii) to shareholders that for each 10.0% or more they hold, individually or as a group, of the outstanding voting, limited voting or non-voting shares of a publicly traded corporation, the right to (a) appoint and revoke a director in a shareholders' meeting; (b) request, at any moment in time, that the chairman of the board of directors or of any committee with corporate practices and audit functions referred to in the LMV call a shareholders' meeting, and (c) request, once, that a vote on resolutions in respect of which they are not sufficiently informed be postponed for three calendar days and without the need to have a new call, and (iii) to shareholders that, individually or as a group, own 20.0% or more of the outstanding voting, limited voting or non-voting shares of a publicly traded corporation, the right to judicially oppose resolutions of a shareholders' meeting where they had a right to vote.

Limited, restricted or non-voting shares

Under the LMV, a public company may not allow for its common shares and limited, restricted or non-voting shares to be bundled or jointly traded or offered to public investors, unless (i) the limited, restricted or non-voting shares are convertible into common shares within a period of no more than five years or (ii) if the voting rights of the shares or the securities representing such shares are limited solely as a result of the nationality of the holder and compliance with foreign investment laws. The aggregate amount of shares with limited, restricted or non-voting rights that are not convertible may not exceed 25.0% of the aggregate amount of publicly traded shares. The CNBV may authorize an increase of this 25.0% limit, provided that the limited, restricted or non-voting shares exceeding 25.0% of the aggregate amount of publicly held shares are convertible into common shares within five years of their issuance.

Disclosure of shareholders' agreements

Shareholders of a public company must notify the issuer within five business days following the execution of any shareholders' agreements (i) containing non-compete clauses, (ii) governing the sale, transfer or exercise of preemptive rights (as set forth under article 132 of the Mexican Corporations Law) or (iii) obligations which allow for the sale and purchase of shares, voting rights, and sale of shares in a public offering. The public company is then required to disclose the existence of any such agreement to investors through the stock exchanges on which its securities are traded and to disclose such agreements in an annual report prepared by the company. These agreements (i) are required to be available for the public to review at the company's offices, (ii) are not enforceable against the company and their breach will not affect the validity of the vote at shareholders' meetings, and (iii) will only be effective between the parties once they have been disclosed to the public.

Regulations applicable to issuers, brokerage firms and other market participants

In March 2003, the CNBV issued the Rules for Issuers. Such regulations, which repealed several previously enacted CNBV regulations (*circulares*), compile the provisions applicable to the Issuer and to the public offering of stocks, among other things. In September 2006, these general regulations were amended to give effect to the provisions of the then recently enacted LMV, and have been amended from time to time thereafter, most recently on June 17, 2014.

Additionally, in September 2004, the CNBV issued the General Rules for Brokerage Firms and have been amended from time to time thereafter, most recently on June 30, 2014. The General Rules for Brokerage Firms now provide a single set of rules governing, among other things, participation of Mexican underwriters in public offerings.

Registration and listing standards

Only securities that have been registered with the RNV pursuant to the CNBV's approval may be listed on the BMV, other than registered securities on the SIC, which may also be traded on the BMV. The CBNV's approvals for registration with the RNV's does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV, nor does such registration ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

To offer securities to the public in Mexico, all issuers must comply with certain qualitative and quantitative requirements set forth in the general regulations issued by the CNBV. In compliance with certain general regulations, the BMV must adopt and implement minimum requirements for issuers to maintain the listing of their securities in Mexico related to matters such as operating history, financial and capital structure, minimum trading volumes and minimum public floats, minimum number of holders and corporate governance among others. The CNBV may waive some of these requirements in certain circumstances. In addition, some of the requirements are applicable to each class of shares of the relevant issuer.

The BMV will review compliance with the requirements described above and other requirements on an annual, semi-annual and quarterly basis, and may also do it at any other time.

The BMV must inform the CNBV of the results of its review and this information must, in turn, be disclosed to investors. If an issuer fails to comply with any of the listing requirements, the BMV will request that the issuer propose a plan to comply with such requirements. The BMV will temporarily suspend the trading of the relevant series of shares, on the BMV, if the public company (i) fails to propose a plan, (ii) the plan is not satisfactory to the BMV or (iii) an issuer does not make substantial progress with respect to the corrective measures. If an issuer further fails to propose a plan or ceases to follow the plan once proposed, the CNBV may cancel the registration of the shares, in which case the majority shareholder or any controlling group must carry out a tender offer to acquire 100.0% of the outstanding shares of the issuer, in accordance with the tender offer rules discussed below.

Tender offers

Provisions relating to public tender offers in Mexico are set forth in the LMV. Tender offers may be voluntary or mandatory. Voluntary tender offers and mandatory tender offers are each subject to the prior approval of the CNBV and must comply with general legal and regulatory requirements. Any intended acquisition of a public company's shares that results in the buyer owning 30.0% or more of the shares with right to vote, but less than a percentage that would result in the buyer acquiring control of the company, requires the buyer to make a mandatory tender offer for the greater of (i) the percentage of the capital stock intended to be acquired or (ii) 10.0% of the company's outstanding capital stock. Any acquisition of a public company's shares that is undertaken to obtain voting control requires the potential buyer to make a mandatory tender offer for 100.0% of the company's outstanding capital stock. The CNBV may, however, permit a tender offer for less than 100.0% under certain circumstances.

A tender offer must be made to all shareholders of any classes of shares at the same price. The board of directors, with the advice of the audit committee, must issue its opinion in respect of any tender offer resulting in a change of control, which opinion must consider minority shareholder rights. This opinion may be accompanied by an independent fairness opinion.

All tender offers must be open for at least 20 business days and purchases thereunder are required to be made pro rata to all tendering shareholders. Pursuant to the LMV, the payment of certain amounts to controlling shareholders over and above the offering price are permitted, if such amounts are fully disclosed, approved by the board of directors and paid in connection with non-compete or similar obligations of such controlling shareholders. The LMV also provides certain exceptions to the mandatory tender offer requirements and specifically sets forth remedies for non-compliance with tender offer rules (i.e., suspension of voting rights, possible annulment of purchases, among others) and other rights available to former shareholders of the issuer.

Additionally, pursuant to the LMV, any convertible securities, warrants and derivatives that can be settled in kind representing underlying listed securities, are required to be taken into account in the calculation of the individual or group of individuals that, directly or indirectly, intends to acquire shares of a public company.

Reporting obligations

Public companies with listed securities in Mexico are required to file unaudited quarterly financial statements and audited annual financial statements, as well as certain periodic reports, with the CNBV and the BMV. Also, Issuers must present the following information to the CNBV:

- an annual report prepared in accordance with the CNBV’s general regulations by no later than April 30 of each year;
- quarterly reports within 20 business days following the end of each of the first three quarters and 40 business days following the end of the fourth quarter;
- reports disclosing material events promptly upon their occurrence;
- reports regarding corporate restructurings such as mergers, acquisitions, splits or assets sales approved by shareholders’ meetings or the board of directors;
- reports regarding the policies and guidelines with respect of the use of the company’s (or its subsidiaries’) assets by “related persons,” and
- details in connection with agreements among shareholders.

Required informational filings with the BMV are performed through an automated electronic information transfer system (*Sistema Electrónico de Envío y Difusión de Información* or “SEDI”), implemented by the internal rules of the BMV, pursuant to the CNBV’s general regulations. The CNBV’s general regulations and the rules of the BMV require issuers of listed securities to file information through SEDI that relates to any act, event or circumstance that could influence an issuer’s share price and investors’ decisions to acquire stock. If listed securities experience unusual price volatility or if there is any third party information available to the public with respect to such issuer that may affect the price of its securities, the BMV will immediately request that the issuer inform the public as to the causes of the volatility or, if the issuer is unaware of the causes, that the issuer make a statement to that effect and/or the accuracy of the third party information publicly available. In addition, the BMV will immediately request that the issuer disclose any information relating to relevant material events, when it deems the information currently disclosed to be insufficient, as well as instruct the issuer to clarify information when necessary. The BMV may request that issuers confirm or deny any material events that have been disclosed to the public by third parties when it deems that the material event may affect or influence the securities being traded. The BMV must immediately inform the CNBV of any such requests.

Public companies must prepare and disclose their financial information through a BMV-approved electronic financial information system (*Sistema Electrónico de Comunicación con Emisoras de Valores* or "EMISNET"). Financial information submitted via EMISNET are immediately available to the public upon its receipt by the BMV.

The CNBV may also make any of the informational requests directly to an issuer. An issuer may defer the disclosure of material events under certain circumstances, so long as (i) the issuer implements adequate confidentiality measures (including maintaining records of persons or entities in possession of material non-public information), (ii) the information is related to incomplete transactions, (iii) there is no misleading public information relating to the material event and (iv) no unusual price or volume fluctuation occurs.

If an issuer's securities are traded on both the BMV and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the CNBV and the BMV.

Suspension of trading

In addition to the authority of the BMV under its internal regulations as described above, pursuant to the rules of the CNBV, the CNBV and the BMV may suspend trading in an issuer's listed securities (i) if the issuer does not disclose a material event, (ii) when there is price or volume volatility or when changes in the trading pattern of the relevant shares are not consistent with the historic performance of the shares of the relevant issuer and such volatility or changes may not be explained solely through information made publicly available pursuant to the CNBV's general regulations, (iii) failure by the issuer to timely or adequately comply with its reporting obligations, including the obligation to disclose material events or (iv) significant exceptions or comments contained in the auditors' opinion of the issuer's financial statements, or determinations that such financial statements were not prepared in accordance with the applicable accounting procedures and policies. Any such suspension must be immediately disclosed by the BMV to the CNBV and the general public. An issuer may request that the CNBV or the BMV resume trading, provided that the issuer demonstrates that the causes triggering the suspension have been resolved and, if applicable, that it is in full compliance with the reporting requirements under applicable law. The BMV may reinstate trading in suspended shares when it deems that the material events have been adequately disclosed to investors, when it deems that the issuer has adequately explained the reasons for the price and volume volatility or when the events affecting the share price have ceased to exist. If an issuer's request is granted, the BMV will determine the appropriate mechanism to resume trading. If trading in an issuer's securities is suspended for more than 20 business days and the issuer is authorized to resume trading without conducting a public offering, the issuer must disclose through SEDI the causes that resulted in the suspension and reasons why it is now authorized to resume trading, before trading may resume.

In cases where the relevant securities are simultaneously traded on stock exchanges located outside of Mexico, the BMV may consider the measures adopted by other non-Mexican stock exchanges to suspend and/or resume trading in an issuer's shares.

Insider trading, trading restrictions and disclosure requirements

Specific regulations regarding insider trading are set forth in the LMV, including:

- the requirement that persons in possession of information deemed privileged abstain (i) from trading, directly or indirectly, in any relevant issuer's securities whose trading price could be affected by such information, (ii) from making recommendations or providing advice to third parties to trade in such securities (iii) from disclosing or communicating such privileged information to third parties (except for those entitled to such information due to their role or employment position) and (iii) from trading in options and derivatives of the underlying security issued by such authority; and

- the requirement that the following persons must notify the CNBV of any transactions undertaken as in respect of a listed issuer's stock: (i) members of a listed issuer's board of directors, (ii) shareholders controlling 10.0% or more of a listed issuer's outstanding share capital, (iii) groups controlling 25.0% or more of a listed issuer's outstanding share capital and (iv) other insiders, such as executive officers and agents with authority to act for the issuers, among others.

In addition, under the LMV insiders must abstain from purchasing or selling securities of the issuer within 90 days from their last sale or purchase, respectively. Subject to certain exceptions, any acquisition of a public company's shares that results in the acquirer owning between 10.0% and 30.0% of an issuer's outstanding capital stock must be publicly disclosed to the CNBV and the BMV by no later than one business day following the acquisition.

Any acquisition by an insider that results in the insider holding an additional five percent or more of a public company's outstanding capital stock must also be publicly disclosed to the CNBV and the BMV no later than one business day following the acquisition. Certain insiders must also notify the CNBV of share purchases or sales that occur within any three-month or five-day period and that exceed certain value thresholds. The LMV requires that convertible securities, warrants and derivatives be settled in kind and be taken into account in the calculation of share ownership percentages.

Anti-takeover protections

The LMV allows public companies to include anti-takeover provisions in their bylaws, provided that such provisions:

- Are approved by a majority of the shareholders, without the opposing vote of shareholders representing five percent or more of the capital stock present at the meeting; and

- Do not (i) exclude any shareholders or group of shareholders, (ii) preclude a change of control or (iii) contravene legal provisions related to tender offers or have the effect of disregarding the economic rights of the shares held by the acquiring party.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the following selected financial data and other information in conjunction with our Financial Statements and the information set forth in the sections "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum.

The financial information set forth in the following tables derives from our Financial Statements. Our Audited Financial Statements and the audited financial information included in this offering memorandum have been prepared in accordance with IFRS as issued by the IASB and the related interpretations as issued by the IFRIC. Our Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the IASB.

The U.S. dollar amounts provided below are translations from the Mexican peso amounts, solely for the convenience of the reader. See "Presentation of Financial and Certain Other Information—Currency and Other Information" for an explanation of the exchange rates used to translate Mexican peso amounts into U.S. dollars. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate.

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)(1)	(in millions of Ps.)(1)		(in millions of US$)(1)	(in millions of Ps.)(1)		
Income statement data:							
Net sales	378.0	4,955.8	3,880.4	412.8	5,411.8	4,680.0	3,055.8
Cost of sales	232.0	3,042.2	2,303.9	244.9	3,210.0	2,846.0	1,914.0
Gross profit	146.0	1,913.6	1,576.5	167.9	2,201.8	1,834.0	1,141.8
Operating expenses	109.2	1,431.1	1,152.4	118.4	1,552.7	1,346.8	958.0
Other expenses (income), net	-	-	-	0.3	3.6	(8.9)	3.4
Operating income	36.8	482.5	424.1	49.2	645.5	496.0	180.5
Finance income	(8.9)	(117.3)	(63.4)	(8.2)	(107.1)	(221.3)	(91.3)
Finance expense	14.5	190.6	190.9	18.3	239.4	325.2	170.7
Finance costs, net	5.6	73.3	127.5	10.1	132.4	104.0	79.4
Share of results of associate	(0.1)	(0.7)	(0.6)	(0.1)	(1.0)	(0.7)	(0.6)
Profit before income tax	31.3	409.9	297.3	39.2	514.2	392.8	101.8
Income tax	9.0	117.3	61.6	5.9	77.7	48.0	6.6
Net consolidated profit	22.3	292.5	235.7	33.3	436.5	344.7	95.2
Profit attributable to:							
Controlling interest	22.3	291.7	235.0	33.2	435.3	343.8	94.9
Non-controlling interest	0.1	0.8	0.7	0.1	1.2	1.0	0.3
EBITDA	46.4	608.8	528.0	61.4	805.4	626.4	283.5
Total debt/EBITDA(2)	1.37	1.37	1.89	1.64	1.64	1.25	1.69
Net debt/EBITDA(2)	0.92	0.92	1.09	0.95	0.95	1.01	1.25
EBITDA/Finance costs, net	8.31	8.31	4.14	6.08	6.08	6.03	3.57
Earnings per share	0.87	0.87	0.70	1.30	1.30	2.43	0.67
Weighted average number of shares outstanding	338,046,871	338,046,871	333,916,511	333,916,511	333,916,511	141,477,724	141,477,724

(1) Except ratios, earnings per share and weighted average number of shares outstanding.

(2) Data for the nine-month periods ended September 30, 2013 and 2014, were calculated using EBITDA for the twelve-month periods then ended.

	As of September 30,		As of December 31,			
	2014	2014	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)	(in millions of US$)	(in millions of Ps.)		
Balance sheet data:						
Current assets:						
Cash and cash equivalents	29.7	401.2	41.3	557.5	148.4	126.6
Accounts receivable	97.1	1,309.5	92.9	1,253.1	782.3	556.3
Related parties	0.2	3.3	0.6	7.6	1.4	2.6
Recoverable income tax	1.2	15.9	2.2	30.1	25.3	72.4
Other recoverable taxes	16.2	219.2	21.5	289.5	222.8	40.2
Inventories	63.3	853.8	47.8	645.4	647.1	474.5
Prepaid expenses	5.0	67.8	1.1	15.3	8.2	6.5
Total current assets	212.8	2,870.7	207.4	2,798.5	1,835.5	1,279.2
Non-current assets:						
Related parties	4.7	64.0	3.7	49.4	45.8	42.4
Investment accounted under the equity method	0.6	7.4	0.5	6.8	5.7	5.0
Property, plant and equipment, net	84.2	1,135.4	91.2	1,230.9	1,241.9	1,122.3
Intangible assets	8.3	111.7	7.0	94.2	109.0	142.4
Deferred income taxes	8.7	117.1	14.6	197.3	135.5	118.9
Derivative financial instruments	-	-	-	-	3.6	12.2
Guarantee deposits	3.0	40.9	2.6	35.4	36.0	14.4
Total non-current assets	109.5	1,476.6	119.6	1,613.9	1,577.6	1,457.5
Total assets	322.3	4,347.2	327.1	4,412.3	3,413.0	2,736.7
Liabilities and stockholders' equity						
Current liabilities:						
Short-term bank loans	0.7	9.6	8.0	107.7	396.4	-
Accounts payable	41.0	553.7	30.1	406.2	501.0	411.4
Other accounts payable	26.8	363.6	32.9	444.1	241.9	208.5
Accrual of expenses	4.6	62.4	1.4	19.3	10.7	6.5
Income taxes payable	6.6	88.7	6.0	80.6	38.9	18.2
Other taxes payable	1.9	26.3	7.2	97.4	92.8	88.0
Employees' profit sharing	1.2	16.6	1.2	16.4	18.0	13.6
Total current liabilities	82.9	1,120.8	86.9	1,171.7	1,299.6	746.2
Long-term liabilities:						
Long-term bank loans	89.5	1,207.5	90.1	1,215.9	387.5	479.9
Employee benefits	0.5	6.5	0.4	5.5	11.8	9.1
Deferred income taxes	2.5	34.3	3.3	45.2	34.7	71.5
Derivative financial instruments	0.3	4.0	0.2	2.2	-	-
Total long-term liabilities	92.8	1,252.3	94.1	1,268.7	434.0	560.4
Total liabilities	180.9	2,373.1	180.9	2,440.4	1,733.6	1,306.7
Equity:						
Capital stock	88.3	1,190.5	87.2	1,176.8	539.7	539.7
Premium on share issuance	2.5	33.8	2.2	29.5	29.5	29.5
Retained earnings	54.2	730.8	53.0	715.2	921.3	577.5
Foreign currency translation adjustment	(16.5)	(222.3)	(14.1)	(190.3)	(50.9)	43.7
Revaluation surplus	17.6	237.2	17.6	237.2	237.2	237.2
Equity attributable to:						
Controlling interest	146.0	1,969.9	145.9	1,968.4	1,676.8	1,427.6
Non-controlling interest	0.3	4.2	0.3	3.5	2.6	2.4
Total stockholders' equity	146.3	1,974.1	146.2	1,971.9	1,679.5	1,430.1
Total liabilities and stockholders' equity	322.3	4,347.2	336.6	4,412.3	3,413.0	2,736.7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on and should be read in conjunction with our Financial Statements and other financial information included elsewhere in this offering memorandum, all of which have been prepared in accordance with IFRS. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly in "*Risk Factors*" and *"Cautionary Statement Regarding Forward Looking Statements." Investors should consider carefully the following discussion and the information set forth under* "*Risk Factors" before investing in our Shares.*

Overview

We are a leading provider of individual and integrated water solutions in Latin America in terms of sales volumes, with more than 35 years of experience in the Mexican water solutions industry. Our individual water solutions, which consist of cisterns, industrial tanks, water tanks, accessories, hydraulic pumps, sanitary catch pits, hydraulic and sewer pipes, biodigesters, water heaters, water filters and water purifiers, are designed to store, carry and treat water, offering end-users a complete solution to their water management needs. We market and sell our individual water solutions without added services, such as installation and maintenance. Most of the customers for our individual water solutions are authorized distributors such as hardware stores, home centers (home improvement stores) and construction supplies stores that purchase our individual water solutions to resell them to end-users in their different points of sale. We leverage our extensive experience in individual water solutions to provide a wide variety of on-site integrated water solutions to address more complex water management needs. We market and sell our integrated water solutions, which consist of rainwater harvesting systems, outdoor composting bathrooms, drinking fountains, water purifying units and wastewater treatment plants, with value-added services such as engineering, installation, site development, project management and maintenance to achieve maximum functionality. Most of the customers for our integrated water solutions are government entities and agencies that sponsor government programs, construction companies and industrial and agricultural businesses.

For the year ended December 31, 2013 and the nine-month period ended September 30, 2014, we had consolidated net sales of Ps.5,411.8 million (US$412.8 million) and Ps.4,955.8 million (US$378.0 million), respectively, net consolidated profit of Ps.436.5 million (US$33.3 million) and Ps.292.5 million (US$22.3 million), respectively, EBITDA of Ps.805.4 million (US$61.4 million) and Ps.608.8 million (US$46.4 million), respectively, and EBITDA margin of 14.9% and 12.3%, respectively. We have experienced significant and steady growth over the last twenty years, increasing our net sales and EBITDA at a CAGR of 15.3% and 15.1%, respectively.

Investment in Associated Companies

As of September 30, 2014, we maintained an equity stake of 49.9% in Dalkasa Ecuador, a private company incorporated and operating in Quito, Ecuador, dedicated to the production and commercialization of water solutions to store and treat water. In accordance with IFRS, the results of Dalkasa Ecuador are accounted for by us under the equity method since we do not exercise control over it. However, we have significant influence over Dalkasa Ecuador's affairs since we are entitled to appoint members of its board of directors, participate in the decision making process of important decisions and transactions, as well as providing technical information. Dalkasa Ecuador's sales have increased in the past few years. For 2011, 2012 and 2013 and the nine-month period ended September 30, 2014, Dalkasa Ecuador had net sales of Ps.17.3 million (US$1.3 million), Ps.20.3 million (US$1.5 million), Ps.23.6 million (US$1.8 million) and Ps.16.9 million (US$1.3 million), respectively. Net profit recognized from our participation in Dalkasa Ecuador was Ps.0.6 million (US$45.8 thousand), Ps.0.7 million (US$53.4 thousand), Ps.1.0 million (US$76.3 thousand), and Ps.0.7 million (US$53.4 thousand), during 2011, 2012 and 2013 and the nine-month period ended September 30, 2014, respectively. For more information please see Note 15 to our Audited Financial Statements.

Basis for the Presentation of Financial Information

Our Audited Financial Statements as of and for the years ended December 31, 2011, 2012 and 2013, have been prepared in accordance with IFRS and the related IFRIC issued by the IASB. Our Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the IASB. Our Interim Financial Statements are condensed financial statements and should be read together with our Audited Financial Statements prepared in accordance with IFRS.

Net sales

Revenue derived from sales of our solutions is recognized at the fair value of the consideration collected or to be collected. Revenue is presented net of value added tax, sales and discounts, and after eliminating sales among our consolidated subsidiaries. We recognize revenue when it can be adequately measured; however, the economic benefits may be realized in the future after satisfying specific criteria for each type of sale. We determine our estimates based on accumulated experience, taking into account the type of customer, type of transaction and the specific terms and conditions of each contract. See Note 2.22 of our Audited Financial Statements for a description of our revenue recognition.

For the nine-month period ended September 30, 2014, our net sales of individual water solutions and integrated water solutions accounted for 74.2% and 25.8%, respectively, of our total net sales. During such period, 33.9% of our sales were made through our traditional channel, 8.9% through our construction channel, 5.9% through our retail channel, 48.7% through our government channel and 2.6% through our industrial channel.

Costs of sales

The principal components of our cost of sales are our raw materials and consumables and indirect production costs. Our costs are directly related to our sales volume and the prices of raw materials, particularly polyethylene, polypropylene, energy and gas. During 2011, 2012 and 2013, our costs for raw materials and consumables represented 83.6%, 81.2% and 71.1%, respectively, of our total cost of sales. For the nine-month period ended September 30, 2014, our costs for raw materials and consumables and our indirect production costs represented 77.5% and 13.0%, respectively, of our total cost of sales.

Operating expenses

The principal components of our operating expenses are distribution and logistics, labor and other operating expenses consisting mainly of third party contractors, insurance and transportation expenses. Our main operating expense for 2011, 2012 and 2013 were distribution and logistics expenses, which accounted for 22.2%, 36.7% and 31.3%, respectively, of our total operating expenses. Our distribution and logistics expenses are elevated because our water tanks, cisterns, biodigesters and tanks require large transportation space and because of their volume the amount of units transported in a single freight is limited. For the nine-month period ended September 30, 2014, our distribution and logistics, labor and other operating expenses accounted for 32.4%, 18.0% and 13.9%, respectively, of our total operating expenses.

Finance costs, net

The result of our finance costs, net is comprised of:

- exchange gain (loss), which includes net gains or losses relating to fluctuations in foreign currency exchange rates;
- finance income earned on excess cash flow and credit to customers;
- financial expense, which is primarily a function of the principal amount of debt outstanding and the interest rates and fees and commissions in effect; and
- changes in the fair value of financial assets mainly related to hedge instruments.

Income tax

The main components of our tax expense consist of income taxes incurred in Mexico and Brazil. Our income tax expense consists of taxes incurred and deferred taxes, computed based on the requirements of IFRS as explained in Note 24 to our Audited Financial Statements. We do not consolidate our subsidiaries for tax purposes. We and our subsidiaries are in compliance with all of our and their tax obligations.

Currency

Items included in the financial statements of each of our subsidiaries are measured using the currency of the primary economic environment in which each subsidiary operates (i.e. its functional currency). Our consolidated results and financial information are presented in Mexican pesos, our reporting currency. We have international operations and are exposed to exchange rate risk in connection with the different currencies of the countries where we operate. We have established a policy that requires that our subsidiaries manage exchange rate risk based on their functional currency through our treasury. To manage our exchange rate risk from future commercial transactions and recognized assets and liabilities, our subsidiaries use forward contracts negotiated by our treasury. We have outstanding debt denominated in foreign currencies and bank debt denominated in Mexican pesos. We are exposed to risk associated with fluctuations in foreign exchange rates of the Mexican peso against the U.S. dollar and the Euro due to our imports of raw materials from the United States, Portugal and Italy.

Seasonality

Historically, our sales volume remains constant throughout the calendar year. However, weather conditions, mainly prolonged periods of rain, may affect demand for our individual water storage solutions and integrated water solutions with water storage capacity (such as our rainwater harvesting systems) because of the overabundance of water that reduces our customer's need to store it for future use. Conversely, sales of these products are typically benefited by prolonged periods of drought because of the scarcity of water that increases our customers' need to store it for future use.

EBITDA

This offering memorandum discloses EBITDA, a measure used in our financial analysis that is not recognized under IFRS but is calculated from amounts that derive from our Financial Statements. EBITDA represents operating income *plus* depreciation and amortization and charitable donations. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods on a consolidated basis and by type of solution, but the metric may be calculated differently than that of other companies. EBITDA should not be construed as an alternative to comprehensive income as an indicator of our operating performance, or cash flow from operations as a measure of our liquidity.

The table below sets forth a reconciliation of our operating income to EBITDA by type of product for the periods and years indicated:

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)		(in millions of US$)	(in millions of Ps.)		
Individual Solutions							
Operating income..............	29.9	392.6	416.4	44.8	587.3	492.3	182.0
Plus							
Depreciation and amortization....................	6.0	78.9	101.4	10.2	133.5	126.2	98.7
Charitable donations.......	1.0	13.5	-	0.9	12.1	2.6	2.8
EBITDA	37.0	485.0	517.9	55.9	732.8	621.1	283.5

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)		(in millions of US$)	(in millions of Ps.)		
Integrated Solutions							
Operating income..............	6.9	89.9	7.7	4.4	58.3	3.7	(1.5)
Plus							
Depreciation and amortization...................	2.4	31.7	2.5	1.0	13.2	1.5	1.5
Charitable donations.......	0.2	2.2	-	0.1	1.1	-	-
EBITDA	9.5	123.9	10.1	5.5	72.6	5.3	0.1
Total							
Operating income..............	36.8	482.5	424.1	49.2	645.5	496.0	180.5
Plus							
Depreciation and amortization...................	8.4	110.6	103.9	11.2	146.6	127.8	100.2
Charitable donations.......	1.2	15.8	-	1.0	13.2	2.6	2.8
EBITDA	46.4	608.8	528.0	61.4	805.4	626.4	283.5

Selected Financial Data by Type of Solution

The table below sets forth a historical breakdown of our net sales, EBITDA and EBITDA margin for our individual and integrated water solutions:

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$, except percentages)	(in millions of Ps., except percentages)		(in millions of US$, except percentages)	(in millions of Ps., except percentages)		
Individual Water Solutions							
Net sales..	280.6	3,678.6	3,788.2	378.6	4,963.1	4,636.2	3,016.3
EBITDA	37.0	485.0	517.9	55.9	732.8	621.1	283.5
EBITDA margin (%)	13.2%	13.2%	13.7%	14.8%	14.8%	13.4%	9.4%
Integrated Water Solutions							
Net sales..	97.4	1,277.2	92.3	34.2	448.7	43.8	39.5
EBITDA	9.5	123.9	10.1	5.5	72.6	5.3	0.1
EBITDA margin (%)	9.7%	9.7%	11.0%	16.2%	16.2%	12.1%	0.2%
Total							
Net sales..	378.0	4,955.8	3,880.4	412.8	5,411.8	4,680.0	3,055.8
EBITDA	46.4	608.8	528.0	61.4	805.4	626.4	283.5
EBITDA margin (%)	12.3%	12.3%	13.6%	14.9%	14.9%	13.4%	9.3%

Net Sales by Geographic Market

The following table sets forth the net sales of each of our geographic markets for the years and periods indicated below.

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)		(in millions of US$)	(in millions of Ps.)		
Net sales							
Mexico..........................	174.5	2,288.1	1,796.7	200.4	2,627.5	2,595.8	2,297.5
Brazil	163.1	2,138.8	1,524.3	155.3	2,036.5	1,395.1	286.6
Others	40.3	528.8	559.5	57.0	747.8	689.1	471.6
Total	**378.0**	**4,955.8**	**3,880.4**	**412.8**	**5,411.8**	**4,680.0**	**3,055.8**

Results of Operation

Nine-month period ended September 30, 2014 compared with nine-month period ended September 30, 2013

Net sales

Our consolidated net sales for the nine-month period ended September 30, 2014 were Ps.4,955.8 million, an increase of 27.7% as compared to Ps.3,880.4 million for the same period in 2013. This increase was mainly due to increased sales of our individual and integrated water solutions under the government programs Water for Everyone and Fight Against Hunger as described below. The 2.9% decrease in net sales of our individual water solutions described below, was more than offset by a 1,284.5% increase in net sales of our integrated water solutions. These changes were mainly derived from a higher demand by the government of Brazil for rainwater harvesting systems (integrated water solution) as opposed to cisterns (individual water solution) under the government program Water for Everyone.

Net sales of our individual water solutions

Net sales of our individual water solutions decreased 2.9%, from Ps.3,788.2 million for the nine-month period ended September 30, 2013, to Ps.3,678.6 million for the same period in 2014. This decrease was mainly due to a 25.3% decrease in sales of cisterns under the program Water for Everyone, which was partially offset by a 7.5%, 22.4% and 14.5% increase in sales of residential water tanks in Mexico and Brazil and hydraulic pipes in Mexico, respectively.

Net sales of our integrated water solutions

Net sales of our integrated water solutions increased 1,284.5%, from Ps.92.3 million for the nine-month period ended September 30, 2013, to Ps.1,277.2 million for the same period in 2014. This increase was mainly due to a 1,240.0% increase in sales of rainwater harvesting systems in Brazil, primarily under the program Water for Everyone, and a 717.8% and 49,940.9% increase in sales of outdoor composting bathrooms and rainwater harvesting systems, respectively, under the program Fight Against Hunger.

Costs of sales

Our consolidated cost of sales increased 32.0%, from Ps.2,303.9 million for the nine-month period ended September 30, 2013, to Ps.3,042.2 million for the same period in 2014. This increase was mainly due to increased production costs as a result of higher sales volumes and an increase in prices for our raw materials due to the depreciation of our currencies against the U.S. dollar. Cost of sales as a percentage of net sales increased to 61.4% for the nine-month period ended September 30, 2014, from 59.4% in the same period in 2013.

Gross profit

Our gross profit increased 21.4%, from Ps.1,576.5 million for the nine-month period ended September 30, 2013, to Ps.1,913.6 million for the same period in 2014, for the reasons described above.

Operating expenses

Our consolidated operating expenses increased 24.2%, from Ps.1,152.4 million for the nine-month period ended September 30, 2013, to Ps.1,431.1 million for the same period in 2014. This increase was mainly due to:

- a 25.9% increase in distribution and logistics expenses from Ps.368.6 million for the nine-month period ended September 30, 2013, to Ps.464.2 million for the same period in 2014, as a result of higher sales volumes in Mexico and Brazil;

- a 17.7% increase in third party contractor expenses from Ps.152.6 million for the nine-month period ended September 30, 2013 to Ps.179.7 million for the same period in 2014, as a result of fees paid to third party advisors engaged to assist us in preparing and implementing our growth plan and strategy and implementing our SAP system;

- a 93.8% increase in advertising expenses from Ps.64.0 million for the nine-month period ended September 30, 2013, to Ps.124.0 million for the same period in 2014, due to enhanced sales' and marketing efforts; and

- pre-operating and development expenses related to our integrated water solutions in the amount of Ps.40.0 million incurred in the nine-month period ended September 30, 2014.

Operating expenses as a percentage of net sales decreased slightly to 28.9% for the nine-month period ended September 30, 2014, from 29.7% in the same period in 2013.

Operating income

Our operating income increased 13.8%, from Ps.424.1 million for the nine-month period ended September 30, 2013, to Ps.482.5 million for the same period in 2014, due to the reasons described above. Our operating margin for the nine-month period ended September 30, 2014 was 9.7%, reflecting a decrease of 10.9% as compared to 10.9% for the same period in 2013.

Finance costs, net

Our finance costs, net decreased by 42.5%, from Ps.127.5 million for the nine-month period ended September 30, 2013 to Ps.73.3 million for the same period in 2014. This decrease was mainly due to:

- a 104.2% increase in net exchange gain from a net exchange loss of Ps.39.5 million for the nine-month period ended September 30, 2013 to a net exchange gain of Ps.1.7 million for the same period in 2014, as a result of increased payments of accounts receivable denominated in foreign currencies and the depreciation of the peso against such currencies; and

- a 20.6% decrease in net finance expense from Ps.65.2 million for the nine-month period ended September 30, 2013 to Ps.51.8 million for the same period in 2014, due to an increase in the collection of default interest and other late charges to customers in Peru, an increase in interest accrued on loans to our key personnel and an increase in finance income from the program *Cadenas Productivas*, a discounting and factoring program to government suppliers sponsored by Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, a Mexican development bank.

Share of results of associate

The share of results of associate increased by 6.8%, from Ps.0.6 million for the nine-month period ended September 30, 2013, to Ps.0.7 million for the same period in 2014. This increase was mainly due to an increase in net sales of Dalkasa Ecuador.

Income tax

Income tax expense increased 90.5%, from Ps.61.6 million for the nine-month period ended September 30, 2013, to Ps.117.3 million for the same period in 2014. This increase was mainly due to increased profit before income tax as a result of increased net sales in Brazil.

Our effective tax rate for the nine-month period ended September 30, 2014 was 27.0%. Our income tax was comprised as follows:

	Nine months ended September 30,		
	2014	2014	2013
	(in millions of US$)	(in millions of Ps.)	
Accrued income tax	6.3	83.0	57.5
Deferred income taxes	2.6	34.4	4.1
Total income tax	**9.0**	**117.3**	**61.6**

As of September 30, 2014, we had no amount due on account of income tax.

Net consolidated profit

For the reasons described above, our net consolidated profit increased by 24.1%, from Ps.235.7 million for the nine-month period ended September 30, 2013, to Ps.292.5 million for the same period in 2014.

Year ended December 31, 2013 compared with year ended December 31, 2012

Net sales

Our consolidated net sales for the year ended December 31, 2013 were Ps.5,411.8 million, an increase of 15.6% as compared to Ps.4,680.0 million in 2012. This increase was mainly due to increased sales of our individual and integrated water solutions in Mexico, Brazil and Peru as described below.

Net sales of our individual water solutions

Net sales of our individual water solutions increased 7.1%, from Ps.4,636.2 million for the year ended December 31, 2012, to Ps.4,963.1 million in 2013, mainly due to a 34.7% increase in sales of cisterns under the program Water for Everyone, and a 53.6% increase in sales of biodigesters in Peru.

Net sales of our integrated water solutions

Net sales of our integrated water solutions increased 924.6%, from Ps.43.8 million for the year ended December 31, 2012, to Ps.448.7 million in 2013. This increase was mainly due to sales of the newly launched rainwater harvesting systems under the program Water for Everyone and a 227.3% increase in sales of outdoor composting bathrooms in Mexico and the sales of the newly launched rainwater harvesting systems, mainly sold under the program Fight Against Hunger.

Costs of sales

Our consolidated cost of sales increased by 12.8%, from Ps.2,846.0 million for the year ended December 31, 2012, to Ps.3,210.0 million in 2013. This increase was mainly due to increased production costs as a result of higher sales volumes of individual and integrated water solutions. Costs of sales as a percentage of net sales decreased to 59.3% for the year ended December 31, 2013 from 60.8% in 2012, mainly due to the implementation of cost-efficient initiatives in our production processes.

Gross profit

Our gross profit increased 20.1%, from Ps.1,834.0 million for the year ended December 31, 2012, to Ps.2,201.8 million in 2013, for the reasons described above.

Operating expenses

Our consolidated operating expenses increased 15.3%, from Ps.1,346.8 million for the year ended December 31, 2012, to Ps.1,552.7 million in 2013. This increase was mainly due:

- a 69.3% increase in labor expenses, from Ps.193.8 million for the year ended December 31, 2012, to Ps.328.2 million in 2013, as a result of increased employee benefits paid arising from an increase in sales volume and added services offered in connection with our integrated water solutions; and

- a 436.7% increase in advertising expense from Ps.16.6 million for the year ended December 31, 2012, to Ps.89.0 million in 2013, as a result of enhanced sales' and marketing strategies.

Operating expenses as a percentage of net sales increased slightly to 28.7% for the year ended December 31, 2013, from 28.8% in 2012.

Operating income

Our operating income increased 30.1%, from Ps.496.0 million for the year ended December 31, 2012, to Ps.645.5 million in 2013, for the reasons described above. Our operating margin in 2013 was 11.9%, reflecting an increase of 12.5% as compared to 10.6% in 2012.

Finance costs, net

Our finance costs, net increased by 27.3%, from Ps.104.0 million for the year ended December 31, 2012 to Ps.132.4 million for 2013. This increase was mainly due to:

- a 91.9% increase in net exchange loss from Ps.22.9 million for the year ended December 31, 2012 to Ps.44.0 million for 2013, as a result of an increase in our liabilities denominated in foreign currencies and the depreciation of the Mexican peso against the U.S. dollar and the euro; and

- a 75.2% increase in net loss of fair value of our financial assets from Ps.8.6 million for the year ended December 31, 2012, to Ps.15.1 million for 2013, as a result of an increased loss of our exchange rate hedge contracts during the first half of 2013.

Share of results of associate

The share of results of associate increased by 42.9%, from Ps.0.7 million for the year ended December 31, 2012, to Ps.1.0 million in 2013. This increase was mainly due to an increase in net sales of Dalkasa Ecuador.

Income tax

Income tax expense increased 61.8%, from Ps.48.0 million for the year ended December 31, 2012, to Ps.77.7 million in 2013. This increase was mainly due to a lower amount of tax losses credited against our taxable income from Ps.27.1 million in 2012 to Ps.7.4 million in 2013.

Our effective tax rate for the year ended December 31, 2013 was 15.0%. See Note 24 to our Audited Financial Statements for an analysis of the applicable income tax rates.

Our income tax was comprised as follows:

	Year ended December 31,		
	2013	**2013**	**2012**
	(in millions of US$)	**(in millions of Ps.)**	
Accrued income tax	9.9	128.9	101.5
Deferred income taxes	(3.9)	(51.3)	(53.5)
Total income tax	**5.9**	**77.7**	**48.0**

Net consolidated profit

For the reasons described above, our net consolidated profit increased by 26.6%, from Ps.344.7 million for the year ended December 31, 2012, to Ps.436.5 million in 2013.

Year ended December 31, 2012 compared with year ended December 31, 2011

Net sales

Our consolidated net sales for the year ended December 31, 2012 were Ps.4,680.0 million, an increase of 53.2% as compared to Ps.3,055.8 million in 2011. This increase was mainly due to increased sales across all our water solutions as a result of a combination of factors such as enhanced sales' strategies, increased sales under the program Water for Everyone and improvement of economic conditions in the regions where we operate.

Net sales of our individual water solutions

Net sales of our individual water solutions increased 53.7%, from Ps.3,016.3 million for the year ended December 31, 2011, to Ps.4,636.2 million in 2012, mainly due to a 4,866.8% increase in sales of cisterns in Brazil, primarily under the program Water for Everyone, a 85.6% increase in sales of residential water tanks in Argentina, principally due to the Conmix acquisition, and a 40.8% and 139.3% increase in sales of residential water tanks and biodigesters, respectively, in Peru.

Net sales of our integrated water solutions

Net sales of our integrated water solutions increased 11.0%, from Ps.39.5 million for the year ended December 31, 2011, to Ps.43.8 million in 2012, mainly due to a 11.0% increase in sales of outdoor composting bathrooms in Mexico due to an enhanced penetration of this water solution in the market.

Costs of sales

Our consolidated cost of sales increased by 48.7%, from Ps.1,914.0 million for the year ended December 31, 2011, to Ps.2,846.0 million in 2012. This increase was mainly due to increased production costs as a result of higher sales volumes across all our water solutions and an increase in polyethylene and polypropylene prices in 2012. Costs of sales as a percentage of net sales decreased to 60.8% for the year ended December 31, 2012 from 62.6% in 2011, mainly due to the implementation of cost-efficient initiatives in our production processes.

Gross profit

Our gross profit increased 60.6%, from Ps.1,141.8 million for the year ended December 31, 2011, to Ps.1,834.0 million in 2012, for the reasons described above.

Operating expenses

Our consolidated operating expenses increased 40.6%, from Ps.958.0 million for the year ended December 31, 2011, Ps.1,346.8 million in 2012. This increase was mainly due to:

- a 132.0% increase in distribution expenses, from Ps.213.1 million in 2011 to Ps.494.5 million in 2012, as a result of the expansion of our operations and distribution network to other regions and increased sales related to the government program Water for Everyone in Brazil; and

- a 64.8% increase in employee benefits, from Ps.117.6 million in the 2011 to Ps.193.8 million in 2012 as a result of an increase of variable employee benefits.

Operating expenses as a percentage of net sales decreased to 28.8% for the year ended December 31, 2012, from 31.3% in 2011.

Operating income

Our operating income increased 174.8%, from Ps.180.5 million for the year ended December 31, 2011, to Ps.496.0 million in 2012, for the reasons described above. Our operating margin in 2012 was 10.6%, reflecting an increase of 79.5% as compared to 5.9% in 2011.

Finance costs, net

Our finance costs, net increased by 31.0%, from Ps.79.4 million for the year ended December 31, 2011 to Ps.104.0 million for 2012. This increase was mainly due to:

- a 27.1% increase in net finance expense from Ps.57.0 million for the year ended December 31, 2011 to Ps.72.4 million in 2012, as a result of an increase in our outstanding debt; and

- a 196.6% increase in net loss of fair value of our financial assets from a net loss of Ps.8.9 million for the year ended December 31, 2011 to a net gain of Ps.8.6 million in 2012, as a result of an increased loss of our exchange rate hedge contracts during 2012; which was partially offset by a 26.8% decrease in net exchange loss from Ps.31.3 million for the year ended December 31, 2011 to Ps.22.9 million in 2012, as a result of increased payments of accounts receivable denominated in foreign currencies and the depreciation of the peso against such currencies.

Share of results of associate

The share of results of associate increased by 11.7%, from Ps.0.6 million for the year ended December 31, 2011, to Ps.0.7 million in 2012. This increase was mainly due to an increase in net sales of Dalkasa Ecuador.

Income tax

Income tax expense increased 631.6%, from Ps.6.6 million for the year ended December 31, 2011, to Ps.48.0 million in 2012. This increase was mainly due to a lower amount of tax losses credited against our taxable income from Ps.43.0 million in 2011 to Ps.27.0 million in 2012.

Our effective tax rate for the year ended December 31, 2012 was 12.0%. See Note 24 to our Audited Financial Statements for an analysis of the applicable income tax rates.

Our income tax was comprised as follows:

	Year ended December 31,		
	2012	**2012**	**2011**
	(in millions of US$)	**(in millions of Ps.)**	
Accrued income tax	7.8	101.5	93.8
Deferred income taxes	(4.1)	(53.5)	(101.0)
Corporate flat tax	-	-	13.8
Total income tax	**3.6**	**48.0**	**6.6**

Net consolidated profit

For the reasons described above, our net consolidated profit increased by 262.2%, from Ps.95.1 million for the year ended December 31, 2011, to Ps.344.7 million in 2012.

Liquidity and capital resources

Historically, our primary sources of liquidity have been our operating cash flows. However, in the past few years we have incurred in long-term financings to fund our expansion and growth plans, particularly in Mexico, Brazil and Argentina, and our working capital requirements. Operating cash flow used in investment activities represents mainly investments in property, plant and equipment. Net cash generated from financing activities derive mainly from bank loans. Our cash requirements have historically consisted primarily of working capital needs, including investments in property, plant and equipment. As of December 31, 2011, 2012 and 2013 and September 30, 2014:

- our leverage ratio (total debt over stockholders' equity) was 0.34, 0.47, 0.67 and 0.62, respectively;
- our coverage ratio (EBITDA over finance costs, net) was 3.57, 6.03, 6.08 and 8.31, respectively; and
- our capitalization ratio (total debt over total debt plus stockholders' equity) was 0.25, 0.32, 0.40 and 0.38, respectively.

Cash flow from our operations, including cash flow generated by our subsidiaries, is managed and controlled by our treasury in Mexico. Our treasury is in charge of establishing our and our subsidiaries' operating treasury guidelines and policies. All payments received are first recorded by our centralized services center which is under the supervision of our corporate comptroller. Substantially all payments to suppliers are made through wire transfers. All payments that must be made by check in accordance with local regulations are generated by our system and are subject to spooling and remote issuance by the corporate treasury. All of our checks are nominative and for deposit only. Our corporate comptroller ensures that all our bank accounts are settled on a daily basis, and our corporate treasury monitors this settlement.

The following table summarizes our cash flow for years and periods indicated:

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)		(in millions of US$)	(in millions of Ps.)		
Net cash generated by operating activities	23.5	316.6	76.6	13.6	183.6	69.6	207.7
Net cash used in investing activities	(4.1)	(55.7)	(157.9)	(17.8)	(240.5)	(304.8)	(283.5)
Net cash generated by (used in) financing activities	(30.9)	(417.2	54.3	34.5	466.0	256.9	82.8
Net increases (decreases) in cash and cash equivalents	(11.6)	(156.3)	(27.1)	30.3	409.1	21.7	7.0

Net cash generated by operating activities

Net cash generated by operating activities increased by 313.5%, from Ps.76.6 million for the nine-month period ended September 30, 2013, to Ps.316.6 million for same period in 2014. This increase was mainly due to a 37.9% increase in profit before income taxes, a 24.3% decrease in recoverable income tax and a 36.3% increase in payments to suppliers, which were partially offset by a 32.3% increase in inventories and a 73.0% decrease in other tax payable.

Net cash generated by operating activities increased by 163.7%, from Ps.69.6 million for the year ended December 31, 2012, to Ps.183.6 million in 2013. This increase was mainly due to a 30.9% increase in profit before income taxes and an 83.6% increase in other accounts payable, which were partially offset by 60.2% increase in accounts receivable, a 18.9% decrease in payments to suppliers, and a 29.9% increase in other recoverable taxes.

Net cash generated by operating activities decreased by 66.5%, from Ps.207.7 million for the year ended December 31, 2011, to Ps.69.6 million in 2012. This decrease was mainly due to:

- a 40.6% increase in our accounts receivable as a result of the acquisition of Conmix in Argentina that had negotiated higher payment terms than the payment terms typically negotiated by us in the rest of the countries where we operate and the macroeconomic factors that pushed Argentina into a recession forced us to extend the payment terms to our Argentine clients;

- a 453.6% increase in other recoverable taxes as a result of the large sales volume in Brazil due to the Water for Everyone program; and

- a 36.4% increase in inventories as a result of the increase in the amount of sales in Brazil due to the Water for everyone program,

which was partially offset by a 286.0% increase in profit before income taxes, a 21.8% increase in accounts payable to suppliers and a 113.3% increase in income tax payable.

Net cash used in our investing activities

Net cash used in our investing activities for the nine-month period ended September 30, 2014 was Ps.55.7 million, a decrease of 64.7% as compared to Ps.157.9 million for the same period in 2013, mainly due to a 61.1% decrease in the acquisition of property, plant and equipment from Ps.161.0 million for the nine-month period ended September 30, 2013, to Ps.62.7 million for the same period in 2014.

Net cash used in our investing activities for the year ended December 31, 2013 was Ps.240.5 million, a decrease of 21.1% as compared to Ps.304.8 million for 2012, mainly due to a 7.6% decrease in the acquisition of property, plant and equipment from Ps.303.2 million for the year ended December 31, 2012 to Ps.280.3 million for 2013; and a 73.6% decrease in the collection of fees related to the sale of real estate property from Ps.20.8 million for the year ended December 31, 2012 to Ps.5.5 million for 2013.

Net cash used in our investing activities for the year ended December 31, 2012 was Ps.304.8 million, an increase of 7.5% as compared to Ps.283.5 million for 2011, mainly due to a 66.4% increase in the acquisition of property, plant and equipment from Ps.182.2 million for the year ended December 31, 2011 to Ps.303.2 million for 2012, which was partially offset by a 89.7% decrease in the acquisition of intangible assets from Ps.105.2 million for the year ended December 31, 2011 to Ps.10.8 million for 2013, as a result of the acquisition of Conmix in 2011.

Net cash generated by financing activities

Net cash generated by financing activities for the nine-month period ended September 30, 2014 was Ps.(417.2) million, a decrease of 868.2% as compared to Ps.54.3 million in 2013, mainly due to the dividend paid to our shareholders in the amount of Ps.276.1 million and a partial payment of a bank loan in the amount of Ps.106.5 million.

Net cash generated by financing activities for the year ended December 31, 2013 was Ps.466.0 million, an increase of 81.4% as compared to Ps.256.9 million in 2012, mainly due to an increase of Ps.235.8 million in bank loans; which amount was partially offset by an increase in interest paid under our bank loans in the amount of Ps.19.5 million.

Net cash generated by financing activities for the year ended December 31, 2012 was Ps.256.9 million, an increase of 210.3% as compared to Ps.82.8 million in 2011, mainly due to an increase of Ps.171.1 million in bank loans; which amount was partially offset by an increase in interest paid under our bank loans in the amount of Ps.14.6 million.

Dividends

In 2011 and 2012, we did not pay any dividends to our shareholders since we reinvested our retained earnings in such years to finance our growth and optimize our manufacturing processes. In 2013 and the nine-month period ended September 30, 2014, we paid dividends to our shareholders in the amount of Ps.641.4 million (US$47.5 million) and Ps.276.1 million (US$20.5 million), respectively. See "– Dividends and Dividend Policy."

Capital expenditures

The table below sets forth our capital expenditures by geographic market for the years and periods indicated:

	Nine months ended September 30,			Year ended December 31,			
	2014	**2014**	**2013**	**2013**	**2013**	**2012**	**2011**
	(in millions of US$)	**(in millions of Ps.)**		**(in millions of US$)**	**(in millions of Ps.)**		
Property, plant and equipment, and intangible assets							
Mexico	3.7	50.1	79.1	8.0	189.1	110.8	102.2
Brazil	0.6	7.5	72.2	6.3	76.9	189.7	140.6
Others	0.4	5.0	9.7	1.0	15.2	13.5	44.6
Total	**4.6**	**62.7**	**161.0**	**15.3**	**281.2**	**314.0**	**287.4**

During 2014, we expect to make capital expenditures for approximately Ps.115.0 million (US$8.8 million) to adapt our production facilities and other facilities to support our future growth.

For the nine-month period ended September 30, 2014, we made capital expenditures for Ps.62.7 million (US$4.6 million), a decrease of 61.1% as compared with Ps.161.0 million for the same period in 2013. This decrease was mainly due to decreased investments in Brazil in 2013, which were significant in 2012 to support the program Water for Everyone. Our investments were used mainly to expand our infrastructure in Mexico to support our international operations.

For the year ended December 31, 2013, we made capital expenditures for Ps.281.2 million (US$20.8 million), a decrease of 10.4% as compared with Ps.314.0 million in 2012. This decrease was mainly due to a reduction in our investments in Brazil, which were partially offset by an increase in investment in Mexico. Our investments were mainly used to increase the efficiency of our production facilities, redesign some of our products and enhance our SAP operating platform.

For the year ended December 31, 2012, we made capital expenditures for Ps.314.0 million (US$23.3 million), an increase of 9.2% as compared with Ps.287.4 million (US$21.3 million) in 2011. This increase was mainly due to increased investments in production facilities as part of our expansion plans in Brazil.

Indebtedness

The following table sets forth our indebtedness for the periods and years indicated:

	Nine months ended September 30,			Year ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(in millions of US$)	(in millions of Ps.)		(in millions of US$)	(in millions of Ps.)		
Long-term bank loans:							
Banorte	44.4	598.4	243.8	44.2	596.7	-	-
Santander (México)	44.3	598.1	412.9	44.5	600.0	356.2	479.9
BNDES	0.8	11.1	26.7	1.4	19.2	-	-
Santander (Brasil)	-	-	-	-	-	31.3	-
Total long-term debt	89.5	1,207.5	683.4	90.1	1,215.9	387.5	479.9
Short-term bank loans:							
Banorte	-	0.6	56.3	-	-	-	-
Banamex	-	-	-	7.4	100.0	276.4	-
BNDES	0.6	8.3	3.0	0.5	6.7		-
Banco Provincia S.A.	-	-	1.9	0.1	1.0	-	-
Santander (México)	-	0.6	147.9	-	-	120.0	-
Total short-term debt	0.7	9.6	209.0	8.0	107.7	396.4	-
Total	**90.2**	**1,217.1**	**892.3**	**98.1**	**1,323.6**	**783.8**	**479.9**

As of September 30, 2014, our total indebtedness was Ps.1,217.1 million (US$90.2 million), of which Ps.1,207.5 million (US$89.5 million) was long-term debt and Ps.9.6 million (US$0.7 million) was short-term debt. Of our total indebtedness as of September 30, 2014, 98.4% was denominated in Mexican pesos, a marginal amount was denominated in Argentine pesos and 1.6% was denominated in Brazilian reais. As of such date, all of our total debt accrued interest at variable rates, 98.6% of which was hedged under interest rate derivatives, and none of our debt constituted secured debt.

Our indebtedness has been primarily used to fund our working capital needs and capital expenditures consistent with our growth plan.

Bank loans

As of September 30, 2014, our two most relevant bank loans evidencing our long-term debt were the following:

Banorte term loan

On December 20, 2013, we entered into a term loan agreement with Banorte for an aggregate amount of Ps.600 million (US$44.5 million). This loan matures on December 20, 2020. We are obligated to make payments of principal under this loan in 84 monthly installments, with a 36-month grace period from the execution date. The principal amount outstanding under this loan accrues interest at a rate equal to the 28-day TIIE *plus* 150 basis points. This loan is guaranteed by subsidiaries. Net proceeds of this loan were used to refinance and extend the term of our outstanding debt to support our growth. As of September 30, 2014, the aggregate outstanding amount (including interest) under this facility was Ps.598.4 million (US$44.4 million).

Santander term loan

On December 19, 2013, we entered into a term loan agreement with Santander for an aggregate amount of Ps.600 million (US$44.5 million). This loan matures on December 20, 2020. We are obligated to make payments of principal under this loan in 84 monthly installments, with a 36-month grace period from the execution date. The principal amount outstanding under this loan accrues interest at a rate equal to the 28-day TIIE *plus* 155 basis points. This loan is guaranteed by our subsidiaries. Net proceeds of this loan were used to refinance and extend the term of our outstanding debt to support our growth. As of September 30, 2014, the aggregate outstanding amount (including interest) under this facility was Ps.598.1 million (US$44.3 million).

Principal covenants and events of default in our debt instruments

As of the date of this offering memorandum, all amounts of principal and interest due under our credit facilities have been paid and we are in compliance with all other covenants. We have not entered into any agreement with our creditors regarding classification or ranking of creditors' claims and have not granted any other benefit to a particular creditor.

The principal covenants under our credit facilities are the following:

- *Reporting*. Deliver annual and quarterly consolidated financial information.

- *Pari passu payments*. We are required to make ratable payments of principal under our credit facilities in case we make any payment under any of our other unsecured indebtedness.

- *Financial obligations*. We are required to maintain certain financial ratios such as leverage ratios, coverage ratios and capitalization ratios.

The principal events of default under our credit facilities are the following:

- *Cross-default / cross-acceleration*. Our credit facilities may be accelerated if we or any of the guarantor subsidiaries (i) defaults on any obligation under other debt instruments or if a default under other debt instruments results in the acceleration of such debt, in each case for an amount equal to or greater than Ps.50.0 million; or (ii) fails to pay one or more final judgments against any of them, aggregating Ps.50.0 million or more, which judgments are not appealed and stayed.

- *Change of control*. Our credit facilities may be accelerated if Carlos Rojas Mota Velasco and/or his successors cease to (i) own, directly or indirectly, more than 25.0% of our or the subsidiary guarantors' capital stock, and (ii) have the power to determine, directly or indirectly, our or the subsidiary guarantors' management and policies.

Derivative financial instruments

We manage our variable interest rate risk with the use of derivative instruments such as swaps and caps. These derivative financial instruments have the economic effect of converting loans with variable rates to loans with fixed rates. The main purpose of using derivative financial instruments is to have certainty of the cash required to meet our financial obligations. Under our interest rate swaps and caps, we receive the difference between the amount of interest accrued on our debt agreements based on variable interest rates and the amount of interest accrued on our derivative financial instruments based on fixed rates.

For example, if interest rates of our loans denominated in Mexican pesos not subject to a hedge had increased/decreased by 10.0% (maintaining all other variables constant), our net income for the year ended December 31, 2013 would have increased/decreased by Ps.3.5 million, mainly as a result of the variation in the cost of interest accrued based on variable rates. Similarly, our results for the year ended December 31, 2012, would have increased/decreased by Ps.4.1 million, mainly as a result of the change in the fair value of financial assets at fixed rates classified as available for sale. In the case of 2011, we had no indebtedness accruing interest at variable rates that was not hedged with a derivative financial instrument.

In addition, if variable interest rates had been five basis points above/below (maintaining all other variables constant), our net income for the years ended December 31, 2012 and 2013 would had increased/decreased by Ps.0.2 million and Ps.1.1 million, respectively, a result of changes in the fair value of derivative financial instruments maintained to hedge our exposure to changes in variable interest rates of our indebtedness denominated in Mexican pesos.

Quantitative and qualitative information concerning market risk

We are exposed to a variety of financial risks such as market risk (including currency, cash flow and pricing risks), credit risk and liquidity risk. Our risk management plan seeks to minimize the potential negative effects of the unpredictability of the markets on our financial performance. Our finance department is responsible for our risk management plan and activities based on policies approved by our board of directors.

See Note 3.1 of our Audited Financial Statements for more information on our risk management.

Financial risk management goals

Within the ordinary course of our business, we are exposed to a variety of financial risks that are outside of our control, including interest and exchange rates fluctuations, that may have an adverse effect in the value of our financial assets and liabilities, our future cash flow and profit. As a result of these market risks, any fluctuation on interest rates and exchange rates could result in losses.

Our risk management policy goal is to assess the possible losses and the consolidated impact of the same, and to mitigate our exposure to fluctuations in interest and exchange rates. We intend to minimize the effects of these risks using derivative financial instruments with hedging purposes. Our management and treasury coordinate access to national and international financial markets, oversee and manage financial risks related to our operations through internal risk report, and analyze the degree and scope of the relevant risks.

The use of derivative financial instruments its governed by the recommendations and policies of our board of directors, which provide guidelines for the management of exchange, interest and credit risk and the use of derivative and non-derivative financial instruments and the investment of excess liquidity. Under these guidelines, we are not authorized to obtain derivative financial instruments for speculative purposes. Derivative financial instruments may only be obtained to mitigate financial risks from our operations.

Our board of directors together with our management team and Chief Financial Officer oversee and evaluate our financial risk management guidelines. In addition, they decide over internal and external sources of liquidity that we can use to satisfy cash requirements derived from our financial instruments. These decisions are made based on our liquidity levels and when an event under our instruments occur.

Pursuant to IFRS 9, our comptroller recognizes on a monthly basis the value of our derivative financial instruments based on their reasonable value, and the effective portion of the relevant instruments' earnings or losses, which are recognized within our comprehensive equity earnings or losses and are reclassified and impact our results in the same period. The correct application of the accounting effect in the results and balance of the performed transactions are reviewed and discussed annually with our external auditors, who validate the information. The valuation processes are reviewed by our external auditor as part of their audit process.

For more information regarding the use of derivative financial instruments please see Notes 3 and 4 of our Audited Financial Statements.

Contractual obligations and business commitments

As of September 30, 2014, we had no material contractual obligations or business commitments, other than contractual obligations related to our outstanding indebtedness. See "—Indebtedness."

Off-balance sheet arrangements

As of September 30, 2014, we had no off-balance sheet arrangements.

Critical accounting policies

The preparation of financial statements requires our management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity and the assumptions and estimates that are significant to our financial statements are described below. Estimates and judgments used in the preparation of our financial statements are continually evaluated and are based on historical experience and other factors, including projections of future events that are believed to be reasonable under the circumstances.

Impairment of goodwill

We perform annual tests to determine whether goodwill shows an indication of impairment, the recoverable amount of SKUs has been determined based on value in use. According to our tests, it was determined that at September 30, 2014 there was no impairment of goodwill, and therefore it was not considered necessary to test sensitivity since the present value of excess cash flows significantly exceeds the book value.

Income taxes

We are subject to payment of income tax in numerous jurisdictions. Significant judgments are required to recognize payable and deferred income tax. There are many transactions and calculations for which such tax assessments may be uncertain. We recognize a liability for matters observed during tax audits if it is likely that an additional tax might be incurred. When the outcome of those processes is different from the estimated liability, the respective differences are recognized in deferred or incurred income tax for the year.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. We use our judgment to select the methods and assumptions to be considered, which are mainly based on market conditions existing at year-end. We have determined the fair value of financial assets by estimating their discounted cash flows. Using this estimation method may result in different amounts from those at maturity. The impact on profit or loss of our derivative financial instruments would be reduced by Ps.3.6 million and Ps.4.1 million approximately or increased by Ps.4.4 million and Ps.4.6 million, if the discount rate used in the analysis of discounted cash flows had differed by 10.0% from our estimates for the periods at September 30, 2014 and for the year ended December 31, 2013, respectively.

Retirement benefits

The present value of retirement obligations depends on analysis determined on an actuarial basis using a number of assumptions. One of the assumptions used to determine net cost for the year is the discount rate. Any changes to these assumptions affect the liability recognized.

The cost of employee benefits that qualify as benefit plans is determined using actuarial valuations. An actuarial valuation involves assumptions about discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are subject to a significant degree of uncertainty.

See Notes 4 of our Audited Financial Statements and our Interim Financial Statements for more information on our critical accounting policies.

THE WATER SOLUTIONS INDUSTRY

Water is a limited global resource that is distributed unequally: 60.0% of all drinking water in the world is concentrated in 10 countries. This results in a need for significant investments to ensure water supply for a growing global population. The increase in demand for drinking water due to the growing population and the constant demand from the industrial and agricultural sectors have made the world pay attention on how scarce water resources are used. The five major trends in the global water solutions industry that are managing investment in the sector are: increased water demand, water cuts without sustainable supplies, poor water quality, centralized infrastructure challenges and greater reuse of water.

Today, about 1.1 billion people do not have access to water for human consumption and more than 2.6 billion people lack access to basic sanitation services according to the World Health Organization. This is why a current growth in water demand will require considerable investments in the next two decades, in which the best technologies available for water reuse, water supply and treatment will play a very important role. The World Health Organization estimates that global losses associated with inadequate water supply and sanitation amount to US$260 billion every year, as it is estimated that about US$22 trillion will be destined to the water solutions industry during the next two decades, which makes the water solutions industry the largest investment component in infrastructure worldwide

The problem generated by the increasing water demand in different sectors has been addressed in a segmented manner, focusing on partial objectives such as obtaining immediate water supply, instead of finding and implementing solutions as part of a comprehensive strategy to generate a balance between different uses of water in order to optimize and share its benefits to the society and the economy. This fragmentation increases the risk for the sustainability of water sources. Moreover, the impact of climate change on water resources and the demand for water generators, transform water issues from an intermittent problem into a serious problem in several areas of the world.

In this context, the strategic objective of the company is to be a leader in solutions for water conservation, water management and care, providing a high level of profitability and efficiency. We intend to continue with this type of approach, positioning us firmly in the water market industry. Our slogan "more and better water for people" ("*que la gente tenga más y mejor agua*") confirms our mission to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people.

What generates water demand?

Water is an essential component for all socio-economic sectors, contributing to each of them in different ways. According to Wall Street Research, the global water industry is a US$600.0 billion market and it is expected to grow at a CAGR of 7.0% until 2020. According to the World Water Report, 100.0% of the global water demand is divided in 70.0% for agricultural use, 20.0% for industrial use and 10.0% for human use and consumption. The growing demand for animal products is increasing the water demand, not only during the breeding, but at each stage along the production process. It is also affecting water quality which reduces its availability.

The World Bank predicts that the global population will grow from 7.05 billion in 2012 to 8.3 billion by 2030 and 9.4 billion by 2050. By 2030, it is predicted that the demand for food will grow to 50.0% and increase to 70.0% by 2050, while the demand for energy will grow 60.0%. These two issues are connected as the increase in agricultural production will increase consumption of water and energy. This situation naturally enhances the competition for the access of water between the different sectors that consume it.

Energy and water are also interdependent of each other. Although there are different sources of energy and electricity, all of them require water during the different production processes, including the extraction of raw materials, thermoelectric cooling processes, cleaning materials, cultivation of for biofuels and for the operation of turbines. Also, energy is required so that water may become available for human use and consumption through pumping, transportation, treatment, desalination, and irrigation. The interdependence of these elements causes sectorial vulnerabilities, given that problems in one sector invariably affects the others.

The demand for water is intended for human use and consumption and will increase significantly given that urban areas will absorb the population growth over the next four decades. Most of the population growth will occur in urban areas in developing countries. It is predicted that developing countries will significantly increase their standards of living in the coming decades. This situation causes the increase in water demand to exceed the population growth, given that currently, a person in a developed country consumes on average 400 liters of water per day while in a developing country a person on average consumes less than 100 liters of water per day.

Water Supply and Sanitation

According to the World Water Report, on a worldwide scale, 87.0% of the population has access to improved drinking water sources. In developing regions this number is 84.0%. Access to drinking water is higher in urban areas, with a 94.0%, while in rural areas is only 76.0%. These estimates do not take into account the quality of service such as intermittent supply or the quality of the water. Also, due to the lack of reliable information in marginalized populations, governments and international agencies may underestimate the real number of people without access to drinking water.

In 2010, 2.6 billion people worldwide had no access to sanitation facilities. According to the United Nations, more people have access to mobile phones than to toilets. From the 1.3 billion people who gained access to sanitation from 1990 to 2008, 64.0% of those people lived in urban areas. Although urban areas provide greater access to sanitation facilities than rural areas, they both are struggling to keep up with the growing needs of the population.

According to the Organization for Economic Cooperation and Development, every dollar invested in water supply and sanitation saves from US$4 to US$12 in healthcare costs. The improvement of the management and administration of water resources, increasing access to clean water and basic sanitation facilities has the potential to improve the quality of life of billions of people by preventing illnesses related to the use and consumption of water with poor quality.

Water Situation in Mexico, Central and South America

There is a long tradition of water management in this region, but with marked contrasts in effectiveness between the countries and sectors. Although progress has been made, it has not been sufficient to reach the expected results to increase efficiency in the conservations and use of water, and they improvement of its quality. However, there has been an increased contribution by access to water into social and economic development. Although progress can be observed in isolated institutions that manage water, World Water Reports highlights that several countries in the region like Brazil, Mexico, Argentina, Chile, Colombia and Peru, have implemented legal reforms to the water management.

Over 8.0% of the world population lives in this region, and half are found in Brazil and Mexico. In this region, 80.0% of the population lives in urban areas. This is the highest proportion found among developing regions. The urban population has tripled its numbers in the past 40 years and it is expected to continue to grow to 609 million by 2030.

Social and economic changes have direct implications for the demand and use of water. The influence of these changes goes beyond the short-term effects of the global financial crisis or economic instability in a particular country. These events can delay or stop programs but they do not have any long-term effect; the change in the demand of water arising from changes in society in the region and in the global economy is more important.

According to the World Water Report, in the last two decades there has been a slow but steady increase in the provision of water and sanitation facilities in the region. In 2008, 97.0% of the urban population and 80.0% of the rural population had access to drinking water, and 86.0% of the urban population and 55.0% of the rural population had access to sanitation. However, these figures hide significant variations in the quality of services. There are also large variations in each country for the access to water services. For example, in southern Mexico, Honduras and Nicaragua there are municipalities in which less than 10.0% of the population has access to drinking water and in Mexico 3.4 million household lack water coverage. According to the World Water Report, approximately 40 million people in 2013 lacked access to drinking water. In addition, according to the World Bank, in 2013, approximately 120 million people in Latin America lacked access to any sanitation or sewage services, with rural areas access at just 55.0%. The region has a significant deficit in the control of water pollution. According to the World Bank, it is estimated that less than 28.0% of wastewater is treated before being discharged and causing pollution. The problem increases as a result of a lack of control to ensure that industries do not discharge contaminated water, particularly small and medium industries that have a low level of technological advancement.

Millennium Development Goals

In September 2000, the leaders of 189 countries assembled at the United Nations Headquarters and approved the Millennium Declaration. This Declaration consists of a commitment to work together towards the creation of a more prosperous world, one that is safer and more equal. The Millennium Declaration established eight governing objectives, known as the Millennium Development Goals, with a specific time frame and measurable progress for the year 2015. Among these goals, Goal 7.C provided a commitment from governments to reduce, by half, the amount of people without access to drinking water and sanitation or sewage services.

According to the 2014 progress report, between 2000 and 2012 Mexico was able to increase by 21.0% the population who had access to drinking water and by 19.0% the population who had access to sanitation or sewage services, complying with the performance indicators established by the World Health Organization and UNICEF. Despite this effort, 22.0% of the Mexican population (both in rural and in urban areas) remains without access to sanitation or sewage services, and 5.0% of the population remains without access to drinking water.

Brazil, in turn, has managed to increase the amount of people with access to drinking water by 15.0% between 2000 and 2012; however, the 2014 progress report shows that it has not yet reached its goal to increase the use of sanitation or sewage services within its population.

With respect to the rest of the countries where we operate, the 2014 progress report shows that many of these countries still need their governments to further efforts in order to increase access to these basic services within their population, above all in respects to the provision of sanitation or sewage services.

As a result, we believe that there is potential for expansion of our operations in the countries where we operate due to the growing needs of the population and economy of improved water infrastructure and general access to drinking water and sanitation or sewage services.

OUR BUSINESS

Overview

We are a leading provider of individual and integrated water solutions in Latin America in terms of sales volumes, with more than 35 years of experience in the Mexican water solutions industry. Our individual water solutions, which consist of cisterns, industrial tanks, water tanks, accessories, hydraulic pumps, sanitary catch pits, hydraulic and sewer pipes, biodigesters, water heaters, water filters and water purifiers, are designed to store, carry and treat water, offering end-users a complete solution to their water management needs. We market and sell our individual water solutions without added services, such as installation and maintenance. Most of the customers for our individual water solutions are authorized distributors such as hardware stores, home centers (home improvement stores) and construction supplies stores that purchase our individual water solutions to resell them to end-users in their different points of sale. We leverage our extensive experience in individual water solutions to provide a wide variety of on-site integrated water solutions to address more complex water management needs. We market and sell our integrated water solutions, which consist of rainwater harvesting systems, outdoor composting bathrooms, drinking fountains, water purifying units and wastewater treatment plants, with value-added services such as engineering, installation, site development, project management and maintenance to achieve maximum functionality. Most of the customers for our integrated water solutions are government entities and agencies that sponsor government programs, construction companies and industrial and agricultural businesses.

For the last twenty years, we have significantly increased the efficiency of our manufacturing, distribution and sale processes by improving our production and logistics infrastructure and developing and implementing a robust and state-of-the-art technological platform. During this time, we expanded our operations from two individual water solutions marketed and sold to 3,000 points of sale in only one country, to 17 individual and integrated water solutions marketed and sold to 23,000 points of sale in twelve countries. Throughout our history, we have revolutionized markets by replacing traditional products for storing, carrying and treating water, with novel, value-added water solutions that better satisfy our customers' needs. For the last three years, we have expanded our product offering from individual water solutions to comprehensive value-added integrated water solutions.

We believe that satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability. We seek to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people. We believe we have the market experience and technological know-how to design and develop effective and innovative solutions to face global challenges related to water scarcity and poor water quality. We operate in markets where clean water is scarce due to droughts, water pollution and limited, unfeasible and unreliable water infrastructure and supply that makes it difficult for end-users to adequately satisfy their water management needs. These countries require a major improvement in water infrastructure, such as storage and distribution systems, and decentralized water solutions to allocate water across regions that lack access to clean water and sanitation. Governments in some of these countries have recently launched comprehensive programs to address the population's unmet basic water and sanitation needs. These and other characteristics specific to the countries where we operate make our products an attractive solution to our customers' water management needs.

We conduct research and develop new technologies through our research and development center to create innovative water solutions and improve our existing water solutions and production processes. This allows us to expand our product mix, reduce our operating costs while achieving optimal operations and react quickly to the changing needs of our customers and industry trends. Every new water solution goes through a development and testing process and once the new water solution satisfies the proper quality standards and measurements, and comprehensive market research has been conducted, we start commercializing the water solution within a specific country or market.

In 1996 we began expanding internationally. As of the date of this offering memorandum, we have operations in twelve countries in the Americas, with 25 production facilities and six distribution centers strategically located in Mexico, Brazil, Peru, Argentina, Central America and the United States. We benefit from state-of-the-art production facilities and a strategic distribution network that allowed us to reach 23,000 points of sale through 6,850 distributors as of September 30, 2014 (considering only distributors that made purchases in the six-month period then ended). We have a diversified customer base, including hardware stores, home centers (home improvement stores), construction supplies stores, government entities and agencies, construction companies and industrial and agricultural businesses.

Our operations are managed under the Rotoplas Way (*Estilo Rotoplas*), through a centralized service center in Mexico that manages our production processes, personnel and systems. This platform focuses on reducing operating expenses and standardizing processes to support our strategic growth plan and profitability. The Rotoplas Way is based on four key aspects of our business: taking advantage of new business opportunities efficiently, streamlining processes that allow a comprehensive and efficient execution of initiatives and a quick reaction to market trends, developing a corporate culture that promotes collaboration within our geographic markets benefiting from synergies, and implementing sound corporate governance practices.

For the year ended December 31, 2013 and the nine-month period ended September 30, 2014, we had consolidated net sales of Ps.5,411.8 million (US$412.8 million) and Ps.4,955.8 million (US$378.0 million), respectively, net consolidated profit of Ps.436.5 million (US$33.3 million) and Ps.292.5 million (US$22.3 million), respectively, EBITDA of Ps.805.4 million (US$61.4 million) and Ps.608.8 million (US$46.4 million), respectively, and EBITDA margin of 14.9% and 12.3%, respectively. We have experienced significant and steady growth over the last twenty years, increasing our net sales and EBITDA at a CAGR of 15.3% and 15.1%, respectively.

Competitive Advantages

We have a combination of capabilities and competitive advantages that we believe allow us to capitalize specific market opportunities to continue providing our innovative and value-added water solutions. We believe that our key competitive advantages are:

Leading position in Latin America

We believe we have significant market shares in the water storage, water flow and water treatment industries in Mexico and most of the countries in Latin America in which we operate. Our well-established business in this market, our geographic footprint and our capacity to fill small, medium and large scale orders provide us with a significant advantage over our competitors in the markets in which we operate. We believe we are the only company that combines capabilities to provide large-scale integrated solutions to store and treat water in rural areas that lack adequate water infrastructure. According to our internal studies, as of September 30, 2014, we were the leader in providing water storage and water flow solutions in Mexico, in providing integrated water solutions in Brazil, and in providing water storage solutions in Peru, Central America and Argentina.

Diversified business

We maintain a diversified portfolio of water solutions, customers and distribution channels in the markets and countries where we operate. This diversification allows for a resilient business model with little correlation to GDP. In the last five and ten years, our net sales grew at a CAGR seven and five times higher than the Latin American economies, respectively. We have a wide variety of individual and integrated water solutions classified into 17 product lines that include outdoor composting bathrooms, drinking fountains, biodigesters, hydraulic pumps, water heaters, cisterns, water filters, water purifying units, wastewater treatment plants, water purifiers, sanitary catch pits, rainwater harvesting systems, industrial tanks, water tanks, hydraulic pipes, sewer pipes and other accessories. Our commercial, marketing and research and development initiatives allow us to meet specific water management needs and develop attractive and competitive water solutions. Our product portfolio is classified by type of solution and is comprised of approximately 5,900 SKUs. Our income is well-diversified among the markets in which we operate and we have a diversified customer base, including hardware stores, home centers (home improvement stores), construction supplies stores, government entities and agencies, construction companies and industrial and agricultural businesses. For the nine-month period ended September 30, 2014, our sales in Mexico, Brazil and the other countries where we operate accounted for 46.2%, 43.2%, and 10.7%, respectively, of our net sales, and only one customer represented more than 10.0% of our net sales for such period.

Strategic distribution network

We benefit from state-of-the-art production facilities and a strategic distribution network which allows us to deliver our solutions to our extensive and diversified customer base. Our strategic distribution network allowed us to reach 23,000 points of sale through 6,850 distributors as of September 30, 2014 (considering only distributors that made purchases in the six-month period then ended). Our high quality customer service has allowed us to develop and maintain long-term relationships with certain distributors across our portfolio. We offer distributors wholesale and bulk discounts to encourage large purchase orders, generate new business and cultivate customer loyalty. We also offer our distributors, decision influencers and service providers, such as plumbers, training and certifications to make our water solutions their preferred choice. From 2011 to 2013, we trained and certified more than 5,000 plumbers per year, 7,251 of which are currently in our database to help us ensure product reliability and ease to install our solutions based on their feedback. In addition, we sell our water solutions to federal, state and municipal governments in the countries where we operate, directly or through government suppliers. From January 1, 2011 to September 30, 2014, we executed more than 15,000 purchase orders from different governmental entities in the countries where we operate, either through contracts awarded directly to us or as a result of public bidding processes, or through their supplier network.

Strong brand recognition

We believe that one of our main competitive advantages is our strong brand recognition in the markets in which we operate. According to a study conducted by TNS in January 2014, our brand name and company name, *Rotoplas*, had a top-of-mind awareness of 75.0% for our individual water storage solutions and was ranked the most remembered brand in Mexico for products of its kind. We believe that the *Rotoplas* brand has developed iconic status and is immediately recognized by millions of customers in the markets in which we operate. We strive to position our brands in the markets in which we operate as synonymous of value, quality, social responsibility and reliability. A study conducted by Millward Brown in July 2014, revealed that customers in Mexico strongly associated our brand *Rotoplas* with these values. Our strong brand recognition has made some of our water solutions, including the water tank, to be considered aspirational products necessary in every household, allowing us to market these water solutions as premium products and establish benchmark prices. In addition, our millions of water tanks sold with our name and logo imprinted serve as an additional advertising tool.

Record of innovation and introduction of value-added water solutions

We are focused on developing water solutions with added value for end-users. Our focus and investment in research and development over the years have been key factors in the creation of innovate individual and integrated water solutions that have contributed to our expansion and growth into new markets. For nearly two decades, we have conducted research and developed new technologies through our research and development center to create innovative water solutions and improve our existing water solutions and production processes. This has allowed us to expand our product mix, reduce our operating costs while achieving optimal operations and react quickly to the changing needs of our customers and industry trends. For example, our research and development center was responsible for launching our integrated water solutions development platform for products such as the outdoor composting bathrooms, drinking fountains, rainwater harvesting systems, water purifying units and wastewater treatment plants which have changed the lifestyle of people that otherwise lacked access to drinking water and sewage or sanitation services. Other water solutions that have revolutionized markets are our water tanks and cisterns made of polyethylene that substituted the heavy and unsafe water tanks made of asbestos and cisterns made of cement, which were costly and difficult to install.

Centralized and efficient platform of processes and systems that support sustained growth

Our operations are managed under the Rotoplas Way, through a centralized and services center located in Mexico which manages processes, personnel and systems through a centralized platform. This platform focuses on reducing operating expenses and standardizing processes to support our strategic growth plan and profitability. We have established and implemented solid operating, administrative, sales and business processes that we believe have allowed us to grow rapidly in an orderly and structured fashion. We have evolved from a family-owned business into a well-established and institutional company with operations in twelve countries in the Americas, driven mainly by institutional evaluation and decision making processes that provide greater strength and foundations to our business plans. Our centralized services center in Mexico has helped us reduce our operating expenses and standardize information reported to our management. We believe this centralized approach has proven to be a key factor in our sustained growth and provides us with a solid platform to explore new markets and take advantage of new business opportunities. Since 2008, we implemented and have been enhancing our Enterprise Resource Planning software developed *ad-hoc* for us by SAP, allowing us to refine and improve our operating processes. For more than ten years, we have established strong corporate governance standards and created committees and other management bodies focused on defining and implementing our growth strategy. Our processes and systems are focused on quickly and efficiently developing new water solutions with our customers and markets. We believe that the consolidation of these processes represents a competitive advantage that allows us to produce high-value data bases to continue with our expansion and growth plans within the countries where we currently operate and successfully enter into new markets. Our steady growth in Brazil exemplifies this. Our processes and corporate infrastructure allowed us to establish nine production facilities in Brazil and increase our production capacity by 250.0%, nearly matching our production capacity in Mexico, in a short period of time (from November 2011 to June 2013). Of these nine production facilities, four were established in a period of 60 days after our first governmental contract was awarded in Brazil.

Strategically located production facilities and ability to install and transfer production facilities efficiently

Our production facilities are strategically located in the countries where we operate. A key aspect of our strategy is to produce our water solutions within a reasonable distance of where they are to be distributed, delivered or installed, allowing us to reduce our distribution costs. Our production facilities have the capacity to distribute our water solutions efficiently within a radius of up to 500 km. We believe that our strategically located production facilities provide us with a unique competitive geographic advantage by allowing us to deliver water solutions efficiently in regions that our competitors can hardly reach. We have the ability to install and transfer our production facilities quickly and at low costs to satisfy existing demand in any specific geographic region. This allows us to maximize our profitability by satisfying high demand for our water solutions in such geographic regions. This also has a favorable impact by reducing our distribution costs and increasing our geographic diversification.

Ability to capitalize on market opportunities in the markets in which we operate

We believe that satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability. Governments in some of the countries where we operate have recently launched comprehensive programs to address the population’s unmet basic water and sanitation needs. As a result, these countries require a major improvement in water infrastructure, such as storage and distribution systems, and decentralized water solutions to allocate water across regions that lack access to clean water and sanitation. The demand for quality water in some of the communities in the countries where we operate and in new markets we could decide to enter, is increasingly more evident and is given more importance by governments in these regions. According to the World Water Report, Mexico, Brazil, Peru, Argentina, Colombia and Chile have implemented structural reforms for water management and infrastructure during the past two decades that have produced a steady increase in water supply and sanitation. Government interest in finding solutions to water scarcity in different communities is increasing rapidly, as enhanced by programs such as Water for Everyone in Brazil and Fight Against Hunger in Mexico. Due to our extensive experience in the water solutions industry, we believe we are well positioned to efficiently satisfy this demand with high-quality products and outstanding service.

Experienced management team with extensive experience in the water industry

Our strong management team has extensive experience in the water solutions industry, with over 100 years of service with us in the aggregate. Our management team has led us through different economic cycles while maintaining high sales growth. This team has been key in the creation of solutions that have revolutionized markets. For example, from the introduction of water tanks made of polyethylene to the creation of our more complex and innovative integrated water solutions, our management team is devoted to developing water solutions that improve the quality of life of people. Our management team has also played a central role in our successful international expansion and institutionalization. We believe that our management team’s extensive experience and in-depth knowledge of the water solutions industry provide us a solid platform for the development and implementation of our growth and expansion plans and give us a significant competitive advantage.

Strategy

Our primary goal is to consolidate our position as the leading provider of individual and integrated water solutions in the countries where we operate and expand our operations to other countries in the Americas. We intend to focus our strategy mainly on increasing the penetration of our brands and market share of our individual water solutions and consolidating our business of integrated water solutions in the countries where we operate. We believe that there is potential for significant expansion in the Americas in the near term due to increasing population and a pressing need for more water infrastructure and better quality water and sanitation. Our slogan "more and better water for people" ("*que la gente tenga más y mejor agua*") confirms our mission to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people.

Continue to provide high-quality, value-added water solutions to our customers and achieve operating excellence

We intend to continue to capitalize on our extensive experience in the water storage industry and our in-depth knowledge of manufacturing processes, sale and distribution networks, international market trends and internal capabilities to continue to provide high-quality, value-added water solutions to our customers. We strive to achieve operating excellence and to gain a deeper understanding of our customers to provide them an adequate and affordable solution to their water management needs. We believe that by following this strategy we have positioned ourselves as leaders in most of the countries where we operate and has distinguished us from our competitors. Our current high service and quality standards, added-value to our customers, operational efficiency and innovative products, have been key factors for us winning highly competitive public bids and being awarded government contracts in Mexico, Brazil, Peru and Central America (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). We intend to adhere to this key element of our strategy to continue to obtain future large-scale contracts and develop new and innovative individual and integrated water solutions to better satisfy our customers' water management needs.

Consolidate our position as a leading supplier and developer of integrated water solutions

We are a leading provider of individual and integrated water solutions in Latin America in terms of sales volumes. We expect to continue to expand our product offering from individual water solutions to comprehensive value-added integrated water solutions. To achieve this goal, we expect to continue to launch innovative integrated water solutions, capitalize on existing markets by promoting among our customers the benefits of our integrated water solutions and invest in our production facilities to increase our production capacity. From 2011 to 2013, net sales of our integrated water solutions grew at a CAGR of 237.2%. In the upcoming years, we intend to focus our operations on our integrated water solutions as we believe they represent an attractive business opportunity. We expect our investment in pre-operating and development expenses in the nine-month period ended September 30, 2014, will have a positive impact in our profit margins for our integrated water solutions in the upcoming years. We believe that our strategy of developing and offering bespoke integrated water solutions to address complex water management needs distinguishes us from our competitors which are only focused on offering individual products to the construction, infrastructure and agricultural industries.

Continue to be an innovative company

Our experience in the water solutions industry, our research and development activities and our business model have allowed us to focus on improving and developing innovative value-added water solutions and services that adequately satisfy the changing and complex water management needs of our customers. For the nine-month period ended September 30, 2014, more than 37.0% of our sales derived from products that were introduced during the last five years and, currently, they are our highest growth products. Every year, we seek to invest at least 1.0% of our net sales in research and development. Through our research and development center we intend to continue to focus on creating water solutions that revolutionize markets. We have changed the markets and products that customers used before and after we started producing and selling new water solutions made of polyethylene and polypropylene. For example, we introduced water tanks made of polyethylene to substitute the heavy and unsafe water tanks made of asbestos which dominated the Mexican water storage market in the 1980s. We introduced cisterns made of polyethylene to substitute cisterns made of cement, which were costly and difficult to install. We also introduced hydraulic pipes made of polypropylene as a more affordable alternative to metal pipes and have additional benefits that make them more durable than CPVC pipes. In addition, we have developed integrated water solutions such as drinking fountains, an affordable solution to encourage the consumption of water in line with recent government programs, as well as outdoor composting bathrooms to substitute latrines and rainwater harvesting systems to substitute the manual collection of water after travelling long distances, which have been the cornerstone of the government program Water for Everyone in Brazil. We currently serve the water value chain, offering a wide variety of water solutions and services that better satisfy our customers' water management needs.

Continue to seek new business opportunities and maintain profitable growth to add value to our business and our shareholders

We began operations in Mexico and have so far expanded our operations to Central and South America, and more recently to the United States. We believe that the experience gained so far in the countries where we operate, favorably positions us to take advantage of growth opportunities in these countries. As a critical part of our strategy, we are constantly analyzing and looking for new business opportunities through organic and inorganic growth. We believe that our differentiated portfolio of water solutions as well as our well-established operating processes allow us to take advantage of new business opportunities to grow. We intend to continue to strive for long term sustainable growth focused on increasing our profitability in each of the markets in which we operate. To achieve this goal, we expect to capitalize on growth opportunities (both organically or through acquisitions and/or strategic alliances) in our individual and integrated water solutions in the markets in which we operate or in new markets that provide a platform for attractive growth.

History and Development

We began operations in 1978 under the corporate name Rotoplas, S.A. de C.V., as a manufacturer of polyethylene products, such as pots and containers for residential use, through the rotational molding process. After a series of corporate restructurings, since 2013 we operate under the corporate name Grupo Rotoplas, S.A. de C.V.

In 1989, several manufacturers of heavy and unsafe water tanks made of asbestos dominated the Mexican water storage market. It was then that we identified the opportunity of introducing water tanks made of polyethylene that were lighter, easier to install and better at inhibiting bacterial growth. This innovation revolutionized the Mexican water storage solutions industry by providing a better water solution and allowed us to position ourselves as an innovative and reliable company. According to our internal studies, in less than three years, we established ourselves as a market leader in Mexico in terms of sales of water tanks for residential use.

In 1991, after the success of our polyethylene water tanks, we began to expand our business with the construction and installation of additional production facilities.

By 1995, we had eight rotomolding facilities located in various cities within Mexico and had achieved national coverage, catering to 800 customers with 500 employees. Upon achieving national coverage within Mexico, we decided to build a plastic blow and injection facility and founded our research and development center with the purpose of generating new and better water solutions, manufacturing processes and water value-added solutions. Additionally, during that year, we incorporated Grupo Rotoplas, S.A. de C.V. as a sub-holding company, and 100.0% of Rotoplas, S.A. de C.V. shares owned by Industria Mexicana de Moldeo Rotacional, S.A. de C.V. were transferred to us.

Based on the success obtained, in 1996 we began our international expansion by opening one production facility in Guatemala. In the following years, we ventured into the Central American market where we currently conduct operations in Belize, Costa Rica, Honduras, El Salvador and Nicaragua; and the South American market, where we currently conduct operations in Brazil, Peru, Argentina and Ecuador (through our Dalkasa Ecuador joint venture).

In 1998, with a focus on expanding our individual water solutions offering and capitalizing on our brand positioning and distribution network, we began to diversify our portfolio of products. We launched our water filters in 1999, our water purifiers in 2000 and our hydraulic pumps in 2001.

In 2003, Aqua International Partners, a private equity fund managed by the Texas Pacific Group (TPG), acquired 20.0% of our capital stock recognizing our growth and value creation potential. In addition, we reorganized our operations to streamline our processes to support our growth. We also launched our first individual water flow solutions in Mexico with the introduction of hydraulic pipes made of polypropylene under the brand *Tuboplus*. We again confirmed our ability to innovate and revolutionize markets by developing an important alternative to traditional copper and CPVC pipes and reiterated our commitment to provide end-users greater benefits and improve their quality of life.

In 2004, striving for greater cost competitiveness, we decided to vertically integrate our raw materials by opening a raw materials and compounding facility in Monterrey, Nuevo León.

Due to the high demand for hydraulic pipes, in 2007, we opened a hydraulic pipe production facility in León, Guanajuato. In 2008, we started offering sewer pipes and started the implementation of our Enterprise Resource Planning software developed by SAP, allowing us to refine and improve our operating processes. This software was the foundation for the creation, in 2009, of our centralized services center focused on consolidating and making more efficient our customer and distributor service and our financial, accounting and billing operations.

In 2009, we launched our *Rotoplas Bio* line through which we ventured into environmentally friendly technologies, developed innovating individual water solutions –such as water heaters and biodigesters– and took an important step forward and started developing integrated water solutions, such as the outdoor composting bathrooms and rainwater harvesting systems.

In 2010, our current shareholders purchased Aqua International Partners' stake in our company. Our experience with this fund helped us evolve from a small family-owned business, into a well-established and institutional company. In that same year, we strengthened our long-term strategic planning process with the support of external consultants.

In the last quarter of 2011, we acquired Conmix in Argentina, our first and, thus far, only acquisition. Conmix was located in the provinces of Tucumán and Buenos Aires and was in the business of producing and selling polyethylene tanks used in homes and in the agriculture sector, under two trademarks *Forteplas* and *Tinacos* that held an estimated 20.0% market share according to our internal studies. Conmix was acquired with the purpose of increasing our leadership in Argentina, lowering production costs through high sales volumes and using its distribution network to strengthen our business. On August 1, 2014, we merged our subsidiary Conmix into our subsidiary Rotoplas Argentina, S.A. to simplify and streamline our operations in Argentina.

During 2013, we increased our integrated water solutions offering by launching drinking fountains, water purifying units and water treatment plants.

During 2011, 2012 and 2013, we were awarded a number of contracts by agencies of the Brazilian and Mexican governments to supply water tanks, cisterns, outdoor composting bathrooms and rainwater harvesting systems to marginalized populations in these countries. Our sales growth in Brazil led to our expansion in that country with the opening of eight new production facilities between 2011 and 2013.

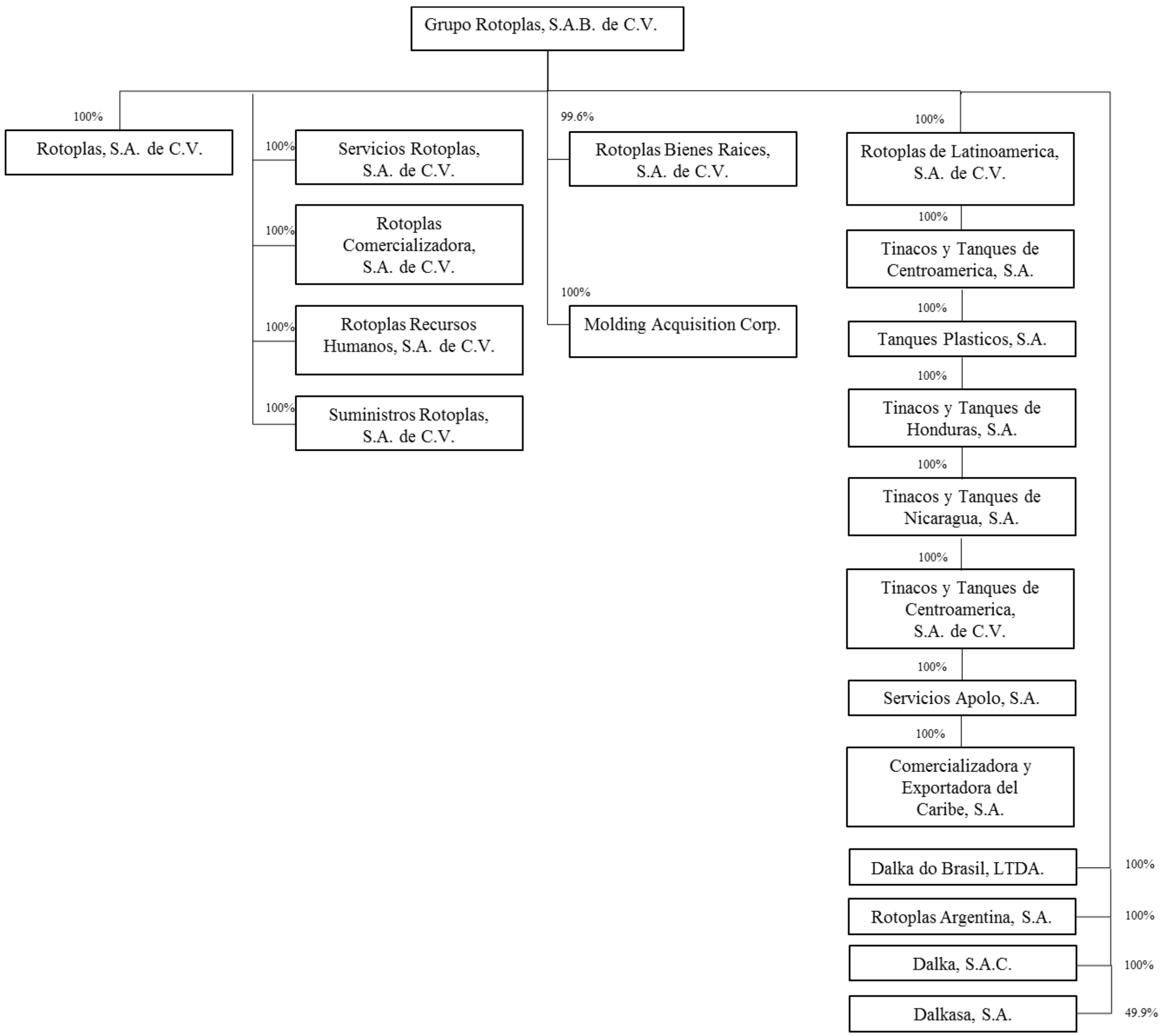
In September 2014, we began operations in the states of Arizona, California and Nevada, in the United States.

Since our inception, we have not been part of any *concurso mercantil* or bankruptcy proceeding or significant litigation or arbitrations proceeding. In addition, no laws or regulations have been issued that have had a material effect in our business.

Corporate Structure

We conduct our operations through our various subsidiaries. We own, directly or indirectly, 100.0% of the capital stock of each of our subsidiaries, except for (i) Rotoplas Bienes Raíces, S.A. de C.V., where we hold a 99.6% stake, and (ii) Dalkasa Ecuador where we hold a 49.9% stake. Except for Rotoplas, S.A. de C.V. and Dalka do Brasil, LTDA., none of our direct or indirect subsidiaries' net profit represented more than 10.0% of our net consolidated profit.

The graphic below depicts our corporate structure:



Water Solutions

We divide our water solutions business in individual and integrated water solutions.

Individual Water Solutions

Our individual water solutions consist of products designed to store, carry and treat water, offering end-users a final solution to their needs. Our individual water solutions have historically been our primary source of growth and revenue.

Individual Water Storage Solutions

Our individual water storage solutions are designed to store water for immediate or future use in urban and rural areas and infrastructure such as houses, buildings, factories and agricultural properties. These solutions consist of cisterns, industrial tanks, water tanks and accessories, with a storage capacity ranging between 250 liters and 25,000 liters. The production process employed to produce these solutions is rotomolding.

Set forth below is a description of our individual water storage solutions. Except as otherwise indicated, none of our individual water storage solutions represented more than 10.0% of our total sales during the nine-month period ended September 30, 2014:

Rotoplas Cisterns

Cisterns are water tanks for residential use with a capacity ranging from 1,200 liters to 16,000 liters. They are usually installed underground in houses and buildings. These water tanks are made of a polyethylene outer layer and an antimicrobial inner layer (AB) that inhibits bacterial growth. They are equipped with water pumps and accessories of the highest quality to improve its functionality and quality of water. One of these accessories is the exclusive HydroNET® filter developed by us, that retains soil and sediment, preventing pipes from clogging and providing high-quality water. For the nine-month period ended September 30, 2014, sales of cisterns represented 23.8% of our total sales.

Rotoplas Industrial Tanks

Industrial tanks are tanks made of reinforced polyethylene with a storage capacity ranging between 250 and 25,000 liters. This high storage capacity tanks are ideal for industrial use and can store more than 300 dense corrosive chemicals such as acids, chlorides and phosphates. These tanks do not generate odors or any type of taste to the stored water.

Rotoplas Water Tanks

Water tanks are tanks with a storage capacity ranging between 450 and 2,500 liters. They are usually installed on roofs of houses and buildings. They are made of three different layers: a polyethylene outer layer, an intermediate foamed layer that provides stability and structure, and an antimicrobial (AB) inner layer that inhibits bacterial growth and protects water from UV rays. We offer water tanks with an improved water system that includes accessories of the highest quality to improve its functionality and quality of water. One of these accessories is the exclusive HydroNET® filter developed by us, that retains soil and sediment, preventing pipes from clogging and providing high-quality water. For the nine-month period ended September 30, 2014, sales of water tanks represented 24.6% of our total sales.

Rotoplas Cone Bottom Tanks

Cone bottom tanks are tanks for industrial use with a storage capacity ranging between 600 and 14,000 liters. These tanks have conical bottoms for ease of dispensing the liquids stored.

Rotoplas Hauling Tanks

Hauling tanks are tanks with a storage capacity ranging between 1,000 and 5,000 liters and are used for transport and nursing applications. These tanks are equipped with an internal balancing system to reduce sloshing and provide stability during transport.

Rotoplas Accessories

Replacements and parts for individual water storage solutions, including valves, electronic sensors for water storage levels, float-balls, fittings, multi-fittings, lids, ball valves and suction pipes.

Individual Water Flow Solutions

Our individual water flow solutions provide solutions to carry high-quality water in urban and rural areas. These solutions consist of hydraulic pumps, sanitary catch pits, hydraulic pipes and sewer pipes, available in diameters ranging between 20 mm and 160 mm. Our hydraulic pipes are produced with high-technology materials such as the antibacterial film that differentiates our pipes from CPVC and metal pipes. The manufacturing process employed to produce these solutions is extrusion.

Set forth below is a description of our individual water flow solutions. Except as otherwise indicated, none of our individual water flow solutions represented more than 10.0% of our total sales during the nine-month period ended September 30, 2014:

Rotoplas Hydraulic Pumps

Our hydraulic pumps include:

- centrifugal pumps, which provide a greater volume of water;
- peripheral pumps, which assist in pumping water at high altitudes;
- submersible pumps, which are used to prevent water from flooding;
- hydro-pneumatic pumps, which are used to maintain a constant pressure in hydraulic systems; and
- circulating pumps, which are used for gas water heaters with no tank.

These water solutions are energy efficient, quiet to operate and can be installed outdoors.

Tuboplus Sanitary Catch Pits

Our Tuboplus sanitary catch pits are wastewater collectors that redistribute fluids without affecting the flow of liquids facilitating the maintenance of a sanitary network. These sanitary catch pits are resistant to fissures and their installation is very simple because they are lightweight, prefabricated and with fittings that can be easily adapted to a pipeline.

Tuboplus Hydraulic Pipes

Our hydraulic pipes are designed to carry hot and cold water efficiently, providing a comprehensive system that covers a wide range of pipes, fittings and tools to meet the needs of the entire hydraulic system in houses, high-rise buildings, industries, vessels and other specific uses. These pipes can also be used in heating or air-conditioning systems that function with cold pneumatic water or compressed air systems. The pipes prevent fissures due to their thermo-fusion technology consisting of the union of the pipe by heat that molecularly fuses the pieces into one individual piece without the need for fillers, threads or special glues. Our hydraulic pipes are available in diameters ranging between 20 and 110 mm and are made of two layers: a polypropylene outer layer that protects from UV rays, and an antibacterial inner layer that inhibits bacterial growth. Other important features are: low pressure drop, high resistance to low temperatures and its lightness and flexibility. For the nine-month period ended September 30, 2014, hydraulic pipes represented 10.8% of our net sales.

Tuboplus Sewer Pipes

Our sewer pipes are designed to carry wastewater, providing a comprehensive system that covers a wide range of pipes, fittings and tools to meet the needs of all sanitary networks for houses, high-rise buildings, industries and other specific uses. They can also be used for heating and sewage discharges of fluids in hospitals, laboratories and industrial buildings. Our sewer pipes are available in diameters ranging between 40 and 160 mm and are made of three layers of highly resistant polypropylene that protects from impacts and UV rays. These pipes' double-lip joint ring ensures a perfect seal and avoids the use of special glues. The double lip ring is designed to withstand oils and chemicals.

Individual Water Treatment Solutions

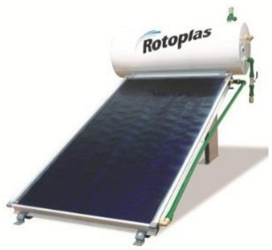
Our individual water treatment solutions provide solutions to improve the quality of water in urban and rural areas. These solutions consist of biodigesters, water heaters, water filters and water purifiers. Our individual water treatment solutions are produced in our injection facility and our rotomolding facilities.

Set forth below is a description of our individual water treatment solutions. None of our individual water treatment solutions represented more than 10.0% of our total sales during the nine-month period ended September 30, 2014:

Rotoplas Biodigesters

Self-cleaning biodigesters are designed for residential use in homes that lack a sewage or wastewater treatment system. This water solution works as an efficient and hygienic alternative to concrete septic tanks and latrines, which are sources of contamination. The capacity of our biodigesters range between 600 and 14,000 liters. Biodigesters also help prevent contamination of groundwater. We currently hold a patent for our biodigesters.

Water Heater



Our water heaters are equipped with solar or electrical panels that save up to 70.0% in gas consumption. Even on cloudy days, our water heaters are able to maintain water at a temperature of 65 °C (149 °F) and is highly resistant to impact, resisting up to 300 kg per cm^2.

Rotoplas Water Filters

Our water filters feature our exclusive HydroNET® technology developed by us that retains 99.0% of the particles equal to or greater than 50 micron, ensuring that the filtered water does not contain garbage or sediments. This prevents pipes from clogging and extends the life of appliances.

Rotoplas Water Purifier

Our water purifiers feature the exclusive HydroPur technology made of activated carbon coated with colloidal silver which retains 99.0% of bacteria and sediments without affecting the smell and taste of water. It serves two purposes which are filter particles and purify water from microorganisms and chemicals. Substantial savings are achieved by substituting the purchase of water jugs with use of the purifier. Each HydroPur cartridge is equivalent to the consumption of 120 jugs of water (approximately 2,400 liters). Our water purifiers are certified by Green Mortgage and Renew Your Home Credit programs sponsored by the INFONAVIT in Mexico. Loans granted by INFONAVIT provide additional funds to purchase environmentally friendly products that reduce household spending due to family savings in water, energy and gas consumption.

Reverse Osmosis Purifier

Our reverse osmosis purifier produces 100.0% reliable water for drinking and food preparation, as the water undergoes a 5-step purification process where viruses, bacteria, heavy metals, chlorine water and sediments are removed. The purifier is capable of reducing salts, chemicals and organic substances, giving the water a better taste, color and odor. It provides 185 liters of purified water per day with a total yield of 33,000 liters per cartridge.

Integrated Water Solutions

Our integrated water solutions consist of products that involve a mix of two or more individual solutions combined to address more complex customer needs. These solutions normally require value-added services such as installation and maintenance in order to function properly.

Set forth below is a description of our integrated water solutions. Except as otherwise indicated, none of our integrated water solutions represented more than 10.0% of our total sales during the nine-month period ended September 30, 2014:

Rainwater Harvesting System

Our rainwater harvesting systems offer a solution for water scarcity in rural and urban communities by collecting and re-using rainwater in a sustainable way. The system is capable of storing 5,000 to 16,000 liters of water to be used for basic functions such as sanitation, irrigation (home and field) and housework. The system also has a simple design for easy installation, use and maintenance. It is comprised of a rainwater tank, storm filter, kit of gutter and hand pump, and is compatible with various types of pipes. For the nine-month period ended September 30, 2014, rainwater harvesting systems represented 22.3% of our net sales.

Outdoor Composting Bathroom (*Baño Digno*)

The outdoor composting bathroom, which we market under the commercial name *Baño Digno* (*Proper Bathroom*), offers a solution to problems of poor sanitation in rural or remote areas. This solution improves the quality of life of people residing in these communities and significantly reduces propensity for gastrointestinal and respiratory diseases. Our outdoor composing bathrooms are an innovative alternative to concrete septic tanks or latrines consisting of an outdoor bathroom with an individual water tank, a biodigester that turns waste into compost, a toilet, a sink, hydraulic and sewer pipes and one sludge valve. To this date, we have installed approximately 150.0 thousand outdoor composting bathrooms in Mexico.

Drinking Fountains

Our drinking fountains offer an affordable solution to encourage the consumption of water as a substitute for soft drinks and sweetened beverages to reduce high rates of childhood obesity. Our drinking fountains are made of polyethylene and are especially safe for children use. Its main purpose is to purify water provided by municipal water supplies and to provide quality drinking water. Our drinking fountains' water purifiers retain suspended particles that are greater than 50 microns and have the ability to remove bacteria, cysts, organic matter and particles larger than 0.01

microns. The purification process is operated through mechanical retention and does not require the use of chemicals. It consists of two modules: the purification module, confined in a metal cabinet for outdoor use, and the dispenser module that has three nozzles. To this date, we have installed approximately 218 drinking fountains in Mexico.

Wastewater Treatment Plant

Our wastewater treatment plants are designed to treat wastewater with organic pollution (BOD> 700) in hotels, hospitals, shopping centers and rural communities. The plants include our Rotoplas industrial tanks reinforced with polyethylene, which help prevent cracks and leaks, making them more resistant. Their process of aerobic and anaerobic treatment allows for a lower cost per cubic meter of treated water compared to other systems, due to minimal sludge production. These plants are designed to reduce noise and odors, in addition to rejecting vectors. They are easy to install due to their 100.0% movable system. Additionally, the use of these plants helps to obtain LEED certification and to comply with Mexican official regulations regarding water reutilization and use of sludge. To this date, we have installed seven water treatment plants in Mexico.

Water Purifying Units

Our water purifying units are designed to improve the quality of rainwater, water from wells and water provided by municipal networks at a lower cost, eliminating viruses, bacteria, heavy metals and dissolved salts associated with diseases. These units provide pure water throughout an hydraulic network which is installed using our hydraulic pipes. They are ideal for hotels, hospitals, residential complexes and rural communities. Our water purifying units are produced in different capacities to fulfill different needs: 5,000, 10,000, 24,000 and 30,000 liters per day. We offer two models: an ultrafiltration system and a reverse osmosis system. To this date, we have installed one water purifying unit in Mexico.

Production Facilities and Distribution Centers

As of September 30, 2014, we had 25 production facilities and six distribution centers strategically located in Mexico, Brazil, Peru, Argentina, Central America and the United States.

Production Facilities

We have four different types of production facilities:

Rotomolding facilities

We produce most of our water solutions at our rotomolding facilities through the rotational molding process. Rotational molding is a manufacturing process that involves heating a hollow mold that is slowly rotated around two perpendicular axes or levels and filled with a polymer that scatters throughout the walls of the mold. The mold rotates at all times during the heating and cooling phase to maintain even thickness and avoid deformations. There are two types of rotomolding processes:

- *Open flame rotational molding* where heat is applied with burners that surround the mold. This process is performed outdoors which causes most of the heat to dissipate into the environment.

- *Oven rotational molding* where the mold is introduced into a closed furnace where it is rotated. This process allows for better control of the temperature parameters.

Our rotomolding facilities have the capacity to produce water storage containers ranging from 250 liters to 25,000 liters and to distribute such products efficiently within a radius of up to 500 km. Our rotomolding facilities are strategically located within a reasonable distance of where our water solutions are to be distributed, delivered or installed in order to reduce distribution and transportation costs. These costs tend to be high due to the size of certain of our water solutions such as tanks and cisterns. The individual water solutions produced at these facilities are cisterns, industrial tanks, water tanks, sanitary catch pits and biodigesters. The integrated water solutions produced at these facilities are rainwater harvesting systems, outdoor composting bathrooms, drinking fountains and wastewater treatment plants.

Our rotomolding process consists of four different stages: raw materials unloading process, manufacturing, finished product and warehouse. Our rotomolding facilities receive raw materials for production from our raw materials (compounding) facility and receive components and accessories from our injection facility. Our rotomolding facilities also serve as warehouses for our inventory. Our distribution network starts at these production facilities from where solutions are delivered to our customers. As of September 30, 2014, we had 21 rotomolding facilities; eight of which were located in Mexico, eight in Brazil, one in Peru, two in Argentina, one in Guatemala and one in the United States.

On June 30, 2014, we closed a production facility in Cabo de Santo, Pernambuco, in Brazil. Our decision to close this facility was driven by our constant effort to create distribution efficiencies and reduce operating costs. All the equipment installed and located at this facility was diverted to other production facilities in Brazil in order to maintain our steady production capacity.

Raw materials (compounding) facilities

Our raw materials (compounding) facilities produce the compound used in our rotomolding process. We process raw materials at these facilities by mixing polyethylene pellets with color and additives such as bacteria repellents to create a value-added compound. All of the compound produced at our raw materials (compounding) facilities is for internal use and it is not sold to third parties. As of September 30, 2014, we had two raw materials facilities located in Mexico (in charge of the distribution of compound to all of our rotomolding facilities located outside Brazil) and Brazil (in charge of the distribution of compound to our rotomolding facilities located in Brazil).

Injection facility

Our injection facility produces most of the components and accessories that complement our water storage and treatment solutions. Our injection facility is equipped for the following processes:

- *Thermoplastic injection molding* where a polymer is melted or softened with heat and is then injected into a hollow mold at specific pressure, speed and temperature. After the mold cavities are filled, the polymer cools until rigid taking the shape and dimensions of the mold.

- *Injection blow molding* where a polymer is melted or softened in an extruder barrel and is then fed into a manifold where it is injected through nozzles into a hollow, heated mold. The mold forms the external shape and is clamped around the core rod which forms the internal shape of the polymer.

Some examples of components and accessories produced at our injection facility are tank lids, water level sensors, float-balls, multi-fittings, sanitary catch pits, filters and purifiers. All of the components and accessories produced at our injection facility are for internal use and are not sold to third parties. As of September 30, 2014, we had one injection facility located in Mexico.

Extrusion facility

We produce all of our hydraulic and sewer pipes and some of our water flow solutions and accessories at our extrusion facility through the extrusion process. Extrusion is a process used to create fixed cross-sectional objects by pushing or drawing a thermoplastic material through a die of the desired cross-section. All of the accessories produced at our extrusion facility are for internal use and are not sold to third parties. As of September 30, 2014, we had one extrusion facility located in Mexico.

All our facilities in Mexico are certified with ISO 9001 standards. In addition, facilities located in León, Guanajuato and Lerma, State of Mexico, are operating under the ISO 14001 environmental certification and security certification ISO 18001. We currently expect that we will be able to implement the ISO 18001 security certification in all of our all facilities.

The table below sets forth certain information about our production facilities:

Facility	City	State	Country	Manufacturing process	Production surface area (m2)	Annual capacity (tons)	Utilization	Coverage	Owned/ Leased	Years of operation
Raw materials (compounding)	Guadalupe	Nuevo León	Mexico	Compounds	1,556	48,000	90.0%	Latin America	Owned	10
Injection Lerma	Lerma	Edo. Mexico	Mexico	Injection/ Accessories	6,461	96,000,000[2]	90.0%	Latin America	Owned	20
Extrusion León	León	Guanajuato	Mexico	Extrusion Pipes	13,330	108,000,000[2]	75.0%	Latin America	Owned	7
Rotomolding Anáhuac	Mexico City	Mexico City	Mexico	Rotomolding	2,322	8,458	70.0%	Local	Owned / Leased[(1)]	36
Rotomolding Pacífico	Los Mochis	Sinaloa	Mexico	Rotomolding	1,820	3,076	65.0%	Local	Owned	19
Rotomolding Golfo	Veracruz	Veracruz	Mexico	Rotomolding	4,135	4,392	65.0%	Local	Owned	21
Rotomolding Guadalajara	Guadalajara	Jalisco	Mexico	Rotomolding	4,275	4,150	50.0%	Local	Owned	23
Rotomolding Sureste	Mérida	Yucatán	Mexico	Rotomolding	2,400	3,591	55.0%	Local	Owned	20
Rotomolding Tuxtla	Tuxtla Gutiérrez	Chiapas	Mexico	Rotomolding	1,021	1,257	50.0%	Local	Leased	19
Rotomolding Monterrey	Guadalupe	Nuevo León	Mexico	Rotomolding	2,400	5,900	38.0%	Local	Owned	23
Rotomolding León	León	Guanajuato	Mexico	Rotomolding	6,650	8,700	70.0%	Local	Owned	21
Rotomolding Extrema	Extrema	Minas Gerais	Brazil	Rotomolding	3,000	6,000	80.0%	Local	Owned	2
Rotomolding Montes Claros	Montes Claros	Minas Gerias	Brazil	Rotomolding	9,000	12,300	86.0%	Local	Leased	2
Rotomolding Penedo	Penedo	Alagoas	Brazil	Rotomolding	1,300	9,000	86.0%	Local	Leased	2
Rotomolding Petrolina	Petrolina	Pernambuco	Brazil	Rotomolding	25,000	8,600	86.0%	Local	Leased	2
Rotomolding Teresina	Teresina	Piaui	Brazil	Rotomolding	5,000	6,900	86.0%	Local	Leased	2
Rotomolding Maracanaú	Maracanaú	Ceará	Brazil	Rotomolding	39,000	17,400	86.0%	Local	Leased	1
Rotomolding Palmas Tocantins	Palmas	Tocantins	Brazil	Rotomolding	6,000	3,001	86.0%	Local	Leased	1
Rotomolding Simões Filho	Simões Filho	Bahia	Brazil	Rotomolding	4,000	8,600	86.0%	Local	Leased	1
Raw materials (compounding) Simões Filho	Simões Filho	Bahia	Brazil	Compounds	4,000	21,000	90.0%	Local	Leased	1
Rotomolding Peru	Lima	Lima	Peru	Rotomolding	2,923	4,295	57.0%	Local	Leased	16
Rotomolding Pilar	Pilar	Buenos Aires	Argentina	Rotomolding	2,062	3,925	67.0%	Local	Owned	17
Rotomolding Tucumán	Tucumán	Tucumán	Argentina	Rotomolding	1,050	1,152	63.0%	Local	Leased	3
Rotomolding Guatemala	Villanueva	Guatemala	Guatemala	Rotomolding	1,245	2,644	65.0%	Central America	Owned	18
Rotomolding Salvador	Merced	California	US	Rotomolding	26,300	2,000	-	Local	Leased	-

(1) This facility is partially owned by us and we lease an adjacent property.
(2) Units.

In the last three fiscal years, there has been no substantial variation of our capital requirement needs or a need to maintain a high level of inventory in the ordinary course of our business.

We maintain insurance in all our production facilities covering various risks, including damages, civil liability, and criminal activity. We believe that our insurance coverage is similar to that of other companies in the industry and in line with industry standards.

Distribution Centers

As of September 30, 2014, we had six distribution centers located in Mexico, Costa Rica, El Salvador, Honduras, Nicaragua and Peru. We lease all the properties where our distribution centers are located. We store our inventory and finished solutions at our distribution centers. Like our rotomolding facilities, our distribution centers are located in strategic locations within a reasonable distance of where our water solutions are to be distributed, delivered or installed in order to reduce distribution and transportation costs. We do not carry out any production or manufacturing processes within our distribution centers.

Raw Materials

We use different raw materials in our manufacturing process, including the following:

Polyethylene

Polyethylene is an oil or gas derivative consisting of a white thermoplastic, transparent to translucent, which is often made of thin transparent sheets. The thick sections are translucent and have a waxy appearance. By using dyes, a variety of colored products can be obtained. Polyethylene is the main raw material used in the rotational molding process and is exclusively transformed at our raw materials (compounding) facilities.

Polypropylene

Polypropylene is an oil or gas derivative consisting of a semi-crystalline thermoplastic material. Polypropylene has many applications and is therefore one of the most developed thermoplastic products. It is an inert, recyclable product, in which incineration has no polluting effect, and its production technology has the lowest environmental impact. This is an attractive feature for alternative materials. Polypropylene is the main raw material used in the production of our individual water flow solutions.

Calcium Carbonate

Calcium carbonate is an abundant substance in nature, found as a major component in the form of rocks worldwide. It is also the main component of shells and skeletons of many organisms (i.e. mollusks, corals) or eggshells. Calcium carbonate is mainly used in the production of individual water storage solutions.

Masterbatch

Masterbatch is a solid or liquid additive used to add color to plastics.

Suppliers

We believe we are one of the largest buyers of polyethylene in the world in the rotomolding industry. Most of our raw materials are purchased from suppliers in North America and Brazil. Some of our main suppliers, with whom we maintain a close relationship, are Braskem S.A., the Dow Chemical Company, Indelpro, S.A. de C.V., Vinmar International Ltd., Equistar Chemicals (subsidiary of LyondellBasell), Chemtex Global N.V., PEMEX, Marangon S.R.L. and Pentair Ltd. (Sta-Rite). We also have several suppliers in Asia and Europe to diversify our risk. We have an active portfolio of over 4,700 suppliers around the world.

Sales and Distribution

Our water solutions are sold to our customers through two different sales models in all the countries where we operate. These sales models are:

- *Sales to distributors*: this is the model we have historically used and constitutes our main source of income in all the countries where we operate, except Brazil. Through this model, we sell our products to distributors who may be hardware stores, home centers (home improvement stores) or construction supplies stores. Such distributors in turn sell our water solutions to end-users throughout their own points of sale and infrastructure.

- *Direct sales*: this model is used only for specific projects, particularly government contracts. In recent years, we have focused our direct sales to government programs such as Fight Against Hunger in Mexico and Water for Everyone in Brazil. This model constitutes our main source of income in Brazil. We typically offer value-added services to our end-users such as product delivery, installation and maintenance.

Our water solutions are sold to our customers through five different distribution channels in all the countries where we operate. We have classified our distribution channels into the following five channels because each one has special negotiation, distribution and operation features:

- *Traditional channel*: through this channel, we sell our water solutions directly to distributors who in turn sell our products to end-users through their different points of sales, such as hardware stores and construction supplies stores.

- *Government channel*: through this channel, we sell our water solutions to non-for-profit organizations, such as NGOs, and to government entities and agencies at the federal, state and municipal levels.

- *Construction channel*: through this channel, we sell our water solutions to companies engaged in the construction industry, both at a regional and national level.

- *Modern retail channel*: through this channel, we sell our water solutions to home centers (home improvement stores), which offer both building and home improvement supplies.

- *Industry channel*: through this channel, we sell our water solutions to the production industry such as manufacturing facilities and agricultural sector.

The table below sets forth our net sales per distribution channel for the years and periods indicated:

	Nine months ended September 30,			**Year ended December 31,**			
	2014	**2014**	**2013**	**2013**	**2013**	**2012**	**2011**
	(in millions of US$)	**(in millions of Ps.)**		**(in millions of US$)**	**(in millions of Ps.)**		
Net sales per channel							
Traditional	128.2	1,680.1	1,630.2	166.3	2,180.0	2,187.3	1,943.6
Government	184.0	2,412.4	1,484.9	167.6	2,197.7	1,475.2	255.3
Construction	33.8	442.5	363.0	38.1	499.6	533.4	422.9
Modern retail	22.1	290.0	286.8	28.7	376.2	337.3	279.5
Industry	10.0	130.8	115.4	12.1	158.4	146.8	154.5
Total net sales	**378.0**	**4,955.8**	**3,880.4**	**412.8**	**5,411.8**	**4,680.0**	**3,055.8**

Historically, our most important distribution channel it terms of sales has been our traditional channel. However, in recent years, due to an increased number of projects and government contracts awarded to us, our government channel has become more relevant. For 2011, 2012 and 2013 and the nine-month period ended September 30, 2014, our traditional channel accounted for 63.6%, 46.7%, 40.3% and 33.9% of our total sales, respectively, and the government channel accounted for 8.4%, 31.5%, 40.6% and 48.7% of our total sales, respectively.

Our government channel has become more relevant in recent years due to an increased number of projects and government contracts awarded to us through public bids and negotiations with the different governments. There are various ways to obtain government contracts, either at the federal, state or municipal levels. The most common are through our participation in public bids, restricted invitations, or through direct awards, the particular terms and conditions of which may vary from jurisdiction to jurisdiction.

We participate directly or through our authorized distributors in government projects or programs related to social welfare that require our water solutions. Public bids, restricted invitations and direct awards may vary in terms of the size of the project, the products required and the procedures involved. Some examples of direct awards are the contract for biodigesters for the town of Tlanchinol in Hidalgo, Mexico or the larger government contract awarded by SEDESOL for a total of 11,150 rainwater harvesting system and 11,150 outdoor composting bathrooms that included installation services at a national level. In Brazil, our largest contract with the government has been for the sale of 60,000 cisterns to the Brazilian National Department of Works Against Draught (*Departamento Nacional de Obras Contra as Secas*, DNOCS). In the period between January 1, 2011 and September 30, 2014, we executed more than 15,000 purchase orders with various federal, state and municipal government entities and agencies in Mexico, Brazil, Peru, Costa Rica, El Salvador, Guatemala and Nicaragua. In addition, during the second and third quarters of 2014, we were awarded directly or through our distributors four drinking fountain sale and maintenance contracts in Mexico to procure, install and maintain 266 drinking fountains in schools located in Mexico City and the States of Coahuila and Veracruz. We expect that these four contracts will generate revenues for Ps.28.1 million (US$2.1 million) during the fourth quarter of 2014.

In public bids sponsored by governments, multiple parties can submit proposals and the bid winner is the party that presents the best technical and financial proposal. The winner is selected based on its technical ability (technical and product requirements) and its economic proposal, which must be within the range the authority contemplated for preparing its budget and in accordance with market studies. The bid process consists in submitting all documentation relating to specific solutions as well as the economic proposal (cost of products) within the period of time established by the relevant authority. Once submitted, the authority issues a decision where it announces the winning bidder. Shortly thereafter, a contract is awarded and signed by the winning bidder and the authority, setting forth the terms and conditions for the implementation of the program. Bids may also vary in complexity. For example, in order to be awarded the contract for the program Fight Against Hunger in Mexico, we participated in a national bidding process, where only a limited number of participants had the infrastructure and production capacity to execute the project. On the other hand, to be awarded the contract for the program Water for Everyone in Brazil we had to participate in multiple bidding processes at a national and state level. Government contracts that are awarded directly, as opposed to through a bidding process, take into account the bidder's experience with a specific supplier, the company's reputation and the offered price, and are awarded at the discretion of the granting authority.

Our individual and integrated water solutions provide governments with different alternatives at a competitive cost in order to create the necessary infrastructure to bring water to remote communities with small populations. We offer governments integrated and competitive solutions through a combination of excellent product quality, timely deliveries, low costs and easy installation, ultimately delivering a final solutions to their needs.

Sales Strategy

We focus on individual and integrated water solutions which are sold through our five different distribution channels, each supported by a differentiated marketing strategy.

Mexico

Our sales strategy in Mexico is divided by distribution channel. Each channel has a devoted sales team led by a country manager who reports directly to the Chief Operating Officer. Sales teams that are responsible for the construction and traditional channels are led by a regional manager. We divide these channels into four different regions within Mexico: Mexico City and metropolitan area; gulf of Mexico and southeast; west and north west region; and low-lands region and northeast. Our sales structure allows these channels to be serviced by a sales representative who understands the needs of the customers of each channel and ensures the best possible solution through customer monitoring and assistance services. To achieve this, we organize and provide multiple training sessions for sales teams, customers, and other market participants, such as installers and providers of home improvement services.

Sales teams that manage our modern retail, industry and government channels are centrally organized from our corporate offices located in Mexico City and led by a manager who is responsible for these channels.

With the continuing goal of improving customer service, in 2011 we implemented a Customer Relationship Management system (CRM). This system has three main functions: (i) to provide information and statistics about our customers to the sales team, (ii) to capture online orders, thereby reducing the time period between our customer's purchase orders and delivery of the relevant solutions, and (iii) managing and monitoring activities of our sales force. In addition, we have a customer service team (*Centro de Atención a Clientes*) that is present in all the countries where we operate. This team helps us support our sales force and provide efficient service to our customers. The principal duties of this team are to register and track purchase orders, provide information on our water solutions, and provide post-sale services, such as technical support, handling any returns, complaints and warranty issues.

Brazil

In Brazil, our sales strategy is implemented through two country managers. One country manager is responsible for our APS division and the other for our Acqualimp division. The APS country manager reports to our Vice President of New Businesses and the Acqualimp country manager reports to our Chief Operating Officer. Each country manager is supported by regional managers and external salesmen. Each of these country managers is also responsible for overseeing customer service.

Others

In Peru, Argentina, United States and Central America, our sales strategy is implemented through country managers in each of this countries and region who are in charge of our different distribution channels and are supported by regional managers and external salesmen. Each of these country managers is also responsible for overseeing customer service. Sales managers report to the specific country manager who in turn reports directly to our Chief Operating Officer.

In Guatemala, our largest operation in Central America, we have a regional sales manager and sales executives responsible for all our different distribution channels. Our regional sales manager is responsible for sales and customer service and reports directly to our Chief Operating Officer.

Distribution Network

We outsource distribution and transportation services to specialized transportation service companies that work together with us to ensure proper quality and adequate manner and time of delivery. We do not own or manage freight vehicles used to distribute our water solutions in any of the countries where we operate.

Our distribution network works in two different levels: primary and secondary. Our primary distribution network consists of distribution of raw materials, compounds, accessories and products from our raw materials (compounding) facilities, injection facility and extrusion facility to our rotomolding facilities. Our distribution network in Mexico and Central America is made by land. In Central America, our distribution is centralized in Guatemala where it is then redistributed to distribution centers located in the other countries within the region. Primary distribution to Brazil, Peru, Argentina and Ecuador is made by sea. Deliveries to Brazil and Argentina are made from the port of Veracruz and to Peru and Ecuador from the port of Manzanillo, both located in Mexico. We export an average of 100 containers per month to our operations outside Mexico. Our average expenditure for primary distribution services, in the last three years, has been 1.1% over net sales.

Our secondary distribution network consists of distribution of finished products from our production facilities in Mexico to our customers using in all cases specialized third-parties distribution. Our average expenditure for secondary distribution services in the last three years has been 8.0% over net sales. Transportation costs for our individual water storage solutions is significantly higher than the rest of our water solutions because the weight transported is proportionately low relative to the volume of the products being transported. Our continued goal is to make our distribution cost more efficient at both the primary and the secondary levels, which we strive to do by reengineering our water solutions at our research and development center.

We also outsource services by third-parties who are specialized in the distribution, installation and maintenance of individual and integrated water solutions. They assist us in providing services in connection with specific projects such as Water for Everyone in Brazil and Fight Against Hunger in Mexico. We work closely with these companies to ensure that distribution and installation services are adequately and efficiently performed, while focusing on our expansion plans.

We believe our distribution network represents a strong barrier to entry for other competitors in the markets where operate since they do not have the ability to reach the same clients in our markets.

Marketing

We complement our sales strategy with a comprehensive marketing strategy. For 2011, 2012 and 2013 approximately 3.0% of our net sales was invested in marketing expenses. Our primary focus in recent years has been to position ourselves as a business with a wide variety of individual and integrated water solutions. We seek to have an effective go-to-market strategy. With this in mind, we support our distributions channels with strategies such as:

- advertising and media, consisting of advertisement through electronic media such as television, radio, internet, print advertising and participation in industry exhibitions and expos, among others;
- point of sale (trade), consisting of training of sales representatives in the different points of sale, among others;
- customer service and relations, consisting of a 24/7 customer support line, among others;
- training and certification of customers and installers, through our plumber and distributor training programs, among others; and
- market intelligence and pricing, consisting of constant reviews of our brand recognition, market share and pricing strategies by renowned marketing and strategy consulting firms.

Customers

As of September 30, 2014, we had approximately 6,850 customers (considering only customers that made purchases in the six-month period then ended). Most of these customers are authorized distributors of our water solutions. Authorized distributors are customers who purchase our water solutions to resell them to end-users in their different points of sale such as hardware stores, home centers (home improvement stores) and construction supplies stores. Sales to distributors are made through direct purchases based on purchase orders. As a result, we have no distribution agreements for these sales. We offer distributors wholesale and bulk discounts to encourage large purchase orders, generate new business and cultivate customer loyalty. We also offer our distributors training and customer service to develop in-store merchandising support to sales representatives. We believe that strong support in our distributors' points of sale is key to closing the loop between the end-user and the sale of our water solutions.

The rest of our customers are direct customers, primarily government entities and agencies. For the nine-month period ended September 30, 2014, our sales to governmental entities and agencies of Brazil represented 37.7% of our total sales, 12.8% of which were sales to a single government entity. Except for this customer, none of our other customers accounted for more than 10.0% our total sales during such period. We produce a broad range of solutions and therefore have a significant number of customers in a diversified customer base.

We believe that our water solutions have a positive impact in our customers' day-to-day activities. According to a study by Vox Populi and Harvard University on the impact of our water solutions in Brazil, families that had a rainwater harvesting system increased water consumption from 6.6 to 10.2 glasses per day, have provided 23.0% incremental income and 5.5 more hours per week to our customers by eliminating the need to manually collect water. In addition, 80.0% of our customers cook three meals at home and 98.0% use cistern water to cook.

Geographic Markets

We operate our business in three different regions, which we account for and report as three different geographic markets. We conduct our operations in our different geographic markets through wholly-owned local subsidiaries. Our local subsidiaries follow the Rotoplas Way and are managed by local executives with strong knowledge of local markets.

Mexico

We were formed and began our operations in Mexico in 1978. Mexico has historically been our primary source of revenue. Our operations in Mexico include the production, marketing and sale of individual water storage, flow and treatment solutions and integrated water solutions. As of September 30, 2014, we had eight rotomolding facilities located in the states of Chiapas, Federal District, State of Mexico, Guanajuato, Jalisco, Nuevo León, Sinaloa, Veracruz and Yucatán, one raw materials (compounding) facility located in the state of Nuevo León, one injection facility located in the state of Mexico, one extrusion facility located in the state of Guanajuato, one distribution center located in the state of Sonora and one research and development center located in the state of Guanajuato. This comprehensive production and distribution network provides us with national coverage. For 2011, 2012 and 2013 and for the nine-month period ended September 30, 2014, our net sales in Mexico were Ps.2,297.5 million, Ps.2,595.8 million, Ps.2,627.5 million and Ps.2,288.1 million, respectively. For the nine-month period ended September 30, 2014, our business in Mexico accounted for 46.2% of our consolidated sales. As of September 30, 2014, we had approximately 1,938 customers in Mexico (considering only customers that made purchases in the six-month period then ended).

In addition to our Mexican business operations, Mexico serves as a centralized platform where various operational support processes are provided to other countries in order to reduce costs and increase efficiency. Some of these centralized processes are:

- the production and delivery of raw materials to all of our rotomolding facilities (except for rotomolding facilities located in Brazil);
- the production and delivery of accessories for all of our water solutions;
- the production and delivery of all of our individual water flow solutions;
- a services center that implements shared and centralized processes for all the countries where we operate in the comptroller, accounting, costs, accounts receivable, taxes, intercompany and payroll departments;
- the centralization of technology, information and communications services, treasury and risk management; and
- research and development performed at our research and development center, which develops new water solutions adapting global technologies to improve manufacturing processes.

Government Programs and Opportunity

The Mexican government has recently focused on sponsoring comprehensive programs to improve water infrastructure and distribution systems to allocate water across regions that lack access to clean water and sanitation. It has also focused on programs that encourage the consumption of water as a substitute for soft drinks and sweetened beverages to reduce high rates of childhood obesity and diabetes. These programs make our products an essential and attractive solution to our customers in Mexico.

Fight Against Hunger

In 2013, we won a public bid sponsored by SEDESOL and were awarded a government contract for the distribution and installation of rainwater harvesting systems and outdoor composting bathrooms on a national scale. The national public bid was a competitive process in which several contestants submitted their proposals and we were declared winners based on our technical skills (the technical and product requirements) and economic solvency (our proposal was within the range acceptable to the authority).

This contract is the result of the program sponsored by the Mexican federal government denominated Fight Against Hunger. Fight Against Hunger is a strategy of inclusion and social welfare in Mexico using joint efforts and resources from federal, state and municipal governments, as well as from the public, social and private sectors and international organizations and institutions. Fight Against Hunger was launched in January 2013 with the purpose of reducing extreme poverty in Mexico. The program involves initiatives that address causes of extreme poverty and famine with a comprehensive approach that addresses different problems and necessities. This program involves the combination of resources and actions of at least 70 federal programs sponsored by 19 agencies, and state and local governments. In February 2014, we successfully completed all sales and installations related to this contract. In total, from November 2013 to February 2014 we installed over 11,150 outdoor composting bathrooms and 11,150 rainwater harvesting systems, benefiting more than 22,000 families.

In addition to the procurement of high-volume programs such as Fight Against Hunger, we are also involved in small-scale sales to government agencies and entities, directly or through distributors.

According to our internal research, we believe the market size for our rainwater harvesting systems and outdoor composting bathrooms in Mexico to be approximately 1.6 million and 3.9 million units, respectively.

Drinking Fountains – State of Coahuila

In August 2014, we won two public bids sponsored by the state of Coahuila to procure, install and maintain 218 drinking fountains in schools located in the municipalities of Piedras Negras and Acuña. We expect that these two contracts will generate revenues for Ps.25.6 million (US$1.9 million) during the fourth quarter of 2014. According to our internal research, we believe the market size for our drinking fountains in Mexico to be approximately 181.0 thousand units.

This contract is the result of the federal government's initiative to encourage the consumption of water as a substitute for soft drinks and sweetened beverages to reduce high rates of childhood obesity. In line with this trend, in March 2014, the Mexican federal government launched a comprehensive program to encourage the consumption of water in schools. Recently enacted laws now require public and private schools in Mexico to offer a sufficient number of drinking fountains with continuous drinking water supply in each education facility. Private schools have 18 months and public schools have three years from May 2014 to install drinking fountains. The Mexican federal government has indicated that it will award two types of contracts for drinking fountains in public schools: sale contracts, where the government will buy water purifiers and drinking fountains without any added services, and long-term lease agreements, where the government will lease water purifiers and drinking fountains for extended periods of time and will include added services such as installation and maintenance for the duration of the lease. We expect that this demand for drinking water will represent a unique opportunity. We recently developed affordable and durable drinking fountains made of polyethylene that are specifically designed for children use. We expect to leverage our high service and quality standards, added-value to our customers, operational efficiency and innovative water purifier and drinking fountain solutions to take advantage of this business opportunity.

We believe that this demand for drinking water in public and private schools represents a unique opportunity. We recently designed affordable and resistant drinking fountains made of polyethylene that are especially safe for children use. We expect to leverage our high service standards, added-value to our customers, operational level and innovative drinking fountain solution to take advantage of this business opportunity.

Our participation in these programs is consistent with our goal to provide access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people. We have a proven ability and know-how to participate in major government processes and execute large-scale government contracts. We believe that our production capacity, infrastructure, competitive prices, product quality and experience increase our opportunities to obtain new government contracts.

We participate in public bidding processes under the most stringent internal rules and in compliance with our Code of Ethics and internal controls in order to prevent bribery and corruption. We expect to continue enforcing compliance with our internal controls to prevent corruption within our organization. See “Management—Regulatory Compliance” for a description of our internal policies and code of ethics.

Brazil

We began operations in Brazil in 2001. Brazil has historically been our second most important source of revenue. Sales efforts in Brazil are divided into two divisions: Acqualimp Brazil, which sells individual and integrated water solutions through distributors, and APS, which is focused on government contracts to supply our water solutions under government programs. As of September 30, 2014, we had eight rotomolding facilities located in the states of Alagoas, Bahía, Ceará, Minas Gerais, Pernambuco, Piauí and Tocantins and one raw materials (compounding) facility located in the state of Bahia. Acqualimp Brazil uses one rotomolding facility for its operations, located in Extrema, Minas Gerais which supplies solutions to suppliers in southeastern Brazil, in the states of Espírito Santo, Rio de Janeiro, São Paulo and Paraná. APS uses seven rotomolding facilities for its operations, covering northeastern Brazil. For the nine-month period ended September 30, 2014, our business in Brazil accounted for 43.2% of our consolidated sales. As of September 30, 2014, we had approximately 1,816 customers in Brazil (considering only customers that made purchases in the six-month period then ended).

Government Programs and Opportunity

Brazil is currently amidst the worst drought in 40 years, with various cities (including Sao Paulo) at risk of running out of water. Since 2003, the federal government of Brazil has sponsored programs to provide quality water to people in extreme poverty living in regions where water is scarce or difficult to obtain. As part of this initiative, in 2010, the federal government of Brazil launched the government program Brazil without Extreme Poverty. This program combines all the major social programs in the country and involves a comprehensive and innovative plan to help approximately 15 million people in extreme poverty through the use of technology.

The Brazilian semiarid regions in the northeast are some of the most affected regions in Brazil due to water scarcity. According to the 2010 Population Census conducted by the Brazilian Institute of Geography and Statistics, the Brazilian semiarid region covers an area of 980,100,000 km^2, in which 1,135 municipalities are located within nine Brazilian states. This is the most densely populated semiarid region in the world. This region has a population of 22.5 million people with approximately 5.5 million households, or 12.0% of the total population in Brazil, 8 million of which live in rural areas. Due to the intense heat that characterizes this region, shallow water containers are impractical due to strong evaporation.

According to our internal research, we believe the market size for our rainwater harvesting systems and outdoor composting bathrooms in Brazil to be approximately 4.6 million and 6.4 million units, respectively.

Water for Everyone

In 2011, 2012 and 2013, we won several public bids and were awarded various government contracts by different entities and agencies of the federal government of Brazil.

These contracts are the result of the program sponsored by the federal government of Brazil through the Ministry of National Integration denominated Water for Everyone. Under the P1 MC plan (one of the first government programs of the overall initiative), the government of Brazil provided cisterns with rainwater harvesting capabilities made of cement, which were costly and difficult to install. As part of the program Water for Everyone, we leveraged our ability to revolutionize markets and worked alongside the government of Brazil to introduce cisterns made of polyethylene. In only one year, we were able to install approximately the same number of polyethylene cisterns as cement cisterns installed in the previous 10 years.

The program is part of the PAC 2 (Growth Acceleration Program) launched in 2010 as one of the many programs under the Brazil without Extreme Poverty plan. The PAC 2 contemplates an investment of up to 1.59 billion reais (US$650.0 million) in various sectors such as transportation, energy, culture, environmental, health, social and housing, focused on increasing the purchasing power and welfare of poor families in Brazil. As part of this program, the government of Brazil expects to provide cisterns with rainwater harvesting capabilities to 750,000 families affected by water scarcity in the Brazilian semiarid regions. Of this amount, approximately 300,000 families have already received our cisterns.

Acqualimp Brazil Initiative

In 2013, we launched a new business plan initiative for Acqualimp Brazil. This plan includes specific actions to enhance our brand recognition in Brazil. We expect this new plan to further help us establish ourselves in the Brazilian market. This plan is also aimed at consolidating our brand in the different regions, allowing us to have a higher market share. We expect to use our production facilities for APS and our established distribution network in the northeastern part of Brazil to generate operational synergies with Acqualimp Brazil.

Others

We also have operations in Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua in Central America, Peru and Argentina in South America and, since September 2014, in the states of Arizona, California and Nevada, in the United States. These operations include the production, marketing and sale of individual water storage, flow and treatment solutions and integrated water solutions. As of September 30, 2014, we had five rotomolding facilities located in Guatemala, Peru (province of Lima), Argentina (provinces of Buenos Aires and Tucumán) and the United States (California) and five distribution centers located in Costa Rica, El Salvador, Honduras, Nicaragua and Peru. For the nine-month period ended September 30, 2014, our business in these countries accounted for 10.7% of our consolidated net sales. As of September 30, 2014, we had approximately 3,096 customers in the region (considering only customers that made purchases in the six-month period then ended). According to our internal research, we believe the market size for our rainwater harvesting systems and outdoor composting bathrooms in the region to be approximately 850.0 thousand and 2.2 million units, respectively.

Central America

We began operations in Central America in 1996 with one rotomolding facility in Guatemala. This was our first effort to expand our operations internationally. We have operations in several countries in the region such as Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. As of September 30, 2014, we had one facility in Guatemala and four distribution centers in Costa Rica, El Salvador, Honduras and Nicaragua and had approximately 1,430 customers in the region (considering only customers that made purchases in the six-month period then ended).

Peru

We began operations in Peru in 1998. Our operations in Lima involve the production, marketing and sale of individual water solutions. Sales in Peru have grown steadily, catering to various distribution channels such as traditional, government and organized business. As of September 30, 2014, we had one rotomolding facility and one distribution center located in the province of Lima and had approximately 701 customers in Peru (considering only customers that made purchases in the six-month period then ended).

Argentina

We began operations in Argentina in 1997 with one rotomolding facility, selling individual water storage solutions, such as water tanks, industrial tanks and cisterns. As the country’s economic scene improved, we started offering and selling individual water treatment solutions. As of September 30, 2014, we had two rotomolding facilities located in the provinces of Tucuman and Buenos Aires and had approximately 965 customers in Argentina (considering only customers that made purchases in the six-month period then ended).

In November 2011, we acquired Conmix, located in the provinces of Tucumán and Buenos Aires. Conmix was in the business of producing and selling polyethylene tanks used in homes and in the agriculture sector. Conmix operated two trademarks, *Forteplas* and *Tinaco*, which held an estimated 20.0% market share according to our internal studies. We acquired Conmix with the purpose of increasing our market share in Argentina, lowering production costs through a larger scale and using different sales channels to strengthen our business. On August 1, 2014, our management decided to merge our subsidiary Conmix into our subsidiary Rotoplas Argentina, S.A., in order to simplify and streamline our operations in the region. This merger was treated as a corporate restructuring with no adverse effect on our business or operations.

United States

In September 2014, we commenced operations in the states of Arizona, California and Nevada, in the United States. Our operations in the United States involve the production, marketing and sale of individual water storage solutions such as industrial tanks and water tanks for agricultural use. As of September 30, 2014, we had one rotomolding facility located in central San Joaquin Valley, California.

Ecuador

We have a presence in Ecuador through an indirect, non-controlling investment in our associate Dalkasa Ecuador. Dalkasa Ecuador is a private company incorporated and operating in Quito, Ecuador, dedicated to the production and commercialization of individual water storage and treatment solutions. As of September 30, 2014, we maintained an equity stake of 49.9% in Dalkasa Ecuador. We do not exercise control over Dalkasa Ecuador. However, under IFRS, we are deemed to have significant influence over Dalkasa Ecuador's affairs since we are entitled to appoint members of its board of directors, participate in the decision making process of important decisions and transactions, and provide technical assistance and information.

The table below sets forth our net sales by geographic market for the years and periods indicated:

	Nine months ended September 30,			**Year ended December 31,**			
	2014	**2014**	**2013**	**2013**	**2013**	**2012**	**2011**
	(in millions of US$)	**(in millions of Ps.)**		**(in millions of US$)**	**(in millions of Ps.)**		
Net sales							
Mexico	174.5	2,288.1	1,796.7	200.4	2,627.5	2,595.8	2,297.5
Brazil	163.1	2,138.8	1,524.3	155.3	2,036.5	1,395.1	286.6
Others	40.3	528.8	559.5	57.0	747.8	689.1	471.6
Total	**378.0**	**4,955.8**	**3,880.4**	**412.8**	**5,411.8**	**4,680.0**	**3,055.8**

Competition

We compete against multinational, regional and local enterprises in each of the markets in which we operate. We believe that the main strengths that distinguish us from our competitors are the quality of our water solutions, our efficient manufacturing processes and unique distribution network and our assisted sales process and customer service. These strengths have allowed us to maintain market leadership in the countries where we operate, except for Brazil, particularly in terms of sales of individual water storage solutions. In Brazil, we believe we maintain the second largest market share according to internal studies.

Our competition in each of our geographic markets is described below:

Mexico

The Mexican water storage solutions industry, specifically the commercialization of water tanks, cisterns and other types of tanks, is a developed market. In 2013, approximately 1.8 million water storage products were sold in Mexico, representing a 0.4% decrease as compared to 2012. According to our internal studies, by the end of 2013, we had more than 50.0% market share in the water storage solutions industry based on the number of water tanks sold. Our main competitors are Grupo Kaluz (Elementia) and Cemix. These two competitors have a combined market share of approximately 20.0%. Grupo Kaluz commercialized its products under the *Eureka* and *Mexalit* brands and Cemix commercializes its products under the *Aquaplas* and *Plastinak* brands. Both companies sell and distribute a wide variety of products, including water tanks and cisterns, on a national scale. Other competing brands are *Rotomex*, *IUSA*, *Citijal* and *Giroplas*. In addition to large-scale competitors, there are approximately 50 small manufacturers at a local and regional level that compete with us.

The Mexican water flow solutions industry is comprised of hydraulic and sewer pipes. According to our estimates, in 2013, approximately Ps.4.5 billion (US$333.6 million) hydraulic pipes were sold in Mexico, representing a 5.0% decrease as compared to 2012. In the water flow solutions industry in Mexico, competitors commercialize pipes made of three different materials: copper, chlorinated polyvinyl chloride (CPVC) and polypropylene. According to our estimates, in 2013, copper pipes, CPVC and polypropylene accounted for 31.0%, 45.0% and 24.0% of the total amount of pipes sold in Mexico. The increase in copper prices in recent years has led to an increase in sales volume of CPVC and polypropylene pipes. In 2010, copper pipes accounted for 37.0% of total sales in terms of meters sold. By 2013, this percentage dropped to 31.0%. As a result, sales of polypropylene pipes have increased from 19.0% in 2010, to 24.0% in 2013. The main brands in this industry are: *Tuboplus*, *Nacobre*, *EMMSA*, *IUSA*, *Durman*, *Charlotte*, *Amanco* and *Polimex*. Grupo Kaluz commercializes copper pipes under the *Nacobre* brand and CPVC, PVC and polypropylene pipes under the *Amanco* brand. EMMSA commercializes copper, CPVC, PVC and cast iron pipes under the *Cresco* brand. IUSA commercializes copper pipes under the *IUSA* brand. *Cifunsa*, *Hakan Plastik*, *Verdeplus* and *Futura Industrial* are other important brands that compete with us in this industry. According to our estimates, we believe we are the market leader in the water flow solutions industry in terms of meters sold, with more than 20.0% of the total meters sold.

We compete with several brands in the water treatment solutions industry due to our wide variety of individual water treatment solutions. The main brands with which we compete are *Calorex*, *Hesa* and *Saecsa* for water heaters, and *Turmix*, *Philips*, *Unilever* and *Omnifilter* for water purifiers.

Brazil

Our main competitors in Brazil are Fortlev, Tigre and Amanco, along with an important number of small local producers. Taking into account sales by both Acqualimp Brazil and APS, we believe we are the second largest player in Brazil. We have small local competitors and large competitors that are generally international groups such as Unilever, Truper, Philips and Bosch.

Others

Peru

In Peru, we believe we have a market share of more than 50.0% in the sale of water tanks, making us the market leader. Our most important competitor commercializes its products under the brand *Eternit*. The most important brands in Peru for water flow products are *Amanco* and *Nicoll*. In terms of water treatment solutions, our most significant solution in Peru is the solar water heater. We believe we have a 10.0% market in the water treatment solutions industry. The most important brands are *Sole*, *Bryant* and home improvement chain brands.

Argentina

According to our estimates, we believe we are the market leader in the water storage solutions industry in Argentina with a market share of more than 25.0%. We have several competitors in Argentina. Our main competitors commercialize their products under the brands *Obraplus*, *Eternit* and *Ineca*. We have just a few competitors in the water treatment solutions industry. We have small local competitors and large competitors that are generally international groups such as Unilever, Truper, Philips and Bosch.

Central America

According to our estimates, we believe we have a market share of more than 50.0% in the water storage and water treatment industries, making us the market leader. Our main significant competitors in the water storage solutions industry are Durman, Cemix, Talishte, Rototec and Tank House. We have just a few competitors in the water treatment solutions industry. We have small local competitors and large competitors that are generally international groups such as Unilever, Truper, Philips and Bosch.

United States

According to our estimates, we believe that the water storage solutions industry in the United States is concentrated in just a large players and many small- and medium-size players. We believe that the top five companies that produce plastic tanks through the rotomolding process have approximately 60.0% of the market share. The leading brands are *Snyder* and *Norwesco*, which are owned by a private equity fund.

The table below sets forth the market value and our market position of some of our water solutions in each of the geographic markets in which we participate:

	Market (number of units)	**Position in the Market**		**Market (number of units)**	**Position in the Market**
	2013	**2013**		**2013**	**2013**
Mexico			***Brazil***		
Tanks	1,658,147	1	Tanks	4,329,452	2
Cisterns	76,714	1	Cisterns	115,985	1
Biodigesters	30,374	1	Biodigesters	8,803	1
Industry	29,488	1	Industry	45,550	2
Others	2,893,772	1	Others	2,085,516	3
Peru			***Argentina***		
Tanks	190,155	1	Tanks	553,982	1
Cisterns	11,705	1	Cisterns	9,337	1
Biodigesters	20,477	1	Biodigesters	8,980	1
Heaters	207,980	5	Industry	3,297	1
Industry	3,997	1	Others	494,359	2
Others	187,484	1			
Central America					
Tanks	83,525	1			
Cisterns	8,520	1			
Biodigesters	1,291	1			
Industry	2,477	1			
Others	61,103	1			

Source: Internal studies and reports.

Patents, Licenses, Trademarks and Other Contracts

Trademarks

Our brand name and company name, Rotoplas, is our main brand through which we commercialize all of our water solutions. We believe we have a strong brand recognition, which allows us to introduce new products to the market and achieve high acceptance levels. Our trademarks have strong brand recognition among end-users, installers and distributors in the markets in which we operate which has allowed us to set some of our prices 20.0% above our competitors'. In 2014, our brand Rotoplas had a top-of-mind awareness of 75.0% for our water storage in Mexico and was ranked the most remembered brand for products of its kind according to TNS Research International. We strive to position our brands in the markets in which we operate as synonymous of quality, value, social responsibility and reliability.

Mexico Mexico, Argentina and Peru Brazil

We follow a five-step communications plan to strengthen our brand and position it globally:

- prepare a strategic long-term growth plan for our brands;
- change the way people see and perceive the Rotoplas brand, moving away from the idea of being the most popular water tank manufacturer in Mexico;
- display our entire portfolio of individual and integrated water solutions to show the real scope of our brand;
- create independent lines of solutions and establish ourselves as leaders in the water solutions industry; and
- strengthen our foundations to conduct our operations under a global brand.

We register the brands, slogans and logos of our most important water solutions in the countries where we operate. We own the brands *Rotoplas*, *Tuboplus*, *More and Better Water* (*Mas y Mejor Agua*) and *Acqualimp*. These brands are relevant because they identify our most important water solutions in terms of sale volumes in Mexico, Brazil and the rest of the countries where we operate.

We use our brands in Mexico through our subsidiary Rotoplas, S.A. de C.V. and outside of Mexico through our respective local subsidiaries. We have entered into license agreements with all of these subsidiaries which allow them to use our brands.

Patents

We have a policy to protect our inventions and processes through patents, utility models and industrial designs, in order to integrate and consolidate our intellectual capital in the countries where we operate. We predominantly operate with high-tech machinery and industrial facilities. We have a research and development center that constantly seeks protection for our inventions in the countries where we operate. As of September 30, 2014, we had 24 patents, industrial designs and utility models mainly in Mexico, Brazil, Peru, Argentina, Costa Rica, Guatemala and Ecuador. As of the date of this offering memorandum, none of our trademarks, licenses or patents are close to their expiration dates or subject to a renewal process.

Contracts

In the ordinary course of business we have entered into a wide variety of contracts related to software licensing, raw materials supply, services, manufacturing, purchase and lease of equipment, and short-, medium- and long-term manufacturing, distribution and marketing agreements depending on our operating needs and strategies. As of the date of this offering memorandum, we believe that all of our contracts operate under normal and customary terms and conditions. We have certain loan and credit agreements outstanding with several financial institutions. For a more detailed description of these agreements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

Description of Our Key Assets

In Mexico, we own or lease property we use in our operations. Our key assets are the buildings, facilities, machinery and equipment of our production facilities and distribution centers. Our corporate headquarters are located in Mexico City. For more information of our properties, see "—Production Facilities and Distribution Centers."

Insurance

We maintain insurance in all the countries where we operate covering various risks, including damages, civil liability, criminal activity, life insurance and major medical expenses for certain of our employees. We also maintain insurance on the transportation of equipment and inventory. We maintain a directors and officers liability policy covering potential liability in the performance of their duties. This insurance covers the payment of economic losses suffered by us, our shareholders and third parties for decisions inadequately taken by our directors and officers in the performance of their duties. We believe that our insurance coverage is similar to that of other companies in the industry and in line with industry standards.

Human Resources

As of September 30, 2014, we had 2,603 employees. The following table sets forth the number of our employees divided by department and geographic market:

	As of September 30, 2014			
	Mexico	**Brazil**	**Others**	**Total**
Corporate	400	163	115	871
Sales	182	66	85	333
Operations	505	301	148	1,399
Total	**1,087**	**530**	**148**	**2,603**

As of September 30, 2014, our employees were members of the following unions in Mexico:

- CTM National Union of Workers of Metal Products and Similar and Related Products in Mexico (*CTM Sindicato Nacional de Trabajadores de Productos Metálicos, Similares y Conexos de la República Mexicana*).
- COM National Union of Workers in the Plastic Industry and Similar Products in Mexico (*COM Sindicato Nacional de Trabajadores de la Industria del Plástico y Similares de la República Mexicana*).
- Oil Industry, Construction, Materials Transportation and Other Trades and General Workers Union of the State of Sonora (*Sindicato de la Industria Aceitera, Construcción, Acarreo de Materiales y Oficios Varios y Trabajadores en General del Estado de Sonora*).
- National Union of Workers and Employees of Trade in General, Service Delivery, Storage, and Similar in Mexico (*Sindicato Nacional de Trabajadores y Empleados del Comercio en General, Prestación de Servicios, Almacenaje, Similares y Conexos de la República Mexicana*).

As of September 30, 2014, our employees were members of the following unions in Brazil:

- Workers' Union of the Chemical and Pharmaceutical Industries of Southern Minas (*Sindicato dos trabalhadores nas indústrias químicas e farmacêuticas de varginha e do sul de Minas*).
- Workers' Union in the Chemical, Pharmaceutical and Plastic Industries of the State of Ceara (*Sindicato dos trabalhadores nas indústrias químicas, farmacêuticas, colchoes e de mat. plástico e prod. isolantes do estado do Ceara*).
- Workers' Union in the Chemical and Pharmaceutical Industries of Montes Claros (*Sindicato dos trabalhadores das indústrias químicas e farmacêuticas e Montes Claros – Sindicato dos químicos*).
- Workers' Union in the Plastic Industries of the State of Pernambuco (*Sindicato trabalhadores indústrias mat plast ena indústria da prod lam plast estado Pernambuco*).
- Workers' Union in the Chemical and Pharmaceutical Industries of Teresinda (*Sindicato dos trabalhadores nas industrias químicas e farmacêuticas de Teresina/pi*).
- Federation of Industries of the State of Tocantins and Federal Workers in Manufacturing States Go To Df (*Federação das indústrias do estado do Tocantins e federação trabalhadores na industria estados Go To Df*).

- Workers' Union in the Plastic Industries of the State of Marechal Deodoro (*Sindicato dos trabalhadores nas indústrias de materiais plásticos e na indústria da produção de laminados plásticos de marechal deodoro –sind trab plast*).

As of September 30, 2014, our employees were members of the following unions in Argentina:

- Workers and Employees Union of the Plastic Industry (*Unión de Obreros y Empleados Plásticos*).
- Single Federation of Temporal Workers of Argentina (*Federación Única de Viajantes de la Argentina*).

Historically, our relations with unions have been cordial and, as of the date of this offering memorandum, we have never had a strike or lockdown. We renegotiate collectively-bargained wage and benefit agreements on a regular basis in accordance with applicable laws in the different jurisdictions where we operate. See section "—Mexican Labor Law" for a more detailed description of applicable labor laws in Mexico.

As of September 30, 2014, we had 1,568 unionized employees, 950 of which were in Mexico, 530 in Brazil and 88 in Argentina. All of our unionized employees work in operations.

Mexican Labor Law

The Mexican Constitution provides minimum labor rights for all Mexican workers, including, among others, a maximum number of working hours during a working day depending on the corresponding shift, a minimum wage, an end-of-year bonus, paid time off, a vacation bonus and compensation in the event of unjustified dismissal. The Federal Labor Law (*Ley Federal del Trabajo*) regulates such rights and the legal proceedings regarding individual and collective work disputes in detail. All workers are entitled to receive social security services from the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social—IMSS)*, and to receive preferential credit terms and conditions for the acquisition of homes from the INFONAVIT. Retirement savings are also mandatory and are regulated by the National Commission for the Retirement Saving System (*Comisión Nacional del Sistema de Ahorro para el Retiro—CONSAR*). The cost for the implementation of the foregoing programs is generally shared between the employer, the employee and the Mexican federal government.

All employees have the right to be part of and participate in labor unions. Labor unions are organized to improve the rights and conditions of their members at their respective places of employment. These rights and conditions are established in collective bargaining agreements registered with the corresponding local or federal labor authority. The Federal Labor Law also sets forth the rights of workers to declare a strike, in the event that they believe their rights are being infringed by their employers.

Brazilian Labor Law

Our employment agreements in Brazil are subject to Brazilian labor laws and regulations, to collective labor agreements or bargaining arrangements with unions and contract. The laws and regulations in Brazil govern almost all aspects of an employment relationship and do not leave much room to be negotiated with the employee. Still, employment contracts create obligations to the parties if they are in compliance with the law. The Brazilian Labor Code mainly governs the employees' right to paid annual vacation, paid sick days, the maximum length of a workday, minimum payment for overtime and statutory severance pay. Brazilian law generally requires severance pay equal to 50.0% of the balance of the employee's Guarantee Severance Fund account (a mandatory fund to guarantee severance and unemployment, or "FGTS"). The FGTS can also be withdrawn when the employee retires, dies or his employment is terminated without cause, among others. Brazilian employers are required to purchase health insurance for employees only in the event it is set forth by the applicable collective labor agreement, contract or company policy, and are required to cover employees' food and travel costs whenever a business trip is required, and to make deposits into the FGTS. Furthermore, Brazilian employees and employers are required to make contributions to the National Insurance Institute, similar to the United States Social Security Administration. These contributions include mandatory contributions to the Public Insurance for Labor Accidents and Diseases (SAT). According to Decree Law 6957/2009 such portion, which varies from 1.0% to 3.0% of payroll, must be multiplied by another factor (FAP) from 0.5 to 2 in order to reduce or increase our burden to reflect statistics of occupational accidents and diseases in our business. All of our employees in Brazil, are represented by a labor union and the employees' mandatory contributions to their union are paid by us. The law authorizes us to deduct mandatory contributions to unions from the respective salaries.

Legal and Administrative Proceedings

In the ordinary course of business, we are involved in legal proceedings from time to time in the countries where we operate that are incidental to the normal conduct of our business. In addition, in the ordinary course of our business, we are subject to various labor claims. While the results of any such proceedings cannot be predicted with certainty, we believe that none of these proceedings would, if determined adversely to us, materially affect our business, financial condition or results of operation.

As of the date of this offering memorandum, we are not aware of any threatened legal proceedings against us and we are not subject to any bankruptcy proceeding in any of the countries where we operate.

Applicable Laws

We are subject to various regulations in the countries where we operate. Such laws include federal and local laws and regulations in each of the countries where we operate. These laws include commercial, corporate, environmental, tax and technical regulations. As of the date of this offering memorandum, we believe we are in compliance with these laws and regulations in all material respects.

Mexico

In Mexico, we are subject to the Commerce Code, the Mexican Corporations Law, the LMV, the General Law of Ecological Balance and Environmental Protection, the National Water Law and the General Law for the Prevention and Integral Management of Waste. In addition, the following laws are applicable to our activities: Federal Consumer Protection Law, Federal Law on Metrology and Standardization, Federal Labor Law, Social Security Law, Federal Law, Customs Law, Federal Law on Administrative Procedure, Federal Antitrust Law and Intellectual Property Law, among others.

Additionally, there are other regulations that are applicable to our activities such as the Customs Law, the National Institute of Housing Fund for Workers Law, the Law on Highways, Bridges and Federal Motor Vehicles, the Mexican Institute of Social Security Law, the Fiscal Code of the Federation, the Electric Power Public Service Law, Advanced Electronic Signature Law, Public Private Partnership Law, Law of Chambers and its Confederations, Migration Law and their respective regulations and order provisions at the state and municipal level, such as regulations of State Transit and Transportation, Regulations on the Registration, Payment of Contributions and Discounts of the National Institute on Housing Fund for Workers.

Also, we must meet certain regulations known as the Mexican Official Standards (NOMs), among which you will find NOM 030 SCFI 2006, Commercial Information Statement number on the label specifications; NOM 050 SCFI 2004, Commercial information labeling of products; NOM 028 SCFI 2007, Trade Practices Background information in the collectibles promotions and/or promotions through sweepstakes and contests, among others.

Our operations are subject to certain technical standards in Mexico. The most relevant are:

Norm	Issuing Agency	Country	Description
NMX-C374-ONNCCE-CNCP-2010	ONNCCE y CNCP	Mexico	Industry prefabricated construction water tanks and cisterns (specifications and test methods)
NOM-006-CNA-1997	C.N.A.	Mexico	Prefabricated Septic Tanks - (specifications and test methods)
ASTM-D-1998	ASTM	Mexico	Standard Specification for Polyethylene Upright storage Tanks
NOM-244-SSA1-2008	SSA	Mexico	NORMA Oficial Mexicana NOM-244-SSA1-2008, Equipment and germicidal substances for household water treatment

Norm	Issuing Agency	Country	Description
			Health requirements
DIT-ONNCCE-CALSOL	ONNCCE	Mexico	Technical Approval for solar heaters by the ONNCCE
DIN-EN-1451	DIN	Mexico	Plastics piping systems for soil and waste discharge (low and high temperature) within the building structure - Polypropylene (PP)
UNE-EN-744-1996	UNE	Mexico	Channeling and conducting piping systems, thermoplastic tubes (test method)
NOM-010-CAN-2000	CAN	Mexico	Inlet and discharge valve for toilet tank (specifications and test methods)
NOM-004-ENER-2008	SENER	Mexico	Energy efficiency pump and motor pump assembly for pumping clean water
NMX-E-226/2-CNCP-2007	CNCP	Mexico	Plastic industry – polypropylene pipes (PP) for thermofusion used for water piping hot or cold
GR-TPS-20-ET	CERTIMEX	Mexico	Compliance with specification as a reliable supplier for sanitary piping, tubing and fittings

Brazil

Our operations are subject to certain technical standards in Brazil, the most relevant are:

Norm	Issuing Agency	Country	Description
ABNT-NBR-15682	ABNT	Brazil	Stationary molding tank in polyethylene (PE) water conditioning (requirements and test methods)
ABNT-NBR-14799	ABNT	Brazil	Reservoir with polyethylene body, with cap in polyethylene or polypropylene, for drinking water, nominal volume up to 2000 l Inclusive (Requirements and test methods)
ABNT-NBR-14800	ABNT	Brazil	Reservoir with polyethylene body, with cap in polyethylene or polypropylene, for drinking water, nominal volume up to 2000 l Inclusive (Installation on site)

Environmental Matters

Mexico

In Mexico, the applicable legal framework for environmental protection consists of the provisions of the General Law of Ecological Balance and Environmental Protection and Regulations, the General Law for the Prevention and Integral Management of Waste and its Regulations, the General Law for Sustainable Forest Development and Regulation, the General Wildlife Law and Regulations, the National Water Law and its Regulations, the General Law of National Property and its Regulations, the Regulations for the Land Transport of Hazardous Materials and Waste Regulation for the Protection of the Environment against Pollution from the Emission of Noise, various Mexican Official Standards (NOMs) and laws and regulations of the states and municipalities in which their projects and facilities are located.

The Ecology Law establishes the legal framework for the environmental impact assessment procedure and the release of air pollutants emissions. In addition, the Waste Law regulates the production and management of hazardous waste and materials as well as the discharge of polluting materials in the soil.

The Environmental Impact Assessment Regulations promulgated under the Environmental Law regulates the procedure for environmental impact assessment, which is the process through which the Ministry of Environment and Natural Resources (SEMARNAT) authorizes or rejects the environmental impact study conditions of a given project. All modifications or deviations from the original project should be carried out in accordance with Environmental Laws, which in some cases require prior authorization from SEMARNAT or the competent environmental authorities.

Additionally, we must meet certain administrative regulations in Mexico related to environmental protection: operating licenses, declaration of production of hazardous waste, declaration of delivery, transportation and disposal of hazardous waste, risk assessment for high-risk activities and, in the case of new facilities or expansions, environmental impact assessment and risk analysis, land use license, permits for the discharge of wastewater and concession agreements for the use and exploitation of national waters, if any, among other provisions.

State and municipal authorities are responsible for the implementation of environmental legislation in their respective jurisdictions. The federal authority responsible for the implementation of such legislation is SEMARNAT.

Our breach of environmental legislation may result in the imposition of fines and administrative sanctions; revocation of concessions, authorizations, licenses, corresponding permits or registrations; administrative arrests; temporary or permanent closure of facilities; and imprisonment, in the event that the respective violations are classified as crimes.

We believe we have the necessary permits and licenses to operate all of our projects and facilities; and that it is in substantial compliance with Environmental Laws. Currently we are not aware of any judicial or administrative proceeding relating to compliance with Environmental Laws against us. Amendments to the Environmental Law applicable to us or that may affect our operations could require us to make additional investments to maintain our compliance with said laws, and such circumstances could have a material adverse effect on our financial condition or results operation.

As of the date of this offering memorandum, all of our facilities in Mexico are certified with ISO 9001. Additionally, our facilities located in León, Guanajuato and Lerma, State of Mexico, are operating under the ISO 14001 environmental certification and security certification ISO 18001. We expect that we will be able to implement the ISO 18001 security certification in all of our facilities.

Brazil

Our operations in Brazil are subject to federal and state legislation relating to preservation of the environment. The Brazilian Constitution gives the federal government, states and municipalities powers to enact laws designed to protect the environment and issue enabling regulations under these laws. While the federal government has the power to promulgate general environmental regulation, state governments have the power to enact specific and even more stringent environmental regulation and municipalities also have the power to enact laws in their local interest. A violator of Law 9605/1998 - the Law on Environmental Crime (*Lei de Crimes Ambientais*) may be subject to administrative and criminal sanctions, and will have an obligation to repair and/or provide compensation for environmental damages, Federal Decree 6514/2008 specifies the penalties applicable to each type of environmental infraction, setting fines that vary between a minimum of 50 reais and a maximum of 50 million reais, as well as suspension of activities. Criminal sanctions applicable to legal entities may include fines and restriction of rights, whereas, for individuals, they may include imprisonment, which can be imposed against executive officers and employees of companies that commit environmental crimes.

Brazilian law requires that licenses be obtained for construction, installation, expansion and operation of any facility that utilizes environmental resources, causes environmental degradation, or pollutes or has the potential to cause environmental degradation or pollution or to harm archaeological heritage. Failure to obtain an environmental license to construct, implement, operate, expand or enlarge an enterprise that causes significant environmental impact, such as our production facilities, is subject to administrative sanctions, such as the suspension of activities and the payment of a fine, ranging from 500,000 reais to 10 million reais, as well as criminal sanctions, which include the payment of a fine, imprisonment for individuals and restriction of rights for legal entities.

Resolution No, 1, of January 23, 1986, issued by the National Environmental Council (*Conselho Nacional do Meio Ambiente*), requires environmental impact assessment studies to be undertaken, and a corresponding environmental impact assessment report to be prepared, for all major production facilities built in Brazil after February 1, 1986. Federal Law No, 9,605, of February 12, 1998, sets penalties for facilities that operate without environmental licenses. In 1998, the federal government issued Provisional Measure 1,710 (currently Provisional Measure 2,163/41), which allows project operators to enter into agreements with the relevant environmental regulators for the purpose of coming into compliance with Federal Law No. 9,605/98. The environmental licenses issued by state or federal bodies are subject to certain conditions imposed in light of foreseen environmental impacts. The environmental conditions contained in the operational licenses have to be met during the period of their validity. Non-compliance with these conditional requirements can result in administrative penalties, including fines, suspension or repeal of the license.

We believe that we are in compliance with the relevant environmental laws and regulations in Brazil in all material aspects.

Tax Matters

We are subject to payment of income tax in numerous jurisdictions. The main components of our tax expense consist of income taxes incurred in Mexico and Brazil. Our income tax expense consists of taxes incurred and deferred taxes, computed based on the requirements of IFRS as explained in Note 24 to our Audited Financial Statements. We do not consolidate our subsidiaries for tax purposes. We and our subsidiaries are in compliance with all of our and their tax obligations.

In Mexico, we are taxed pursuant to the general regime provided by the Income Tax Law (*Ley del Impuesto sobre la Renta*) and have no special tax benefit. We have not been subject to any special tax derived from our own activities as of the date of this offering memorandum.

In Brazil, we are subject to corporate income tax and social contribution on net profit based on the actual profit system (annual).

MANAGEMENT

Board of Directors

Pursuant to our bylaws, our management shall be entrusted to a board of directors comprised of no more than 21 members. Members of our board are appointed and ratified by our general shareholders' meeting for terms of one year, are eligible for reelection, and must remain in office until a successor has been appointed and has assumed office. Our bylaws provide for an alternate director to serve in place of an elected proprietary director if such director is unable to attend a meeting of the board of directors; provided that, only independent alternate directors may serve in place of independent proprietary directors. According to our bylaws, any shareholder has the right to appoint and revoke the appointment of one member of our board and its corresponding alternate for every 10.0% of voting shares of our outstanding capital stock owned. Our board of directors meets at least once every three months. Pursuant to the LMV, at least 25.0% of the members of our board of directors must be independent; however, 50.0% of the members of our board of directors are independent. The current members of our board of directors were ratified by our shareholders by means of unanimous resolutions adopted in lieu of a shareholders' meeting on November 24, 2014. The business address of our directors is that of our principal office.

The following table sets forth the names of the members of our board of directors, their age, position, and their years of service as members of the board of directors as of the date of this offering memorandum:

Name	Position	Age	Years of service
Carlos Rojas Mota Velasco	Chairman	62	25
Gonzalo Uribe Lebrija	Director	42	-
Mario Antonio Romero Orozco	Director	43	12
Carlos Rojas Aboumrad	Director	32	2
Francisco José González Gurría	Director	62	13
Alejandro Rojas Domene	Director	41	14
Alfredo Elías Ayub	Director	64	-
John G. Sylvia	Independent Director	56	11
Francisco Amaury Olsen	Independent Director	65	1
Elmer Franco Macías	Independent Director	74	14
José María González Lorda	Independent Director	69	11
Jaime Serra Puche	Independent Director	63	11
Alejandro Aboumrad Gabriel	Independent Director	72	-
Luis Fernando Reyes	Independent Director	62	-
Mauricio Romero Orozco	Secretary Non-Member	41	12

Set forth below is a summary of the business experience of the members of our board of directors.

Carlos Rojas Mota Velasco is our co-founder, Chairman of the board of directors and Executive President. Mr. Rojas has participated in a wide range of industries as an investor and advisor. Mr. Rojas has been with us and has been our Chairman of our board of directors and executive president since our inception. Mr. Rojas is the father of Carlos Rojas Aboumrad and uncle of Alejandro Rojas Domene.

Gonzalo Uribe Lebrija is our Chief Operating Officer. He holds a degree in Industrial Engineering from the Universidad Anáhuac and a Master in Business Administration by the Instituto Panamericano de Alta Dirección de Empresas. Before joining our company, Mr. Uribe was the director of operations of Comexma (textile). Mr. Uribe has been with the company since 2001 and was appointed Chief Operating Officer in 2011. Mr. Uribe's wife is Carlos Rojas Mota Velasco's niece.

Mario Antonio Romero Orozco is our Chief Financial Officer. He holds a degree in Economics from the Instituto Tecnológico Autónomo de México and a graduate certificate degree in business administration by Harvard University. Mr. Romero has been with us since 1995 and was appointed Chief Financial Officer in 2004. Mr. Romero is Mauricio Romero Orozco's brother.

Carlos Rojas Aboumrad is our Vice President of New Businesses. He holds a degree in Industrial Engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey and a Master in Business Administration by Babson College. Mr. Rojas has been with us since 2004 and was appointed Vice President of New Businesses in 2014. Mr. Rojas is Carlos Rojas Mota Velasco's son and Alejandro Rojas Domene's cousin.

Francisco José González Gurría is currently the Chief Executive Officer of Fundación Mexicana para la Educación, la Tecnología y la Ciencia, a non-for-profit organization that grants scholarships to students. He has over 25 years of experience in a wide array of businesses. Mr. González has been a member of our board of directors since 2001.

Alejandro Rojas Domene is currently the Chief Executive Officer of Armada Capital. Mr. Rojas has been a member of our board of directors since 2000. Mr. Rojas is Carlos Rojas Mota Velasco's nephew and Carlos Rojas Aboumrad's cousin.

Alfredo Elías Ayub holds a degree in Civil Engineering from Universidad Anáhuac and a Master in Business Administration by Harvard University. Mr. Elías is the former Chief Executive Officer of the Mexican Federal Utility Commission (*Comisión Federal de Electricidad*)and has experience as a real estate developer. Mr. Elías has been a member of our board of directors since 2013.

John G. Sylvia holds undergraduate and graduate degrees from Santa Clara University. Mr. Sylvia is currently the Chief Executive Officer of HuHon energy, co-founder of Transformative Energy and Materials Co., Vice President of the financial area of CalEnergy Co. and is a former TPG partner (Aqua International Partners). Mr. Sylvia has been a member of our board of directors since 2003.

Francisco Amaury Olsen holds a degree in business administration from Furj/Univille, Joinville with an extension course in business administration from Southern University, California (Advanced Management). Mr. Amaury is the former CEO of Tigre, S.A. (a Brazilian pipe company), position that he held for more than 20 years. He has broad business experience in Brazil, as a result of his participation as member of the board in various companies. Mr. Amaury has been a member of our board of directors since 2013.

Elmer Franco Macías holds a bachelor's degree in Electrical Engineering from the Universidad Nacional Autónoma de Mexico, completed studies in Industrial Relations - Human Resources at the Universidad Iberoamericana and has participated in management programs at the Instituto Panamericano de Alta Dirección de Empresas. Mr. Franco currently serves as Chief Executive Officer of Grupo Infra, S.A. de C.V. Mr. Franco has been a member of our board of directors since 2000.

José María González Lorda is the former Chief Executive Officer of Unilever Latam and Black and Decker. He currently runs his own consulting firm. Mr. González has been a member of our board of directors since 2003.

Jaime Serra Puche, is the former Minister of Finance and Commerce in Mexico. He is a member of the board in important companies like Fondo Mexico, Grupo Ferroviario Mexicano, Bardahl, PVI, Tamsa, Tenaris, Vitro and Southern Peru Copper Corp. He negotiated and executed the North American Free Trade Agreement and was one of the creators of the World Trade Organization. Mr. Serra Puche has been a member of our board of directors since 2003.

Alejandro Aboumrad Gabriel holds a degree in Business Administration from the Universidad del Valle de México. He is the former Chief Executive Officer and shareholder of Porcelanite (ceramic tile manufacturer) and serves as member of the board of directors of certain subsidiaries of Grupo Carso. Mr. Aboumrad has been a member of our board of directors since 2013.

Luis Fernando Reyes, is the former Chief Executive Officer of Whirlpool Mexico. Mr. Reyes holds a Master in Business Administration from the University of South Carolina and he has a talent consulting company and is currently a member of the board of directors of Gables Club Association in Miami, Florida. Mr. Reyes has been a member of our board of directors since 2013.

Our principal shareholder, chairman of our board of directors and executive president, Carlos Rojas Mota Velasco, is a member of the Rojas Mota Velasco family, a group of shareholders that controls Corporativo GBM. GBM International, Inc., an initial purchaser in the International Offering, is an affiliate of Corporativo GBM, and GBM, a Mexican underwriter in the Mexican Offering, is a subsidiary of Corporativo GBM.

Authority of the Board of Directors

The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders.

Pursuant to the LMV and our bylaws, the board of directors must approve, among other matters:

- our general strategy;
- monitor our management and that of our subsidiaries;
- with prior input from the audit and corporate practices committee, approve: (i) transactions with related parties, subject to certain limited exceptions; (ii) the election of our chief executive officer, his compensation and removal for justified causes and policies for the description and comprehensive remuneration of other executive officers; (iii) the guidelines on our internal control and internal audit and those of our subsidiaries; (iv) our consolidated financial statements and those of our subsidiaries; (v) unusual or non-recurring transactions and any transactions or series of related transactions during any calendar year that involve (a) the acquisition or sale of assets with a value equal to or exceeding 5.0% of our consolidated assets or (b) the granting of collateral or guarantees or the assumption of liabilities, equal to or exceeding 5.0% of our consolidated assets, and (vi) contracts with external auditors;
- call shareholders' meetings and executing their resolutions;
- the annual submission to our general shareholders' meeting of (i) the chief executive officer´s report, and (ii) the opinion of the board of directors in respect of such report;
- any transfer by us of shares in our subsidiaries;
- creation of special committees and granting them power and authority, provided that the committees will not have the authority which by-law or under our bylaws is expressly reserved for the shareholders or our board of directors;
- determine how to vote the shares that we hold in our subsidiaries; and
- the exercise of general powers in order to achieve our corporate purpose.

Meetings of the board of directors will be validly convened and held if a majority of our members are present. Resolutions at the meetings will be valid if approved by a majority of the members of the board of directors. The chairman of the board of directors has a casting vote. Despite our board's authority, our shareholders may at any time override decisions adopted by the board pursuant to decisions validly adopted at a shareholders' meeting.

Meetings of our board of directors may be called by the chairman, by 25.0% of our board members, or by the chairman of the audit committee or the corporate practices committee. In addition, the LMV provides that our board of directors must approve any transaction outside of the ordinary course of business and any related party transaction. For additional information on our board of directors, see "Description of Our Capital Stock and bylaws."

The LMV imposes a duty of care and a duty of loyalty on our directors. For further information, see "The Mexican Securities Market—The Mexican Securities Market Law."

Conflicts of Interest

Members of the board and, if applicable, the secretary of the board with a conflict of interest must abstain from participating and being present during the deliberation and voting of the matter at the relevant board meeting, without this affecting the necessary quorum for that particular meeting.

Members of our board of directors and the secretary of the board will breach their duty of loyalty to us and be liable for damages caused to us or our subsidiaries if, while having a conflict of interest, they vote or make a decision with respect to our assets of those of our subsidiaries or if they fail to disclose such conflict of interest unless confidentiality duties prevent them from disclosing it.

Committees

Our different strategies are reviewed periodically by our board of directors and our committees, which are all comprised by independent directors, as described herein. The LMV requires public corporations to have an audit committee and a corporate practice committee.

Audit Committee

The audit committee's principal duties are (i) supervising our external auditors and analyzing their reports, (ii) analyzing and supervising the preparation of our consolidated financial statements, (iii) informing the board of our internal controls and their adequacy, (iv) supervising the execution of related party transactions, (v) requesting reports from our executive officers whenever it deems appropriate, (vi) informing the board of any irregularities that it may encounter, (vii) receiving and analyzing recommendations and observations made by the shareholders, members of the board, executive officers or any third party and taking the necessary actions, (viii) calling shareholder meetings, (ix) supervising the activities of our chief executive officer; and (x) providing an annual report to the board.

Our audit committee exercises reasonable oversight as to the implementation and effectiveness of our internal policies. Among other related functions, our audit committee is responsible for reviewing and analyzing reports from our Chief Financial Officer related to regulatory compliance and violations of our anti-corruption, anti-bribery and anti-money laundering policy.

As of the date of this offering memorandum, our audit committee is comprised of the following independent members of our board: John G. Sylvia (chairman/independent), José María González Lorda (secretary/independent) and Francisco Amaury Olsen (member/independent).

Corporate Practices Committee

The members of our corporate practices committee are appointed by our board of directors in accordance with the provisions of the LMV. The LMV requires our corporate practices committee to be comprised of at least three independent members appointed by the board of directors (except in the case of corporations that are controlled by a person or corporate group holding 50.0% or more of the outstanding capital stock, in which case the majority of the members must be independent).

The corporate practices committee's principal duties with respect to corporate practices are (i) rendering an opinion to the board of directors in connection with the performance of our key officers, (ii) report transactions by us with related parties, (iii) requesting for opinions from independent third party experts, when deemed necessary or advisable, (iv) calling shareholders' meetings, and (v) providing assistance to the board of directors in the preparation of reports for the annual shareholders' meeting.

The corporate practices committee's principal duties with respect to strategy are:

- proposing annually to our board of directors key aspects of our business, including scope; geographic expansion; general business and corporate policy guidelines; business expectations, and restrictions relating to our sources of funding and debt and risk levels;

- pre-evaluating the strategic plan prepared by our chief executive officer and making sure that it meets our board of directors' plans and that it is consistent with our business and management guidelines. The committee is in charge of identifying issues that eventually need to be included in our annual plan;

- pre-evaluating business action plans and annual budget proposals and making sure that they are consistent with our business and management guidelines;

- monitoring the execution and performance of our strategic plan and identifying areas that require adjustments; and

- recommending the hiring of advisory services to support our senior management team in the formulation of our strategy, by proposing methodologies, analyzing the internal and business settings and defining policies and guidelines.

As of the date of this offering memorandum, the members of our corporate practices committee are Jaime Serra Puche (chairman/independent), Alejandro Rojas Domene (member/proprietary) and Luis Fernando Reyes (member/independent).

Compensation Committee

The compensation committee's purpose is to assist our board of directors in reviewing our organizational structures and making sure they are consistent with our strategy, determining salaries and compensation policies, reviewing ethical values and relations among our employees, proposing initiatives to improve the work environment, and proposing methodologies to improve our organizational development processes. The compensation committee meets quarterly or more frequently as required.

The compensation committee's principal duties are:

- reviewing our organizational structure and recommending adjustments to make it consistent with our strategic and management guidelines;

- setting policies regarding promotions and salaries;

- proposing and following performance evaluation systems;

- recommending entertainment, training and development programs;

- proposing profit sharing plans based on a benefit/cost analysis;

- establishing criteria and proposing recurring actions of environment analysis; and

- contributing to the establishment and maintenance of ethical relationships among employees taking into account our principles and values.

As of the date of this offering memorandum, the members of our compensation committee are Luis Fernando Reyes (chairman/independent) and José María González Lorda (member/independent).

Senior Management

The following table sets forth the names of the members of our senior management, their age, position, and years of service:

Name	Age	Position	Years of service
Carlos Rojas Mota Velasco	62	Executive President	25
Carlos Rojas Aboumrad	32	Vice President of New Businesses	9
Gonzalo Uribe Lebrija	42	Chief Operating Officer	13
José Luis Mantecón García	56	Vice President of Institutional Business Development	21
Mario Antonio Romero Orozco	43	Chief Financial Officer	19
Diego Ernesto Casas González	42	Human Resources Director	19
Eduardo Santos Burgoa Márquez	41	Supply Chain Director	18
Érika María Domínguez Zermeño	36	Marketing Director	1
Alfonzo Gustavo Vásquez Salazar	55	Country Manager (Peru)	16
Antonio Caso Valdés	42	Country Manager (Mexico)	1
Carlos Augusto Valdés Fletes	62	Country Manager (Central America)	13
Marcelo Claudio Santorelli Correa	51	Country Manager (Argentina)	4
Vinicius Ramos Ranucci	30	Country Manager (Brazil)	7
Fabiano Pinto Goncalves	36	Country Manager of APS (Brazil)	11

Messrs. Carlos Rojas Aboumrad, Gonzalo Uribe Lebrija, José Luis Mantecón García, Mario Antonio Romero Orozco, Diego Ernesto Casas González have significant influence over our business and affairs as members of our senior management team.

Set forth below is a summary of the business experience of our senior management, except for the members of our senior management who are also directors, whose business experience is set forth above.

Carlos Rojas Mota Velasco, see "—Board of Directors."

Carlos Rojas Aboumrad, see "—Board of Directors."

Gonzalo Uribe Lebrija, see "—Board of Directors."

José Luis Mantecón García, is our Vice President of Institutional Business Development. He has a bachelor's degree in Business Administration from Saint Michael´s College and an executive marketing course by the Anahuac University. Before joining our company, he founded many companies in the construction sector. Mr. Mantecón has been with the company since 1993.

Mario Antonio Romero Orozco, see "—Board of Directors."

Diego Ernesto Casas González, is our Human Resources Director. He holds a degree in Industrial Engineering from the Universidad Iberoamericana and a Master in Business Administration by the University of Texas (Austin). Mr. Casas has been with the company since 1995. Mr. Casas is Francisco José González Gurría's nephew.

Eduardo Santos Burgoa Márquez, is our Supply Chain Director. He holds a degree in Industrial Engineering from the Universidad Iberoamericana and a Master in Business Administration by the University of Georgetown. Before joining our company, he worked at Concert, a joint venture company by British Telecomm & AT&T as a product launch manager. Mr. Santos Burgoa has been with the company since 1996.

Erika María Domínguez Zermeño, is our Marketing Director. She holds a degree in International Business from the Universidad Panamericana. Before joining our company, she was the marketing director of Grupo Prendamex and Senior Marketing Manager at COMEX. Mrs. Domínguez has been with the company since 2013.

Alfonzo Gustavo Vásquez Salazar, is our Country Manager for Peru. He holds a degree in Business Administration from the University of Lima. Before joining the company, Mr. Vásquez was a plant Director at Unique, he also worked as industrial engineering chief in Volvo, Peru and in production planning and control in Goodyear, Peru. Mr. Vázquez has been with the company since 1998.

Antonio Caso Valdés, is our Country Manager for Mexico. He holds a degree in Industrial Relationship from the Universidad Iberoamericana and a Master in Business Administration by the Instituto de Empresa (IE Business School). Before joining our company, he was the Vice President of Grupo Mezgo (bottling company). Mr. Caso has been with the company since 2012.

Carlos Augusto Valdés Fletes, is our Country Manager for Central America. He holds a degree in Chemical Engineering from the Universidad de San Carlos, a polyethylene diplomat in Houston, Texas and a project evaluation course at the ESEADE. Before joining our company, he worked at Editorial Sur, Helenoplast and Polymer. Mr. Valdés has been with the company since 1990.

Marcelo Claudio Santorelli Correa, is our Country Manager for Argentina. Before joining our company, he was the Commercial Director at Polimex Argentina (a piping company), he was the General Manager at Aguateck (a water tank company) and was also a sales manager at Tigre Argentina (a water tank company). Mr. Santorelli has been with the company since 2010.

Vinicius Ramos Ranucci, is our Country Manager for Brazil. He holds a degree in Business Administration from the Universidad Federal do Paraná in Brazil. Before joining our company, he was a consultant for Go4 company (Strategy and business advisory). Mr. Ramos has been with the company since 2007.

Fabiano Pinto Goncalves, is our Country Manager of APS for Brazil. He holds a degree in Civil Engineering from the Universidad Pontifícia Universidade Católica de Campinas, a specialization in product management by the Escola Superior de Propaganda e Marketing and a Master in Business Administration from Fundação Getúlio Vargas and an executive international Master in Business Administration by Babson College. Mr. Pinto has been with the company since 2003.

Internal Control

We have internal control policies and procedures designed to provide reasonable assurance that our transactions and other aspects of our operations are carried out, recorded and reported pursuant to guidelines set forth by our management using IFRS, applied in conformity with available interpretive guidance thereunder. In addition, our operational processes are subject to periodic internal audits, and our internal control systems are subject to an annual review by our external auditors. Our strategy is also subject to periodic reviews by our committees and our board of directors.

Regulatory Compliance

We do not pay and do not condone paying bribes to anyone. According to our Code of Ethics, under no circumstance is extortion and/or bribery allowed within our organization. Our personnel are prohibited from giving or offering bribes, kickbacks, or similar payment or consideration of any kind to any person or entity (including but not limited to any government officials, political parties, candidates for political office or any intermediaries, such as agents, attorneys or consultants) with the purpose of (i) influence official acts or decisions of that person or entity; (ii) obtain or retain business or a business advantage for, or direct business to, our company; and/or (iii) secure any improper advantage. The use of our funds or assets for any illegal, improper, or unethical purpose is strictly prohibited. If any officer or employee is subject to any type of proposal or illegal pressure in their working environments, within or outside of our organization, they are obligated to report such conduct immediately to our Human Resources Director. Our officers and employees are also responsible to report any coercion or bribery if they are aware of such pressure being exerted on others within our company. We are committed to maintaining the highest possible ethical standards. It is our policy to comply with all relevant anti-corruption, anti-bribery and anti-money laundering laws applicable to us. Any employee who violates our policies is subject to disciplinary measures, up to and including termination and, where appropriate, referral of the matter to relevant law enforcement authorities.

The procedures and governance used to implement this policy, include: (a) effective controls on the disbursement of funds and other assets to ensure that disbursements are not made for improper purposes; (b) measures to ensure that books and records accurately reflect the disposition of assets; (c) standards of behavior; (d) defined reporting and whistleblower lines; (e) effective means to report or seek guidance on actual or potential anti-corruption, anti-bribery and anti-money laundering issues; (f) regular review and, if necessary, revisions or updates to our policy and to the related procedures where appropriate, including in response to legal, regulatory, or industry changes or violations; and (g) appropriate punishments for employees and executives for violations of the relevant policies and related procedures.

Our anti-corruption and anti-bribery policy is based on the following key aspects:

- fight any type of corruption, including extortion and bribery;
- refrain from gaining any advantage through improper methods;
- our general advice and conduct will be not to accept any immoral practices;
- conduct business in any foreign country with the same ethic criteria as used in your own country; and
- ensure that any payment or disbursement of funds on our behalf is legal and has a legitimate purpose.

Our Chief Financial Officer is responsible for overseeing compliance of our anti-corruption, anti-bribery and anti-money laundering policy, and must report regularly to our Audit Committee, which exercises reasonable oversight as to the implementation and effectiveness of our policies.

Compensation of Directors and Senior Management

In 2011, 2012 and 2013, we paid the members of our board of directors an aggregate compensation of Ps.2.5 million, Ps.2.8 million and Ps.2.6 million, respectively. In addition, each member of our board of directors is entitled to receive two gold coins known as "centennial" (*centenario*) (each equal to Ps.20.1 thousand (US$1.5 thousand) as of September 30, 2014), as compensation for each board meeting attended by such director. We expect to continue to remunerate the members of our board of directors in accordance with our policies maintained to date. We do not offer severance payments or retirement plans to the members of our board of directors.

In 2011, 2012 and 2013, we paid our executive officers an aggregate compensation of Ps.25.8 million, Ps.30.2 million and Ps.47.4 million, respectively. The payments and benefits of our executive officers include salary, life and medical insurance, vacation bonus, savings fund, and year-end bonus.

In addition, we have established and implemented two long-term incentive plans for our directors and officers: a stock option plan and an equity-referenced units plan.

Stock Option Plan

Our stock option plan consists of a variable incentive scheme whereby options to subscribe and pay for shares are granted to certain of our relevant officers and directors, based on their achievements and results obtained during the year. This plan is managed by the chairman of our board of directors who, with the approval of the compensation committee, selects the plan participants and define the number of options to be allocated to each of them under a stock option purchase agreement and the corresponding vesting schedule, considering their position and the nature of their responsibilities, as well as the present and future contributions to our success and other elements deemed important at the time.

Once the selected participant has been assigned options, he or she may decide to subscribe and pay the allotted shares corresponding to such options at any time in accordance with the vesting schedule. Participants may decide to sell the allotted shares through the BMV in lieu of subscribing and paying for the allotted shares.

The stock option plan was implemented through the stock option plan trust. On November 18, 2014 we entered as settlor, into an irrevocable management custody trust agreement with GBM, as trustee, identified under number F/000117, which purpose is to comply with the terms and conditions of the stock option plan. As of the date of this offering memorandum, it owns 7,481,474 shares and has granted options to different officers of the company for a total of 3,510,806 shares. The current vesting schedule has a duration of ten years as of June 2014.

The table below sets forth the underlying shares corresponding to the options granted to our employees, which have not yet vested:

Participant	Position	Underlying Shares
Mario Antonio Romero Orozco	Chief Financial Officer	1,504,631
Gonzalo Uribe Lebrija	Chief Operations Officer	2,006,175
Total		**3,510,806**
Shares assigned to the Stock Option Plan Trust...		3,970,668

Equity-Referenced Units Plan

Our Equity-Referenced Units Plan is a variable compensation scheme that is granted to certain of our officers and executives, based on their achievements and results obtained during the year. This compensation is constituted by virtual units that are allocated to each plan participant, called Equity-Referenced Units (“Units”), which value is tied to the value and economic rights of our outstanding shares. The Units do not represent any dilution to our shareholders with respect to capital stock, nor do they have any corporate rights. The Units only represent the participant’s right to receive a bonus that is linked to our shares.

This plan is managed by the chairman of our board of directors who, with the approval of the compensation committee, selects the participants and determine the number of Units to be allocated to each of them.

The release of Units, meaning, the participant’s opportunity to request that we repurchase its Units at a certain price according to a predefined formula, takes place one year after being allocated. Any repurchase is capped to an annual percentage determined by the plan in accordance with the corresponding vesting schedule.

In case of separation, including voluntary separation, of the participant from our Company, we are obligated to pay the amount relating to the Units that have been released at the time of separation. In the event of ordinary retirement, disability or death of the participant, we pay the participant or its dependents, as applicable, the total number of Units allocated (released and not released) to the participant at such time.

Participants may not sell, donate, assign, convey or otherwise transfer to third parties the Units allocated or any rights and/or obligations thereunder.

The table below sets forth the Units allocated to our officers as of September 30, 2014:

Officer	Title	Units	Released	Not Released
José Luis Mantecón García......................	Vice President of Institutional Business Development	185,205	108,187	77,018
Mario Antonio Romero Orozco..............	Chief Financial Officer	279,241	120,810	158,431
Gonzalo Uribe Lebrija............................	Chief Operating Officer	364,939	147,766	217,173
Eduardo Santos Burgoa Marquez...........	Supply Chain Director	238,575	101,314	137,261
Armando Valdés Zamora........................	Internal Auditor	77,424	48,301	29,123
Amauri A. Ramos...................................	Regional Director (Brazil)	81,939	81,939	-
Alfonso Vázquez Salazar........................	Country Manager (Peru)	244,887	82,030	162,857
Carlos Valdés Fletes...............................	Country Manager (Guatemala)	76,835	43,017	33,818
Diego Ernesto Casas González...............	Human Resources Director	148,043	7,326	140,717
Antonio Caso González..........................	Country Manager (Mexico)	129,905	-	129,905
Carlos Rojas Aboumrad	Vice President of New Businesses	149,247	-	149,247
Fabiano Pinto Goncalves.........................	Country Manager Integrated Solutions (Brazil)	24,722	-	24,722
Total..		**2,000,962**	**740,690**	**1,260,272**

CRMV Trust

On February 21, 2014, our shareholder Carlos Rojas Mota Velasco, in his capacity as settlor, established a revocable trust with GBM, as trustee, identified under number F/000095, to which he transferred and assigned shares of our capital stock. As of the date of this offering memorandum and immediately prior to the Global Offering, the CRMV Trust held 160,772,984 shares of our capital stock, representing 47.0% of our outstanding shares (the "CRMV Trust") and after the Global Offering it will represent, approximately, 33.1%, assuming the full exercise of the over-allotment options.

The main purpose of the CRMV Trust is to promote an orderly corporate decision-making process and continuity of our business strategy in case of death or disability of Mr. Carlos Rojas Mota Velasco. During the term of the CRMV Trust, and prior to the death or disability of Mr. Carlos Rojas Mota Velasco, all corporate decisions, economic benefits and any others rights related to the shares transferred and assigned to the trust shall be exercised by Mr. Carlos Rojas Mota Velasco, who in turn maintains the authority to remove, sell, pledge and/or dispose of such shares at its discretion, as well as to modify the terms of the trust.

This CRMV Trust also provides that from the death or disability of Mr. Carlos Rojas Mota Velasco, a technical committee will be created, comprised of five members that will include his three children and two close relatives and will function for a period of ten years counted from the date of such event. Any ordinary corporate decision will be decided by Mr. Carlos Rojas Aboumrad, and any extraordinary corporate decision will be subject to the decision of the technical committee.

Voting Trust

On November 18, 2014, the principal shareholders and certain minority shareholders, in their capacity as settlors, established a trust with GBM, as trustee, identified under number F/000116, to which they transferred and assigned shares of our capital stock. As of the date of this offering memorandum and immediately prior to the Global Offering, the Voting Trust held 137,181,004 shares of our capital stock, representing 40.1% of our outstanding shares (the "Voting Trust"). The Voting Trust establishes a mechanism whereby all the shares subject to and assigned to the Voting Trust will be voted in the manner instructed by the CRMV Trust.

External Auditors

Our independent auditors are PricewaterhouseCoopers, S.C., whose offices are located at Mariano Escobedo No. 573, Colonia Rincón del Bosque, C.P. 11580, México, Distrito Federal. Our external auditors are appointed by our board of directors with the prior input from the audit committee, taking into account their experience, quality and service standards. In addition, our board of directors must ratify their appointment of external auditors annually based on the recommendation of the audit committee.

Our Audited Financial Statements included elsewhere in this offering memorandum were audited by PricewaterhouseCoopers, S.C.

PricewaterhouseCoopers, S.C., has served as our external auditor since 2003. For the past three years that they audited our financial statements they have not issued a qualified opinion or a negative opinion, nor have they refrained from giving an opinion on our financial statements.

PricewaterhouseCoopers, S.C. has provided additional services to us consisting of transfer price analysis and legal, tax and accounting consulting services. The aggregate amount paid for such services for the nine-month period ended September 30, 2014 was Ps.2.8 million, or 24.0% of the total fees paid to PricewaterhouseCoopers, S.C. during such period.

OUR SHAREHOLDERS

Our Shareholders

The table below sets forth certain information regarding the ownership of our capital stock as of the date of this offering memorandum and after giving effect to the Global Offering:

Shareholder	Shares owned prior to the Global Offering		Shares owned after the Global Offering			
			Non-exercise of over-allotment options		Exercise of over-allotment options	
	Total	%	Total	%	Total	%
Principal Shareholders	173,892,677	50.8	173,892,677	37.2	173,892,677	35.8
Voting Trust	137,181,004	40.1	137,181,004	29.3	137,181,004	28.2
Minority Shareholders	18,323,228	5.4	18,323,228	3.9	18,323,228	3.8
Stock Option Plan Trust	7,481,474	2.2	7,481,474	1.6	7,481,474	1.5
Directors and Executive Officers	5,139,156	1.5	5,139,156	1.1	5,139,156	1.1
Public Float	-	-	125,406,431	26.8	144,217,395	29.7
Total	**342,017,539**	**100.0**	**467,423,970**	**100.0**	**486,234,934**	**100.0**

As of the date of this offering memorandum and immediately prior to the Global Offering, our principal shareholders are Carlos Rojas Mota Velasco through his beneficial ownership of shares held by the CRMV Trust and the Voting Trust, and his son Carlos Rojas Aboumrad directly or through his beneficial ownership of shares held by the Voting Trust. Our principal shareholders beneficially own approximately 71.3% of our outstanding capital stock and, following the consummation of the Global Offering, assuming the initial purchasers and Mexican underwriters exercise their over-allotment options in full, our principal shareholders will directly own 35.8% of our outstanding capital stock and the Voting Trust will directly own 28.2% of our outstanding capital stock, which shares shall be voted as directed by the CRMV Trust. Therefore, 64.0% of our outstanding capital stock will be effectively controlled by our principal shareholders. See "Management–Voting Trust." As such, our principal shareholders will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders, and thus to exercise control over our business policies and affairs. See "Risk Factors—Our principal shareholders will continue to have significant influence over us after the Global Offering, and their interests could conflict with yours."

For the past three years, there have not been any significant changes in the percentage of ownership held by our principal shareholders.

Relevant Directors and Executive Officers

As of the date of this offering memorandum and immediately prior to the Global Offering, our relevant directors and executive officers (other than our principal shareholders) own directly or indirectly, 19,862,612 shares, or 5.8%, of our outstanding capital stock, of which (i) 5,139,156 shares are owned directly, and (ii) 14,723,456 shares are owned indirectly through the Voting Trust.

Upon consummation of the Global Offering, assuming the initial purchasers and the Mexican underwriters exercise their over-allotment options in full, our relevant directors and executive officers (other than our principal shareholders) will own directly and indirectly through the Voting Trust 19,862,612 shares, or 4.1%, of our outstanding capital stock; however, they will only have the power to vote 5,139,156 shares, or 1.1% of our outstanding capital stock, which represent shares not subject to the Voting Trust.

None of the relevant directors and executive officers, individually will own, directly or indirectly, more than 10.0% or our capital stock, after the Global Offering.

Minority Shareholders

As of the date of this offering memorandum and immediately prior to the Global Offering, our minority shareholders own directly or indirectly, 70,818,464 shares, or 20.7%, of our outstanding capital stock, of which (i) 18,323,228 shares are owned directly, and (ii) 52,495,236 shares are owned indirectly through the Voting Trust.

Upon consummation of the Global Offering, assuming the initial purchasers and the Mexican underwriters exercise their over-allotment options in full, our minority shareholders (other than our directors and executive officers) will own directly and indirectly through the Voting Trust 70,818,464 shares, or 14.6%, of our outstanding capital stock; however, they will only have the power to vote 18,323,228 shares, or 3.8% of our outstanding capital stock, which represent shares not subject to the Voting Trust.

Except for Claudia Fernández Terouanne, none of our minority shareholders individually owned, directly or indirectly, more than 10.0% or our capital stock prior to the Global Offering. None of our minority shareholders individually will own, directly or indirectly, more than 10.0% or our capital stock, after the Global Offering.

RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we have engaged in, and we expect that we will continue to engage in, transactions with our directors, officers, shareholders, companies that are owned or controlled, directly or indirectly, by our principal shareholders and other related parties, including, without limitation, the transactions described below. For more information regarding our relationships and transactions with related parties, see Note 10 to our Audited Financial Statements included elsewhere in this offering memorandum.

Related party transactions are negotiated by one or more of our employees that are unrelated parties, based on forms of contracts and business terms used for transactions with unrelated third parties. These transactions are only executed if they are negotiated on an arm's length basis. We believe that these transactions include terms and conditions similar to those that could be negotiated with unrelated third parties.

Related Party Transactions

Dalkasa Ecuador

We conduct operations in Ecuador through Dalkasa Ecuador, a private company incorporated and operating in Quito, Ecuador, dedicated to the production and commercialization of water solutions to store and treat water. As of September 30, 2014, we maintained an equity stake of 49.9% in Dalkasa Ecuador.

In order to operate Dalkasa Ecuador, we have entered into certain agreements with Dalkasa Ecuador and the rest of the shareholders. These agreements include a distribution agreement and a supply agreement through which we provide raw materials and finished solutions to Dalkasa Ecuador, and a trademark licensing agreement through which Dalkasa Ecuador is entitled to use our brands *Rotoplas* and *AB y Diseño*. We believe that such agreements have been entered into in the ordinary course of business and are on terms no less favorable to us or our related parties than would have been obtained in transactions negotiated on an arms' length basis.

We believe that all of our transactions with related parties have been entered into in the ordinary course of business and are on terms no less favorable to us or our related parties than would have been obtained in transactions negotiated on an arms' length basis. As of the date of this offering memorandum, neither us nor any of our subsidiaries have guaranteed any third-party obligations and we have no doubtful accounts.

We have not entered into any material transactions or loans with Dalkasa Ecuador for the last three fiscal years.

Company Officers

We have extended and may continue to extend loans to certain of our officers. As of September 30, 2014, the outstanding principal amount of such loans amounted to Ps.64.0 million (US$4.7 million). Such loans have a 10-year maturity and accrue interest at a rate of 6.9% per annum. The proceeds of these loans have been used to fund the acquisition by these officers of shares under our stock option plan. We believe that the terms and conditions of these loans are standard market conditions.

Corporativo GBM, S.A.B. de C.V.

Our principal shareholder, chairman of our board of directors and executive president, Carlos Rojas Mota Velasco, is a member of the Rojas Mota Velasco family, a group of shareholders that controls Corporativo GBM. GBM International, Inc., an initial purchaser in the International Offering, is an affiliate of Corporativo GBM, and GBM, a Mexican underwriter in the Mexican Offering, is a subsidiary of Corporativo GBM. In addition to the commercial relationships arising from the Global Offering, from time to time, Corporativo GBM and its subsidiaries and affiliates maintain commercial relationships with us and our affiliates and have provided, and may provide in the future, investment banking, financial advisory and other banking services to us and our affiliates, in the ordinary course of their business, for which they have received or may receive customary fees and commissions. In addition, we may in the future enter into co-investments, joint ventures or similar transactions with Corporativo GBM or any of its subsidiaries and affiliates that may result in economic benefits to such entities.

Except as described above, as of the date of this offering memorandum, we have not entered into any other transaction with any entity where we hold more than 10.0% of the outstanding capital stock or with any of our shareholders holding more than 10.0% of our outstanding capital stock. We have not entered into any transactions with any of our shareholders that hold more than 10.0% of our voting shares.

DESCRIPTION OF OUR CAPITAL STOCK AND BYLAWS

This section includes a description of our capital stock and a brief summary of certain significant provisions of our bylaws as amended and restated on November 24, 2014 and which will be in effect upon the registration of our Shares with the RNV maintained by the CNBV in order to reflect certain provisions applicable to us pursuant to the LMV governing Mexican publicly-traded corporations. See "The Mexican Securities Market—Market Regulation and Registration Standards." This description does not purport to be complete and is qualified in its entirety by reference to our bylaws and Mexican law. Unless otherwise indicated, this description gives effect to our capitalization upon the completion of this Global Offering and the amendment and restatement of our bylaws.

Incorporation and Bylaws

We were incorporated on March 17, 1993 under Mexican law as Grupo Rotoplas, S.A. de C.V., by means of public deed No. 86,126, granted before Mr. Eduardo Garcia Villegas, notary public No. 15 of Mexico City, Federal District, which was registered with the Public Registry of Commerce in Mexico City under the mercantile file number 175,205. On August 22, 2003, we amended our bylaws and continued being a private stock corporation of variable capital, the purpose of this amendment was to modify our corporate purpose in order to accurately and fully describe our day-to-day business operations. On November 24, 2014 we amended and restated our bylaws in order to adopt certain provisions of the LMV that are applicable to us as a Mexican publicly traded corporation listed on the BMV. Our corporate domicile is located in Mexico City, Federal District, Mexico. Copies of our bylaws have been filed with the CNBV and with the BMV and are available in Spanish for inspection at the BMV and the CNBV, and is available for review at the BMV's website: www.bmv.com.mx.

Duration

The duration of our corporate existence is indefinite.

Corporate Purpose

Our broad corporate purpose, as set forth in our bylaws is to produce and commercialize water related products.

Outstanding Capital Stock and Voting Rights

We are a public limited liability corporation with variable capital (*sociedad anónima bursátil de capital variable*) and as result, our stock has a fixed portion represented by Class "I" shares and variable portion represented by Class "II" shares. As of the date of this offering memorandum, our issued and outstanding capital stock consists of 456,023,385 shares with no par value divided into fixed and variable capital shares. Our fixed capital is represented by 15,104 full voting common Class "I" shares with no par value, and our variable capital is represented by 455,973,385 fully voting common Class "II" shares with no par value.

In the future, we may issue additional capital stock. We may also issue shares with limited voting rights or shares which do not entitle its holder to any vote. Such shares may represent up to 25.0% of our publicly-traded capital stock and may be issued with the prior authorization of the CNBV. The limitations that may be imposed on the voting rights of these shares include, among others, limiting the vote of holders of these shares to matters related to a change of corporate purpose, merger, spin-off, transformation, dissolution or liquidation. As of the date of this offering memorandum, no limited voting shares had been issued and none were outstanding.

On December 13, 2013, we increased our capital stock and issued 192,438,787 shares which were subscribed and paid by our existing shareholders, at a price of Ps.3.3104 per share. On December 31, 2013, a merger became effective by means of which Industria Mexicana de Moldeo Rotacional, S.A. de C.V. merged into us. This transaction was deemed a corporate restructuring, and our shareholders only received more shares of our capital stock as a result of the merger. We did not acquire any assets as a result of the merger.

As of the date of this offering memorandum and immediately prior to the Global Offering, our outstanding capital stock consisted of 342,017,539 full voting common shares, with no par value, fully subscribed and paid. During the last three fiscal years, no capital stock has been paid in kind. As of the date of this offering memorandum, there are no outstanding securities convertible into our capital stock, nor open positions in derivative financial instruments which are payable with our shares or interests on our shares.

Changes in Our Capital Stock and Capital Increase Preemptive Rights in our Bylaws

Except for certain exceptions relating to shares maintained in our treasury and the repurchase of shares pursuant to the rules set forth in the LMV, any increase or reduction in the fixed or variable portion of our capital stock must be approved by a resolution of the majority of our shareholders present at a general extraordinary or ordinary shareholders meeting, respectively. In the event of an increase in our capital stock (except for public offerings of shares or re-sales of shares maintained in our treasury as a result of repurchases of shares conducted pursuant to the rules set forth in the LMV), our shareholders have the right to subscribe and pay for new shares issued as a result of such increase in proportion to their shareholding interest at that time. See "Share Repurchases

Pursuant to our bylaws, the entities directly or indirectly controlled by us will not be entitled to, directly or indirectly, acquire shares or any other negotiable instrument representing our shares, unless such shares are acquired through an investment company (*sociedad de inversión*).

Shareholders' Meetings and Quorum

Pursuant to our bylaws, shareholders' meetings may be ordinary, extraordinary and special. Ordinary shareholders' meetings are held to discuss any issue not reserved for an extraordinary shareholders' meeting and to approve any transactions entered with respect to any entity controlled by us that, during a fiscal year, exceeds 20.0% or more of our consolidated assets pursuant to the financial statements of the latest quarter. An annual ordinary meeting of our shareholders must be called and held at least once within the first four months following the end of each fiscal year to approve, among other things, the board of director's report in regards to our financial statements, the designation and ratification of the members of the board of directors, if any, the declaration of dividends and the determination of compensation for members of the board of directors.

Extraordinary shareholders' meetings are called to discuss any of the matters provided for in Article 182 of the Mexican Corporations Law, such as a change in corporate purpose, mergers, spin-offs, transformation, dissolution or liquidation, the delisting of our shares from the RNV or from any stock exchange, amendments to our bylaws and any other matters for which our bylaws require an extraordinary meeting.

In addition, special shareholders' meetings may be held by shareholders of the same series or class to consider a matter specifically affecting the relevant series or class of shares.

Pursuant to our bylaws, the attendance quorum required for an ordinary shareholders' meeting on first call is at least 50.0% of our outstanding shares. Resolutions are passed when adopted by the holders of the majority of the shares represented in the relevant ordinary meeting. For second and subsequent calls, no minimum attendance quorum is required and resolutions are passed when adopted by the majority of the shares represented in the meeting. The minimum attendance quorum required for an extraordinary shareholders' meeting on first call is 75.0% of our outstanding shares and its resolutions are passed when adopted by holders of at least 50.0% of our outstanding shares; on second and subsequent calls, the minimum attendance quorum is at least 50.0% of our outstanding shares and its resolutions are valid when adopted by at least 50.0% of such outstanding shares.

Notice of a shareholders' meeting must be published in the Federal Official Gazette of the Federation or in any newspaper of general circulation of our corporate domicile at least 15 days prior to the date of the meeting. As required by Mexican law, our bylaws require that all information relating to the matters to be discussed at a shareholders' meeting be made available from the date on which notice of the meeting is given. Each call must set forth the place, time and agenda of the meeting and must be signed by the person who convened the meeting.

To be admitted to any shareholders' meeting, shareholders must present evidence that their certificates have been deposited with a financial institution, brokerage house or deposit institution at least one day prior to the shareholders' meeting. These documents will be exchanged for certificates issued by us that must be used to be admitted to the meeting. Shareholders may appoint one or more attorneys-in-fact to represent them pursuant to general or special powers of attorney or by a proxy in the form distributed by us 15 days prior to the meeting.

Rights of Minority Shareholders

Our bylaws provide protections for minority shareholders. These minority shareholders' rights are those required to be granted by public corporations pursuant to the LMV. See "The Mexican Securities Market—The Mexican Securities Market Law—Minority Shareholders' Protections."

Information to Shareholders

The board of directors is responsible for presenting the following information at the general ordinary shareholders' meeting: (i) reports from the audit and corporate practices committee previously presented to the board of directors, (ii) the main results from their review of our (and if applicable, our subsidiaries') financial statements, (iii) the external auditor's report, (iv) the board of directors' opinion with respect to the Chief Executive Officer's report previously presented to the board of directors, (v) a report that explains the main policies and accounting criteria used in the preparation of our financial statements, and (vi) a report describing all transactions where the board of directors participated in accordance with the LMV.

Our annual audited financial statements and our unaudited quarterly financial statements must be disclosed pursuant to the LMV's general guidelines and conditions set forth by the CNBV and are available to the public at the BMV's website. We are also required to file an annual report with the BMV also available at the BMV's website.

Authority of the Board of Directors

Our bylaws provide that the board of directors is vested with, among others, the power to determine our business strategies and oversee the management and guidance of the Company and its subsidiaries, based on the relevance that the subsidiaries have with respect to our financial, administrative and legal status. This broad authority includes the appointment and removal of the Chief Executive Officer, as well as the determination of our compensation policy for the chief executive officer and other senior officers.

Authority of the Chief Executive Officer

Our bylaws provide that our Chief Executive Officer is vested with the power to manage, conduct and execute our business objectives, in accordance with the strategies, policies and guidelines determined and approved by our board of directors. To fulfill this responsibility, our Chief Executive Officer is vested with authority in connection with acts of administration, lawsuits, collections and, with several limitations, the authority to dispose of property (in accordance with the guidelines provided by our board of directors). Our Chief Executive Officer is responsible for, among other matters: (i) implementing the resolutions of the shareholders meetings and the board of directors, in accordance with the instructions they each provide, (ii) disclosing relevant information and events that should be disclosed to the public in accordance with the provisions of the LMV, (iii) verifying that all capital contributions have been made, (iv) complying with the requirements imposed by the law in connection with dividends paid to our shareholders and (v) preparing and submitting to the board of directors the reports, business strategies and other information required by the LMV.

Audit and Corporate Practices Committee

We have a single audit and corporate practices committee (*comité de auditoría y prácticas societarias*) comprised of three members of our board of directors all of which are independent. The chairman of this committee may only be appointed or removed by shareholders at a general ordinary meeting. The audit and corporate practices committee's responsibilities include, among others:

(i) *Auditing responsibilities*: supervising our outside auditors, analyzing the audit reports prepared by our accountants, informing the board of directors with respect to existing internal controls, supervising related party transactions, requiring our executives to prepare reports when necessary, informing the board of directors of any irregularities that it encounters, supervising the activities of our executives, and providing an annual report to the board of directors. The audit and corporate practices committee also assists the board of directors in analyzing the determination of our compensation policy for the chief executive officer and other senior officers.

(ii) *Corporate practices responsibilities*: giving opinions to the board of directors with respect to management practices and operations, requesting and obtaining opinions from independent third-party experts, calling shareholders' meetings, providing assistance to the Board in the preparation of annual reports, and submitting an annual report to the board of directors.

Dividends

Our bylaws provide that the declaration and payment of dividends are determined, subject to the limitations set forth above, by the affirmative vote of a majority of the outstanding shares of our capital stock represented at a general ordinary shareholders' meeting. By law, prior to any distribution of dividends, we are required to allocate a minimum of 5.0% of our income to a legal reserve fund until such fund equal 20.0% of our paid-in capital stock. The reserve fund must be similarly replenished when it is for any reason depleted. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including amounts allocated to a reserve fund for the purchase of shares. The remaining balance, if any, may be distributed as dividends. All shares outstanding at the time dividends, or other distributions, are declared are entitled to participate in such dividends or other distribution.

Registration and Transfer

We have filed an application to register all of our shares with the RNV, in accordance with Mexican securities law requirements.

Pursuant to the LMV and our bylaws, our shares must be deposited with Indeval at all times. Our shareholders may hold such shares directly or indirectly, in book-entry form, or indirectly through institutions that have accounts with Indeval. Indeval is the holder of record with respect to all such shares held in book-entry form. Indeval will issue certificates on behalf of our shareholders upon request. We maintain a stock registry and only those persons listed in such stock registry, and those holding certificates issued by Indeval and any relevant Indeval participants indicating ownership, are recognized as our shareholders.

Share Repurchases

Pursuant to the LMV and our bylaws, we are entitled to temporarily repurchase shares representing our capital stock at the then prevailing market price. The economic and voting rights corresponding to repurchased shares may not be exercised during the period in which we own such shares and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting. The LMV provides that repurchase of our shares shall only be made when complying with, among other requirements, the following rules: (i) it must be made through the BMV, at market prices (except for public offers and authorized auctions); and (ii) if the purchase is made against our stockholders' equity (*capital contable*) or our capital stock (*capital social*), provided that we are not in default under any debt securities registered with the RNV.

Ownership of Capital Stock by Subsidiaries

Our subsidiaries may not, directly or indirectly, invest in our shares, except for shares acquired as part of an employee stock option plan and in conformity with the LMV.

Redemption of Shares

Subject to the approval of our shareholders in a general extraordinary shareholders' meeting, shares representing our capital stock are subject to redemption in connection with either (i) a reduction of capital stock or (ii) a redemption with retained earnings. In connection with a capital reduction, the redemption of shares shall be made pro rata among the shareholders. In the case of a redemption with retained earnings, such redemption shall be conducted by means of a tender offer conducted on the BMV, in accordance with the process, prices, terms and conditions approved at a general extraordinary shareholders' meeting, or by our board of directors if such authority is delegated by the shareholders.

Dissolution or Liquidation

Upon our dissolution, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up our affairs. All fully paid and outstanding shares of our capital stock will be entitled to participate equally in any liquidation proceeds.

Preemptive Rights

Under Mexican law and our bylaws, our shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if we issue additional shares of capital stock, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time periods set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period may not be less than 15 days following the publication of notice of the issuance in the Federal Official Gazette and in a newspaper of general circulation in our domicile.

Under Mexican law, shareholders may not waive their preemptive rights in advance, and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share. Preemptive rights will not apply to (i) shares resulting from the merger of the Company, (ii) shares issued in connection with the conversion of convertible securities, the issuance of which was approved by our shareholders, (iii) shares issued in connection with the capitalization of accounts specified in our balance sheet, (iv) the resale by us of shares held in our treasury as a result of repurchases of shares conducted by us on the BMV, or (v) shares to be placed in a public offering pursuant to Article 53 of the LMV, if the issuance of those shares was approved at a general shareholders' meeting.

It is possible that non-Mexican shareholders will not be able to exercise their preemptive rights in the event of future capital increases unless certain conditions are met. We are not required to adopt any measure intended to permit such exercise. See "Risk Factors—Risks Related to the Shares—Preemptive rights may be unavailable to non-Mexican shareholders."

Delisting or Cancellation of Registration with the RNV

If we wish to cancel our registration of Shares with the RNV, or if it is cancelled by the CNBV, we would be required to conduct a tender offer to purchase all of the outstanding shares owned by minority shareholders prior to such cancellation. Such offer would exclude controlling shareholders. Shareholders deemed to have "control," as defined in the LMV, are those that have the ability to (i) control the outcome of decisions made at shareholders' meetings, or appoint or revoke the appointment of a majority of the members of a board of directors, senior management or equivalent officers, (ii) vote, directly or indirectly, a majority of the capital stock of a company, or (iii) directly or indirectly control a company, its strategy or principal policies.

In accordance with our bylaws, in the event that after such a tender offer is concluded there were still shares on the market, we would be required to create a trust for a period of at least six months and contribute to it funds in an amount sufficient to purchase, at the same price offered pursuant to the tender offer, all of the outstanding shares that remain held by the general public and have not been sold under the offer.

Unless approved otherwise by the CNBV, the offer price will be the higher of: (i) the weighted average quotation price per share on the BMV for the 30 trading days prior to the date on which the tender offer is made, or (ii) the book value of the shares in accordance with the most recent quarterly report submitted to the CNBV and the BMV.

Voluntary cancellation of the registration shall be subject to (i) prior authorization by the CNBV, and (ii) authorization by not less than 95.0% of the holders of the outstanding capital stock at an extraordinary shareholders' meeting.

Transfer Restrictions

Our bylaws provide that any transfer of more than 10.0% of our outstanding shares, consummated in one or more transactions by any person or group of persons acting jointly, requires prior approval of our board of directors, except for certain permitted transfers according to our bylaws.

For these purposes, a written request must be submitted for authorization to the Chairman and Secretary of the board of directors. The request must contain at least the following information: (i) the number and class of shares issued which are owned by the person or group of persons sought by the acquisition, (ii) the number and class of shares or rights thereto, regarding the acquisition, (iii) the identity and nationality of each of the potential purchasers, and (iv) demonstration of whether there is an intention to acquire a significant "influence" (as such term is defined in the LMV) or "control" (as such term is defined in our bylaws). The board of directors will issue its decision within a period not exceeding three months from the date the request is submitted, or the date it receives all additional information requested, as may be the case.

The above restrictions do not apply to the following transfers: (a) the acquisition of shares by or affecting a trust of our shareholders prior to the initial public offering of our shares, (b) transfers made within equity trusts referred to in subsection (a) above, provided that no case of disposals or other provisions to third parties that are not part of such trusts,(c) transfers to heirs or legatees by legitimate or testamentary succession, whether individuals or corporations,(d) donations, sales and/or any form of transmission, or on behalf of spouses, siblings or with whom there is a blood relationship straight ascending or descending, unlimited degree, and (e) transmissions in any capacity to any authorized trust acting as trustee in trust in which trustees are (i) shareholders that transmit shares, or (ii) spouses, siblings or any blood relatives.

Tender Offer Rules

Under the LMV, any person or group of persons that, directly or indirectly, in a single transaction or in a series of transactions, intends to acquire control of our outstanding shares (or any percentage of our outstanding shares equal to or exceeding 30.0% of our outstanding shares), would be required to, besides obtaining the approval of our board of directors and stockholders, undertake a tender offer for 100.0% of our outstanding shares or for the relevant lower percentage of the transaction requiring the tender offer is for less than 51.0% of our outstanding shares, at a price equal to the greater of (i) the average trading price for our shares, for 30 trading days prior to the offer, or (ii) the last reported book value per share. The LMV defines control, for these purposes, as: (i) the ability to impose decisions, directly or indirectly, at a shareholders' meeting; (ii) the right to vote 50.0% or more of our shares; or (iii) the ability to cause, directly or indirectly, that our management, strategy or policies be pursued in any given fashion.

In connection with a tender offer, our board of directors is required, subject to the prior opinion of our Corporate Practices Committee, to give an opinion in respect of the price of the offer. Prior to expressing such opinion, our board of directors may request the opinion of an independent third party expert. The members of our board of directors and our Chief Executive Officer are required to disclose to the public whether or not each of them will sell any of our shares owned by them in the tender offer.

Additional Matters

Variable Capital

We are permitted to issue shares representing fixed capital and shares representing variable capital. The issuance of variable-capital shares, unlike the issuance of fixed-capital shares, does not require an amendment of the bylaws, although it does require a majority vote of our shares.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that any non-Mexican shareholder shall be considered as a Mexican citizen with respect to shares held by it, property rights, concessions, participations and interests we own and rights and obligations derived from any agreements we have with the Mexican government. Non-Mexican shareholders shall be deemed to have agreed not to invoke the protection of their governments, under penalty, in case of breach of such agreement, of forfeiture to the Mexican government of such interest or participation. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws or applicable law prohibit ownership of shares by non-Mexican persons.

Conflict of Interest

Pursuant to the Mexican Corporations Law, a shareholder that votes on a business transaction in which its interest conflicts with our interests, must abstain from any deliberation on the applicable matter. A breach by any shareholder of any such obligation may result in the shareholder being liable for damages, but only if the transaction would have not been approved without such shareholders' vote.

Appraisal Rights

Pursuant to the Mexican Corporations Law, whenever the shareholders approve a change in our corporate purpose, nationality or corporate form, any shareholder entitled to vote that voted against the approval of such matter is entitled to withdraw its shares at book value, as set forth in the financial statements last approved by our shareholders; provided it exercises its appraisal rights within 15 days following the adjournment of the meeting at which the relevant change was approved.

TAXATION

The following summary contains a description of certain material Mexican federal and U.S. federal tax consequences of the acquisition, ownership and disposition of our Shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or sell our Shares. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality or municipality or taxing jurisdiction other than certain federal laws of Mexico and the United States.

This discussion does not constitute, and should not be considered as, legal or tax advice to prospective holders of our Shares. This discussion is for general information purposes only and is based upon the federal tax laws of Mexico (including the Mexican Income Tax Law, the Value Added Tax Law and the Mexican Federal Tax Code) and of the United States as in effect on the date of this offering memorandum (including the "Tax Treaty," as defined below), which are subject to change, and such changes may have retroactive effect. Potential investors in our Shares should consult their own tax advisors as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of our Shares, including, in particular, the effect of any foreign, state, municipal or local tax laws and their entitlement to the benefits, if any, afforded by any tax treaty to which Mexico may be a party and which are in effect and in particular the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, and the protocols thereto, between the United States and Mexico (as amended, the "Tax Treaty").

Mexican Tax Considerations

The following is a general summary of the principal consequences under the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), the Value Added Tax Law (*Ley del Impuesto al Valor Agregado*) and the rules and regulations thereunder, as currently in effect, in connection with the acquisition, ownership and disposition of our Shares by a holder that is a non-Mexican holder (as described below) and it does not purport to be a comprehensive description of all of the Mexica tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. In addition, this summary does not address any United States or other country or Mexican state or municipal tax considerations that may be relevant to any non-Mexican holder.

For purposes of Mexican taxation:

- individuals are residents of Mexico for tax purposes if they have established their residence in Mexico or, if they also have a residence outside Mexico, if their center of vital interest (*centro de intereses vitales*) is located within Mexican territory. The center of vital interest will be deemed to be located in Mexico if (i) at least 50.0% of their aggregate annual income derives from Mexican sources of wealth or (ii) the main center of their professional activities is located in Mexico. Mexican nationals who changed their tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and in which their income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the fiscal year of filing of the notice of such residence change and during the following three fiscal years;

- unless proven otherwise, a Mexican national individual shall be deemed a Mexican resident for tax purposes. An individual will also be considered a resident of Mexico for tax purposes if such individual is a state employee, regardless of the location of the individual's center of vital interest; and

- a legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business or the place of effective management in Mexico.

Non-residents of Mexico who are deemed to have a permanent establishment in Mexico for Mexican tax purposes, in general terms, shall be subject to Mexican tax laws, and all income obtained attributable to the permanent establishment will be subject to Mexican taxes, in accordance with the Mexican Income Tax Law.

Non-residents of Mexico for tax purposes that become holders of our Shares will neither be deemed to be residents of Mexico for tax purposes nor be deemed to have a permanent establishment in Mexico for tax purposes exclusively for purchasing, owning or disposing of such Shares.

Mexican tax residents—both individuals and legal entities—are taxed on worldwide income basis regardless of the location of the source of the income. Mexican resident individuals are subject to income tax at progressive rates, while legal entities are subject to income tax at the applicable corporate tax rate. The current maximum income tax rate for individuals is 35.0% and the current corporate income tax rate for legal entities is 30.0%.

Income Tax

Taxation of Dividends

Pursuant to the provisions of the Mexican Income Tax Law, beginning in 2014, dividends and profits distributed by a Mexican corporation to non-Mexican holders, shall be subject to a 10.0% withholding tax. This tax is considered final and cannot be credited against any other tax in Mexico. The 10.0% dividend tax is imposed at the shareholder level over the gross dividend amount. Non-residents of Mexico holders may claim tax treaty benefits to reduce the Mexican 10.0% withholding tax charge.

The new 10.0% income tax withholding will apply to profit generated beginning in 2014. For these purposes, Mexican corporations will be required to keep a net after-tax profit account ("CUFIN") as of December 2013 and create a new CUFIN account starting in 2014. Dividends paid out of the CUFIN balance existing as of December 2013 would not be subject to the 10.0% income tax withholding.

Dividends paid from distributable earnings that have not been subject to Mexican corporate income tax are subject to a tax at the corporate level, payable by us. This corporate tax on the distribution of earnings is not final and may be credited by us against income tax payable by us during the fiscal year in which the tax was paid and in the following two years. For such purposes, Mexican legal entities are obliged to maintain a CUFIN, the balance of which will be increased by the net after tax profit for each tax year, as well as by any dividends received from other Mexican entities, and decreased by distributions of previously taxed profits.

Taxation on Capital Gains

Beginning in 2014, gains recognized by a non-Mexican holder on the sale of shares issued by Mexican residents, will generally be subject to Mexican withholding income tax at a 10.0% rate, if the transaction is carried out through the BMV or other stock exchange or securities market approved by the Ministry of Finance and Public Credit. However, non-Mexican holders who are residents of a country that has signed a tax treaty with Mexico may be tax exempt to the extent they provide a sworn representation to the financial intermediary about their residence in a tax treaty country and provide their tax identification number, except in the cases described in the following paragraph (*i.e.* the 10.0% withholding charge would not apply, but the general 35.0% capital gains withholding rate would). If the non-Mexican holder fails to provide the residency/tax ID representations on a trade by trade basis, the financial intermediary would be required to withhold.

In the event that the financial intermediary participating in a transaction does not have the custody and administration of our Shares and therefore is unable to determine the tax cost basis of the Shares, non-Mexican holders may be required to provide such information to the financial intermediary. Failure to provide such information may cause the financial intermediary to withhold 10.0% over the gross amount of the transaction in taxes.

The 10.0% rate shall not be applicable to the non-Mexican holders of shares or securities that are not considered publicly placed or whenever shares were acquired off exchanges, unless the sale in stock exchanges comprises shares equal to or less than 1.0% of our outstanding shares, in a single transaction or a series of transactions, during any 24-month period, except in the cases (i) and (ii) described below.

The Mexican Income Tax Law provides that (i) any person or group of persons that, directly or indirectly, hold 10.0% or more of our outstanding shares, are not subject to the new 10.0% income tax on the gains realized from the sale or other disposition of our shares, regardless of whether the sale or disposition is carried out through the BMV or such other approved securities market, if the sale comprises a block of shares equal to or exceeding 10.0% of our outstanding shares, in a single transaction or a series of transactions, during any 24-month period, except in the case described below. The referred 10.0% income tax does not apply (ii) if the person or group of persons that control us, sell the control of the company either in a single transaction or a series of transactions, during any 24-month period. The new 10.0% income tax described in the previous paragraph will not be applicable (iii) to pre-negotiated or protected trades executed through the BMV, which preclude the holders from accepting more competitive offers than those received prior to and during the period in which they are offered for sale. Finally the 10.0% withholding charge would not apply (iv) with respect to shares received as a consequence of a merger or spin-off process, whenever the shares of the spin-off or of the merged entity qualify under assumptions (i), (ii) or (iii) referred to above. If the sale carried out through the BMV were not subject to the 10.0% income tax, the capital gain would be subject to a 35.0% rate on the gain realized from the sale of the shares on a net basis to be withheld by the financial intermediary.

Transfers of shares by a non-resident shareholder carried out in a different manner are generally subject to a 25.0% income tax rate in Mexico, which is applicable to the gross proceeds realized from the sale.

Should the buyer in any such transactions be a Mexican resident for tax purposes, or a non-resident with a permanent establishment in Mexico for tax purposes, the applicable tax should be withheld by such Mexican resident from the acquisition price and remitted to the Mexican Federal Treasury. Alternatively, a non-resident shareholder may, subject to certain requirements, opt to pay capital gains taxes on the gains realized from the sale of the shares on a net basis at a rate of 35.0%.

Under the Tax Treaty, a non-Mexican holder that is eligible to claim the benefits under the Tax Treaty may be exempt from the 10.0% Mexican tax on gains realized from a sale or other disposition of shares issued by a Mexican entity in a transaction that is or is not conducted through the BMV or such other approved securities market, to the extent such holder did not own, directly or indirectly, 25.0% or more of the outstanding shares of the issuer during the twelve-month period preceding the date of the sale or disposition, and provided that certain formal requirements set forth by the Mexican Income Tax Law are also complied with. The Tax Treaty specifically excludes this benefit in the case of shares issued by an entity whose value derives mainly from real estate located in Mexico.

Other Mexican Taxes

There is currently no Mexican estate, inheritance, gift or value added tax applicable to the purchase, ownership or disposition of our shares by a non-resident holder; however, gratuitous transfers of our Shares may, in certain circumstances, result in the imposition of Mexican federal income tax upon the recipient.

There are currently no Mexican stamp, issue, registration or similar tax or duty payable by a non-Mexican holder with respect to the purchase, ownership or disposition of our Shares.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences that may be relevant to a beneficial owner of the Shares that is, for U.S. federal income tax purposes, a citizen or resident of the United States or a corporation organized under the laws of the United States or any political subdivision thereof or that otherwise is subject to United States federal income taxation on a net profit basis in respect of the Shares (a "U.S. Holder"). This summary deals only with U.S. Holders that will hold Shares as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, including, without limitation, banks, financial institutions, regulated investment companies, partnerships (and partners in a partnership) or other pass-through entities, dealers, traders who elect to use a mark to market method of accounting, insurance companies, investors who hold the Shares as part of a hedge, straddle, conversion, integrated transaction, or other risk-reduction transaction, tax-exempt entities, including individual retirement accounts, persons liable for the alternative minimum tax, investors who have a "functional currency" other than the U.S. dollar or investors who own or are treated as owning 10.0% or more of the voting shares of our company. The summary addresses only U.S. federal income tax consequences and does not address any other U.S. federal tax, such as the estate and gift tax or the Medicare tax on net investment income.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, final, temporary and proposed regulations promulgated thereunder, administrative pronouncements and judicial decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis, and could result in U.S. federal income tax consequences different from those discussed below.

Prospective investors in the Shares should consult their own tax advisors as to the U.S. or other tax consequences of the purchase, ownership, and disposition of the Shares, including, in particular, the effect of any non-U.S., state or local tax laws and their entitlement to the benefits, if any, afforded by the Tax Treaty.

Taxation of Dividends

The gross amount of any cash distributions made by us with respect to the Shares (i.e., before deduction for Mexican withholding tax, if any) generally will be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles and consequently U.S. Holders should expect to treat the full amount of distributions with respect to the Shares as taxable dividends for U.S. federal income tax purposes. A U.S. Holder of the Shares generally will be taxed on such dividends as ordinary income, and such dividends will not be eligible for the dividends received deduction available to certain U.S. corporate shareholders under the Code.

The amount of any dividend paid in currency other than U.S. Dollars will be included in the income of a U.S. Holder in a U.S. Dollar amount calculated by reference to the spot exchange rate in effect on the date such amount is received by the U.S. Holder, regardless of whether the currency received is converted into U.S. Dollars on such date. If the currency is converted into U.S. Dollars on such date, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. If the currency is not converted on such date, the U.S. Holder will generally have a tax basis in such currency for U.S. federal income tax purposes equal to such U.S. dollar amount and will generally be required to recognize foreign currency gain or loss realized on a subsequent conversion or other disposition thereof. Any gain or loss realized on a subsequent conversion or other disposition of the foreign currency will generally be treated as U.S. source ordinary income or loss for U.S. foreign tax credit limitation purposes.

Dividends received by certain non-corporate U.S. Holders from a qualified foreign corporation may be eligible for preferential tax rates. A qualified foreign corporation includes a non-U.S. corporation that is (i) eligible for the benefits of a comprehensive U.S. income tax treaty that includes an exchange of information provision, such as the Tax Treaty, and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a Passive Foreign Investment Company ("PFIC"). We expect to be eligible for the benefits of the Tax Treaty. Furthermore, based on our financial statement and current expectations regarding our income, assets and activities, we believe that we were not a PFIC in 2013 and do not anticipate becoming a PFIC in 2014 or in the foreseeable future. Accordingly, we expect that dividend payments made to non-corporate U.S. Holders will be eligible for such preferential rates. No assurance can be given, however, that a change in circumstances will not affect the treatment of dividends as qualified dividends in the future. U.S. Holders should consult their own tax advisors regarding whether any dividends received by them qualify for a reduced rate of U.S. federal income taxation.

Mexican withholding tax imposed on distributions with respect to the Shares may be eligible (subject to generally applicable limitations and conditions under U.S. tax laws) for credit against your federal income tax liability or, at your election, for deduction in computing your taxable income. The use of foreign tax credits is subject to complex rules and limitations. You are urged to consult your tax adviser concerning whether, and to what extent, a foreign tax credit will be available, and, if so, whether to claim a credit or deduction, and concerning your eligibility for benefits, if any, under the Tax Treaty.

Taxation of Dispositions of Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale, exchange or other taxable disposition of Shares in an amount equal to the difference between the amount realized on the disposition and such U.S. Holder's adjusted tax basis in such Shares. Any such gain or loss will generally be long-term capital gain or loss if, at the time of the disposition, the U.S. Holder's holding period for such Shares exceeds one year. Certain non-corporate U.S. Holders may be eligible for preferential U.S. federal income tax rates in respect of such long term capital gains. The deductibility of capital losses is subject to limitations.

A U.S. Holder's initial tax basis in such Shares will generally equal the U.S. dollar cost of the Shares to the U.S. Holder. The U.S. Dollar cost of Shares will generally be determined by reference to the spot exchange rate in effect on the date of the purchase. If, however, the Shares purchased are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the U.S. Dollar cost will be determined by reference to the spot exchange rate in effect on the settlement date.

The amount realized on a sale, exchange or other taxable disposition of the Shares for currency other than U.S. Dollars by a U.S. Holder generally will be the U.S. Dollar value of the payment received, determined by reference to the spot exchange rate in effect on the date of the disposition. If, however, the Shares sold or otherwise disposed of are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the U.S. Dollar value will be determined by reference to the spot exchange rate in effect on the settlement date. Any gain or loss realized on a subsequent conversion of such payment to U.S. Dollars will generally be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes. If currency other than U.S. Dollars realized in a taxable disposition of Shares is converted into U.S. Dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the amount realized. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss on any foreign currency received in a sale or other disposition of the Shares that is converted into U.S. Dollars (or otherwise disposed of) on a date subsequent to receipt.

If Mexican tax is withheld on a sale, exchange or other taxable disposition of our Shares, the amount realized by a U.S. Holder will include the gross proceeds of the sale, exchange or other taxable disposition (i.e., before deduction of the Mexican tax). Any gain realized by a U.S. Holder will generally be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if Mexican income tax is imposed on any such gain, the U.S. Holder may not be able to benefit from the foreign tax credit for that Mexican income tax, unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources or qualifies for benefits of the Tax Treaty. U.S. Holders should consult their own tax advisers regarding the application of the foreign tax credit rules to their investment in and disposition of Shares.

U.S. Backup Withholding Tax and Information Reporting Requirements

Dividend payments and proceeds from the sale or other taxable disposition of the Shares that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless you (i) are not a U.S. Holder or you are an exempt recipient and under certain circumstances comply with any applicable certification requirements or (ii) timely provide an accurate taxpayer identification number and certify that you are not subject to backup withholding and otherwise comply with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that certain required information is furnished to the IRS.

PLAN OF DISTRIBUTION

Merrill Lynch, Pierce, Fenner & Smith Incorporated, GBM International, Inc., and Goldman, Sachs & Co. will act as joint global coordinators and joint bookrunners, and Santander Investment Securities Inc. will act as joint bookrunner, with respect to this offering. The Global Offering consists of the International Offering of 62,908,957 Shares in the United States and in other countries outside of Mexico and the United States, and a concurrent initial public offering of 62,497,474 Shares in Mexico by means of a separate Spanish-language prospectus.

Pursuant to the terms and subject to the conditions set forth in the purchase agreement, dated December 9, 2014, each of the initial purchasers has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the number of Shares set forth opposite such initial purchaser's name:

Initial Purchasers	**Number of Shares**
Merrill Lynch, Pierce, Fenner & Smith Incorporated	10,211,015
GBM International, Inc.	10,211,014
Goldman, Sachs & Co.	39,726,273
Santander Investment Securities Inc.	2,760,655
Total	**62,908,957**

GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Merrill Lynch México, S.A. de C.V., Casa de Bolsa and Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México will act as Mexican lead underwriters with respect to the offering of the Shares to be sold to investors in Mexico under a public offering filed with the CNBV. Pursuant to the terms and subject to the conditions set forth in the Mexican underwriting agreement (*contrato de colocación*), dated December 9, 2014, the Mexican underwriters have agreed to offer and sell in Mexico, and we have agreed to sell to the Mexican underwriters, the following respective number of Shares:

Mexican Underwriters	**Number of Shares**
GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa	29,602,216
Merrill Lynch México, S.A. de C.V., Casa de Bolsa	29,515,258
Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México	3,380,000
Total	**62,497,474**

The Mexican underwriting agreement and the purchase agreement provide that the obligation of the Mexican underwriters and the initial purchasers to purchase, offer and sell the Shares is subject to, among other conditions, the delivery of certain legal opinions by our legal counsel in Mexico and in the United States and comfort letters from our independent auditors. The Mexican underwriting agreement provides for the offer and sale of Shares subject to certain conditions contained therein. The Shares will initially be offered at the price indicated on the cover page of this offering memorandum and the Mexican prospectus, respectively, less the underwriting discounts and commissions. The price at which the Shares are offered may be changed at any time without notice.

The initial purchasers propose to resell our Shares at the offering price set forth on the cover page of this offering memorandum. The initial purchasers propose to sell such Shares within the United States to QIBs in reliance on Rule 144A and outside the United States to certain non-U.S. persons in reliance on Regulation S. See "Transfer Restrictions." The Mexican underwriters will offer our Shares in a public offering in Mexico, approved by the CNBV. The price at which our Shares are offered may be changed at any time without notice.

The Shares have not been, and will not be, registered under the Securities Act, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A and in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Rule 144A and Regulation S. Resales of the Shares are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of our Shares within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The initial purchasers and/or their affiliates may enter into derivative transactions in connection with the Shares, acting at the order and for the account of their clients. The initial purchasers and/or their affiliates may also purchase some of the Shares in this offering as a hedge for such transactions. These transactions may have an effect on demand, price or other terms of the Global Offering.

We have granted the initial purchasers and the Mexican underwriters options, to be exercised from time to time, for a period of 30 days from the date on which the purchase price of the Shares is determined, to purchase up to an aggregate of 18,810,964 additional Shares at the offering price, less the underwriting discount, to cover over-allotments, if any, in the Global Offering. Each of the options granted to the initial purchasers and the Mexican underwriters may be exercised independently but in a coordinated manner, from time to time, in accordance with applicable law. To the extent an option is exercised, each initial purchaser and Mexican underwriter, as applicable, must purchase an additional number of Shares approximately proportionate to that person's initial commitment.

The initial purchasers and the Mexican underwriters have entered into an intersyndicate agreement providing for the coordination of their activities. Under the intersyndicate agreement, the Mexican underwriters may offer and sell a portion of our shares to be sold pursuant to the purchase agreement, the initial purchasers may purchase a portion of our shares to be sold pursuant to the Mexican underwriting agreement, and the initial purchasers and the Mexican underwriters have agreed to coordinate their efforts to stabilize and exercise the over-allotment options, in each case, on the terms and subject to the conditions set forth in the intersyndicate agreement and observing the applicable rules prescribed by the CNBV. The number of additional Shares that the initial purchasers and the Mexican underwriters have the option to purchase to cover over-allotments, if any, may be reallocated between the initial purchasers and the Mexican underwriters in accordance with the provisions of the intersyndicate agreement.

Settlement of our Shares will be made through the book-entry system of Indeval. Payment for our Shares must be made in pesos. We expect that delivery of the Shares will be made to investors against payment therefor on or about December 16, 2014, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as "T+4"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Shares prior to the delivery of the Shares hereunder may be required, by virtue of the fact that the Shares initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Shares who wish to trade the Shares prior to their date of delivery hereunder should consult their advisors.

Prior to this offering, there has been no public market for our Shares. Consequently, the offering price for the Shares was determined by negotiations among us and the initial purchasers. Among the factors considered in determining the offering price were our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company.

We have applied to register the Shares in Mexico with the RNV maintained by the CNBV and to list the Shares for trading on the BMV under the ticker symbol "AGUA." The Shares have not been and will not be listed on any national securities exchange or quoted in any automated interdealer quotation system in the United States or elsewhere outside Mexico. We cannot assure you that the prices at which the Shares will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Shares will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the Shares. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Shares at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Shares.

We have agreed to indemnify the several initial purchasers and the Mexican underwriters, under the terms of each of the purchase agreement and the Mexican underwriting agreement, against certain liabilities, including liabilities under the Securities Act and under the Mexican securities laws, and, in the case of the purchase agreement, to contribute to payments that they may be required to make in that respect, subject to limitations set forth in the purchase agreement in respect of indemnification and contribution, and the Mexican underwriting agreement in respect of indemnification.

Lock-up Agreements

We, our principal shareholders and our directors and officers have agreed, subject to certain exceptions, not to issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our equity securities, or securities convertible into or exchangeable or exercisable for, or that represent the right to receive, any of our equity securities, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our equity securities, whether any of these transactions are to be settled by delivery of our equity securities or such other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, GBM International, Inc., and Goldman, Sachs & Co., on behalf of the initial purchasers, until 180 days after the date of this offering memorandum. Merrill Lynch, Pierce, Fenner & Smith Incorporated, GBM International, Inc., and Goldman, Sachs & Co., in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

Stabilization Transactions

In connection with this offering, the initial purchasers may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales and purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers or the Mexican underwriters of a greater number of shares than they are required to purchase in the offering.
  - “Covered” short sales are sales of shares in an amount up to the number of shares represented by the initial purchasers’ and the Mexican underwriters’ over-allotment options.
  - “Naked” short sales are sales of shares in an amount in excess of the number of shares represented by the initial purchasers’ over-allotment option. Mexican law does not permit naked short sales and, as a result, the Mexican underwriters will not conduct any naked short sales.
- Covering transactions involve purchases of shares either pursuant to the initial purchasers’ and the Mexican underwriters’ over-allotment options or in the open market after the distribution has been completed in order to cover short positions.
  - To close a covered short position, the initial purchasers or the Mexican underwriters must purchase shares in the open market after the distribution has been completed or the Mexican underwriters must exercise their over-allotment option. In determining the source of shares to close the covered short position, the initial purchasers and the Mexican underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which the Mexican underwriters may purchase shares by exercising their over-allotment option.
- The initial purchasers (directly or through the Mexican underwriters) may engage in transactions in Mexico that stabilize, maintain or otherwise affect the price of our shares. Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers and the Mexican underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our shares. They may also cause the price of our shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers and the

Mexican underwriters may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers or the Mexican underwriters commence any of these transactions, they may discontinue them at any time.

Relationships Between the Company and the Initial Purchasers and the Mexican Underwriters

The initial purchasers and the Mexican underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. In addition to the commercial relationships arising from the Global Offering, from time to time, certain of the initial purchasers and the Mexican underwriters and their respective affiliates maintain commercial relationships with us and our affiliates and have provided, and may provide in the future, investment banking, financial advisory and other banking services to us and our affiliates, in the ordinary course of their business, for which they have received or may receive customary fees and commissions. In addition, we may in the future enter into co-investments, joint ventures or similar transactions with Corporativo GBM or any of its subsidiaries and affiliates that may result in economic benefits to such entities. In the ordinary course of their various business activities, the initial purchasers and the Mexican underwriters and their respective affiliates have made or held, or may make or hold, a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of ours (except when such investments or transactions involving securities of ours are expressly prohibited by law). In the case of derivatives transactions on behalf of clients outside of Mexico, in connection with our Shares, the initial purchasers and the Mexican underwriters and their respective affiliates may also purchase some of the securities in the Global Offering as a hedge for such transactions, and these transactions may have an effect on the demand, price or other terms of the Global Offering. The initial purchasers and the Mexican underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments, and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Except for the commissions and discounts to be received within the scope of the Global Offering, no other remuneration will be paid by us to the initial purchasers and the Mexican underwriters, or their respective affiliates.

Selling Restrictions

Other than with respect to the public offering of the Shares listed on the BMV, no action has been or will be taken in the United States, the United Kingdom or any country or jurisdiction by us, the Mexican underwriters or the initial purchasers that would permit a public offering of the Shares, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Shares, the distribution of this offering memorandum and resale of the Shares. See “Transfer Restrictions.”

Notice to Prospective Investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (or the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in the EEA

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a Relevant Member State), an offer to the public of any shares which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the shares that has been approved by the competent authority in such Relevant Member State and published in accordance with the Prospectus Directive as implemented in such Relevant Member State except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall result in a requirement for the publication by us or the initial purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of shares described in this offering memorandum located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(l)(e) of the Prospectus Directive and in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of our relevant representative has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

Any person making or intending to make any offer of securities within the EEA should only do so in circumstances in which no obligation arises for us or any of the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the initial purchasers which constitute the final offering of securities contemplated in this offering memorandum.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

In addition, in the United Kingdom, this offering memorandum is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This offering memorandum must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this offering memorandum relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the shares described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.
- Such offers, sales and distributions will be made in France only:
    - to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
    - to investment services providers authorized to engage in portfolio management on behalf of third parties; or
    - in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier.*

Notice to Prospective Investors in Germany

The shares will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act *(Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlicken Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffentlichen ist—Wertpapierprospecektgesetz)* as of 22 June 2005, effective as of 1 July 2005, as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No selling prospectus *(Verkaufsprospeckt)* within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

Notice to Prospective Investors in Italy

The offering of our shares has not been cleared by the Italian Securities Exchange Commission *(Commissione Nazionale per le Societá e la Borsa*, or the CONSOB) pursuant to Italian securities legislation and, accordingly, our shares may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to our shares or the offer be distributed in Italy other than to professional investors *(operatori qualificati),* as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Italian Financial Law, and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of our shares or distribution of copies of this offering memorandum or any other document relating to our shares or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control, and other applicable laws and regulations, and in particular, will be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended, or the

Italian Banking Law, the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations;

- in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and
- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing our shares in the offer is solely responsible for ensuring that any offer or resale of shares it purchased in the offer occurs in compliance with applicable laws and regulations. This offering memorandum and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party residing in or located in Italy for any reason. No person residing in or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading "—Notice to Prospective Investors in the EEA" above shall apply to Italy.

Notice to Prospective Investors in the Netherlands

Our shares may not be offered, sold, transferred or delivered, in or from the Netherlands, as part of the initial distribution or as part of any reoffering, and neither this offering memorandum nor any other document in respect of the offering may be distributed in or from the Netherlands, other than to individuals or legal entities which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of shares is publicly announced that the offer is exclusively made to said individuals or legal entities.

Notice to Prospective Investors in Spain

Neither the shares nor this offering memorandum have been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores).* Accordingly, the shares may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Articles 30bis of the Spanish Securities Market Law of 28 July 1988 *(Ley 24/1988, de 28 Julio, del Mercado de Valores),* as amended and restated, and supplemental rules enacted thereunder.

Notice to Prospective Investors in Switzerland

This document does not constitute a prospectus within the meaning of Article 652a of the Swiss Code of Obligations. The shares may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the shares may be distributed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offering of the shares in Switzerland.

Notice to Prospective Investors in Australia

No prospectus, disclosure document, offering material or advertisement in relation to the shares has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this offering memorandum or any other prospectus, disclosure document, offering material or advertisement relating to the shares in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A$500,000 (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Notice to Prospective Investors in Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The shares offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The securities to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Argentina

We have not made, and will not make, any application to obtain an authorization from the National Securities Exchange Commission (*Comisión Nacional de Valores*), or the CNV, for the public offering of the shares in Argentina. The CNV has not approved the shares, the Offering nor any document relating to the offering of the shares. The shares will not be offered or sold in Argentina, except in transactions that will not constitute a public offering of securities within the meaning of Section 16 of the Argentine Public Offering Law N° 17,811, as amended. Argentine insurance companies may not purchase the shares.

Notice to Prospective Investors in Brazil

For purposes of Brazilian law, this offer of securities is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon elsewhere or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Therefore, as this offering memorandum does not constitute or form part of any public offering to sell or solicitation of a public offering to buy any shares or assets, the offering and THE SHARES OFFERED HEREBY HAVE NOT BEEN, AND WILL NOT BE, AND MAY NOT BE OFFERED FOR SALE OR SOLD IN BRAZIL EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING OR DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. DOCUMENTS RELATING TO THE SHARES, AS WELL AS THE INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC, AS A PUBLIC OFFERING IN BRAZIL OR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE SHARES TO THE PUBLIC IN BRAZIL.

Notice to Prospective Investors in Colombia

The shares have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and may not be offered, sold or negotiated or otherwise be subject to brokerage activities in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Part 4 of Decree 2555 of 2010 to privately market and offer the shares to their Colombian clients.

Notice to Prospective Investors in Peru

The shares have not been and will not be registered with the SMV for the purpose of offering the shares to institutional investors in Peru. In addition, the shares have not been and will not be registered with the Peruvian

Registry of Foreign Investment and Derivatives Instruments (*Registro de Instrumentos de Inversión y de Cobertura de Riesgos Extranjeros*) of the SBS for Peruvian private pension fund eligibility as required by Peruvian law.

Notice to Prospective Investors in Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile* or the SVS), the shares may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in rule No. 216, dated June 12, 2008,of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

(1) Date of commencement of the offer: November 24, 2014. The offer of the Shares is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS;

(2) The Shares and this offering memorandum are not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such as not subject to the oversight of the SVS;

(3) Since the Shares are not registered in Chile, there is no obligation by the issuer to make publicly available information about the Shares in Chile; and

(4) The Shares shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

TRANSFER RESTRICTIONS

The International Offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. Our shares will be registered with the RNV and we have applied for listing on the BMV; however, they have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the Shares may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Shares are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' representations and restrictions on resale and transfer

Each purchaser of Shares (other than the initial purchasers in connection with the initial issuance and sale of the Shares) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) the offering and sale of the Shares have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico, and are intended to be exempt from registration under the Securities Act pursuant to Section 4 thereof;

(2) the purchaser is acquiring the Shares for its own account (or, if it is acquiring the Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the representations, warranties and agreements herein on behalf of each such account);

(3) the purchaser is not acquiring the Shares with a view to any distribution of the Shares within the meaning of the Securities Act;

(4) the purchaser is (or, if it is acquiring the Shares as a fiduciary or agent for one or more investor accounts, each such account is) (i) a "qualified institutional buyer," as such term is defined in Rule 144A or (ii) not a "U.S. person," as such term is defined in Regulation S, and is purchasing the Shares in an offshore transaction pursuant to Regulation S;

(5) the purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of independently evaluating the merits and risks of an investment in the Shares, and the purchaser is able to bear the economic risk of the investment. The purchaser has made its own investment decision regarding the Shares based on its own knowledge;

(6) the purchaser understands and agrees that neither the Shares may be re-offered, resold, pledged or otherwise transferred except (1)(A) to a person who it reasonably believes is a qualified institutional buyer in a transaction exempt from registration under U.S. securities laws or (B) through the BMV or any other stock exchange outside the United States on which the Shares or any beneficial interest therein may be listed and traded in accordance with Regulation S or otherwise in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S and, in either case, (2) in accordance with all applicable securities laws of the states of the United States;

(7) except with respect to transactions through the BMV or as otherwise provided in paragraph (6) above, the purchaser (1) will not transfer the Shares to any person or entity, unless such person or entity could itself truthfully make each of the foregoing representations, warranties and covenants and (2) will provide notice of the transfer restrictions applicable to the Shares to any subsequent transferees;

(8) the purchaser has had the opportunity to ask questions of, and receive answers from us, concerning us, our business and financial condition and the Shares to be acquired by the purchaser and other

related matters. The purchaser further represents and warrants that we have made available to the purchaser or its agents all documents and information requested by the purchaser or on its behalf relating to an investment in the Shares, including this offering memorandum. In evaluating the suitability of an investment in the Shares, the purchaser has not relied and will not rely on any other representations or other information (whether oral or written) made by or on behalf of us (or any of our agents, including, without limitation, the Mexican underwriters and the initial purchasers) other than as contemplated by the two preceding sentences;

(9) the purchaser agrees not to deposit the Shares into an unrestricted American or global depositary facility, for so long as the shares constitute restricted securities, as such term is defined in Rule 144 under the Securities Act; and

(10) the purchaser acknowledges that us, the initial purchasers, the Mexican underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

LEGAL MATTERS

The validity of the Shares and certain other legal matters under Mexican law will be passed upon for us by Romero Solórzano, S.C., Mexico, and for the initial purchasers by Raz Guzmán, S.C., Mexico, Mexican counsel to the initial purchasers. Certain legal matters under U.S. federal and New York state law will be passed upon for us by Cleary Gottlieb Steen & Hamilton, LLP, our U.S. counsel, and for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP, U.S. counsel to the initial purchasers.

INDEPENDENT AUDITORS

The financial statements as of December 31, 2013, 2012 and 2011, and for each of the three years in the period ended December 31, 2013, included in this offering memorandum, have been audited by PricewaterhouseCoopers S.C., independent accountants, as stated in their report appearing herein.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

Nine-month period ended September 30, 2014 and 2013

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Financial Position
As of September 30, 2014 and December 31, 2013

Thousands of Mexican pesos

Assets	Notes	September 30, 2014	December 31, 2013
CURRENT ASSETS:			
Cash and cash equivalents		$ 401,185	$ 557,459
Accounts receivable	7	1,309,498	1,253,121
Related parties	8	3,286	7,573
Recoverable income tax		15,883	30,100
Other recoverable taxes		219,190	289,483
Inventories		853,826	645,422
Prepaid expenses		67,818	15,296
Total current assets		2,870,686	2,798,454
NON-CURRENT ASSETS:			
Property, plant and equipment - Net	9	1,135,417	1,230,891
Intangible - Net		111,658	94,161
Related parties	8	64,018	49,358
Investment accounted for using the equity method	10	7,431	6,752
Deferred income tax		117,110	197,252
Guarantee deposits		40,917	35,437
Total assets		$4,347,237	$4,412,305
Liabilities and stockholders' Equity			
CURRENT LIABILITIES:			
Short-term bank loans	12	$ 9,576	$ 107,691
Accounts payable		553,659	406,183
Other accounts payable		363,617	444,058
Accruals of expenses	13	62,362	19,292
Income tax payable		88,655	80,634
Other taxes payable		26,279	97,403
Employees´ profit sharing		16,617	16,402
Total current liabilities		1,120,765	1,171,663
NON-CURRENT LIABILITIES:			
Long-term bank loans	12	1,207,523	1,215,917
Employee benefits	14	6,512	5,497
Deferred income tax		34,328	45,152
Derivative financial instruments	11	3,974	2,169
Total liabilities		2,373,102	2,440,398
EQUITY:			
Capital stock	15	1,190,473	1,176,800
Premium on share issuance		33,759	29,506
Retained earnings		730,832	715,207
Foreign currency translation adjustment		(222,346)	(190,294)
Revaluation surplus		237,216	237,216
Equity attributable to:			
Controlling interest		1,969,934	1,968,435
Non- controlling interest		4,201	3,472
Total Equity		1,974,135	1,971,907
Total liabilities and stockholder´s equity		$4,347,237	$4,412,305

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Carlos Rojas Mota Velasco
President

Mario Antonio Romero Orozco
Vice-president of Administration and Finance

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Income
Nine-month period ended September 30, 2014 and 2013

Thousands of Mexican pesos (Except per share data)

	September 30	
	2014	2013
Net sales	$ 4,955,775	$ 3,880,423
Cost of sales	3,042,158	2,303,943
Gross profit	1,913,617	1,576,480
Operating expenses	1,431,130	1,152,373
Operating income	482,487	424,107
Finance income	(117,286)	(63,426)
Finance costs	190,578	190,884
Finance costs, Net	73,292	127,458
Share of results of associate	(679)	(636)
Profit before income taxes	409,874	297,285
Income taxes	117,341	61,607
Consolidated net profit	$ 292,533	$ 235,678
Profit attributable to:		
Controlling interest	291,714	235,018
Non-controlling interest	819	660
	$ 292,533	$ 235,678
Earnings per share (1)	$ 0.8725	$ 0.7038

(1) Earnings per share are expressed in Mexican pesos. The number of common shares as of September 30, 2014 and 2013 are 338,046,871 and 333,916,511 respectively.

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Carlos Rojas Mota Velasco
President

Mario Antonio Romero Orozco
Vice-president of Administration and Finance

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
Nine-month period ended September 30, 2014 and 2013

Thousands of Mexican pesos

	September 30	
	2014	2013
Consolidated net profit	$ 292,533	$ 235,678
Other comprehensive income:		
Items that may be eventually reclassified to profit or loss:		
Foreign currency translation adjustment [1]	(32,142)	20,644
Comprehensive income for the year	$ 260,391	$ 256,322
Comprehensive income attributable to:		
Controlling interest	$ 259,662	$ 255,604
Non-controlling interest	729	718
	$ 260,391	$ 256,322

[1] These items were not subject to income taxes.

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Carlos Rojas Mota Velasco
President

Mario Antonio Romero Orozco
Vice-president of Administration and Finance

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity
Nine-month period ended September 30, 2014 and 2013

Thousands of Mexican pesos

	Notes	Capital stock	Premium on share subscription	Retained earnings	Conversion effect on subsidiaries	Revaluation surplus	Total stockholders' equity of controlling interest	Non controlling interest	Total stockholders´ equity
Balances at January 1, 2014		$1,176,800	$29,506	$ 715,207	($190,294)	$237,216	$1,968,435	$ 3,472	$1,971,907
Comprehensive income of the year:									
Other comprehensive income					(32,052)		(32,052)	(90)	(32,142)
Net consolidated profit				291,714			291,714	819	292,533
Total comprehensive income				291,714	(32,052)		259,662	729	260,391
Total transactions with shareholders									
Issuance of ordinary Shares on June 1	15	13,673	4,253				17,926		17,926
Dividends paid after a unanimous agreement on June 16	15			(276,089)			(276,089)		(276,089)
Total transactions with shareholders		13,673	4,253	(276,089)			(258,163)		(258,163)
Balance at September 30, 2014		$1,190,473	$33,759	$ 730,832	($222,346)	$237,216	$1,969,934	$ 4,201	$1,974,135
Balances at January 1, 2013		$ 539,744	$29,506	$ 921,261	($ 50,904)	$237,216	$1,676,823	$ 2,639	$1,679,462
Comprehensive income of the year:									
Other comprehensive income					20,586		20,586	58	20,644
Net consolidated profit				235,018			235,018	660	235,678
Total comprehensive income				235,018	20,586		255,604	718	256,322
Balance at September 30, 2013		$ 539,744	$29,506	$1,156,279	($ 30,318)	$237,216	$1,932,427	$ 3,357	$1,935,784

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Carlos Rojas Mota Velasco
President

Mario Antonio Romero Orozco
Vice-president of Administration and Finance

Grupo Rotoplas, S.A. de C.V., and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Cash Flows
Nine-month period ended September 30, 2014 and 2013

Thousands of Mexican pesos

		September 30	
Operating activities	Notes	2014	2013
Profit before income taxes		$ 409,874	$297,285
Adjustments for not cash items:			
Depreciation and amortization included in expenses and costs		110,592	103,877
Share of results of associate		(679)	(636)
Interest received		(17,347)	(6,515)
Interest paid		54,372	60,420
Changes in assets and liabilities:			
Accounts receivable		(56,376)	(213,464)
Recoverable income tax		14,217	11,351
Other recoverable taxes		70,293	(199,483)
Inventories		(208,404)	(111,196)
Prepaid expenses		(52,522)	(26,812)
Guarantee deposits		(5,480)	(161)
Accounts payable		147,476	160,432
Other accounts payable		(39,479)	18,958
Other taxes payable		(63,103)	(47,776)
Employees' profit sharing		215	(5,568)
Employees' benefits		1,015	(3,725)
Cash generated from operating activities		364,664	36,987
Income tax paid		(48,022)	39,587
Net cash generated from operating activities		316,642	76,574
Investing activities			
Purchase of property, plant and equipment		(62,651)	(160,954)
Related parties		(10,373)	(3,499)
Interest received		17,347	6,515
Net cash used in investing activities		(55,677)	(157,938)
Financing activities			
Shares issuance	15	17,926	-
Dividends paid	15	(276,089)	-
Repayment of loans		(106,509)	-
Bank loan acquisitions		-	108,498
Derivative financial instruments		1,805	6,233
Interest paid		(54,372)	(60,420)
Net cash (used in) generated from financing activities		(417,239)	54,311
Net decrease in cash and cash equivalents		(156,274)	(27,053)
Cash and cash equivalents at the beginning of the year		557,459	148,350
Cash and cash equivalents at year end of the year		$ 401,185	$121,297

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Carlos Rojas Mota Velasco President	Mario Antonio Romero Orozco Vice-president of Administration and Finance

Thousands of Mexican pesos, unless otherwise indicated

Note 1 - Company information:

Grupo Rotoplas, S. A. de C. V. (Grupo Rotoplas) and its subsidiaries (the "Company" or "the Group") established operations in Mexico City on 1978. Their main activity is to provide individual and integrated water solutions to their clients.

The Group operates nine production facilities in the following cities: Mexico City, Guadalajara, Lerma, Monterrey, León, Mérida, Veracruz, Tuxtla Gutiérrez and Los Mochis, as well as a distribution center in the city of Hermosillo. The Group also operates production facilities in Guatemala, Perú, Argentina and Brazil, as well as distribution centers in El Salvador, Honduras, Nicaragua and Costa Rica, which allows the Company to have a very large business in Mexico and in Central and South America.

The address of its registered offices is:

Paseo de la Reforma No. 115 Piso 18

Col. Lomas de Chapultepec

11000 México, D.F.

Note 2 - Basis of preparation:

These condensed interim financial statements for the nine months ended September 30, 2014 have been prepared in accordance with the International Accounting Standard (IAS) 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, and have been prepared in accordance with IFRS.

The Company´s Management believes that the Company has sufficient resources to continue to existing as an operative entity for the foreseeable future. Therefore, the accounts have been prepared on the going concern assumption.

These condensed consolidated interim financial statements were approved by Management on October 28.

These interim condensed consolidated financial statements have been reviewed and are unaudited.

2.1 Changes in accounting policies and disclosures effective from January 1, 2014

The Company considers that the amendments to IAS 32 and IAS 39 related to the compensation of financial assets and liabilities and renewal of derivative financial instruments, respectively as well as the new IFRIC 21 Levies do not have a significant effect on the financial position and of their financial performance.

In relation to the new standard IFRS 15 "Revenue from contracts with customers" issued in May, 2014 and effective for the annual period beginning after January 1, 2017 the Company's Management is in process of evaluating the impact to their financial statements however, no significant impact is expected.

There are no other IFRS or IFRIC interpretations issued but not yet effective in addition to those disclosed in the annual Consolidated Financial Statements that would be expected to have a significant impact on the Company.

Significant transactions.

Incorporation of Molding Acquisition Corp. (MAC)

MAC is a company incorporated for the purpose of gaining nearly a third part of the market-share for water storage tanks in the United States. In April, 2014 the Company was registered in California as this is a very competitive state in matters related to the environment efficiencies. MAC was established in the center of the state in the city of Merced; the production facilities are currently in its final stage of completion.

Note 3 - Financial risk management:

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The risk management plan of the Group aims to minimize the potential negative effects of the unpredictability of the markets on the financial performance of the Group.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the company's annual financial statements as of December 31, 2013. There have not been any changes in the risk management area or in any risk management policies since the year end.

3.1.1 Market risk

The Group has foreign currency financing and bank loans denominated in Mexican pesos. The Group is primarily exposed to a risk associated with fluctuations in the exchange rates of the Mexican peso against the U.S. dollar (US$) and euro (€) for the import of goods mainly from the United States, Portugal and Italy.

3.1.2 Foreign Exchange risk

In the event of a 10% increase in the peso with respect to the U.S. dollar (and the euro) the result would be a loss of approximately $10,021 for the period ended September 30, 2014 ($2,940, for the position in euros).

3.1.3 Liquidity risk

Projected cash flows are prepared for each operating subsidiary and the Finance Department subsequently consolidates this information. The Company's Finance Department continuously monitors the cash flow projections and liquidity requirements, making sure to maintain sufficient cash and cash equivalents to meet operational needs. The Company regularly monitors and makes decisions being careful not to violate the limits or covenants included in debt contracts. Projections consider financing plans, compliance with covenants, meeting minimum internal liquidity ratios and legal or regulatory requirements.

The excess of cash from operating entities is transferred to the Company's Treasury. Treasury invests those funds in time deposits, whose maturities or liquidity allow for sufficient flexibility to meet the cash needs of the Company. On September 30, 2014 and December 31, 2013 the Company had deposits of $216,982 and $90,046, respectively, which are expected to allow the Company to manage liquidity risk.

If interest rates on loans denominated in pesos that are not hedged with financial instruments would have increased / decreased by 10%, and keeping all other variables constant, the profit after tax for the period ended September 2014 would have increased / decreased by $ 32,359 mainly due to the variation in the interest cost on variable rate loans.

Additionally, if variable interest rates had been five basis points above/below and all the other variables remain constant, the profit after tax for the period ended September 2014 would have increased/decreased by $859 as a result of changes in fair value of derivative financial instruments contracted to hedge the exposure of fluctuations in the variable interest rate of the loans in Mexican pesos.

3.2 Fair value estimation

The table below analyzes financial instruments carried at fair value, by each level of valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, i.e., derived from prices (Level 2).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
September 30, 2014				
Derivative financial instruments - liabilities	$	($ 3,974)	$	($ 3,974)
	Level 1	Level 2	Level 3	Total
December 31, 2013				
Derivative financial instruments - liabilities	$	($ 2,169)	$	($ 2,169)

There were no transfers between levels 1 and 2 during the nine-month period ended September 30, 2014.

Note 4 - Critical accounting estimates and judgments:

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity and the assumptions and estimates that are significant to the financial statements are described below.

Estimates and judgments used in the preparation of the financial statements are continually evaluated and are based on historical experience and other factors, including projections of future events that are believed to be reasonable under the circumstances.

4.1 Impairment of goodwill

The Company performs annual tests to determine whether goodwill shows an indication of impairment, the recoverable amount of the CGU has been determined based on value in use. According to tests conducted by the Company, it was determined that at September 30, 2014 there was no impairment of goodwill, and therefore it was not considered necessary to test sensitivity since the present value excess cash flows significantly exceeds the book value.

4.2 Income taxes

The Company is subject to payment of income taxes in numerous jurisdictions. Significant judgments are required to recognize payable and deferred income tax. There are many transactions and calculations for which such tax assessments may be uncertain. There are no changes in relation to the policies established in the annual consolidated financial statements at December 31, 2013, with exception of the changes in the estimations made to the determine the income tax expense. The Company estimates it will pay an income tax expense at year end with an effective tax rate of 27%. If the rate had a variation of 4% the impact on the profit after tax would be $ 11,701 on September 30, 2014.

4.3 Fair value of derivative instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select the methods and assumptions to be considered, which are mainly based on market conditions existing at year end.

The Company has determined the fair value of derivative financial assets by estimating its discounted cash flows. Using this estimation method may result in different amounts from those at maturity. The impact on profit or loss of the swaps and caps would be lower by $3,577 and $4,121 approximately or greater by $4,371 and $4,555, if the discount rate used in the analysis of discounted cash flows had differed by 10% from Management's estimates for the periods at September 30, 2014 and for the year ended 2013, respectively.

4.4 Retirement benefits

The present value of retirement obligations depends on analysis determined on an actuarial basis using a number of assumptions. One of the assumptions used to determine net cost for the year is the discount rate. Any changes to these assumptions affect the liability recognized.

The cost of employee benefits that qualify as benefit plans is determined using actuarial valuations. An actuarial valuation involves assumptions about discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are subject to a significant degree of uncertainty.

Note 5 - Seasonality:

Climatic conditions, especially long periods of rain and its impact on acceleration, delay or interruption of the construction or renovation activities for buildings and agricultural activities might affect the results of Grupo Rotoplas.

Historically the sales volume of the Company has not fluctuated throughout the year. Weather conditions of especially long raining periods can affect the level of demand for storage solutions of water offered by the Company (such as systems of rainwater harvesting) because the excess of water reduces the need for storage for future use by their clients. Conversely, sales of these products generally increase during prolonged periods of drought due to increased storage needs. The occurrence of these weather events may have an adverse effect on the results of Rotoplas Group and can make it susceptible to seasonality.

Note 6 - Financial information by segments:

The Company's Senior Management is the highest authority in making operating decisions of the company. Accordingly the Senior Management has determined the operating segments based on internal reporting.

An operating segment is a component of an entity of which separate financial information is being evaluated on a regular basis. The Income of the reportable segments of the Company derived primarily from the sale of products.

Water Solutions:

Segment "individual solutions"

Individual solutions are those products which satisfies the customer needs permanently by themselves. These products are sold through the distribution network of the Company. These products are sold without the need for additional services, such as installation or maintenance.

Segment "integrated solutions"

Comprehensive solutions are systems composed of several individual solutions that interact to meet more complex needs. Typically, these systems include value added services such as installation and maintenance to ensure their proper functioning.

Revenue and results by operating segment

The Company evaluates the performance of individual operating segments based on income before financial result, taxes, depreciation, amortization and donations (EBITDA), because this indicator is a good measure for evaluating the operating performance and the ability to fund capital expenditures and working capital requirements. Notwithstanding the foregoing, the EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined EBITDA as income (loss) before tax consolidated after adding or subtracting the following, as appropriate: 1) depreciation, amortization and impairment of non-current assets;
2) the financial, net income (including costs and interest income, gains or losses on exchange rate);
3) participation in loss of associates, and 4) donations.

Geographic markets

Similarly, the Company controls its assets and liabilities for each of the classified geographic markets in Mexico, Brazil and Others (Peru, Argentina, Guatemala, Honduras, Nicaragua, Costa Rica and El Salvador).

An analysis of revenue and results of its reportable segments of the Company are presented. The other items in the income statement are not assigned because they are managed corporately. The information revealed in each segment is presented net of eliminations related to the transactions between Group companies. This presentation is the same used by the General Directorate in the process of regular review of the performance of the Company.

	Individual Solutions		Integrated solutions		Consolidated	
	September 30,					
	2014	2013	2014	2013	2014	2013
Net Sales	$ 3,678,560	$ 3,788,171	$ 1,277,215	$ 92,252	$ 4,955,775	$ 3,880,423
Profit before income tax	$ 338,853	$ 292,655	$ 71,021	$ 4,630	$ 409,874	$ 297,285
EBITDA	$ 484,989	$ 517,854	$ 123,850	$ 10,130	$ 608,839	$ 527,984

	September, 30,	
	2014	2013
Profit before income tax	$ 409,874	$ 297,285
Depreciation and amortization	110,592	103,877
Finance cost - Net	73,292	127,458
Share of results of associate	(679)	(636)
Donations	15,760	-
EBITDA	$ 608,839	$ 527,984

Geographic information

Sales by geographical market where they are located:

	México		Brasil		Otros		Consolidado	
	September 30, 2014							
	2014	2013	2014	2013	2014	2013	2014	2013
Net Sales	$ 2,288,098	$ 1,796,652	$ 2,138,843	$ 1,524,261	$ 528,834	$ 559,510	$ 4,955,775	$ 3,880,423

Assets by geographic market in which they are located:

		Property plant and equipment	
	2014	September 30, 2013	December 31,
México		$ 781,132	$ 860,120
Brazil		277,299	309,611
Others		76,986	61,160
		$ 1,135,417	$ 1,230,891

Note 7 - Accounts receivable:

	September 30, 2014	December 31, 2013
Customers	$ 1,209,880	$ 1,188,889
Less: impairment allowance	(23,239)	(29,463)
	1,186,641	1,159,426
Sundry debtors	30,913	50,309
Employees	11,261	963
Value added tax not yet credited	80,683	39,095
Other accounts receivable	-	3,328
	122,857	93,695
	$ 1,309,498	$ 1,253,121

The fair value of accounts receivable as of September 30, 2014 and December 31, 2013 is similar to its book value.

Accounts receivable include significant amounts receivable from government offices, as shown below:

	September 30, 2014	December 31, 2013
Sedesol (Mexico)	$ -	$ 333,070
Codevasf (Brazil)	315,877	133,602
	$ 315,877	$ 466,672

The analysis of balances of accounts receivable from customers past due but not impaired is as follows:

	September 30, 2014	December 31, 2013
More than 3 months	$ 30,024	$ 84,214

Changes in the allowance for impairment of accounts receivables were:

	September 30, 2014	December 31, 2013
Carrying amount at January 1	$ 28,359	$ 20,336
Impairment for the year	6,012	28,537
Write off accounts	(11,132)	(19,410)
Net book value	$ 23,239	$ 29,463

The charges and reversals of the allowance for trade receivables have been included under operating expenses in the statement of income. When the Company does not expect to recover an account receivable from a customer, the balance and the related impairment provision are canceled. Other accounts receivable are not impaired.

The maximum exposure to credit risk at year end is the carrying amount of trade and other receivables. The group did not receive any collateral in relation to trade and other receivables.

Note 8 - Related parties:

a. For the nine-month period ended on September 30, 2014, and the year ended December 31, 2013, the following transactions with related parties were held, which were made at market value:

	September 30,	December 31,
Sales	2014	2013
Dalkasa, S. A. (associate)	$ 9,890	$ 14,323

b. Balance at end of the period from sales / purchases of goods and services:

	September 30,	December 31,
Accounts receivable	2014	2013
Dalkasa, S. A. (associate)	$ 3,286	$ 7,573

c. Loans to employees

At September 30, 2014 and December 31, 2013, loans to key officials have been made at fixed and variable interest rates, as shown in the following table. Those loans are for a term of 10 years from their subscription.

Official	1	2	3	4	5	Total	
Subscription date	January 1 2013	August 29 2011	January 1 2013	January 1 2013	January 1 2013	February 21 2012	January 10 2013
Interest rate	6.9%	UDI	6.9%	6.9%	6.9%	UDI	UDI

January 31, 2014

Opening balances	$ 12,763	$ 5,575	$ 10,705	$ 9,882	$ 9,471	$ 491	$ 471	$ 49,358
Loan	10,243	(4,200)	7,682	-	-	-	-	13,725
Interest	255	75	215	197	188	(1)	6	935
Total	$ 23,261	$ 1,450	$ 18,602	$ 10,079	$ 9,659	$ 490	$ 477	$ 64,018

The fair value of loans made to officers at September 30, 2014 was $61,406.

On June 1, 2014 a loan of $17.925 was granted with an interest rate of 4.9% with a duration that for three years.

Our principal shareholder, chairman of our board of directors and executive president, of the Company, Carlos Rojas Mota Velasco, is a member of the Rojas Mota Velasco family, one of the main shareholders of Corporativo GBM, S. A. B. de C.V., where its subsidiary GBM International, Inc., is one of the underwriters in the International Offering, and GBM is one of the leading underwriter intermediaries in the offering in Mexico. In addition to the commercial relationship that arise from the Global Offering, Corporativo GBM, S. A. B. de C. V. and its subsidiaries maintains trade relationships with the Company and its subsidiaries and have provided and could continue to provide future financial advisory, investment banking and other banking services under the Company ordinary course of business, for which they have received and may continue receiving payments and commissions. Also in the near future the Company may start a joint venture or association with Corporativo GBM SAB de CV and / or its subsidiaries, resulting in economic benefits for both parties.

d. Compensation to directors and other members of management was as follows:

	September 30, 2014	December 31, 2013
Salaries and other short term benefits	$ 103,486	$ 122,087

Compensation to directors and other key executives is determined by the Board of Directors based on their performance and on market trends.

Note 9 - Property, plant and equipment, net, and intangible assets:

The main changes in property, plant and equipment (PP&E) and intangible assets at September 30, 2014 and December 31, 2013 are shown below:

	PP&E	Intangibles
Balance at January 1, 2014	$ 1,230,891	$ 94,161
Transfers	(1,122)	
Acquisitions	62,651	24,857
Revaluations	9,304	(17)
Disposals	(63,058)	
Depreciation and amortization	(103,249)	(7,343)
Balance at September 30, 2014	$ 1,135,417	$ 111,658

Fair value of land and buildings

In 2010, a number of land and building valuations on January 1, 2011 were prepared by independent experts; the revaluation increase was recorded net of deferred taxes in the revaluation surplus at January 1, 2011.

Assets valued at January 1, 2011 have not been increased in its valuation, except for certain non-significant improvements.

The amounts obtained from the revaluation at fair value of land and buildings has not presented significant changes since the date it was practiced (January 1, 2011) and at the date of the periods reported. Additionally, there have been no additions or disposals of those elements.

Management considers that at the date of these financial statements unobservable data on which the valuations are based, such as aging, size and boundaries, conditions of land and buildings, and locations, as well as local economic factors are comparable to the prices in the corresponding locations of assets.

Note 10 - Investment accounted for using the equity method:

Nature of investment

The Company has an investment in an associate, Dalkasa, S. A. (Dalkasa), which is accounted for using the equity method of accounting. Dalkasa is a private company incorporated in Quito, Ecuador engaged in manufacturing and commercializing activities. At September 30, 2014 and December 2013, the percentage of interest in the associate was 49.88%, respectively.

Note 11 - Derivative financial instruments:

The instruments used for interest rate and contracted positions at each year were:

	Date of		Interest rate			
Notional amount	Contract	Maturity	Instrument	Owed	September 30 2014	December 31 2013
Swap $322,746	November 2011	November 2016	6%	4.8%	$3,974	$2,169
					$3.974	$2,169

There have not been contracted financial instruments other than those at the end of the last year.

Note 12 - Bank loans:

At January 1, 2014	$ 1,323,608
Payments of principal	(105,226)
Interest	(1,283)
Balance at September 30, 2014	$ 1,217,099

The fair value of loans is as follows:

	September 30, 2014	December 31, 2013
Bank loans:		
Banco Mercantil del Norte, S. A.	$ 602,480	$ 602,626
Banco Santander (México), S. A.	602,506	602,658
Banco Nacional de Desarrollo Económico Social	19,129	19,217
Banco Nacional de México, S. A.		100,026
Banco Provincia, S. A.		1,083
	$ 1,224,115	$ 1,325,610

The fair values of borrowings are based on discounted cash flows using interest rates for each debt as mentioned below:

1 On October 29, 2013 Rotoplas Group issued a promissory note in favor of Banamex for $ 100,000 with an interest rate of 4.7% per annum, calculated on April 29, 2014.

2 On May 30, 2013 Rotoplas Argentina, S.A. signed a contract for a single credit in Province of Buenos Aires bank for $ 2.004 to a fixed interest rate of 17%, which was paid in two installments $ 921 in the year 2013 and $ 1.083 on May 29, 2014.

Fair value:	September 30, 2014	December 31, 2013
Banco Mercantil del Norte, S. A.	5.4590%	5.2935%
Banco Santander (México), S. A.	5.5212%	5.3271%
Banco Nacional de Desarrollo Económico Social	0.0352%	0.0352%
Banco Nacional de México, S. A.	-	5.62%
Banco Provincia, S. A.	-	17.04%

The above fair values fall under level 2 of the hierarchy. The carrying amounts of the Company's loans are denominated in the following currencies:

	September 30 2014	December 31 2013
Reals *	R$ 3,519	R$ 4,646
* Equivalent in Mexican pesos	$ 19,365	$ 25,911
Mexican pesos	$ 1,197,734	$ 1,297,697
Total in Mexican pesos	$ 1,217,099	$ 1,323,608

Note 13 - Accruals of expenses:

	Bonuses and Gratifications to employees	Lawsuits	Total
At January 1, 2014	$ 11,959	$ 7,333	$ 19,292
For the period of nine months:			
Charge to the income statement	$ 35,152	$ 25,517	$ 60,669
Write off	(17,033)	(566)	(17,599)
At September 30, 2014	$ 30,078	$ 32,284	$ 62,362

Provisions for liabilities mainly include estimated bonuses expected to be paid in the following year, based on compliance and performance; additionally, labor claims filed against the company and other business lawsuits have been determined under the best estimate and are expected to be disbursed in the short term.

Note 14 - Employee benefits:

There are no settlement effects in the changes of plans.

Note 15 - Equity:

On June 16, 2014 by unanimous resolutions the Shareholders approved to pay dividends by $276.089, in two installments; the first installment for $101.456 coming in its entirety from the Net Tax Profit Account (CUFIN for its acronym in Spanish), paid on June 26, 2014, and the second installment for $174.633 from which $21.563 come from CUFIN and $153.070 are not from CUFIN, paid on September 24, 2014, in accordance with the shareholding held by the shareholders.

Dividends payable that are not from CUFIN will cause a tax expense of $65,602 corresponding to a tax rate of 42.86% and are presented within income tax payable. Moreover, the income tax paid by dividends that are not from CUFIN may be credited against the income tax payable by the company corresponding to the current year or to the next two years, and is presented as a deferred tax asset in the statement of financial position.

On June 1, 2014 shares of $4.130 Class “C” were subscribed and paid with a nominal value of 4.34, resulting in a capital increase of $17.926, which, $13.673 correspond to share capital and $4.253 to additional paid-in capital.

Note 16 - Income taxes:

Income tax expense shown in the income statement is recognized based on management’s estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to December 31 2014 is 27% and 15% in the previous year.

Note 17 - Authorization of issuance of consolidated financial statements

The accompanying condensed consolidated interim financial statements and their notes were authorized for their issuance on September 28, 2014 by the undersigned officers.

Carlos Rojas Mota Velasco	Mario Antonio Romero Orozco
President	Vice-president of Administration and Finance

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Consolidated Financial Statements

December 31, 2013, 2012 and 2011

Independent Auditors' Report

Mexico City, October 8, 2014

To the Shareholders' Meeting of
Grupo Rotoplas, S. A. de C. V.

We have audited the accompanying consolidated financial statements of Grupo Rotoplas, S. A. de C. V. (the Company) and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013, 2012 and 2011 and the consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years ended on these dates, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management of the Company and its subsidiaries are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on ours audits. We conducted ours audits in accordance with the International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures contained in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting estimates made by management and evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Rotoplas, S. A. de C. V. and subsidiaries as at December 31, 2013, 2012 and 2011 and its financial performance and its cash flows for the years ended, in accordance with International Financial Reporting Standards.

Paragraph of emphasis

Without qualifying our opinion, as mentioned in Notes 1 and 30 to the accompanying consolidated financial statements, on December 19, 2013, the shareholders of Grupo Rotoplas, S. A. de C. V. (Grupo Rotoplas) and its holding company, Industria Mexicana de Moldeo Rotacional, S. A. de C. V. (IMMR) agreed to the merger of the companies, with Grupo Rotoplas, S. A. de C. V. as the surviving company. This transaction between Group companies constituted a legal reorganization. Consequently, effective as of January 1, 2011, the consolidated financial statements of Grupo Rotoplas and its subsidiaries reflect the IRMM financial information as if they had always been part of Grupo Rotoplas, S. A. de C. V.

PricewaterhouseCoopers, S. C.

L.C. César Alfonso Rosete Vela
Audit Partner

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Consolidated Statements of Financial Position

December 31, 2013, 2012 and 2011

Thousands of Mexican pesos

		December 31,		
Assets	Notes2013	2012	2011	
CURRENT ASSETS:				
Cash and cash equivalents	8	$ 557,459	$ 148,350	$ 126,614
Accounts receivable	9	1,253,121	782,337	556,315
Related parties	9 and 10	7,573	1,427	2,623
Recoverable income tax		30,100	25,325	72,374
Other recoverable taxes	11	289,483	222,782	40,240
Inventories	12	645,422	647,056	474,504
Prepaid expenses	13	15,296	8,185	6,517
Total current assets		2,798,454	1,835,462	1,279,187
NON - CURRENT ASSETS:				
Related parties	10	49,358	45,764	42,396
Investment accounted for using the equity method	15	6,752	5,716	4,991
Property, plant and equipment - Net	14	1,230,891	1,241,883	1,122,297
Intangible assets	16	94,161	109,037	142,393
Deferred income taxes	24	197,252	135,519	118,870
Derivative financial instruments	17	-	3,614	12,233
Guarantee deposits	6	35,437	36,028	14,357
Total assets		$ 4,412,305	$ 3,413,023	$ 2,736,724
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES:				
Short - term bank loans	18	$ 107,691	$ 396,354	$ -
Account payable 19		406,183	500,966	411,404
Other accounts payable	20	444,058	241,853	208,473
Accrual of expenses	21	19,292	10,695	6,506
Income taxes payable		80,634	38,883	18,231
Other taxes payable		97,403	92,797	87,996
Employees' profit sharing	26	16,402	18,007	13,625
Total current liabilities		1,171,663	1,299,555	746,235
LONG TERM LIABILITY:				
Long - term bank loans	18	1,215,917	387,482	479,850
Employee benefits	22	5,497	11,825	9,071
Deferred income taxes	24	45,152	34,699	71,512
Derivative financial instruments	17	2,169		
Total liabilities		2,440,398	1,733,561	1,306,668
EQUITY:				
Capital stock	23	1,176,800	539,744	539,744
Premium on share issuance		29,506	29,506	29,506
Retained earnings		715,207	921,261	577,485
Foreign currency translation adjustment		(190,294)	(50,904)	43,674
Revaluation surplus		237,216	237,216	237,216
Equity attributable to:				
Controlling interest		1,968,435	1,676,823	1,427,625
Non-controlling interest		3,472	2,639	2,431
Total equity		1,971,907	1,679,462	1,430,056
Total liabilities and stockholder's equity		$ 4,412,305	$ 3,413,023	$ 2,736,724

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Consolidated Statements of Income

December 31, 2013, 2012 and 2011

Thousands of Mexican pesos (except per share data)

		December 31,		
	Notes	2013	2012	2011
Net sales		$ 5,411,821	$ 4,680,005	$ 3,055,773
Cost of sales	25	3,210,009	2,846,027	1,913,957
Gross profit		2,201,812	1,833,978	1,141,816
Operating expenses	26	1,552,669	1,346,837	957,972
Other expenses (income) - Net	27	3,625	(8,851)	3,382
Operating income		645,518	495,992	180,462
Finance income	28	(107,071)	(221,268)	(91,303)
Finance costs	28	239,435	325,228	170,662
Finance costs - Net		132,364	103,960	79,359
Share of results of associate	15	(1,036)	(725)	(649)
Profit before income taxes		514,190	392,757	101,752
Income taxes	24	77,668	48,013	6,563
Net consolidated profit		$ 436,522	$ 344,744	$ 95,189
Profit attributable to:				
Controlling interest		$ 435,296	$ 343,776	$ 94,922
Non-controlling interest		1,226	968	267
		$ 436,522	$ 344,744	$ 95,189
Earnings per share [1]	2.27	$ 1.304	$ 2.430	$ 0.671

[1] Earnings per share is expressed in Mexican pesos.

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Consolidated Statements of Comprehensive Income
December 31, 2013, 2012 and 2011

Thousands of Mexican pesos

	Notes	December 31, 2013	2012	2011
Net consolidated profit		$ 436,522	$ 344,744	$ 95,189
Other comprehensive income:				
Items that may be eventually				
Reclassified to profit or loss:				
Foreign currency translation adjustment [1]		(139,783)	(95,338)	44,457
Comprehensive consolidated profit for the year		$ 296,739	$ 249,406	$ 139,646
Comprehensive income attributable to:				
Controlling interest		$ 295,906	$ 249,198	$ 138,596
Non-controlling interest		833	208	1,050
		$ 296,739	$ 249,406	$ 139,646

[1] These items are not subject to income taxes.

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Consolidated Statements of Changes in Stockholders' Equity
December 31, 2013, 2012 and 2011

Thousands of Mexican pesos

	Notes	Capital stock	Premium on share subscription	Legal reserve	Retained earnings	Conversion effect on subsidiaries	Revaluation surplus	Total stockholders' equity of controlling interest	Non controlling interest	Total stockholders' equity
Balances at January 1, 2011 previously reported		$ 35,740	$ 7,556	$17,093	$716,236	$	$184,530	$ 961,155	$308,467	$1,269,622
Retrospective effects of the December 19, 2013 merger agreement	30	504,004	21,950	(17,093)	(233,673)		52,686	327,874	(307,086)	20,788
Balances at January 31, 2011, restated		539,744	29,506		482,563		237,216	1,289,029	1,381	1,290,410
Comprehensive income for the year:										
Other comprehensive income						43,674		43,674	783	44,457
Net consolidated profit					94,922			94,922	267	95,189
Total comprehensive income					94,922	43,674		138,596	1,050	139,646
Balances at December 31, 2011		539,744	29,506		577,485	43,674	237,216	1,427,625	2,431	1,430,056
Comprehensive income for the year:										
Other comprehensive income						(94,578)		(94,578)	(760)	(95,338)
Net consolidated profit					343,776			343,776	968	344,744
Total comprehensive income					343,776	(94,578)		249,198	208	249,406
Balances at December 31, 2012		539,744	29,506		921,261	(50,904)	237,216	1,676,823	2,639	1,679,462
Comprehensive income for the year:										
Other comprehensive income						(139,390)		(139,390)	(393)	(139,783)
Net consolidated profit					435,296			435,296	1,226	436,522
Total comprehensive income					435,296	(139,390)		295,906	833	296,739
Transactions with shareholders:										
On December 16, it was unanimously decided to carry out a capital stock increase	23	637,056						637,056		637,056
Dividends paid after a unanimous agreement on December 23	23				(641,350)			(641,350)		(641,350)
Total transactions with shareholders		637,056			(641,350)			(4,294)		(4,294)
Balances at December 31, 2013		$1,176,800	$29,506	$	$715,207	($190,294)	$237,216	$1,968,435	$ 3,472	$1,971,907

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Rotoplas, S.A. de C.V. and subsidiaries

Consolidated Statements of Cash Flows

December 31, 2013, 2012 and 2011

Thousands of Mexican pesos

	December 31,		
Operating activities	2013	2012	2011
Profit before income taxes	$ 514,190	$ 392,757	$ 101,752
Adjustments for items non-cash items:			
Depreciation and amortization included in expenses and costs	146,645	127,758	100,245
Share of results of associate	(1,036)	(725)	(649)
Interest received	(15,496)	(5,378)	(6,257)
Employee benefits obligations	1,308	2,408	2,350
Interest paid	75,286	55,743	41,131
Changes in assets and liabilities:			
Accounts receivable	(470,784)	(226,022)	(64,707)
Recoverable income tax	(4,775)	47,049	7,261
Other recoverable taxes	(66,701)	(182,542)	(40,240)
Inventories	1,634	(172,552)	(102,353)
Prepaid expenses	(7,111)	(1,668)	(6,473)
Guarantee deposits	591	(21,671)	218
Account payable	(94,783)	89,562	183,661
Other accounts payable	196,472	36,206	61,560
Other taxes payable	4,606	4,801	45,932
Employees’ profit sharing	(1,605)	4,382	2,835
Employees’ benefits	(7,636)	346	(345)
Cash generated from operating activities	270,805	150,454	325,921
Income tax paid	(87,197)	(80,823)	(118,176)
Net cash generated from operating activities	183,608	69,631	207,745
Investing activities			
Purchase of property, plant and equipment	(280,375)	(303,240)	(182,226)
Proceeds from sales of property, plant and equipment	20,780	5,452	2,930
Purchase of intangible assets	(830)	(10,759)	(105,192)
Related parties	4,455	(1,588)	(5,278)
Interest received	15,496	5,378	6,257
Net cash used in investing activities	(240,474)	(304,757)	(283,509)
Financing activities			
Capital contributions	637,056	-	-
Dividends paid	(641,350)	-	-
Repayment of loans	(783,835)	303,986	132,851
Bank loan acquisitions	1,323,607	-	-
Derivative financial instruments	5,783	8,619	(8,934)
Interest paid	(75,286)	(55,743)	(41,131)
Net cash generated from financing activities	465,975	256,862	82,786
Net increase in cash and cash equivalents	409,109	21,736	7,022
Cash and cash equivalents at the beginning of the year	148,350	126,614	119,592
Cash and cash equivalents at year end of the year	$ 557,459	$ 148,350	$ 126,614

Non-cash transactions are disclosed in Note 30.

The accompanying notes are an integral part of these consolidated financial statements.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Vice President of Administration and Finance

Thousands of Mexican pesos, unless otherwise indicated

Note 1 - Company Information:

Grupo Rotoplas, S. A. de C. V. (Grupo Rotoplas) and subsidiaries (the “Company” or “the Group”) established operations in Mexico City on 1978 and it is mainly engaged in providing individual and integral solutions of waterfor its clients. The Group operates nine production facilities in the following cities: Mexico City, Guadalajara, Lerma, Monterrey, León, Mérida, Veracruz, Tuxtla Gutiérrez and Los Mochis, as well as a distribution center in the city of Hermosillo. The Group also operates production facilities in Guatemala, Perú, Argentina and Brazil, as well as distribution centers in El Salvador, Honduras, Nicaragua and Costa Rica, which allows the Company to have a very large business in Mexico and in Central and South America.

Recent transactions

On December 19, 2013, the shareholders of Grupo Rotoplas, S. A. de C. V. (Grupo Rotoplas) and of its holding Company, Industria Mexicana de Moldeo Rotacional, S. A. de C. V. (IMMR), agreed to merge the companies with Grupo Rotoplas, S. A. de C. V. as the surviving company. Such transactions constituted a legal reorganization under common control, and as a result the Company’s management requested that prior year consolidated financial statements be consolidated retrospectively for all years presented. Therefore, as of December 31, 2011, the consolidated financial statements of Grupo Rotoplas and subsidiaries reflect the financial information of IMMR as though it had always been part of Grupo Rotolplas, S.A de C.V.

Based on the foregoing, as at December 31, 2012 and 2011, the Company’s main shareholder with 77.79% of the shares with voting rights was IMMR; while the remaining 22.1% shares were distributed among individuals. The controlling shareholder in IMMR was Carlos Roberto Rojas Mota Velazco with 71%. As a result of this, it is considered that the transaction qualifies as a restructuring under common control, as both entities are ultimately controlled by the same person.

At December 31, 2013, the main Company shareholders are the following individuals: Carlos Roberto Rojas Mota Velasco 72%, Claudia Fernández Terouanne 14%, Alejandro Rojas Mota Velasco, 6% and the remaining 8% is held by 6 people, with Carlos Roberto Rojas Mota Velasco as the controlling shareholder.

The Company’s tax domicile is:

Paseo de la Reforma No. 115 Piso 18
Col. Lomas de Chapultepec
11000 México, D.F.

Note 2 - Summary of significant accounting policies:

The most significant accounting policies used for the preparation of these consolidated financial statements are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

2.1 Basis for preparation

The accompanying consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) which also include the International Financial Reporting Interpretations (IFRIC). Therefore, the consolidated financial statements have been prepared under the historical cost convention, except for some items of properties, plant and equipment, financial assets and liabilities, and derivative financial instruments, which have been measured at fair value.

IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

2.1.1.1 The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards in effect at January 1, 2013. The nature and impact of each new standard or amendment are described below:

- International Accounting Standard (IAS) 1 (modified), "Presentation of financial statements". The amendment requires entities to separate items presented in other comprehensive income into two groups based on whether they are potentially reclassifiable to profit or loss subsequently. The entities that choose to present items of other comprehensive income before taxes must show taxes related to the two groups separately. For the Group, this amendment came into force on January 1, 2013. The amendment only affected the presentation matters for financial reporting and had no impact on the Group's financial position or performance.

- IAS 19 (Reviewed), "Employee benefits". Several amendments have been applied retrospectively, which eliminate the option to defer the recognition of gains and losses on defined and post-employment benefit plans, known as the "corridor method". The revised standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost (as a single net figure) based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. The net defined benefit asset or liability is adjusted for actual benefit payments and contributions during the year. There is no change in the approach to determining the discount rate, as this continues to reflect the yield on high-quality corporate bonds, or on government debt when there is no deep market in high-quality corporate bonds. These changes have no significant effect on the consolidated financial statements of the Group.

- The past service cost are immediately recognized in the income statement in the period in which it is changed, instead of deferring the portion related to the benefits acquired. Previously the Group recognized past service costs immediately in income, unless the changes to the pension plan required employees to continue providing services for a specified period of time (vesting period). Management determined that the effect on Group earnings net for 2012 and 2011 is not significant. IAS 19 (Revised) was adopted prospectively and prior periods were not reclassified, as management determined that the effect is not significant for the Group's financial position.

- IFRS 10, "Consolidated Financial Statements". IFRS 10 was issued in May 2011 and replaces all of the guidance on control and consolidation of IAS 27, "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". Under IFRS 10 subsidiaries are all entities (including structured entities) over which the Company has control. A Company controls an entity if the Company has power over the entity, it is exposed to or has the right to variable returns from its involvement in the organization and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, and are deconsolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with the transitional provisions described in this statement, with no effects on the consolidation of investments held by the Group.

- IFRS 12 "Disclosure of Interests in Other Entities". Requires an entity to disclose information to evaluate the nature and risks associated with its interests in other entities, including joint arrangements, investment in associates, special purpose entities and in entities that are not included in the balance sheet, in addition to the effects of those interests in the entity's situation and financial performance and cash flows. The Group made all required disclosures in the consolidated financial statements at December 31, 2013.

- IFRS 13 "Fair Value Measurement". The objective of IFRS 13 is to provide a precise fair value definition and be a single source for fair value measurement and disclosure requirements when required or permitted by other IFRS, except for operations within the scope of IFRS 2 "Share-based Payments", IAS 17 "Leases", measurements that resemble fair value but are not considered as such and net realizable value under the scope of IAS 2 "Inventories" or value in use in IAS 36 "Impairment of long-Lived Assets". The application of IFRS 13 had an impact on the disclosures of financial information primarily by increasing disclosure on assets revalued according to management policies, which now mainly include:

  - The level of fair value hierarchy within which fair value measurements are categorized in their entirety (Level 1, 2 or 3).

  - The description of the valuation techniques and inputs used in measuring fair value.

  - Quantitative information about significant unobservable data inputs used in measuring fair value.

  - The narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount may lead to a measurement of significantly higher or lower fair value.

  - Whether or not there are interrelationships between those inputs and other unobservable inputs used in measuring fair value,

  - A description of those relationships and how they can increase or mitigate the effect of changes in unobservable inputs in the fair value measurement.

- Revision of IAS 16 "Property, Plant and Equipment" (annual improvement cycle 2011), which clarifies that the main spare parts and maintenance equipment that meet the definition of property, plant and equipment do not form part of the inventory, and revision of IAS 32 "Financial Instruments: Presentation", which clarifies that income taxes resulting from distributions to Shareholders' are recorded in accordance with IAS 12 "Income taxes". Such revisions had no effects on the Group.

IAS 27 (revised2011) “Separate Financial Statements”. IAS 27 was revised and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been replaced by the new IFRS 10.

- IAS 28 (revised 2011) “Investments in associates and joint ventures” IAS 28 was revised and includes the provisions relating to the use of the equity method of accounting for joint ventures and associated companies after issuance of IFRS 11.

2.1.1.2 New accounting pronouncements effective from January 1, 2014 or later

Following are the new pronouncements and amendments issued and effective from January 1, 2014 that have not been early adopted by the Company.

- IAS 36, “Impairment of Assets”. In May 2013, the International Accounting Standards Board (IASB) amended IAS 36 to require disclosure of information on the recoverable amount of impaired assets if the amount is calculated based on the method of fair value less costs to sell.

- IFRS 9, “Financial Instruments”

IFRS 9 was issued in November 2009 and contains the requirements for the classification and measurement of financial assets. Requirements for financial liabilities were included as part of IFRS 9 in October 2010. IFRS 9 is the first standard issued as part of the project to replace IAS 39. IFRS 9 retains and simplifies both types of measurement models and establishes two main categories of financial assets: amortized cost and fair value. The basis of classification depends on the business model of the Company and the characteristics of the contractual cash flows of the financial asset. The guidance set forth in IAS 39 for impairment of financial assets and hedge accounting continues to apply. This amendment is mandatory for the Company from January 1, 2018.

- IAS 32, “Financial instruments: Presentation”

On December 2011, the IASB amended IAS 32. Such changes represent the application guidelines and clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. This modification is mandatory for the Company from January 1, 2014.

- IAS 39, “Financial Instruments: Recognition and Measurement”

On June 2013 the IASB amended IAS 39 to clarify that there is no need to discontinue hedge accounting upon the novation of a derivative hedging instrument, provided certain conditions are present. For the Company, this amendment applies to annual periods beginning on or after January 1, 2014.

- IFRS 15, “Revenue from contracts with customers”

IFRS 15 “Revenue from contracts with customers” addresses the deficiencies in the previous revenue recognition standard, establishing a broad and solid framework for the recognition, measurement and disclosure of revenue. In particular, IFRS 15 improves the comparability of revenue from contracts with customers, reducing the need for interpretative guidance in the future for specific industries to address emerging issues of revenue recognition, and provides more useful information through improved disclosure requirements. IFRS 15 establishes a general framework for determining the moment to recognize revenue and the amount of revenue recognized. The basic principle of this framework is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services.

It is expected by the Company that IFRS 15 will not have a significant impact on the amount and timing of revenue recognition. For other contracts, such as contracts for long-term service agreements and multiple elements, IFRS 15 could lead to some changes, either in the amount or in the temporary distribution of income recognized by a company.

At the date of the financial statements, the Company's Board of Directors are in the process of quantifying the effects of the adoption of the aforementioned new standards and amendments.

There are no other standards, amendments and interpretations issued but not yet in force that could have a significant impact on the Company.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to or has rights to variable returns because of its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated when control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The consideration of an acquisition also includes the fair value of contingent amounts receivable or payable as part of the agreement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquired either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as they are incurred.

If the business combination is achieved in stages, the book value of the acquirer's previously held equity interest in the acquiree at the acquisition date is re-measured to fair value with any difference recognized in profit or loss.

Any contingent consideration to be paid by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or in other comprehensive income. Contingent consideration that is classified as equity requires no adjusting, and is is recorded in equity when settled.

The excess of the consideration transferred, the noncontrolling interest in the acquiree and the acquisition date fair value of any previous equity interest held in the acquiree over the fair value of the identifiable net assets acquired is recognized as goodwill. If the comparison results in a bargain purchase, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains or losses resulting from transactions between Group companies are eliminated. The accounting policies used by subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The accompanying consolidated financial statements include the Company and its subsidiaries listed below:

Company	Ownership in 2013, 2012, and 2011 (%)	Activity
Rotoplas, S. A. de C. V. (Rotoplas) [1]	99.99	Manufacture and sale of plastic tanks for water storage.
Fideicomiso AAA Grupo Rotoplas (Fideicomiso AAA) [2]	100	Granting of financial support.
Suministros Rotoplas, S. A. de C. V. (Suministros)	99.99	Rendering of administrative services to production companies.
Rotoplas Recursos Humanos, S. A. de C. V. (Recursos)	99.99	Rendering of administrative services to production companies.
Servicios Rotoplas, S. A. de C. V. (Servicios)	99.99	Rendering of administrative services to production companies.
Rotoplas Comercializadora, S. A. de C. V. (Comercializadora)	99.99	Sub-holding.
Rotoplas de Latinoamérica, S. A. de C. V. (Latino) [3]	99.99	Sub-holding.
Rotoplas Bienes Raíces, S. A. de C. V. (Bienes Raíces) [1]	26.69	Real estate services.

(1) Rotoplas is the holding company of 73.31% shares of Bienes Raíces.

(2) The AAA Trust was established on March 15, 2007 by the Company, in its capacity as trustee, in order to promote the development of enterprises through the operation of a system for granting preferential financial support to suppliers and distributors. (See Note 28).

(3) Latino is the holding company of the shares of the second level Companies for consolidated financial statement purposes:

Company	Interest in 2013, 2012, and 2011 (%)	Activity
Dalka do Brasil, Ltda. (Brasil)	99.99	Manufacture and sale of plastic tanks for water storage.
Dalka, S. A. C. (Perú)	99.99	Manufacture and sale of plastic tanks for water storage.
Rotoplas Argentina, S. A. (Argentina)	98.87	Manufacture and sale of plastic tanks for water storage.
Conmix Argentina, S. A. (Argentina)	98.87	Manufacture and sale of plastic tanks for water storage.
Tinacos y Tanques de Centroamérica, S. A. de C. V. and subsidiaries (Guatemala), (Centroamérica) (4)	99.99	Manufacture and sale of plastic tanks for water storage.

(4) Addtionally, Centroamérica is a holding company of the shares of the third level companies for consolidated financial statements purposes:

Company	Participation in 2013, 2012, and 2011 (%)	Activity
Tinacos y tanques de Centroamérica, S. A.	99.99	Manufacture and sale of plastic tanks for water storage.
Exportadora y comercializadora del Caribe, S. A.	90	Export, import and distribution of plastic tanks for water storage.
Servicios Apolo, S. A.	90	Rendering of administrative services.
Tinacos y Tanques de Honduras, S. A. de C. V.	99	Manufacture and sale of plastic tanks for water storage.
Tanques Plásticos, S. A. (Costa Rica)	100	Manufacture and sale of plastic tanks for water storage.
Tinacos y tanques de Centroamérica, S. A de C. V. (El Salvador)	100	Manufacture and sale of plastic tanks for water storage.
Tinacos y Tanques de Nicaragua, S. A.	99.99	Manufacture and sale of plastic tanks for water storage.

2.2.2 Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions, i.e., as transactions with shareholders in their capacity as such. The difference between the fair value of the consideration paid and the interest acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.3 Legal reorganizations of entities

The Company's management uses the capital reorganization method to account for internal reorganization of entities of the Group under common control. The principles of the method of capital reorganization are as follows:

The financial statements of the merging company fully incorporates the results (including those of comparative period), regardless of whether the reorganization occurred at intermediate dates in the year. This reflects the idea that the transaction involves two entities controlled by the same controlling party. On the basis of the foregoing, the figures used correspond to the carrying amounts of the existing entity, i.e., the consolidated financial statements reflect the figures from the perspective of the parent entity and the period over which such surviving entity had control. This method is based on the principle that no significant economic changes occur, and all it involves is a change in the structure of the Group.

On the basis of this method for reorganization of capital, generation of new goodwill is not valid, which means that any difference between the cost of the transaction and the net assets acquired is recognized in retained earnings within the equity (see Note 30).

2.2.4 Disposal of subsidiaries

When the Company loses control over an entity, any retained interest in the entity is re-measured at fair value at the date when control is lost, recognizing the change in the carrying amount in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting the retained interest as an associate, joint venture or financial asset, as appropriate. In addition, any amounts previously recognized in other comprehensive income relating to that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This implies that the amounts previously recognized in other comprehensive income are reclassified to profit or loss in certain cases.

2.2.5 Associates

Associates are all entities over which the Company has significant influence but no control. Generally, the Company holds a shareholding of between 20% and 50% of the voting rights of those entities. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. See Note 15.

If the ownership interest in an associate is reduced but significant influence is retained, only the proportional amount of other comprehensive income related to the sold interest is reclassified to profit or loss if appropriate.

The Company's share of post-acquisition profits or losses of the associate is recognized in the income statement under other income / expenses item, and the share of the other comprehensive income of the associate is recognized as part of the other comprehensive income of the Company. These post-acquisition changes adjust the carrying amount of the investment. When the Company's share of the losses in an associate exceeds the carrying value of its investment in that associate, including any other unsecured receivables recorded by the Company, the Company does not recognize further losses in excess, except where there is a legal or constructive obligation to make payments on behalf of the associate.

At each year end, the Company assesses whether there is objective evidence of impairment in investment in associates. If this is the case, the amount of impairment over the recoverable amount of the associate's carrying value is calculated and the respective loss is recorded in the share of results of investments accounted for using the equity method, in the income statement.

Unrealized profits arising from transactions between the Company and its associates are eliminated to the extent of the percentage of the Company's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence that the transferred asset is impaired. The accounting policies applied by the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

Dilution gains and losses arising from investments in associates are recognized in the income statement.

As of December 31, 2013, 2012 and 2011, the Company holds an indirect interest of 49.88% (through its subsidiary Latino) in the associate Dalkasa, S. A. (Ecuador), which has the activity of manufacture and sell plastic tanks for water storage.

2.3 **Segment Reporting**

Financial information by operating segments is reported in a manner consistent with the information contained in the internal reporting package loge provided to the chief operating decision-maker, which is the Senior Management of the Company. The Senior Management is responsible for allocating resources and assessing performance of the operating segments of the Company. See Note 7.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the entities comprising the Company are measured using the currency of the primary economic environment in which each entity operates, i.e., its "functional currency". The consolidated financial statements are presented in Mexican pesos, which is the Company's functional and presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are revalued. Foreign exchange gains and losses resulting either from the settlement of such transactions or from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates in are recognized in the income statement, except when they are required to be included in other comprehensive income, as in the case of transactions that qualify as cash flow hedges and net investment hedges. Foreign exchange gains and losses that relate to loans and, cash and cash equivalents are presented in the income statement within "financial income and expenses".

2.4.3 Group entities

The results and financial position of all the Group entities (none of which has a currency in a hyperinflationary economy) whose functional currency differs from the presentation currency are translated into the presentation currency as follows:

(a) The assets and liabilities recognized in the balance sheet are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses recognized in the statement of income are translated at the average exchange rate for each year (unless this average is not a reasonable approximation of the cumulative effect arising from translating the results to the exchange rates prevailing at transaction dates, in which case those rates are used).

(c) The capital of each balance sheet presented is translated at the historical exchange rate.

(d) The resulting exchange differences are recognized as part of comprehensive income, within the other comprehensive income.

Goodwill and adjustments to assets and liabilities as at the date of acquisition of a foreign operation that must be measured at fair value are recognized as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the closing date. Exchange differences are recognized in other comprehensive income.

The principal exchange rates used in the various conversion processes are listed below:

		Local currency to Mexican pesos					
		Closing exchange rate at December 31,			Average exchange rate at December 31,		
Country	Local currency	2013	2012	2011	2013	2012	2011
Brasil	Brazilian real	5.58	6.36	7.45	5.94	6.59	7.47
Argentina	Argentine peso	2	2.64	3.25	2.34	2.90	3.01
Central America	Quetzal	1.67	1.64	1.79	1.63	1.65	1.60
Peru	Nuevo sol	4.69	5.09	5.18	4.73	4.99	4.53

2.5 **Property, plant and equipment**

Land and buildings comprise mainly the production and distribution plants, stores and offices. Land and buildings are shown at fair value, based on valuations performed by external independent experts, less subsequent depreciation of buildings. Valuations are performed with sufficient regularity (at least every three to five years) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. If there were events that indicate that the fair value has changed, it is necessary to perform a new valuation. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is updated to the revalued amount of the asset. The portion of property, plant and equipment identified against the surplus is not depreciated. All other property, plant and equipment are stated at their historical cost less accumulated depreciation. Historical cost includes expenditures directly attributable to the acquisition of the items.

Costs associated to an item of property, plant and equipment that are incurred subsequent to its initial recognition are capitalized as part of that related item or as a separate item, as appropriate, only when it is probable that future economic benefits will arise for the Company and those costs can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of maintenance and repairs are charged to the income statement in the period in which they are incurred.

Increases in the carrying amount on revaluation of land and buildings are recognized in other comprehensive income and shown as a revaluation surplus within the shareholders' equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income directly in equity, and all other decreases are charged to the income statement. In each revaluation period, the difference between depreciation calculated as per the revalued carrying amount of the asset charged to the statement of income and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Land is not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method, which is applied to allocate the cost or revalued amounts of the assets to their residual values over their respective estimated useful lives that are as follows:

	Years
Buildings	20
Machinery and equipment	10
Furniture, fixtures and computer equipment	3.3
Transportation equipment	4
Molds	10
Laboratory equipment	10
Tools and other equipment	10 - 12

The Group applied the component approach whereby some of the items of property, plant and equipment may require replacement at regular intervals. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset to which it belongs is depreciated separately. As of December 31, 2013, 2012 and 2011, the Company has no significant components requiring separate depreciation.

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at the close of each year.

When the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized to reduce the carrying amount to its recoverable amount.

Gains and losses from the disposals of property, plant and equipment is determined by comparing the fair value of the consideration received and the carrying value of the asset sold and it is presented in the income statement within Other (expenses) income - net.

When revalued assets are sold, the amounts included in other comprehensive income are transferred to retained earnings.

2.5.1 Leasehold improvements

Improvements and adaptations to buildings and premises in which the Company is the lessee are capitalized and recognized at historical cost less the respective depreciation. Depreciation of leasehold improvements is calculated using the straight-line method over the lower of the initial term of the lease or the useful life of the improvements. See Note 28.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the consideration transferred by the Company for the acquired interest in the net fair value of the identifiable assets, assumed liabilities and contingent liabilities of the acquiree and the fair value of any non-controlling interest.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash generating unit (CGU) or group of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is controlled for internal management purposes. Goodwill is monitored at the operating segment.

Review of the impairment of goodwill is performed annually or more frequently if events or changes in circumstances indicate a possible impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.6.2 Trademarks and licenses

Separately acquired trademarks and licenses are recognized at historical cost. Trademarks and licenses acquired through a business combination are recognized at their fair value at the acquisition date. Trademarks and licenses with a finite useful life are carried at cost less accumulated amortization. Amortization is computed by the straight-line method based on their estimated useful lives, between three and five years.

Computer software licenses acquired are capitalized on the basis of the costs incurred in order to acquire and operate the program. Those costs are amortized over their estimated useful lives, between three and five years.

2.6.3 Computer programs

Costs associated with maintaining computer software programs are recognized as an expense when incurred. Development costs that are directly attributable to the design and testing of computer programs, identifiable and controlled by the Company, are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the development of the software to be available for use.

- There is the intention to complete the development of the software for its use.

- There is the ability to use or sell the software.

- It is feasible to demonstrate how the software will generate future economic benefits.

- There are adequate resources available, whether technical, financial or otherwise to complete the software development.

- The costs attributable to the development can be measured reliably.

The direct costs capitalized as part of the computer programs include the salaries of employees who develop the programs and the corresponding proportion of related indirect costs.

Other development costs that do not meet the abovementioned criteria are recognized as expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Capitalized computer software development costs are recorded at cost less accumulated amortization. Amortization is computed using the straight-line method based on their estimated useful lives, none of which exceeds three years.

2.7 Impairment of non-financial assets

Intangible assets with an indefinite useful life, for example the goodwill or intangible assets not ready for use, are not subject to amortization and are tested annually for impairment. Assets subject to amortization are tested for impairment when events or circumstances indicate that might not be possible to recover the carrying amount. Impairment losses correspond to the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of assets is the higher of fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which identifiable cash flows are generated (cash generating units). Non-financial assets other than goodwill that have been impaired are evaluated at each reporting date to identify the potential reversal of such impairment.

2.8 Financial assets

2.8.1 Classification

The Company classifies its financial assets in the following categories: financial assets measured at fair value with changes recognized in profit or loss, and loans and receivables. Management classifies its financial assets in these categories upon initial recognition, considering the purpose for which they were acquired.

2.8.1.1 2.8.1.1 Financial assets measured at fair value with changes recognized in profit or loss

These assets are acquired for trading, i.e., for the purpose of selling in the short term. Derivative financial instruments are classified into this category, except when they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realized within a year after the closing date; otherwise they are classified as non-current.

2.8.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets that give the right to charge fixed or determinable amounts that are not quoted in an active market. Assets in this category are classified as current assets, except if they are expected to be collected beyond one year after the closing date, in which case they are classified as non-current. Loans and receivables comprise the following items in the statement of financial position: cash and cash equivalents, accounts receivable and related parties.

2.8.1.3 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, that is the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs, except for financial assets measured at fair value through profit or loss, that are initially recognized at fair value, and transaction costs are recognized as expense in the income statement. Financial assets are derecognized when the right to receive the related cash flows expires or is transferred and the Company has transferred substantially all risks and rewards of the ownership. Financial assets available for sale and financial assets measured at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and investments held to maturity are recorded at amortized cost using the effective interest rate method.

Gains and losses arising from changes in fair value of financial assets measured at fair value through profit or loss are included in the income statement under “Financial income and expenses” in the period in which they arise.

2.9 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

2.10.1 Assets measured at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence of impairment of a financial asset or group of financial assets. Impairment of a financial asset or group of financial assets and the impairment loss is recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events that have an impact on estimated cash flows of the financial asset can be estimated reliably.

Evidence of impairment may include indicators that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and when there is observable data that indicate there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the category of loans and receivables, the amount of the loss is the difference between the carrying value of assets and the present value of future estimated cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset´s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined contractually. The Group may measure impairment based on the fair value of a financial instrument using the observable market price. The Company has the practice of assessing the customer portfolio impairment when payments due exceed 90 days, and the analysis is supplemented for each account with its individual behavior. Increases in this estimate are recorded in operating expenses in the income statement.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be objectively associated to an event that occurred after the date on which impairment was recognized (such as an improvement in the debtor’s credit qualityrating), the reversal of previously recognized impairment loss is recognized in the consolidated income statement.

2.11 Derivative financial instruments and hedging activities

Derivative financial instruments are recognized on the date on which the respective contract is signed and are initially and subsequently measured at their fair value. The classification of gains or losses arising from changes in the fair value of these instruments in profit or loss for the year or other comprehensive income depends on whether they are designated as hedging instruments, and if so, the nature of the item being hedged, where appropriate.

At December 31, 2013, 2012 and 2011, the Company has derivative financial instruments for hedging purposes; however, it does not keep hedge accounting. See Note 17.

2.12 Inventories

Inventories are recorded at the lower of cost and net realizable value, based on the standard costing method which is periodically adjusted at the end of each month to carry the weighted average cost. The cost of finished goods and work in progress comprises raw material costs, direct labor, other direct costs and manufacturing overheads based on normal operating capacity of the plant. Net realizable value is the estimated selling price in the ordinary course of operations of the Company less applicable variable selling expenses.

2.13 Accounts receivable

Accounts receivable represent amounts due from customers for the sales of products performed in the normal course of operations of the Company. When collection is expected in a period of one year or less from the closing date, they are presented as current assets, otherwise they are shown as non-current assets. Accounts receivable are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment, if applicable.

2.13.1 Prepaid expenses

Prepaid expenses represent expenditures made by the Company for which the benefits and risks inherent to the assets to be acquired or the services to be received have not been transferred. Prepaid expenses are recorded at cost and presented in the statement of financial position as current or non-current assets, depending on the item to which they are associated. Once the assets and / or services relating to the prepaid expenses are received, these are recognized as an asset or as an expense in the income statement, respectively.

2.13.2 Guarantee deposits

Correspond to expenditures made by the Company to ensure the commitments made under some contracts (mainly local leases). Guarantee deposits for which recovery is expected to occur after more than 12 months, are recognized at amortized cost using the effective interest rate method. Guarantee deposits to be recovered in less than 12 months are not discounted.

2.14 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments with maturities of three months or less and bank overdrafts. At December 31, 2013, 2012 and 2011, investments payable on demand with maturities of less than three months are invested in bank debt with AAA ratings. See Note 8.

2.15 Equity

2.15.1 Capital stock

The common shares of the Company are classified as capital stock in stockholders' equity and are stated at historical cost. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the amount received, net of taxes. Capital stock includes the effect of inflation recognized up to December 31, 1997.

2.15.2 Premium on share subscription

The premium on share subscription represents the difference between the payment for subscribed shares and the nominal value of the shares on a historical basis.

2.15.3 Legal reserve

According to the General Law of Mercantile Corporations, at least 5% of the net profit of the year must be set aside to increase the legal reserve until it reaches 20% of the historical capital stock. The purpose of this reserve is to maintain a minimum amount of capital for the event of an unexpected need for funds.

2.15.4 Retained earnings

Correspond to the cumulative net results of previous years and include the effects of inflation recognized up to December 31, 1997.

2.15.5 Comprehensive income

Comprehensive income comprises net profit of the year plus other capital reserves, net of taxes, that comprise the foreign currency translation adjustment, remeasurements of employee benefits obligations and other items required by specific provisions to be reflected in stockholders' equity that do not qualify as capital contributions, reductions or distributions.

2.15.6 Treasury shares

The Shareholders may at times authorize an expenditure to acquire own shares. When shares are repurchased, they become treasury shares and the amount is charged to stockholders' equity at its purchase price: one portion to capital stock at its modified historical cost and the surplus to retained earnings. These amounts are stated at their historical value.

2.16 Accounts payable

Accounts payable are obligations owed to suppliers for goods or services purchased in the regular course of operations of the Company. When they are expected to be paid in a period of one year or less from the closing date, they are presented in current liabilities, otherwise they are presented in non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate.

2.17 Bank loans

Loans are initially recognized at fair value, net of related costs incurred, and subsequently measured at amortized cost. Any difference between the proceeds (net of related costs incurred) and the redemption value is recognized in the income statement over the term of the loan using the effective interest rate method.

2.18 Borrowing costs

General or specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that require a long time to be in use or sale condition are capitalized as part of the cost of those assets. At December 31, 2013, 2012 and 2011, no financing costs were capitalized.

The rest of the borrowing costs are recognized as they are incurred or accrued in the income statement.

2.19 Current and deferred income tax

The tax expense for the year comprises current income tax and deferred income tax. Tax on profits for the year is recognized in the income statement except when it relates wholly, or partly, to items recognized directly as part of other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries in which the Company and its subsidiaries operate. Management periodically evaluates the criteria applied in the tax returns when there are areas in which the applicable law is subject to interpretation. Subsequently, the Company recognizes the necessary provisions on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is determined in each subsidiary using the asset and liability method on temporary differences that arise from comparing the tax and book values of all assets and liabilities. However, deferred tax liabilities are not recognized if they arise from initial recognition of goodwill; nor is deferred tax recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the book or tax result. Deferred income tax is determined using the tax rates and laws that have been enacted or substantially enacted at year end and are expected to be applied when the deferred tax asset profit is realized or the liability is settled. See Note 24.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary differences for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference the income tax liability is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

The balance of deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

2.20.1 Pension plans

(i) Defined benefit plans:

A defined benefit plan is defined as the amount of seniority premium benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. In this case, the Company is required to pay the amount specified in the plan. Group companies with personnel have established a plan as required by the Federal Labor Law (LFT) which and are required to pay their workers a seniority premium they are entitled to at termination of employment after 15 years of service.

The liability recognized in the statement of financial position regarding the seniority premium, which is considered a defined benefit, is the present value of the defined benefit obligation at the date of the statement of financial position, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of government bonds denominated in the same currency in which the benefits will be paid, with maturity terms approximating the terms of the pension obligations.

Actuarial remeasurements (gains and losses) generated from adjustments and changes in actuarial assumptions are recognized directly in equity in other comprehensive income in the year in which they occur.

Past service costs are recognized immediately in the income statement.

2.20.2 Retirement benefits

Termination benefits are payable when employment is terminated by the Company before the regular retirement date or when an employee accepts voluntary termination of employment in exchange for those benefits. The Company recognizes termination benefits at the earliest of the following: a) when the Company can no longer withdraw the offer of those benefits, and b) at the time the Company recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. If there is a bid to promote the termination of the employment relationship voluntarily by employees, termination benefits are measured based on the expected number of employees who are expected to accept the offer. The benefits to be paid in the long-term are discounted at their present value.

2.20.3 Annual bonus for employees

Some Company officers receive an annual bonus calculated according to their annual compensation and the degree of compliance with the targets set for each employee at the beginning of the year. For the years where the bonus was distributed, the Company has recorded a provision of $11,959 and $9,404 at December 31, 2013 and 2012, respectively, which is included in Note 21 in the provision of bonuses and employee benefits.

2.20.4 Other benefits to executives

The Company grants to its executives as part of its retention plan support for the purchase of Company shares. Eligible employees according to certain factors, mainly years of service, may elect to accept a loan for future purchase of shares, which are periodically deducted and interest is set at market value. See Note 10 d.

2.20.5 Employees' profit sharing and bonuses

The Company recognizes a liability and an expense for bonuses and profit sharing based on a calculation that takes into consideration the net profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where the Company is contractually required to do so or where there is a pattern in practice generating a constructive obligation. (See Note 26).

2.21 Accruals of expenses

Accruals of expenses are recognized when the Company has a present legal or constructive obligation as a result of past events, an outflow of economic resources may be required to settle the obligation and the amount can be reasonably estimated. No accrual for future operating losses are recognized.

When there are similar obligations, the likelihood that they will require cash outflows to settle those obligations is determined by considering the class of obligations as a whole. An accrualis recognized even if the likelihood and the cash outflow for any one item included in the same class of obligations may be insignificant.

Accrual of expenses are recognized at the present value of the expenditures expected to be required to settle the obligation using a discount rate before tax that reflects current market conditions with respect to the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

2.22 Revenue recognition

Revenue from the sale of goods in the regular course of business is recognized at the fair value of the consideration received or receivable. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales between subsidiaries. The Company recognizes revenue when it can be reliably measured, it is probable that the economic benefits will flow to the Company in the future and the specific criteria for each type of activity are met. The Group determines its estimates based on past experience, taking into account the type of customer, the type of operation and the particular terms of each contract.

2.22.1 Revenue from sales of plastic containers and accessories (wholesale)

The Company manufactures and sells a wide variety of plastic containers and accessories in the wholesale market. Sales of these products are recognized when the Company has delivered the goods to the customer, the latter has the power to decide the channel and the selling price of the products in the retail market, and when there is no pending obligation to be met by the Company that could result in the return or rejection of products.

It is considered that the products have been delivered to the customer when they have been dispatched to the location specified in the contract, the risk of loss has been transferred to the customer and the customer has accepted the products according to the agreement, or the terms of return have expired, or the Company has objective evidence that it has met all requirements for the client to accept the products.

Containers and plastic accessories are usually sold with a volume discount. Customers also have the right to return defective products. Sales are recognized on the basis of the prices agreed as per the contracts, net of estimates for volume discounts and returns. Estimates for volume discounts and returns are determined based on past experience. Financing is not considered to be given to customers as a separate component of the sales transaction because the credit period is 7 to 60 days, which is consistent with market practice.

2.23 Interest income

Interest income is recognized using the effective interest rate method. When a loan or account receivable is impaired, its carrying amount is adjusted to its recoverable value, which is determined by discounting the estimated future cash flows of the loan at its original effective interest rate. Interest income on impaired loans or receivables is recognized using the original effective interest rate.

2.24 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.25 Leases

Classification of leases as finance or operating depends on the substance rather than on the form of the transaction contract.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are recorded in the income statement based on the straight-line method over the lease term.

Leases in which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased property and the present value of minimum lease payments. If it is practical, for the purpose of discounting the present value of the minimum payments, the Company uses the interest rate implicit in the lease, otherwise the incremental borrowing interest rate of the lessee must be used. Any initial direct costs of the lessee are added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations are included in the current portion of non-current debt, net of finance charges. The interest on borrowing costs is charged to the income statement for the year during the period of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated according to the useful life of the asset.

2.26 Dividends distributions

Dividend distributions to the Company's shareholders are recognized as a liability in the financial statements for the period in which the dividends are approved by the Company's shareholders and the right for them to receive such payment is established. For the purpose of paying dividends (which are based on the results of previous years), the Company uses separate financial statements that are prepared in accordance with IFRS for statutory purposes. Dividends are subject to a tax rate equivalent to 42.86% when they are not from the Net Tax Earnings Account (CUFIN, by its acronym in Spanish). The tax payable that arises from the excess between the dividends paid by the Company and the CUFIN may be credited against the annual income tax expense payable either for the current fiscal year or for subsequent fiscal years. See Note 23.

2.27 Earnings per share

Earnings per share are calculated by dividing net profit for the year attributable to the controlling interest by the weighted average number of shares in issue during the year. As of December 31, 2013, 2012 and 2011, there are no components of diluted potential shares and therefore the diluted earnings per dilute share has not been calculated nor disclosed. Basic earnings per share are expressed in Mexican pesos.

Note 3 - Financial risk management:

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks such as market risk (including currency risk, cash flow and price risk), credit risk and liquidity risk. The Group's risk management plan aims to minimize the potential negative effects of the unpredictability of the markets on the financial performance of the Group.

The Group's financial risk management is overseen by the Finance Department based on policies approved by the Board of Directors, which has issued policies on financial risk management as well as policies on specific risks.

3.1.1 Market risks

i) Foreign exchange risk

The Group carries out international operations and is exposed to foreign exchange risk in relation to the U.S. dollar and euro, with respect to the functional currency of each of its subsidiaries. The policy established by the Group, through its Finance Department, exchange risks are managed with respect to the functional currency of the financial information of the subsidiaries. Foreign exchange risk arises from future commercial transactions in foreign currency and the existence of assets and liabilities in foreign currency.

The Finance Department has established a policy requiring the Group companies to manage the exchange rate risk with respect to its functional currency. Group companies must hedge their exposure to foreign exchange risk through the Group Treasury in charge of the Finance Department. To manage the foreign exchange risk arising from future commercial transactions and assets and liabilities recognized, Group entities can use various tools such as future contracts (forwards) negotiated by the Group Treasury. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are held in a currency other than the functional currency of the entity.

The Group's Finance Department regularly analyzes the entities exposure to risk and eventually, depending on the economic conditions of each country in which it operates, it might contract hedges to cover expected cash flows for the next 12 months for each of the currencies in question. The Group also performs simulations of scenarios regarding the exchange rates fluctuation and, where appropriate, it could adjust the cost of products. As of December 31, of the reporting periods the Group has no financial instruments contracted to cover the foreign exchange risk.

The Group has foreign currency financing and bank loans denominated in Mexican pesos. The Group is primarily exposed to risks associated to fluctuations in the exchange rates of the Mexican peso against the U.S. dollar (U.S. $) and euro (€) for imports of goods made principally in the U.S., Portugal and Italy, Purchases of goods paid in currencies other than the Mexican peso represent approximately 7% of total purchases. The Company had a consolidated level exposure to the risk of exchange rate of U.S.$9,000 and €138 at December 31, 2013; U.S.$11,722 and €632 at December 31, 2012, and U.S.$7,588 and €426 at December 31, 2011.

In the event of a 10% increase of the peso with respect to the U.S. dollar (and the euro), the result would be a loss of approximately $11.759, $15.226 and $10.607, in each of those years ($250, $1.084 and $772, respectively, for position in euros). 10% is the sensitivity rate used when the foreign exchange risk is reported internally to the Finance Department, and it represents Management's assessment of the possible difference in the exchange rates. The sensitivity analysis includes only monetary items pending of settlement denominated in foreign currencies at the year end.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign exchange risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through loans denominated in the relevant foreign currencies.

At December 31, 2013, 2012 and 2011, the Company and its subsidiaries had assets and liabilities denominated in thousands of U.S. dollars and euros, as follows:

	December 31,					
	2013		2012		2011	
	Dollars	Euros	Dollars	Euros	Dollars	Euros
Assets	US$ 66,947	€ 5,719	US$ 903	€ 290	US$ 26,318	€ 1,246
Liabilities	75,947	5,581	12,625	922	33,906	820
Net long (short) position	(US$ 9,000)	€ 138	(US$ 11,722)	(€ 632)	(US$ 7,588)	€ 426

At December 31, 2013, 2012 and 2011, the exchange rates were $13.06, $12.98 and $13.97 per U.S. dollar, respectively, and $18, $16.30 and $18.14 per euro, respectively.

At October 8, 2014, date of approval of these financial statements, the exchange rate was $12.96 per U.S. dollar and $17.68 per euro.

The foreign exchange rate of the U.S. dollar at December 31, 2013, 2012 and 2011 (the currency of the foreign subsidiaries) is shown below:

		Equivalence of foreign currency In U.S. dollars		
		December 31,		
Country	Currency	2013	2012	2011
Argentina	Argentine Peso	.1534	.2034	.2323
Brasil	Real	.4269	.4883	.5331
Costa Rica	Colón	.0020	.0020	.0019
El Salvador	Dollar	.1143	.1143	00
Guatemala	Quetzal	.1275	.1265	.1280
Honduras	Lempira	.0482	.0503	.0525
Nicaragua	Córdoba	.0395	.0415	.0435
Peru	Nuevo sol	.3589	.3919	.3708

ii) Price risk

The Company is exposed to the risk of changes in the prices of raw material for production of inventories. The price risk is generated by differences in resin prices, the main raw material used, which is related to the oil commodity. This risk arises from the fact that the price of an asset may change or fluctuate due to economic uncertainty.

The Company does not use financial hedging instruments or guaranteed purchase contracts with its suppliers; instead, the price of the raw material is analyzed and purchases are made at the best price offered. The Company conducts simulations of scenarios to analyze the risk of changes in prices and, where appropriate, might adjust the cost of products.

iii) Cash flow and fair value interest rate

Long-term loans bearing interest at variable rates expose the Company to the risk of variability in future cash flows. This risk is partially offset by cash equivalents also bearing interest at variable rates. Loans bearing interest at fixed rates expose the Company to interest rate market value risk. In 2013, 2012 and 2011, the Company's loans set at variable rates were denominated in Mexican pesos and Argentine pesos.

The Company continuously analyzes its exposure to interest rates. Various scenarios are analyzed considering refinancing, renewal of existing positions, alternative financing and hedging contracts. Based on those scenarios, the Company estimates the impact of a change in interest rates on the profit for the year. In the simulated scenarios the Company assumes the same variability in interest rates for all loans alike, although denominated in different currencies.

The Company manages its risk of changes in cash flows for loans with variable interest rates through the use of financial instruments swaps and caps from variable to fixed rates of interest. These derivative financial instruments have the economic effect of converting loans with variable rates to loans with fixed rates. The main purpose of using those financial instruments is to know with certainty the cash flows that the Company will pay to meet obligations.

With interest rate swaps and caps, the Company agrees with other parties to deliver or receive regularly the difference between the amount of interest on variable rates agreed in debt contracts and the amount of interest on fixed rates contracted in derivative financial instruments.

If interest rates of loans denominated in Mexican peso, not hedged with financial instruments, had increased / decreased by 10% and keeping all other variables constant, the profit after tax for 2013 would have increased / decreased by $ 3.482, mainly as a result of the variation in the cost of interest on variable rate loans; while the results of 2012 would have increased / decreased by $ 4.089, mainly as a result of the change in the market value of fixed rate financial assets classified as available for sale. In 2011, the Company held no loans that were not hedged with financial instruments.

Also, if the variable interest rates had been five basis points above / below and all other variables remained constant, at December 31, 2013 and 2012 profit after tax would have increased / decreased by $ 1.149 and $ 177 respectively a result of changes in the fair value of derivatives contracted to hedge the exposure to changes in the variable interest rate of peso loans.

Additionally, the proportion of fixed and variable interest rates for loans contracted is as follows:

	December 31,		
	2013	2012	2011
Variable rate loans	90%	65%	100%
Fixed rate loans	10%	35%	-

At December 31 2013, bank loans with variable rates are hedged by the financial instruments described in Note 17, which represent a hedging of 19%.

3.1.2 Credit risk

Credit risk is managed on a consolidated basis, except for risk related to accounts receivable balances. The subsidiaries are responsible for managing and analyzing the credit risk of each new customer before setting supply credit terms and conditions. Credit risk arises from cash and investments in securities, derivative financial instruments and deposits with banks and financial institutions, as well as credit offered to wholesale and retail customers, including outstanding receivable balances in the case of banks and financial institutions. The Company only accepts suppliers who have earned acceptable ratings (e.g. grade of “A” by specialized agencies) to meet with the respective financial obligations. For wholesale customers, the Company considers independent ratings, if any. When not available, the Company considers the credit rating of customers taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with the policies established by the Finance Department. Credit limits are monitored on a regular basis.

In the years to which these financial statements relate, credit limits were not exceeded and Management does not expect the Company to incur losses due to the default by the counterparties of the receivables. Additionally, in 2013, the Company increased its portfolio, primarily with government customers associated to social development programs.

The credit rating of financial assets that are not past due or impaired is assessed by reference to external credit ratings (if available) or historical information on default rates of their issuers or counterparties:

	December 31,		
Customers	2013	2012	2011
Counterparties with no external credit rating:			
Group A	$ 83,222	$ 49,509	$ 32,096
Group B	1,069,999	636,546	412,657
Group C	35,668	21,218	13,755
Total accounts receivable with no impairment	$ 1,188,889	$ 707,273	$ 458,508
Cash at bank and short term bank deposits			
Counterparties with external credit rating:			
AAA	$ 123,335	$ 99,870	$ 92,460
AA	434,124	48,480	34,154
A	-	-	
	$ 557,459	$ 148,350	$ 126,614
Loans made to related parties			
Counterparties with no external credit rating:			
Group A	$ -	$ -	$ -
Group B	49,358	45,764	42,396
Group C			
	$ 49,358	$ 45,764	$ 42,396

Group A: New customers / related parties (less than 6 months of credit history).

Group B: Existing customers / related parties (more than 6 months of credit history) with no history of default.

Group C: Existing customers / related parties (more than 6 months of credit history) with some defaults in the past. In these cases, the amounts due were fully collected. No financial assets have been renegotiated. The Company has no overdue balances with related parties.

3.1.3 Liquidity risk

Projected cash flows are prepared for each operating subsidiary and the finance department subsequently consolidates this information. The Company's finance department continuously monitors the cash flow projections and liquidity requirements, making sure to maintain sufficient cash and cash equivalents to meet operational needs.

The Company regularly monitors and makes decisions taking care not to violate the limits or covenants included in debt contracts. Projections consider financing plans, compliance with covenants, meeting minimum internal liquidity ratios and legal or regulatory requirements.

The surplus cash from operating entities is transferred to the Company's Treasury. Treasury invests those funds in time deposits, whose maturities or liquidity allow for sufficient flexibility to meet the cash needs of the Company. At December 31, 2013, 2012 and 2011, the Company had deposits of $90.046, $76.262 and $74.924, respectively, which are expected to allow the Company to manage liquidity risk.

The following table shows the analysis of the Group's financial liabilities (assets) presented based on the period between the date of the statement of financial position and the maturity date. The amounts disclosed in the table are the undiscounted cash flows, including interest.

December 31, 2013	Less than 3 months	From 3 months to 1 year	From 1 to 5 years
Bank loans	$ -	$ 107,691	$ 1,531,221
Derivatives held for trading	$ -	$ 2,169	$ -
Suppliers	$ 395,395	$ 10,788	$ -
Other accounts payable	$ 443,362	$ 696	$
December 31, 2012			
Bank loans	$ -	$ 396,354	$ 387,482
Derivatives held for trading	$ -	($ 3,614)	$ 12,233
Suppliers	$ 367,124	$ 133,842	$
Other accounts payable	$ 241,475	$ 378	$

December 31, 2011	Less than 3 months	From 3 months to 1 year	From 1 to 5 years
Bank loans	$ -	$ -	$ 638,840
Derivatives held for trading	$ -	$ -	($ 12,233)
Suppliers	$ 90,848	$ 117,625	$
Other accounts payable	$ 208,146	$ 327	$

3.2 Capital Management

The Company's objectives in relation to risk management of capital are to safeguard its ability to continue operating as a going concern, to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce costs.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends payable to shareholders, make a reduction of capital, issue new shares or sell assets and reduce debt.

The Company usually reinvests earnings as an instrument of capitalization. There is an established policy to pay dividends. Dividend payments approved in 2013 represent 30% of the retained earnings of the preceding year.

As with other companies in the industry, the Company monitors its capital structure based on the leverage ratio. This ratio is calculated by dividing the Company's net debt by its total capital. Net debt comprises total short and long term loans recognized in the consolidated balance sheet, less cash and cash equivalents. Total capital includes the stockholders' equity, according to the consolidated balance sheet, plus net debt.

In general terms, the Group monitors the financial leverage ratio trying not to exceed 50%. Following is the leverage ratio of the periods presented:

	December 31,		
	2013	2012	2011
Total Bank loans (Note 18)	$ 1,323,608	$ 783,836	$ 479,850
Less: cash and cash equivalents (Note 8)	(557,459)	(148,350)	(126,614)
Net debt	766,149	635,486	353,236
Total stockholders' equity	2,093,205	1,736,390	1,427,084
Total equity and debt	$ 2,859,354	$ 2,371,876	$ 1,780,320
Debt ratio	27%	27%	20%

3.3 Fair value estimation

The following table shows the financial instruments recorded at fair value, by valuation method. Levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, i.e., derived from prices (Level 2).

Level 3: Inputs for the assets or liabilities that are not based on observable market data, i.e., unobservable inputs (Level 3).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Derivative financial instruments - liabilities	$	($ 2,169)	$	($ 2,169)
December 31, 2012				
Derivative financial instruments - assets	$	$ 3,614	$	$ 3,614
December 31, 2011				
Derivative financial instruments - assets	$	$ 12,233	$	$ 12,233

The fair value of financial instruments traded in active markets is based on prices quoted in markets at the balance sheet date. A market is defined as active if quoted prices are usually available in a stock market, with traders, brokers, industry groups, pricing services or regulatory agencies and those prices represent actual and recurring competition-free market transactions. The market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 primarily include securities held for trade or sale.

The fair value of financial instruments not traded in active markets, for example over-the-counter derivatives, is determined using valuation techniques. These valuation techniques maximize the use of observable market data where available and places the least reliance on Group-specific estimates. If all relevant variables to establish the fair value of a financial instrument are observable, the instrument is included in Level 2.

If one or more relevant variables are not based on observable market data, the instrument is included in Level 3.

Note 4 - Critical accounting estimates and judgments:

Estimates and judgments used in the preparation of the financial statements are continually evaluated and are based on historical experience and other factors, including projections of future events that are believed to be reasonable under the circumstances.

4.1 4.1 Critical accounting estimates and judgments

The Company makes estimates and projections about future events to recognize and measure certain items of the financial statements. The resulting accounting estimates might probably differ from actual results or events. The estimates and projections that have a significant risk of material adjustments to the assets and liabilities recognized in income for the following year are described below:

4.1.1 Impairment of goodwill

The Company performs annual tests to determine whether goodwill shows indication of impairment, in accordance with the criteria specified in Note 2.6.1. The recoverable amount of the CGU has been determined based on value in use calculations. The determination of value in use requires the use of estimates. See Note 16.

According to tests conducted by the Company, it was determined that at December 31, 2013, 2012 and 2011 there was no impairment of goodwill, and therefore it was not considered necessary to test sensitivity since excess flows of cash at present value significantly exceeds the book value.

4.1.2 Income taxes

The Company is subject to payment of income taxes in numerous jurisdictions. Significant judgments are required to recognize taxes payable and deferred income tax. There are many transactions and calculations for which said tax assessments may be uncertain.

The Company recognizes a liability for matters observed during tax audits if it is likely that an additional tax might be incurred. When the outcome of those processes is different from the estimated liability, the respective differences are recognized in deferred or incurred income tax for the year.

If the end result of these processes differs by 5% from the known estimates, the Company should increase or reduce the income tax liability incurred by $7.153, $5.650 and $4.691, and reduce or increase the deferred tax asset by $7.594, $5.030 and $5.051 for 2013, 2012 and 2011, respectively.

4.1.3 Fair value of derivative instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select the methods and assumptions to be considered, which are mainly based on market conditions existing at year end.

The Company has determined the fair value of derivative financial assets by estimating its discounted cash flows. Using said estimation methods may result in different amounts from those recorded at maturity. The impact on income of the swaps and caps would be lower by $4,121, $3,316 and $1,223 approximately or greater by $4,555, 361 and 1,223, if the discount rate used in the analysis of discounted cash flows had differed by 10% from Management’s estimates for 2013, 2012 and 2011, respectively.

4.1.4 Retirement benefits

The present value of retirement obligations depends on a number of assumptions that are determined on an actuarial basis using a number of assumptions. One of the assumptions used to determine net cost for the year is the discount rate. Any changes to these assumptions affect the liability recognized.

The cost of employee benefits that qualify as benefit plans is determined using actuarial valuations. An actuarial valuation involves assumptions about discount rates, future salary increases, employee turnover rates and mortality rates, among others. Due to the long-term nature of these plans, such estimates are subject to a significant degree of uncertainty.

At each period end, the Company estimates the discount rate for determining the present value of estimated future cash flows to settle pension obligations based on the interest rates of government bonds denominated in the same currency as retirement benefits and with similar maturities. Other assumptions used to estimate pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

If the discount rate for 2013 had fluctuated by 1% above or below the discount rate estimated by Management, the carrying value of labor obligations would have been $4.992 and $6.095, respectively.

If the discount rate for 2012 had fluctuated by 1% above or below the discount rate estimated by Management, the carrying value of labor obligations would have been $4.966 and $6.139, respectively.

If the discount rate for 2011 had fluctuated by 1% above or below the discount rate estimated by Management, the carrying value of labor obligations would have been $3.819 and $4.667, respectively.

Note 5 - Category of financial instruments:

Financial assets according to the balance sheet:

December 31, 2013	Loans and receivables	Assets at fair value through profit or loss	Total
Cash and cash equivalents	$ 123,335	$	$ 123,335
Investment payable on demand	434,124		434,124
Accounts receivable	1,253,121		1,253,121
Short and long term related parties	49,358		49,358
	$ 1,425,814	$ 434,124	$ 1,859,938

December 31, 2012	Loans and receivable	Assets at fair value through profit or loss	Total
Cash and cash equivalents	$ 99,870	$	$ 99,870
Investment payable on demand	48,480		48,480
Accounts receivable	782,337		782,337
Short and long term related parties	45,764		45,764
Derivative financial instruments		3,614	3,614
	$ 976,451	$ 3,614	$ 980,065

December 31, 2011	Loans and receivable	Assets at fair value through profit or loss	Total
Cash and cash equivalents	$ 92,460	$	$ 92,460
Investment payable on demand	34,154		34,154
Accounts receivable	556,315		556,315
Short and long term related parties	42,396		42,396
Derivative financial instruments		12,233	12,233
	$ 725,325	$ 12,233	$ 737,558

Financial liabilities according to the balance sheet:

December 31, 2013	Liabilities at fair value	At amortized cost	Total
Short and long term bank loans	$	$ 1,323,608	$ 1,323,608
Suppliers		406,183	406,183
Other accounts payable		444,058	444,058
Derivative financial instruments	2,169		2,169
	$ 2,169	$ 2,173,849	$ 2,176,018

December 31, 2012		At amortized cost	Total
Short and long term bank loans	$	$ 783,836	$ 783,836
Suppliers		500,966	500,966
Other accounts payable		241,853	241,853
	$	$ 1,526,655	$ 1,526,655

December 31, 2011			
Short and long term bank loans	$	$ 479,850	$ 479,850
Suppliers		411,404	411,404
Other accounts payable		208,473	208,473
	$	$ 1,099,727	$ 1,099,727

Note 6 - Guarantee deposits:

	December 31,		
	2013	2012	2011
Guarantee for purchase of Conmix Argentina, S. A.	$ 18,731	$ 19,629	$ 6,341
Guarantee for electricity services	6,341	6,341	1,302
Guarantee for leasing of real estate	2,374	2,629	-
Guarantee for various services	7,991	7,429	6,714
	$ 35,437	$ 36,028	$ 14,357

Note 7 - Financial information by segments:

The Senior Management is the highest authority for making the Company operating decisions. Accordingly, Senior Management has determined the operating segments to be reported based on the internal reports reviewed by it to make strategic business decisions.

Segment information is reported based on the information used by the Senior Management for making strategic and operation decisions. An operating segment is a component of an entity for which separate financial information is being evaluated regularly. Revenues from Company segments are derived primarily from the sale of products.

Water solutions:

Segment “Individual Solutions”

The Individual Solutions are those products which themselves satisfy permanently a customer needs. These products are marketed through a network of distributors of the Company, without the need for additional services by this one, as installation or maintenance.

Segment “Integral Solutions”

The Integrated Solutions are systems composed of various individual solutions interacting more complex needs. Typically, these systems include value added services such as installation and maintenance to ensure proper operations.

Revenue and results by operating segment:

The company evaluates performance of individual operating segments base d on income before interest, taxes, depreciation, amortization and gifts (EBITDA), considering that this indicator represents a good measure to assess the operating performance and the ability to fund capital expenditures and working capital requirements. Nevertheless the foregoing, EBITDA is not a measure of financial performance under IFRS and should not be considered an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The company defined adjusted EBITDA as a net income (loss) before tax consolidating after adding or subtracting , as applicable: (1) depreciation, amortization and impairment of non-current assets; (2) the financial net income (including interest costs, interest income, gains or losses on foreign exchange, net (3) participation in loss of associates and (4) donations.

Geographical information

Similarly, the Company controls its assets and liabilities for each of the classified geographic markets in Mexico, Brazil and others, where others includes Peru, Argentina, Guatemala, Honduras, Nicaragua, Costa Rica and El Salvador.

An analysis of revenue and results of the reportable segments of the Company are presented below. The other items in the income statement are not assigned because they are managed corporately. The information revealed in each segment is presented net of eliminations relating to transactions between the group companies. This presentation is the same used by the Senior Management in the periodic review processes on the performance of the Company.

	Individual Solutions			Integral Solutions			Totals		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenue from external customers	$4,963,124	$4,636,212	$3,016,315	$448,697	$43,793	$39,458	$5,411,821	$4,680,005	$3,055,773
Profit before taxes	$ 466,901	$ 389,995	$ 104,269	$ 47,289	$ 2,762	($ 2,517)	$ 514,190	$ 392,757	$ 101,752
EBITDA	$ 732,815	$ 621,076	$ 283,454	$ 72,558	$ 5,304	$ 69	$ 805,373	$ 626,379	$ 283,523

As December 31:

	2013	2012	2011
EBITDA	$805,373	$626,379	$283,523
Depreciation and amortization	(146,645)	(127,758)	(100,245)
Donations	(13,210)	(2,630)	(2,816)
Finance costs - Net	(132,364)	(103,960)	(79,359)
Share results on associate	1,036	725	649
Profit before taxes	$514,190	$392,757	$101,752

Geographical information

Sales by geographical location:

Mexico			Brasil			Others			Consolidated		
2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
$2,627,468	$2,595,750	$2,297,542	$2,036,537	$1,395,109	$286,612	$747,816	$689,146	$471,619	$5,411,821	$4,680,005	$3,055,773

Assets by geographical location:

	Property, plant and equipment and intangibles assets As December 31:		
	2013	2012	2011
México	$ 860,120	$ 813,810	$ 898,743
Brasil	309,611	362,865	177,742
Others	61,160	65,208	45,812
	$ 1,230,891	$ 1,241,883	$ 1,122,297

Note 8 - Cash and cash equivalents:

	December 31,		
	2013	2012	2011
Cash	$ 244	$ 608	$ 536
Restricted cash	33,045	23,000	17,000
Bank deposits	90,046	76,262	74,924
Investments payable on demand with maturities of less than three months	434,124	48,480	34,154
Total cash and cash equivalents	$ 557,459	$ 148,350	$ 126,614

Restricted cash represents the amount contributed to guarantee the promotion and development of enterprises. See Note 28.

Note 9 - Accounts receivable:

	December 31,		
	2013	2012	2011
Customers	$ 1,188,889	$ 707,273	$ 458,508
Less: impairment allowance	(29,463)	(20,236)	(17,456)
	1,159,426	687,037	441,052
Sundry debtors	50,309	9,944	32,725
Employees	963	10,252	1,500
Value added tax not yet credited	39,095	59,074	71,980
Other accounts receivable	3,328	16,030	9,058
	93,695	95,300	115,263
	$ 1,253,121	$ 782,337	$ 556,315

The fair value of accounts receivable as of December 31, 2013, 2012 and 2011 is similar to its book value.

Accounts receivable include significant amounts receivable from government offices, as shown below:

	December 31,		
	2013	2012	2011
Sedesol (Mexico)	$ 333,070	$ -	$ -
Codevasf (Brazil)	133,602	169,548	523
	$ 466,672	$ 169,548	$ 523

The analysis of balances of accounts receivable from customers past due but not impaired is as follows:

	December 31,		
	2013	2012	2011
More than 3 months	$ 84,214	$ 20,935	$ 13,646

Changes in the allowance for impairment of accounts receivable were:

	December 31,		
	2013	2012	2011
Carrying amount at January 1	$ 20,336	$ 17,456	$ 18,874
Impairment for the year	28,537	3,659	2,595
Write off of accounts	(19,410)	(779)	(4,013)
Net book value	$ 29,463	$ 20,336	$ 17,456

Charges and reversals of the allowance for account receivables have been included under operating expenses in the statement of income. When the Company does not expect to recover an account receivable from a customer, the balance and the related impairment provision are canceled. Other accounts receivable are not impaired.

The maximum exposure to credit risk at year end is the carrying amount of trade and other receivables. The group did not receive any collateral in relation to trade and other receivables.

Note 10 - Related parties:

a. For the year ended on December 31, 2013, 2012 and 2011, the following transactions with related parties were held, which were made at market value:

	December 31,		
	2013	2012	2011
Sales			
Dalkasa, S. A. (associate)	$ 14,323	$ 1,196	$ 1,655

b. Balance at end of year from sales / purchases of goods and services:

	December 31,		
Accounts receivable	2013	2012	2011
Dalkasa, S. A. (associate)	$ 7,573	$ 1,427	$ 2,623

c. Loans to employees

At December 31, 2013, 2012 and 2011, loans to key officials have been made at fixed and variable interest rates, as shown in the following table. Those loans are for a term of 10 years from their subscription.

Official	1		2	3	4		5	Total
Subscription date	January 1, 2013	August 29, 2011	January 1, 2013	January 1, 2013	January 1, 2013	February 21, 2012	January 10, 2013	
Interest rate	6.9%	UDI	6.9%	6.9%	6.9%	UDI	UDI	
December 31, 2011								
Opening balances	$ 10,384	$ -	$ 8,709	$ 8,039	$ 7,704	$ -	$ -	$ 34,836
Loan	-	5,000	-	-	-	-	-	5,000
Interest	740	78	620	573	549	-	-	2,560
Total	$ 11,124	$ 5,078	$ 9,329	$ 8,612	$ 8,253	$ -	$ -	$ 42,396
December 31, 2012								
Opening balances	$ 11,124	$ 5,078	$ 9,329	$ 8,612	$ 8,253	$ -	$ -	$ 42,396
Loan	-	-	-	-	-	450	-	450
Interest	1,035		664	613	588	18	-	2,918
Total	$ 12,159	$ 5,078	$ 9,993	$ 9,225	$ 8,841	$ 468	$ -	$ 45,764

Official	1		2	3	4		5	Total
Subscription date	January 1, 2013	August 29, 2011	January 1, 2013	January 1, 2013	January 1, 2013	February 21, 2012	January 10, 2013	
Interest rate	6.9%	UDI	6.9%	6.9%	6.9%	UDI	UDI	
December 31, 2013								
Opening balances	$ 11,124	$ 5,078	$ 9,993	$ 9,225	$ 8,841	$ -	$ -	$ 45,764
Loan	-	-	-	-	-	-	450	450
Interest	847	854	712	657	652	-	21	3,144
Total	$ 12,763	$ 5,575	$ 10,705	$ 9,882	$ 9,493	$ 468	$ 471	$ 49,358

The fair value of loans made to officers at December 31, 2013, 2012 and 2011 was $41.483, $34.301 and $34.034, respectively.

d. Compensation to directors and other members of management was as follows:

	December 31,		
	2013	2012	2011
Salaries and other short term benefits	$ 122,087	$ 100,575	$ 96,350

Compensation to directors and other key executives is determined by the Board of Directors based on their performance and on market trends.

Note 11 - Other recoverable taxes:

	December 31,		
	2013	2012	2011
VAT	$ 91,128	$ 98,252	$ 28,903
Contribution to social security	14,307	42,920	4,530
Tax on industrialized products	64,666	34,783	1,706
Other taxes *	119,382	46,827	5,101
	$ 289,483	$ 222,782	$ 40,240

* Corresponds to several insignificant local taxes incurred by different legal entities established in Latin America, mainly Brazil and Peru.

Note 12 - Inventories:

	December 31,		
	2013	2012	2011
Raw material	$ 300,766	$ 324,821	$ 263,974
Packing material	13,792	29,262	9,179
Products in process	17,874	39,099	14,791
Finished goods	242,151	245,535	177,733
	574,583	638,717	465,677
Plus:			
Goods in transit	70,839	8,339	8,827
	$ 645,422	$ 647,056	$ 474,504

Note 13 - Prepaid expenses:

	December 31,		
	2013	2012	2011
Guarantee deposits	$ -	$ 5,889	$ 6,492
Prepaid insurance	2,739	2,296	25
Advances for installation of tanks	12,557	-	-
	$ 15,296	$ 8,185	$ 6,517

Note 14 - Property, plant and equipment:

	Land	Construction in progress	Buildings	Machinery and tools	Furniture, fixtures and computer equipment	Transportation equipment	Molds	Leasehold improvements	Total
Balances at January 1, 2011:									
Opening balances	$ 332,747 *	$ 40,784	$ 361,355 *	$ 143,568	$ 19,142	$ 4,210	$ 63,660	$ 3,145	$ 968,611
Effect of translation	1,600	41	1,343	677	375	346	512	553	5,447
Transfers	9,271	(39,026)	2,941	3,122	3,386	-	2,124	-	(18,182)
Acquisitions	-	179,910	1,612	48,360	3,645	1,784	6,512	1,902	243,725
Disposals	-	(2,864)	(5,818)	(128)	(1430)	(10,148)	(287)		(20,675)
Depreciation of disposals	-	-	1,895	128	296	10,079	286	-	12,684
Depreciation for the year	-	-	(17,667)	(22,688)	(7,376)	(3,040)	(17,704)	(838)	(69,313)
Book balance	$ 343,618	$ 178,845	$ 345,661	$ 173,039	$ 18,038	$ 3,231	$ 55,103	$ 4,762	$ 1,122,297
Balances at December 31, 2012:									
Cost	$ 343,618	$ 178,845	$ 411,844	$ 354,821	$ 80,059	$ 36,889	$ 197,597	$ 6,251	$ 1,609,924
Accumulated depreciation			(66,183)	(181,782)	(62,021)	(33,658)	(142,494)	(1,489)	(487,627)
Book balance	$ 343,618	$ 178,845	$ 345,661	$ 173,039	$ 18,038	$ 3,231	$ 55,103	$ 4,762	$ 1,122,297
Year ended December 31, 2012:									
Opening balances	$ 343,618	$ 178,845	$ 345,661	$ 173,039	$ 18,038	$ 3,231	$ 55,103	$ 4,762	$ 1,122,297
Effect of translation	(10,451)	(18,930)	(3,421)	(2,797)	(373)	(643)	(4,201)	(264)	(41,080)
Transfers	885	(272,305)	105,336	128,871	1,948	2,609	32,238	-	(418)
Acquisitions	-	329,501	-	169	8,548	2,163	2,264	-	342,645
Disposals	-	(79,819)	(142)	(22,063)	(7,780)	(13,402)	(18,893)	-	(142,099)
Depreciation of disposals	-	-	47	17,767	7,416	13,291	15,968	-	54,489
Depreciation for the year	-	-	(34,424)	(27,797)	(6,044)	(1,559)	(23,690)	(437)	(93,951)
Book balance	$ 334,052	$ 137,292	$ 413,057	$ 267,189	$ 21,753	$ 5,690	$ 58,789	$ 4,061	$ 1,241,883
Balances at December 31, 2012:									
Cost	$ 334,052	$ 137,292	$ 513,617	$ 459,001	$ 82,402	$ 27,616	$ 209,005	$ 5,987	$ 1,768,972
Accumulated depreciation			(100,560)	(191,812)	(60,649)	(21,926)	(150,216)	(1,926)	(527,089)
Book balance	$ 334,052	$ 137,292	$ 413,057	$ 267,189	$ 21,753	$ 5,690	$ 58,789	$ 4,061	$ 1,241,883
Year ended December 31, 2013:									
Opening balances	$ 334,052	$ 137,292	$ 413,057	$ 267,189	$ 21,753	$ 5,690	$ 58,789	$ 4,061	$ 1,241,883
Effect of translation	(10,639)	(14,489)	(17,365)	(15,336)	(1,024)	(771)	(3,949)	(462)	(64,035)
Transfers	(885)	(151,832)	6,769	114,039	2,361	330	29,218	-	-
Acquisitions	-	187,549	-	10,979	468	569	5,397	-	204,962
Disposals	-	-	(17,593)	(15,024)	(14,736)	(7,852)	(2,471)	-	(57,676)
Depreciation of disposals	-	-	7,327	11,467	9,938	6,210	1,954	-	36,896
Depreciation for the year	-	-	(38,232)	(55,603)	(9,821)	(1,865)	(25,618)	-	(131,139)
Book balance	$ 322,528	$ 158,520	$ 353,963	$ 317,711	$ 8,939	$ 2,311	$ 63,320	$ 3,599	$ 1,230,891
Balances at December 31, 2013:									
Cost	$ 322,528	$ 158,520	$ 485,428	$ 553,659	$ 69,471	$ 19,892	$ 237,200	$ 5,525	$ 1,852,223
Accumulated depreciation			(131,465)	(235,948)	(60,532)	(17,581)	(173,880)	(1,926)	(621,332)
Book balance	$ 322,528	$ 158,520	$ 353,963	$ 317,711	$ 8,939	$ 2,311	$ 63,320	$ 3,599	$ 1,230,891

* These amounts correspond to the revaluation effect recognized on January 1, 2011 (see Note 14.1).

At December 31, 2013, 2012 and 2011, the charge for depreciation included under cost of sales amounts to $101.844, $74.677 and 49,415 and under operating expenses in the amount of $29.295, $19.274 and $19.898, respectively.

If land and buildings were measured using a valuation method such as the historical cost method instead of the revaluation method, the amounts recognized would be as follows:

	December 31,		
	2013	2012	2011
Cost of land	$ 164,211	$ 165,096	$ 164,211
Cost of buildings	424,556	428,053	323,890
Accumulated depreciation of buildings	(109,236)	(88,008)	(66,606)
Net book value	$ 479,531	$ 505,141	$ 421,495

14.1 Fair value of land and buildings

A number of land and building valuations at January 1, 2011 were prepared by independent experts. The revaluation increase was recorded net of deferred taxes in the revaluation surplus at January 1, 2011.

The following table shows the non-financial assets recorded at fair value by valuation method. Assets are classified into different levels according to their characteristics, as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e., derived from prices) (level 2).

3. Inputs for valuing assets or liabilities that are not based on observable market data (that is, unobservable input) (Level 3).

Location	Description	Significant unobservable input (level 3) at January 1, 2011
Fixed assets in Mexico:		
Mexico City	Land and buildings	$ 135,511
Guadalupe, Nuevo León	Land and buildings	113,015
Tlajomulco de Zúñiga, Jalisco	Land	40,230
León, Guanajuato	Land and buildings	127,893
Los Mochis, Sinaloa	Land and buildings	15,903
Lerma, Estado de México	Land and buildings	59,621
Mérida, Yucatán	Land and buildings	45,243
Tejería, Veracruz	Land and buildings	54,507
Fixed assets in Argentina:		
Pilar, Buenos Aires	Land and buildings	17,158
Fixed assets in Guatemala:		
Villanueva	Land and buildings	13,478
Fixed assets in Brazil:		
Extrema, Minas Gerais	Land and buildings	71,543
		$ 694,102

Increases and decreases in the fair value determined at January 1, 2011 using non-significant data are presented in the items of land and buildings at the beginning of this note.

Group valuation process

The Group's department of administration and finance conducts periodic analyses required for reporting fair values in the Group's financial statements. This team reports directly to the senior levels of the Finance Department. The results of the valuation and the processes carried out annually to confirm the conditions set out in the accounting policies to revalue figures every five years are still valid.

External expert valuations of land and buildings are performed every five years if the conditions of unobservable data or of assets are not affected by internal or external elements. Based on discussions with management and the external valuators, it has been determined that unobservable data on valuations as aging, size and boundaries, conditions of land and buildings, and locations, as well as local economic factors are comparable to the prices in the corresponding locations of assets.

The assets valued at January 1, 2011 have experienced no increases in valuation, except for certain non-significant improvements.

Following is information on fair value measurements using unobservable factors ranked at level 3:

			Range of unobservable input weighted average prices *			
Description	Fair value at January 1, 2011	Valuation techniques	Unobservable inputs	Higher	Used	Less
Mexico City						
Land	$ 122,401	Price comparison	Price per m^2	6,555	6,555	0
Plants	13,110	Price comparison	Price per m^2	1,549	1,757	0
Total Mexico City	135,511					
Guadalupe, Nuevo León						
Land	60,216	Price comparison	Price per m^2	800	800	0
Plants	52,799	Price comparison	Price per m^2	6,918	5,351	0
Total Guadalupe, Nuevo León	113,015					
Tlajomulco de Zúñiga, Jalisco						
Land	19,066	Price comparison	Price per m^2	239	239	0
Plants	21,164	Price comparison	Price per m^2	1,584	1,584	0
Total Tlajomulco de Zúñiga, Jalisco	40,230					
León, Guanajuato						
Land	9,399	Price comparison	Price per m^2	800	800	0
Plants	118,494	Price comparison	Price per m^2	6,918	6,918	0
Total León, Guanajuato	127,893					
Los Mochis, Sinaloa						
Land	2,806	Price comparison	Price per m^2	210	210	0
Plants	13,097	Price comparison	Price per m^2	1,633	1,667	0
Total Los Mochis, Sinaloa	15,903					
Sub-total on the next page	432,552					

Description	Fair value at January 1, 2011	Valuation techniques	Range of unobservable input weighted average prices * Unobservable inputs	Mayor	Utilizado	Menor
Sub-total previous page	$ 432,552					
Lerma, Estado de México						
Land	14,253	Price comparison	Price per m^2	1,100	1,100	0
Plants	45,368	Price comparison	Price per m^2	6,846	6,821	0
Total Lerma, Estado de México	59,621					
Mérida, Yucatán						
Land	29,938	Price comparison	Price per m^2	1,008	1,008	0
Plants	15,305	Price comparison	Price per m^2	3,134	3,134	0
Total Mérida, Yucatán	45,243					
Tejería, Veracruz						
Land	23,216	Price comparison	Price per m^2	700	700	0
Plants	31,291	Price comparison	Price per m^2	2,878	2,859	0
Total Tejería, Veracruz	54,507					
Pilar, Buenos Aires	17,158	Price comparison	Price per m^2	722	704	0
Villanueva, Guatemala	13,478	Price comparison	Price per m^2	10,048	8,128	5,990
Extrema, Brazil	71,543					
	102,179					
	$ 694,102					

* The values used are expressed in Mexican pesos.

The relation that keeps the significant unobservable input when measuring fair value in this regard is that the higher the price per square meter the higher is the fair value.

The amounts from fair valuing land and buildings has not undergone significant changes since the date it was performed (1 January 2011) and at the reporting dates. Additionally, there have been no additions or revaluation provisions of these elements.

Note 15 - Investment accounted for using the equity method:

Nature of investment

The Company has an investment in an associate, Dalkasa, S. A. (Dalkasa), which accounts for using the equity method of accounting. Dalkasa is a private company incorporated in Quito, Ecuador engaged in manufacturing and commercializing activities. At December 31, 2013, 2012 and 2011, the percentage of interest in the associate was 49.88%, respectively.

The Company does not have joint control over Dalkasa because the requirements have not been met to be considered as such. Under IFRS, the Company has significant influence on Dalkasa because it maintains representation on the board of directors, participation in the policy process and in transactions of importance, and it provides it with technical information.

Contingencies and commitments of investment:

At December 31, 2013 Dalkasa had no contingencies, and the Company had no restrictions on the cash and cash equivalents of Dalkasa.

Following is the summarized financial information of Dalkasa:

a. Summarized statements of financial position:

		December 31,		
Asset	2013	2012	2011	
CURRENT ASSETS:				
Cash and cash equivalents		$ 39	$ 221	$ 89
Accounts receivable and other taxes		13,627	7,406	7,073
Inventories		5,899	4,329	4,131
Prepaid expenses		16	1	1
Total current assets		19,581	11,957	11,294
NON-CURRENT ASSETS:		3,199	2,650	2,979
Total assets		$ 22,780	$ 14,607	$ 14,273
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES:				
Suppliers		$ 654	$ 974	$ 307
Other accounts payable		7,735	1,458	3,488
Provisions		858		
Other taxes payable			719	470
Total short term liabilities		9,247	3,151	4,265
Total liabilities		9,247	3,151	4,265
Total net assets		$ 13,533	$ 11,456	$ 10,008

b. Summarized statement of comprehensive income:

	December 31,		
	2013	2012	2011
Net sales	$ 23,581	$ 20,263	$ 17,305
Cost of sales	18,944	16,107	14,059
Gross profit	4,637	4,156	3,246
Operating expenses	2,744	2,644	1,896
Other (income) expenses - Net	(184)	58	48
Net profit	$ 2,077	$ 1,454	$ 1,302

c. Reconciliation of summarized financial information presented at the carrying value of the investment in the associate:

	December 31,		
Summarized financial information	2013	2012	2011
Net assets at January 1	$ 11,456	$ 11,007	$ 8,706
Profit / (loss)	2,077	1,454	1,302
Investment decrease		(1,005)	
Net assets at closing	$ 13,533	$ 11,456	$ 10,008
Equity in associated company (49.88%)	$ 6,752	$ 5,716	$ 4,991

Note 16 - Intangible assets:

	Goodwill	Brand	Software and SAP licenses	Total
Balance at January 1, 2011:				
Cost	$	$	$ 104,242	$ 104,242
Accumulated depreciation			(36,115)	(36,115)
Book balance	$	$	$ 68,127	$ 68,127
Balance at December 31, 2011:				
Opening balances	$	$	$ 68,127	$ 68,127
Effect of translation			6	6
Investments	63,696	23,583*		87,279
Transfers			17,913	17,913
Amortization for the year			(30,932)	(30,932)

Book balance	$ 63,696	$ 23,583	$ 55,114	$ 142,393
Balance at December 31, 2011:				
Cost	$ 63,696	$ 23,583	$ 122,161	$ 209,440
Accumulated amortization			(67,047)	(67,047)
Book balance	$ 63,696	$ 23,583	$ 55,114	$ 142,393
Balance at December 31, 2012:				
Opening balances	$ 63,696	$ 23,583	$ 55,114	$ 142,393
Effect of translation	(7,070)	(2,632)	(606)	(10,308)
Transfers *			170	170
Investments			10,589	10,589
Amortization for the year			(33,807)	(33,807)
Book balance	$ 56,626	$ 20,951	$ 31,460	$ 109,037

* A transfer of $23.508 was made in 2011 to the brand line item according to the study of the acquisition method performed by the Company. This adjustment decreased goodwill in the same proportion according to such valuation. See Note 29.

	Goodwill	Brand	Software and SAP licenses	Total
Balance at December 31, 2012:				
Cost	$ 56,626	$ 20,951	$ 132,314	$ 209,891
Accumulated amortization			(100,854)	(100,854)
Book balance	$ 56,626	$ 20,951	$ 31,460	$ 109,037
Balance at January 1, 2013:				
Opening balances	$ 56,626	$ 20,951	$ 31,460	$ 109,037
Effect of translation		(14)	(186)	(200)
Investments			830	830
Amortization for the year			(15,506)	(15,506)
Book balance	$ 56,626	$ 20,937	$ 16,598	$ 94,161
Balance at December 31, 2013:				
Cost	$ 56,626	$ 20,937	$ 132,958	$ 210,521
Accumulated amortization			(116,360)	(116,360)
Book balance	$ 56,626	$ 20,937	$ 16,598	$ 94,161

Impairment testing of goodwill

Goodwill is allocated in cash-generating units (CGU) and monitored at the level of the operating segments of the Group (see Note 10).

A summary of the allocation of goodwill allocated to each CGU follows:

CGU	At January 1, 2012
Rotoplas Argentina, S. A.	$ 36,307
Conmix Argentina, S. A.	27,389
	$ 63,696

The recoverable amount of the CGU has been determined based on value in use, which is determined as per projected cash flows before taxes based on financial budgets approved by management covering a five year period. Cash flows subsequent to that period are extrapolated using the estimated growth rates stated below, which do not exceed the average rate of long-term growth for the business in which each CGU operates.

The key assumptions used for value in use calculations in 2013 are shown below:

	Conmix Argentina, S. A.		Rotoplas Argentina, S. A.	
	2013	2012	2013	2012
Gross margin	27.20%	26%	21%	19%
Long-term growth rate	0%	0%	0%	0%
Discount rate	17.58%	16.71%	17.58%	16.71%

These assumptions have been used for each CGU within the operating segment.

The gross margin has been budgeted based on past performance and expectatives for development of each market. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are before tax and reflect risks specific to each operating segment.

Note 17 - Derivative financial instruments:

The instruments used for interest rate and contracted positions at each year were:

	Date of		Interest rate		Fair value at December 31,		
Notional amount	Contract	Maturity	Instrument	Owed	2013	2012	2011
Swap							
$320,720	November 2011	November 2016	6%	4.8%	($ 2,169)	$ 3,578	$ -
223,333	November 2011	November 2016	6%	4.8%	-	-	11,401
Cap							
$163,333	August 2010	July 2014	6%	4.875%	$ -	$ 36	$
326,667	August 2010	July 2014	6%	4.875%	-	-	832
					($ 2,169)	$ 3,614	$ 12,233

The purpose of the above hedging is to establish a maximum rate. This instrument was contracted to face the agreed interest rate of the bank loan contracted with Banco Santander, S. A (see Note 18). When the reference rate is above the level of the agreed interbank equilibrium interest rate (TIIE), the Company has the right, but not the obligation, to enforce that rate. Whenever the reference rate falls below the rate agreed, the valid rate will be the reference rate.

The notional amounts related to derivative financial instruments reflect the reference volume contracted, however, the notional amounts does not reflect the amounts subject to risk with respect to the future cash flows. The amounts subject to risk are generally limited to the unrealized profit or loss due to the market valuation of these instruments, which can vary due to the changes in the market value of the underlying asset, its volatility and the credit quality of the counterparties involved.

Note 18 - Bank Loans:

	December 31,		
	2013	2012	2011
Long term bank loans:			
Banco Mercantil del Norte, S. A.[1]	$ 596,700	$ -	$ -
Banco Santander (México), S. A.[2]	600,000	-	-
Banco Santander (México), S. A.[3]	-	356,229	479,850
BNDES	19,217	-	-
Banco Santander (Brasil), S. A.[4]	-	31,253	-
	1,215,917	387,482	479,850
Short term bank loans:			
Banco Nacional de México, S. A.[5]	100,000	276,354	-
BNDES	6,694	-	-
Banco Provincia, S. A.	997	-	-
Banco Santander (México), S. A.	-	120,000	-
	107,691	396,354	-
Total	$ 1,323,608	$ 783,836	$ 479,850

[1] On December 20, 2013, Grupo Rotoplas signed an agreement to contract a loan with Banco Mercantil del Norte, SA, Institutción de Banca Múltiple, Grupo Financiero Banorte, for 600,000 subject to a variable interest rate, which is the result of adding the TIIE plus 1.50 additional points. The agreement is for seven years and matures on December 20, 2020. Grupo Rotoplas agreed to repay that loan in 84 monthly installments. This term considers a 36-month grace period for payment of capital starting from the date on which the agreement is signed.

[2] On December 19, 2013, Grupo Rotoplas signed an agreement to contract a loan with Santander (Mexico) S. A, Institutción de Banca Múltiple, Grupo Financiero Santander Mexico for 600,000 subject to a variable interest rate, which is the result of adding the TIIE plus 1.55 additional points. The agreement is for seven years and matures on December 19, 2020. Grupo Rotoplas agreed to repay the loan in 84 monthly installments. This term considers a 36-month grace period for payment of capital starting from the date on which the agreement is signed.

[3] On November 17, 2011, Grupo Rotoplas signed an agreement to contract a loan with Santander Mexico for $ 480 million, subject to a variable interest rate that will be the result of adding an additional 1.40. points to the TIIE. Grupo Rotoplas settled the loan on 23 December 2013.

[4] On January 3, 2012, Dalka do Brasil, Ltda (Dalka Brazil), signed an agreement to contract a loan with Banco Santander (Brasil) S. A for $ 5.727 (R $ 901 thousand of reales), subject to a variable interest rate that will be the result of adding an additional 3.90 points to the UMBNDES rate. The agreement is for five years starting from the date on which the agreement is signed.

On June 25, 2012 Dalka Brazil signed an agreement to contract a loan with Santander (Brasil) S.for $16.817 (R $2.646 thousand of reales), subject to a variable interest rate of UMBNDES plus 3.90 points. The agreement is for five years starting from the date on which the agreement is signed.

On August 2, 2012 Dalka Brazil signed an agreement to contract a loan with Santander (Brasil) SA, for $9.534 (R $1.499 thousand reais), subject to a variable interest rate that will be the result of adding an additional 3.90 points to the UMBNDES rate. The agreement is for five years starting from the date on which the agreement is signed.

On May 30, 2013 Rotoplas Argentina S.A., signed an agreement to contract a loan with the Bank of the Province of Buenos Aires for $ 2.004 (1,000 thousands of Argentine pesos) subject to the fixed interest rate of 17%. The agreement is for one year, maturing on May 29, 2014. Rotoplas Argentina S. A. is required to settle that loan in 12 monthly installments starting from the date on which the agreement is signed.

[5] On January 24, 2012 Grupo Rotoplas issued a promissory note payable to Banco Nacional de Mexico, S. A. (Banamex) for $ 50,000, subject to the interest rate of 5.82% per year, payable on August 21, 2012. On that date, the promissory note was renewed bearing interest of 5.62% per year, payable on April 23, 2013.

On March 15, 2012 Grupo Rotoplas issued a promissory note payable to Banamex for $ 50,000 subject to the interest rate of 5.85% per year, payable on October 11, 2012. On that date, the note was renewed bearing interest rate of 5.60% per year, payable on January 8, 2013.

On May 23, 2012 Grupo Rotoplas issued a promissory note payable to Banamex for $50,000 bearing interest of 5.85% per year, payable on April 23, 2013.

On June 12, 2012 Grupo Rotoplas issued a promissory note payable to Banamex for $40,000 bearing interest of 5.80% per year, payable on June 7, 2013.

On June 18, 2012 Grupo Rotoplas issued a promissory note payable to Banamex for $60,000 bearing interest of 5.80% per year, payable on March 15, 2013.

On September 13, 2012 Grupo Rotoplas issued a promissory note payable to Banamex for $20,000 bearing interest of 5.69% per year, payable on July 31, 2013.

On October 29, 2013 Grupo Rotoplas issued a promissory note payable to Banamex for $100,000 bearing interest of 4.71% per year, payable at April 29, 2014.

Rotoplas Comercializadora, S. A. de C. V., Rotoplas Bienes Raíces, S. A. de C. V., Rotoplas, S. A. de C. V., Servicios Rotoplas, S. A. de C. V., Suministros Rotoplas, S. A. de C. V., Rotoplas Recursos Humanos, S. A. de C. V. and Rotoplas de Latinoamérica, S. A. de C. V. are constituted as joint obligors of the borrowers with respect of each of the obligations contracted under the aforementioned agreements.

The foregoing agreements establish obligations to do and not to do, which include incurring debt at an additional cost (under certain circumstances); restrictions on capital investments, and maintaining certain financial ratios, which have been met at December 31, 2013, 2012 and 2011.

The fair value of bank loans is as follows:

	December 31,		
Fair value:	2013	2012	2011
Bank loans:			
Banco Mercantil del Norte, S. A.	$ 602,626	$ -	$ -
Banco Santander (México), S. A.	602,658	490,442	480,957
BNDES	19,217	-	-
Banco Santander (Brasil), S. A.	-	30,977	-
Banco Nacional de México, S. A.	100,026	274,143	-
Banco Provincia, S. A.	1,083	-	-
	$ 1,325,610	$ 795,562	$ 480,957

The fair values of bank loans are based on discounted cash flows using interest rates for each debt as mentioned below:

	December 31,		
Fair value:	2013	2012	2011
Banco Mercantil del Norte, S. A.	5.2935%	-	-
Banco Santander (México), S. A.	5.3271%	6.395%	6.3400%
BNDES	0.0352%	-	-
Banco Santander (Brasil), S. A.	-	3.90%	-
Banco Nacional de México, S. A.	5.62%	5.82%	-
Banco Provincia, S. A.	17.04%	-	-

The above fair values fall under level 2 of the hierarchy. The carrying amounts of the Company's bank loans are denominated in the following currencies:

	December 31,		
	2013	2012	2011
Reales *	R$ 4,646	R$ 4,933	R$ -
* Equivalent in Mexican pesos	$ 25,911	$ 29,702	$ -
Mexican pesos	$ 1,297,697	$ 754,134	$ 479,850
Total in Mexican pesos	$ 1,323,608	$ 783,836	$ 479,850

Note 19 - Suppliers:

	December 31,		
	2013	2012	2011
Pemex Petroquímica	$ 61,615	$ 30,889	$ -
Dow Internacional Mexicana, S. A. de C. V.	44,458	19,544	1,312
Indelpro, S. A. de C. V.	30,049	41,783	26,787
Vinmar Overseas Ltd.	21,813	6,686	5,870
Braskem, S. A.	16,094	60,369	3,310
Sta - Rite de México S. A. de C. V.	16,083	23,387	11,055
Equistar Chemicals LP	15,121	-	-
Arco Colores, S. A. de C. V.	7,515	3,145	7,044
Polímeros Nacionales, S. A. de C. V.	7,236	-	-
Polipropileno del Caribe, S. A. de C. V.	5,938	12,900	13,643
Dismolper, S. A. de C. V.	5,309	-	-
Marangon Danilo & Co., S. de R. L.	4,174	25,265	14,286
Neospec, S. A. de C.V.	4,156	-	-
Rugo, S. A. de C. V.	3,056	-	-
Vinmar Plastichem, S. de R. L. de C. V.	3,054	17,666	11,918
Xingfa International Co. Ltda.	2,965	9,266	2,438
TRM Resinas Termoplásticas Indústria e Comércio, Ltda.	2,303	37,826	-
Inox par industria e comercio, Ltda.	37	40,092	80
Basell Poliofelinas, S. de R. L. de C. V.	-	53,289	36,364
Septi K, S. A. de C. V.	-	9,722	9,491
Chemtex International de México, S. A. de C. V.	-	3,555	22,384
The Dow Chemical Company	-	574	74,959
Others	155,207	105,008	170,463
	$ 406,183	$ 500,966	$ 411,404

Note 20 - Other accounts payable:

	December 31,		
	2013	2012	2011
Sundry creditors	$ 188,537	$ 116,991	$ 94,231
Accrued expenses and other accounts payable (1)	255,521	124,862	114,242
	$ 444,058	$ 241,853	$ 208,473

(1) Accrued expenses related to expenses for services received.

Note 21 - Accrual of expenses:

	Bonuses and gratifications to employees	Lawsuits	Total
At January 1, 2011	$ -	$ 6,382	$ 6,382
Charge to the income statement	-	404	404
Cancellations	-	(280)	(280)
Write off	-	-	-
At December 31, 2011	$ -	$ 6,506	$ 6,506
Charge to the income statement	$ 9,404	$ -	$ 9,404
Cancellations	-	(5,215)	(5,215)
Write off	-	-	-
At December 31, 2012	$ 9,404	$ 1,291	$ 10,695
Charge to the income statement	$ 30,215	$ 6,042	$ 36,257
Cancellations	(6,998)	-	(6,998)
Write off	(20,662)	-	(20,662)
At December 31, 2013	$ 11,959	$ 7,333	$ 19,292

Accrual of expenses mainly include estimated bonuses expected to be paid in the following year, based on compliance and performance; additionally, labor claims filed against the company and other business lawsuits, have been determined under the best estimate and which are expected to be disbursed in the short term.

Note 22 - Employee benefits:

The value of liabilities for vested benefits at 31 December 2013, 2012 and 2011 amounted to $5.497, $11.825 and $9.071, respectively, as shown below:

The net cost for the period is as follows:

	Seniority premium			Other separation benefits		
	2013	2012	2011	2013	2012	2011
Service cost for the year	$ 946	$ 801	$ 723	$ -	$ 984	$ 1,101
Financial cost - Net	362	317	267	-	306	259
	$ 1,308	$ 1,118	$ 990	$ -	$ 1,290	$ 1,360

The amount included as a liability in the consolidated statements of financial position is as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
Obligations by employee benefits	$ 5,497	$ 11,825	$ 9,071
Fair value of plan assets	-	-	-
Current situation	$ 5,497	$ 11,825	$ 9,071
Present value of unfunded obligations	$ 5,497	$ 11,825	$ 9,071
Past service cost not recognized	-	-	-
Liability in the statement of financial position	$ 5,497	$ 11,825	$ 9,071

The changes in the defined benefit obligation were as follows:

	December 31,								
	Seniority premium			Other separation benefits			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Opening balances at January 1	$ 5,523	$ 4,223	$ 3,447	$ 6,302	$ 4,848	$ 3,597	$ 11,825	$ 9,071	$ 7,044
Net periodic cost	1,308	1,118	990	-	1,290	1,360	1,308	2,408	2,350
Contributions to the fund									
Payments charged to the reserve	(989)	(548)	(224)	-	(37)	-	(989)	(585)	(224)
Losses (gains)	(345)	730	10	(6,302)	201	(109)	(6,647)	931	(99)
Book balance at December 31	$ 5,497	$ 5,523	$ 4,223	$ -	$ 6,302	$ 4,848	$ 5,497	$ 11,825	$ 9,071

The economic assumptions in nominal and real terms used were:

Mexico	December 31, 2013 (%)	December 31, 2012 (%)	December 31, 2011 (%)
Discount rate	8	6.75	7.75
Rate of increase in salaries	4.50	4.50	4.50
Rate of increase to the minimum wage	4.25	4.25	4.25
Estimated inflation rate in the long term	4	4	4

Central and South America	2012	2011
Discount rate	37.50 to 4.50	35.75 to 4.75
Rate of increase in salaries	30 to 4.80	30 to 4.50
Estimated inflation rate in the long term	25 to 2.80	25 to 2.50

Note 23 - Stockholders' equity:

The capital stock at December 31, 2013 and 2012 is as follows:

Shares*			Total	
2013	2012 and 2011	Description	2013	2012 and 2011
		Represents the minimum fixed		
15,104	15,102	portion of capital without withdrawal rights	$ 50	$ 50
		Represents the variable portion		
333,901,407	141,462,622	of the capital with withdrawal rights	1,105,361	468,363
333,916,511	141,477,724	Historical capital stock	1,105,411	468,413
		Inflation effects		
		up to 1997	71,389	71,331
		Capital stock at December 31, 2013	$ 1,176,800	$ 539,744

* Common shares par value as of December 31, 2013, 2012 and 2011: $3.31044 and $3.31086, respectively, fully subscribed and paid in.

At December 31, 2013, the Company further holds 8,101,028 Class C shares in treasury.

The net profit for the period is subject to the legal reserve requiring at least 5% of the net profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.

In October 2013, the Mexican Congress approved the issuance of the new Income Tax Law (new IT Law), which came into force on January 1, 2014. Among other things, the Law establishes 10% tax on profits generated as from 2014 on dividends paid to foreign residents and Mexican individuals, and it specifies for years 2001-2013, the net taxable profit is determined in the terms of the Income Tax Law in force in the fiscal year in question.

Dividends paid are not subject to income tax if paid from the CUFIN. Any dividends paid in excess of this account are subject to tax equivalent to 42.869%, if paid in 2014. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years. Dividends paid from profits previously taxed are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the provisions of the Income Tax Law establish that any excess of Stockholders' equity over capital contributions is subject to the same tax treatment as dividends.

As a result of the capital reorganization described in Note 31, 110,062,533 class "A" common shares with no par value of the variable portion of capital held by IRMM were canceled, as well as 110,062,533 Class "A" common nominative shares issued without par value of the variable portion of the capital stock of Grupo Rotoplas, S. A de C. V.

On December 16, 2013, it was unanimously agreed to increase the capital stock by $637,056, representing a total of 192,438 shares with a par value of 3.31044.

On December 17, 2013, it was unanimously agreed to pay dividends of $641,350, which were distributed to the shareholders according to their shareholding. Of such dividends, $322 were not from the CUFIN and tax of $137 was paid, which was included in the current tax for the year.

Note 24 - Income taxes:

Grupo Rotoplas and its subsidiaries do not consolidate for tax purposes.

In 2013, the Company determined taxable income of $514,526. In fiscal year 2013, the Company amortized tax loss carry forwards of $31,313. Based on its financial and tax projections, the Company determined that the tax to be paid in the future is the ncome Tax (IT), as stated under the Mexican Income Tax Law, and therefore it has recognized deferred IT. Taxable income differs from the accounting income primarily due to items that accumulate over time and are deducted differently for accounting and tax purposes, to recognition of the effects of inflation for tax purposes, and to items that only affect the accounting or taxable income.

New Income tax law

In October 2013, Congress approved the issuance of the new Income Tax Law (new IT Law), which came into force on January 1, 2014, thus replacing the IT Law published on January 1, 2002 (former IT Law). The new IT Law retains the essence of the previous IT Law, but also includes significant changes, the most significant being:

i. It limits deductions in contributions to pension funds and exempt wages, car leases, consumption in restaurants and social security dues, and it also eliminates the immediate deduction of fixed assets.

ii. It amends the procedure to tax income from sales on installments and generalizes the method to determine the gain on disposal of shares.

iii. It modifies the procedure to determine the tax base of Employees' Statutory Profit Sharing (ESPS), it establishes the procedure to determine the beginning balances of the Capital Contributions Account (CUCA) and the CUFIN, and it establishes the procedure to recover the tax on assets.

iv. The Income Law for 2013 was published on December 9, 2012 and it establishes, among others, that the income tax rate for 2013 will be 30%, 29% for 2014 and 28% as from 2015.

v. It eliminates the direct costing system and last in first out method of valuation.

The Company has reviewed and adjusted the deferred tax balance at December 31, 2013, considering in the determination of the temporary differences the application of the provisions of the recently reformed Mexican Income Tax Law, whose effects are described in the reconciliation of the effective tax rate presented below. However, the effects of limiting deductions and other effects previously listed will apply from 2014 and mainly will affect the current tax to be paid for that year.

Income taxes are described below:

	December 31,		
	2013	2012	2011
Income tax	$ 128,948	$ 101,475	$ 93,828
Deferred income tax	(51,280)	(53,462)	(101,022)
Flat tax incurred			13,757
Income taxes	$ 77,668	$ 48,013	$ 6,563

Deferred tax assets and liabilities are described below:

	December 31,		
Deferred tax asset:	2013	2012	2011
Recoverable within the next 12 months	$ 118,300	$ 46,550	$ 27,065
Recoverable after 12 months	78,952	88,969	91,805
	$ 197,252	$ 135,519	$ 118,870
Deferred tax liability:			
Payable in the next 12 months			
Payable after 12 months	($ 45,152)	($ 34,699)	($ 71,512)
	($ 45,152)	($ 34,699)	($ 71,512)

The major components of deferred income tax and the changes in assets and liabilities for deferred IT in 2013, 2012 and 2011 are shown in the tables on the following pages.

Reconciliation of changes in 2013:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Opening balance at January 1, 2012	($ 4,683)	($ 30,905)	$ 33,144	($ 85,037)	($ 4,074)	($ 3,349)	($ 1,251)	($ 4,665)	($ 100,820)
Changes in 2013:									
Grupo Rotoplas	-	(75)		-	-	-	-	-	(75)
Rotoplas	-	(22,913)	11,132	-	(3,819)	(71,964)	(8,032)	41,211	(54,385)
RRH	27	(673)	-	-	-	-	-	-	(646)
Services	(19)	(1,856)	300	-	-	-	-	(1,374)	(2,949)
Real estate	-	-	(1,541)	-	-	-	-	11,994	10,453
Latin America	-	-	-	(718)	-	-	-	-	(718)
Argentina	492	1,053	(296)	(8,806)	(240)	-	(235)	-	(8,032)
CONMIX	-	1,222	1,019	(19)	(14)	-	(336)	(1,000)	872
Brazil	414	(8,851)	1,095	21,364	(912)	-	(189)	(8,583)	4,338
Peru	1,342	(1,359)	2	-	(570)	-	(141)	-	(726)
Central America	(41)	(2,836)	-	-	(251)	-	(8)	3,724	588
Changes for the year, Net	2,215	(36,288)	11,711	11,821	(5,806)	(71,964)	(8,941)	45,972	(51,280)
Balance at December 31, 2013	($ 2,468)	($ 67,193)	$ 44,855	($ 73,216)	($ 9,880)	($ 75,313)	($ 10,192)	$ 41,307	($ 152,100)

Balances of deferred income tax assets at December 31, 2013:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	($ 75)	$ -	$ -	$ -	$ -	($ 1,251)	$ -	($ 1,326)
Rotoplas	-	(32,240)	-	-	(7,893)	(75,313)	(8,032)	-	(123,478)
RRH	(1,349)	(824)	-	-	-	-	-	-	(2,173)
Services	(300)	(8,839)	(12,311)	-	-	-	-	-	(21,450)
Real estate	-	-	-	-	-	-	-	(1,091)	(1,091)
Latin America	-	-	-	(1,929)	-	-	-	-	(1,929)
Argentina	-	(307)	-	(8,806)	(240)	-	(235)	-	(9,588)
CONMIX	-	-	-	(9,663)	(14)	-	(336)	-	(10,013)
Brazil	(25)	(22,376)	(4,473)	(52,818)	(912)	-	(189)	-	(80,793)
Peru	-	(2,721)	-	-	(570)	-	(141)	-	(3,432)
Central America	(794)		-	-	(251)	-	(8)	-	(1,053)
Total	($ 2,468)	($ 67,382)	($ 16,784)	($ 73,216)	($ 9,880)	($ 75,313)	($ 10,192)	($ 1,091)	($ 256,326)

Balances of deferred income tax liabilities items at December 31, 2013:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rotoplas	-	-	15,396	-	-	-	-	41,211	56,607
RRH	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-	-
Real estate	-	-	46,243	-	-	-	-	-	46,243
Latin America	-	-	-	-	-	-	-	-	-
Argentina	-	-	-	-	-	-	-	-	-
CONMIX	-	189	-	-	-	-	-	-	189
Brazil	-	-	-	-	-	-	-	1,187	1,187
Peru	-	-	-	-	-	-	-	-	-
Central America	-	-	-	-	-	-	-	-	-
Total	$ -	$ 189	$ 61,639	$ -	$ -	$ -	$ -	$ 42,398	$ 104,226

Reconciliation of changes in 2012:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Opening balance at January 1, 2011	($ 2,634)	($ 21,662)	$ 69,847	($ 94,222)	$ 3,283	$ 2,036	($ 1,251)	($ 2,755)	($ 47,358)
Changes in 2013:									
Grupo Rotoplas	-	-		-	-	-	-	-	
Rotoplas	-	6,058	(26,364)	31,857	(7,357)	(5,385)	-	52	(1,139)
RRH	(303)	1,201	-	-	-	-	-	-	898
Services	(87)	(4,157)	(7,413)	-	-	-	-	7,374	(4,283)
Real estate	-	-	(1,968)	-	-	-	-	(34,845)	(36,813)
Latin America	-	-	-	1,877	-	-	-	-	1,877
Argentina	(492)	(142)	2,111	-	-	-	-	2,884	4,361
CONMIX	-	(1,033)	(1,019)	(9,644)	-	-	-	1,000	(10,696)
Brazil	(439)	(13,525)	(5,568)	(14,905)	-	-	-	25,002	(9,435)
Peru	25	(1,286)	101	-		-	-	1,279	119
Central America	(753)	3,641	3,417	-	-	-	-	(4,656)	1,649
Changes for the year, Net	(2,049)	(9,243)	(36,703)	9,185	(7,357)	(5,385)	-	(1,910)	(53,462)
Balance at December 31, 2012	($ 4,683)	($ 30,905)	$ 33,144	($ 85,037)	($ 4,074)	($ 3,349)	($ 1,251)	($ 4,665)	($ 100,820)

Balances of deferred income tax assets at December 31, 2012:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	($ 1,251)	$ -	($ 1,251)
Rotoplas	-	(9,327)	-	-	(4,074)	(3,349)	-	-	(16,750)
RRH	(1,376)	(151)	-	-	-	-	-	-	(1,527)
Services	(281)	(6,983)	(12,611)	-	-	-	-	-	(19,875)
Bienes Raíces	-	-	-	-	-	-	-	(13,085)	(13,085)
Latin America	-	-	-	(1,211)	-	-	-	-	(1,211)
Argentina	(492)	(1,360)	-	-	-	-	-	-	(1,852)
CONMIX	-	(1,033)	(1,019)	(9,644)	-	-	-	-	(11,696)
Brazil	(439)	(13,525)	(5,568)	(74,182)	-	-	-	-	(93,714)
Peru	(1,342)	(1,362)	(2)	-	-	-	-	-	(2,706)
Central America	(753)	-	-	-	-	-	-	(3,724)	(4,477)
Total	($ 4,683)	($ 33,741)	($ 19,200)	($ 85,037)	($ 4,074)	($ 3,349)	($ 1,251)	($ 16,809)	($ 168,144)

Balances of deferred income tax liabilities at December 31, 2012:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rotoplas	-	-	4,264	-	-	-	-	-	4,264
RRH	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	1,374	1,374
Real estate	-	-	47,784	-	-	-	-	-	47,784
Latin America	-	-	-	-	-	-	-	-	-
Argentina	-	-	296	-	-	-	-	-	296
CONMIX	-	-	-	-	-	-	-	1,000	1,000
Brazil	-	-	-	-	-	-	-	9,770	9,770
Peru	-	-	-	-	-	-	-	-	-
Central America	-	2,836	-	-	-	-	-	-	2,836
Total	$ -	$ 2,836	$ 52,344	$ -	$ -	$ -	$ -	$ 12,144	$ 67,324

Reconciliation of changes in 2011:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Opening balance at January 1, 2010	($ 3,043)	($ 13,458)	$ 106,564	($ 31,682)	$ 5,438	($ 1,730)	($ 6,263)	$ (2,162)	$ 53,664
Changes in 2011:									
Grupo Rotoplas	-	-	-	-	-	-	-	-	-
Rotoplas	-	(8,193)	(22,377)	(914)	(2,082)	3,766	4,931	(52)	(24,921)
RRH	(1,073)	(1,123)	1,760	-	(768)	-	81	-	(1,123)
Services	(194)	(318)	(5,048)	-	695	-	-	(6,000)	(10,865)
Real estate	881	546	49,752	-	-	-	-	21,760	72,939
Latin America	2,162	-	(5,164)	(3,088)	-	-	-	-	(6,090)
Argentina	-	354	(1,815)	-	-	-	-	(2,884)	(4,345)
CONMIX	-	-	-	-	-	-	-	-	-
Brazil	-	-	(52,045)	(59,277)	-	-	-	(15,232)	(126,554)
Peru	(1,367)	167	(103)	739	-	-	-	(1,279)	(1,843)
Central America	-	363	(1,677)	-	-	-	-	3,094	1,780
Movements for the year, Net	409	(8,204)	(36,717)	(62,540)	(2,155)	3,766	5,012	(593)	(101,022)
Balance at December 31, 2011	($ 2,634)	($ 21,662)	$ 69,847	($ 94,222)	$ 3,283	$ 2,036	($ 1,251)	($ 2,755)	($ 47,358)

Balances of deferred income tax assets December 31, 2011:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	($ 1,251)	$ -	($ 1,251)
Rotoplas	-	(15,385)	-	(31,857)	-	-	-	(52)	(47,294)
RRH	(1,073)	(1,352)	-	-	-	-	-	-	(2,425)
Services	(194)	(2,826)	(5,198)	-	-	-	-	(6,000)	(14,218)
Real estate	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	(3,088)	-	-	-	-	(3,088)
Argentina	-	(1,218)	(1,815)	-	-	-	-	(2,884)	(5,917)
CONMIX	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	(59,277)	-	-	-	(15,232)	(74,509)
Peru	(1,367)	(76)	(103)	-	-	-	-	(1,279)	(2,825)
Central America	-	(805)	(3,417)	-	-	-	-	-	(4,222)
Total	($ 2,634)	($ 21,662)	($ 10,533)	($ 94,222)	$ -	$ -	($ 1,251)	($ 25,447)	($ 155,749)

Balances of deferred income tax liabilities at December 31, 2011:

Company	Labor obligations	Provisions	Properties, plant and equipment	Tax loss carryforwards	Inventory - net	Advances from customers	Allowance for doubtful accounts	Others	Total
Grupo Rotoplas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rotoplas	-	-	30,628	-	3,283	2,036	-	-	35,947
RRH	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-	-
Real estate	-	-	49,752	-	-	-	-	21,760	71,512
Latin America	-	-	-	-	-	-	-	-	-
Argentina	-	-	-	-	-	-	-	-	-
CONMIX	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-	-
Peru	-	-	-	-	-	-	-	-	-
Central America	-	-	-	-	-	-	-	932	932
Total	$ -	$ -	$ 80,380	$ -	$ 3,283	$ 2,036	$ -	$ 22,692	$ 108,391

The reconciliation between statutory and flat tax payable and the effective income tax rate is as follows:

	December 31,		
	2013	2012	2011
Profit before income taxes	$ 514,190	$ 392,757	$ 101,752
Income tax statutory rate	30%	30%	30%
Income tax at the statutory rate	$ 154,257	$ 117,827	$ 30,525
Plus (less) effects of the following permanent items on income tax:			
Rate effects *	$ 9,115	$ 4,926	$ 817
Non-deductible expenses	8,585	12,887	8,752
Annual inflation adjustment	(11,498)	2,941	(7,075)
Tax loss	(7,410)	(27,082)	(43,055)
Tax benefits **	(57,922)	(42,696)	-
Others	(17,460)	(20,790)	16,599
	$ 77,668	$ 48,013	$ 6,563
Effective income tax rate	15%	12%	6%

* The effect on rates is due to the fact that the Group has branches in several countries in Central and South America, the main ones in Brazil, and to the effects of the tax reform in Mexico, which came into force on January 1, 2014.

** The tax benefit is the exemption from payment of the Tax on the Circulation of Goods (ICMS) of each of the plants in Brazil, according to the percentages specified in the table below. This tax benefit is recognized in the statement of income as income, and for tax purposes it does not qualify as taxable income.

State	%
Piauí	75
Montes Claros	90
Petrolina	90
Penedo	50
Bahía	90
Ceara	30
Cabo de Sto. Agosthino	70

Note 25 - Analysis of costs by nature:

	December 31, 2013	2012	2011
Consumption of raw materials and consumables	$ 2,282,151	$ 2,310,034	$ 1,599,413
Direct labor	169,852	145,929	69,432
Energy (light)	75,508	60,878	43,868
Energy (gas)	86,222	73,891	46,158
Depreciation	101,844	74,677	49,415
Manufacturing overhead	494,432	180,618	105,671
Total	$ 3,210,009	$ 2,846,027	$ 1,913,957

Note 26 - Analysis of operating expenses by nature:

	December 31, 2013	2012	2011
Distribution and logistics	$ 486,002	$ 494,456	$ 213,131
Compensation and employee benefits	328,184	193,792	117,612
Contracted services	9,017	147,241	38,906
Commissions	23,820	79,815	23,075
Repairs and maintenance	18,711	42,460	28,359
Amortization	15,506	33,807	30,932
Leases	53,886	28,332	17,293
Depreciation	29,295	19,274	19,898
Travel expenses	61,493	19,152	7,194
ESPS*	16,532	25,768	30,323
Fuel and lubricants	20,307	18,180	20,771
Advertising	89,045	16,592	16,680
Others	400,871	227,968	393,798
Total expenses	$ 1,552,669	$ 1,346,837	$ 957,972

* *The Company is subject to the payment of ESPS, which is calculated using the procedures established in the Mexican Income Tax Law. For the year ended December 31, 2013, 2012 and 2011, the Company determined ESPS of $ 6,538, $ 17,115 and $ 25,768, respectively. According to the provisions of Peruvian laws, in 2013, 2012 and 2011, the Company determined ESPS of $ 9,814, $ 8,462 and $ 5,113, respectively.*

Note 27 - Analysis of other expenses (income):

	December 31,		
	2013	2012	2011
Clearance of accounts	$ -	($ 13,124)	$ 9,450
Donations	8,486	-	1,906
(Gains) loss on disposals of fixed assets	(14,499)	3,234	(3,844)
Others	9,638	1,039	(4,130)
Total expenses	$ 3,625	($ 8,851)	$ 3,382

Note 28 - Finance income and finance costs:

	December 31,		
Finance income	2013	2012	2011
Interest income	$ 15,496	$ 5,378	$ 6,257
Changes in fair value of financial assets	30,722		8,934
Foreign exchange gain	60,853	215,890	76,112
	$ 107,071	$ 221,268	$ 91,303
Finance costs			
Interests paid	$ 88,762	$ 77,787	$ 63,223
Changes in fair value of financial assets	45,822	8,619	
Foreign exchange loss	104,851	238,822	107,439
	$ 239,435	$ 325,228	$ 170,662
	$ 132,364	$ 103,960	$ 79,359

Note 29 - Commitments and subsequent events:

Commitments:

The Company set up the Trust AAA on March 15, 2007, in order to promote the development of enterprises through the operation of a system for granting preferential financial support to suppliers and dealers. The main objective is to provide financing through electronic discount eligible payment rights under the scheme of supply chains, both in local currency and in dollars.

On November 29, 2011, Dalka do Brasil signed a contract to supply 60,000 tanks with CODEVASF (voucher Company in San Francisco de Parnaíba - afederal public company). In a first phase 29,329 tanks will be supplied, and in the second phase 30,673. The value of those contracts amounted to R$210.600 thousand reais (equivalent to $1,573,000). This contract establishes a 0.1 fine per day of delay or to the limit of 20% of the contract value. This contract is valid for one year.

On April 29, 2013, Dalka Brazil signed a contract to supply 26,021 tanks with CODEVASF; therefore, 16,299 tanks will go to the State of Alagoas and 9,722 will be provided to the State of Minas Gerais. The value of these contracts is R$148.164 thousand reais (equivalent to $879.634 million). This contract establishes a 0.1% fine per day of delay or to the limit of 20% of the contract value. This contract has a term of one year with an option for extension until June 20, 2014.

On November 8, 2013, Rotoplas, S. A. de C. V. entered into a agreement with the Department of Social Development (SEDESOL) for the acquisition, distribution and installation of systems for the collection of rainwater for domestic use in homes located in rural areas. The value of this contract is $270,287 million. This contract estalishes a fine equivalent to 5% of the total amount for each calendar day of delay, a deduction of 3% of the amount for a partial or non compliance with the provisions of the delivery schedule, and the rescission of the contract when the sum of the total amount of deductions applied is 10% of the total contract. This contract was in force until December 31, 2013 and payment took place in February 2014.

On May 7, 2013, Water tanks and tanks of Central America, SA signed an agreement with ACICAFOC for supply of 3,496 water collection tanks in Guatemala, El Salvador, Honduras and Nicaragua. The value of the contract was U.S.$2,118 plus VAT in each country. This contract does not provide for any sanctions for parties in the event of delay or breach thereto. The term of the agreement is from the start date December 30, 2013.

At December 31, 2013 and at the date of issuance of these financial statements, the Group had no contingencies.

Subsequent events:

On January 23, 2014, Dalka Brazil signed an agreement to supply 29,088 tanks with CODEVASF for the State of Piauí. The value of the agreement was R $152,091 thousand of reales (equivalent to $902.9 million). The agreement contains a clause that specifies that the breach thereof will result in the payment of a 10% penalty on the value of the contract for up to 20% of the execution term. In case of any portion of the agreement not be executed, a penalty of 2% of the value of the unexecuted part would be payable. This agreement is valid until January 15, 2014.

On January 23, 2014, Dalka Brazil signed an agreement to supply 10,000 tanks with CODEVASF for the State Piauí. The value of these contracts was R $48,490 thousand reales (equivalent to $287.880 million). The agreement establishes a clause that specifies that the breach thereof results in the payment of a 10% penalty on the value of the contract for up to 20% of the execution term. In case of any portion of the agreement not be executed, a fine of 2% of the value of the unexecuted part would be payable. This agreement is valid until September 15, 2014.

Operating leases relate to buildings where the Peru and Honduras plants are placed. Lease terms for these buildings are 10 years and can be extended for one year, respectively. The operating leases contain clauses to revise the rentals at market value annually. The contracts do not provide the option to purchase the leased premises at the end of the lease term. Monthly rentals of such buildings total $361 and $ 23 for those located in Peru and Honduras, respectively.

The analysis of future minimum payments under the leases is as follows:

Up to 1 year	$ 4,338
Between 1 and 5 years	1,084
	$ 5,422

On April 2014, the company registered Incorporation Modeling Acquisition Corp. (MAC) in the state of California for being a competitive state in the relative efficiencies to the environment, in order to grab about a third of the market storing water tanks in the United States. MAC was established in the city of Merced for being in the middle of the state; where the production facilities are currently in its final stage of completion. In September of this year it will begin the production of test products, looking to start selling in October.

On July 30, 2014 the Company decided to close the plant of Rotomoldeo in Cabo de Santo located in the state of Pernambuco, Brazil. The decision was based on the Company's distribution efficiencies and the cost reduction. The molds and machinery that were in the plant were distributed to various plants of the Company in Brazil to maintain the same production capacity.

Through the resolutions adopted by the shareholders unanimously in June 16, 2014, resolved the order of payment of dividends by $275,744 of which $101,456 come from CUFIN, which was paid on June 25, 2014 and $174,288 does not come from CUFIN, which generates a tax of $74,699 and it will be paid on November 27, 2014, in accordance with the shareholding held by our shareholders.

On July 10, 2014 through the resolution of the shareholders assembly, it was proved the merge of Conmix, S. A (merged company) with Rotoplas Argentina, S. A. (merging company), so that from that date the company became extinct as a legal independent entity, ceding their rights and obligations.

Note 30 - Business combination:

On 25 November 2011, the Company through its subsidiaries Comercializadora y Latino acquired 340,000 ordinary shares representing 100% of the capital stock of Conmix Argentina, S. A. (Conmix). Conmix is a company located in the cities of Buenos Aires and Tucumán, and it is engaged in the manufacturing and commercialization of polyethylene tanks for water storage. Its range of products is mainly targeted at housing and agribusiness sectors. Conmix operates two brands: Water tanks and Forteplas, which hold 20% of the local market. See Note 2.2.1.

As a result of this acquisition, the Company has increased its presence in the Argentine market and it has also reduced costs through operating synergies. The purchase price of the shares was $102,673 ($31,500 thousand pesos), which was settled by 50% at the transaction date and the remaining balance in 2012. The valuation method for the business combination was the acquisition method, as required by IFRS 3 "Business combinations".

Goodwill initially recorded at the date of the purchase amounted to $87,279; however, based on the final figures of the valuation study, goodwill was decreased by $23.583 in relation to the value of the "Forteplas" brand. The main factors giving rise to goodwill were mainly synergies with other businesses and non-separable intangible assets. The transaction was settled in 2012 and the Company obtained the final valuation of the brand, which was included in the goodwill initially recorded.

The following table summarizes the consideration paid by the Company, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	Amount
Total consideration transferred in cash	$ 102,673
Fair value amounts recognized for acquired identifiable assets and assumed liabilities	
Cash and cash equivalents	$ 54
Customers	24,685
Inventories	3,890
Property, plant and equipment	7,068
Brand (Note 16)	23,583
Other assets	11,137
Suppliers	(14,407)
Accrued expenses and other items payable	(4,153)
Notes payable	(12,880)
Total identifiable net assets	38,977
Goodwill	63,696
Total	$ 102,673

The purchase agreement did not include any contingent consideration that might be required from the Company in the future. The fair value of accounts receivable and other receivables is similar to its book value.

Revenue provided by Conmix included in the consolidated income statement by the year ended December 31, 2012 was $71.560 ($8,438 from the acquisition date at December 31, 2011).

The analysis of the determination of the acquisition method for the investment in Conmix was performed using discounted cash flows with a projection of five years and a normalized explicit terminal value based on market standards.

The main variables, expressed in percentage points, used in the valuation at the date of purchase and the impairment analysis were:

Average growth in sales (2012-2016)	15.96
Average EBITDA margin of the explicit projection period (2012-2016)	.69
Average EBIT margin of the explicit projection period (2012-2016)	.26
Discount rate determined by the Company (WACC)	14.76

Note 31 - Reorganization of businesses under common control:

On December 19, 2013, the shareholders of the Company and of IRMM jointly agreed to the legal and accounting merger of the companies, where Grupo Rotoplas, S. A. de C. V., was the surviving company using internal balance sheets at 30 November 2013. This transaction between group companies constituted a legal reorganization.

Therefore, the Directors of the Company required the prior period consolidated financial statements to be consolidated retrospectively for all periods presented; consequently, from January 1, 2011, the consolidated financial statements of the Group and subsidiaries reflect IRMM financial information as if it had always been part of Grupo Rotoplas, S. A. de C. V.

The condensed internal financial statements at November 30, 2013 are as follows:

				Accounting balances at November 30, 2013
Description	IMMR	The Company	Eliminations and merger effects	Restructured Company balances
Current assets	$ 362	$ 1,250,187	$ -	$ 1,250,549
Non - current assets	624,718	1,960,969	(624,718)	1,960,969
Total assets	$ 625,080	$ 3,211,156	($ 624,718)	$ 3,211,518
Short - term liability	$ 2,283	$ 437,788	$	$ 440,071
Long - term liability	-	1,196,700		1,196,700
Total liabilities	$ 2,283	$ 1,634,488	$ -	$ 1,636,771
Capital stock	$ 35,740	$ 1,176,801	($ 35,740)	$ 1,176,801
Legal reserve	17,093			17,093
Premium on shares subscription	7,556	29,506		37,062
Retained earnings	562,408	(138,103)	(588,978)	(164,673)
Comprehensive income for the year	-	504,035		504,035
Controlling interest	622,797	1,572,239	(624,718)	1,570,318
Non - controlling interest	-	4,429		4,429
Total stockholders' equity	$ 622,797	$ 1,576,668	($ 624,718)	$ 1,574,747
Total liabilities and stockholders' equity	$ 625,080	$ 3,211,156	($ 624,718)	$ 3,211,518

The condensed balance sheets resulting from the shareholders agreement with retrospective accounting application are as follows:

	Balances at December 31, 2011					
Description	IMMR	Company	Eliminations	Consolidated balances	Merger effects	Restructured balances
Current assets	$ 401	$ 1,278,786	$ -	$ 1,279,187	$ -	$ 1,279,187
Non - current assets	776,625	1,457,537	(776,625)	1,457,537	-	1,457,537
Total assets	$ 777,026	$ 2,736,323	($ 776,625)	$ 2,736,724	$ -	$ 2,736,724
Short - term liability	$ 378	$ 745,857	$ -	$ 746,235	$ -	$ 746,235
Long - term liability	-	560,433	-	560,433	-	560,433
Total liabilities	$ 378	$ 1,306,290	$ -	$ 1,306,668	$ -	$ 1,306,668
Capital stock	$ 35,740	$ 539,744	$ (539,744)	$ 35,740	$ 504,004	$ 539,744
Premium on shares subscription	7,556	29,506	(29,506)	7,556	21,950	29,506
Legal reserve	17,093	-	-	17,093	(17,093)	-
Retained earnings	716,236	482,563	(482,563)	716,236	(233,673)	482,563
Comprehensive income for the year	23	94,899		94,922		94,922
Cumulative revaluation surplus	-	237,216	(52,686)	184,530	52,686	237,216
Translation effects	-	43,674	-	43,674	-	43,674
Total controlling interest	776,648	1,427,602	(1,104,499)	1,099,751	327,874	1,427,625
Non - controlling interest	-	2,431	327,874	330,305	(327,874)	2,431
Total stockholders' equity	$ 776,648	$ 1,430,033	($ 776,625)	$ 1,430,056	$ -	$ 1,430,056
Total liabilities and stockholders' equity	$ 777,026	$ 2,736,323	($ 776,625)	$ 2,736,724	$ -	$ 2,736,724

Note 32 - Financial statement authorization:

The accompanying consolidated financial statements and their notes at December 31, 2013, 2012 and 2011 were authorized for their issuance on October 8 30, 2014 by the undersigned officers.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Vice President of Administration and Finance

ISSUER

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125,406,431 Shares

Grupo Rotoplas, S.A.B. de C.V.

Single Series, Class II Shares of Common Stock

Joint Global Coordinators and Joint Bookrunners

BofA Merrill Lynch **GBM International, Inc.** **Goldman, Sachs & Co.**

Joint Bookrunner

Santander

Offering Memorandum

December 9, 2014