# Grupo Rotoplas, S.A.B. de C.V.

Paseo de la Reforma 115, 18th floor, Colonia Lomas de Chapultepec, Delegación Miguel Hidalgo, Zip Code 11000, Mexico City

Type of securities: Ordinary shares, Serie unica, Class II, Nominative, no par value, representing the variable portion of capital stock of Grupo Rotoplas, S.A.B. de C.V.

Ticker symbol: AGUA

The shares representing the capital stock of Grupo Rotoplas are registered in the National Securities Registry (RNV) under number 3476-1.00-2014-001; and are listed in the Bolsa Mexicana de Valores, S.A.B. de C.V. (Mexican Stock Exchange).

Registration in the RNV does not imply certification about the quality of the securities, the creditworthiness of the Issuer or the accuracy or veracity of the information contained in this report, nor does it validate the acts which, if any, shall have been carried out in contravention of laws.

Annual Report presented in accordance with the general provisions applicable to issuers and other market participants

Year concluded on December 31, 2014

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# GENERAL INFORMATION

## Glossary

"**Principal Shareholders**" means, collectively, the CRMV Trust and Mr. Carlos Rojas Aboumrad.

"**Acqualimp**" means the brand under which the Company sells its products in Brazil.

**"Acqualimp Brazil"** means the business division that promotes and retails the Company's products in Brazil.

**"AGUA"** means the ticker symbol in the Mexican Stock Exchange that makes reference to the certificates of Grupo Rotoplas, S.A.B. de C.V.

**"*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 with rainwater harvesting systems in the Brazilian semiarid region.

"**Storage**" means the business unit offered by the Company focused on products for water storage for immediate or future use.

"**APS**" means the Company's division Water Forever (*Agua para Siempre*), created by the Company exclusively to service the national calls for bids won in the program Water for Everyone (*Agua para Todos*), in which the contracts in the calls for bids are related to individual water solutions of cisterns and the integrated water solutions of rainwater harvesting systems.

"**Aqua International Partners**" means Aqua International Partners LP, a private equity fund focused on companies dedicated to the water industry and related products, which is part of the Texas Pacific Group (TPG), a private equity global fund established in 1992.

"**Argentina**" means the Republic of Argentina.

"**External Auditors**" means PricewaterhouseCoopers, S.C.

"**Banamex**" means Banco Nacional de México, S.A., part of the Grupo Financiero Banamex. *Bank in Mexico*.

"**Banorte**" means Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte. *Bank in Mexico.*

"**outdoor composting bathroom**" means the integrated solution to water problems and lack of sanitation in rural communities or difficult to access zones.

"**BMV**" means Bolsa Mexicana de Valores, S.A.B. de C.V.

"**BNDES**" means *Banco Nacional de Desenvolvimento Econômico e Social,* a public federal financial institution in Brazil.

"**Brazil**" means the Federal Republic of Brazil.

"**Cetes**" means Treasury Certificates issued by the Federal Government of Mexico.

"**R&D**" means the Research and Development Center of Grupo Rotoplas.

**"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 and published by the DOF on March 19, 2003, including its amendments as of the date hereof.

**"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 and published by the DOF on September 6, 2005, including its amendments as of the date hereof.

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

"**Company**" means Grupo Rotoplas, S.A.B. de C.V. and its subsidiaries.

"**Conduction**" means the business unit of the Company focused on products and solutions that carry water.

"**Conmix**" means Conmix Argentina, S.A., a company acquired by Grupo Rotoplas S.A.B. de C.V. in 2010 and merged with a subsidiary of Grupo Rotoplas S.A.B. de C.V in the year 2014.

"**Corporativo GBM**" means Corporativo GBM, S.A.B. de C.V. Financial institution in Mexico.

"**Creandose Objetivos de Bienestar**" means Creandose Objetivos de Bienestar, S.C., a savings bank for the management of employee funds and loans.

"**Fight Against Hunger**" means the *Fight Against Hunger* a strategy of inclusion and social welfare in Mexico that joint efforts and resources of federal, state and municipal governments as well as from the public, social and private sectors and international organizations and institutions. *Fight Against Hunger* implements a model of attention to the needs of the Mexican population aimed at addressing the causes of extreme poverty and food insecurity with a comprehensive approach that addresses all dimensions of wellbeing.

"**CSC**" means Shared Services Center, which is the internal area of Grupo Rotoplas that centralizes accounting, costs, payroll, taxes and fixed assets operations, among others.

"**Dalka do Brasil**" means Dalka do Brasil Ltda, a subsidiary of the Company.

"**Dalkasa Ecuador**" means Dalkasa, S.A., an associate of the Company.

"**DOF**" means the Official Gazette of the Federation.

"**Dollars**" **o** "**USD**" means dollars, legal currency in the United States of America.

“**EBITDA**” means for the Issuer: operating income after adding: (1) depreciation and amortization; (2) impairment of non-circulating assets; and (3) donations. (It is important to emphasize that this is a measure of financial performance not regulated by IFRS)

“**ERP**” means Enterprise Resource Planning systems, which provide administrative information for business administration.

“**Rotoplas Way”** means the plan developed by the Company as a platform for common management of processes, personnel and systems that support profitable, orderly and accelerated growth of the business.

“**extrusion**” means the forming process by forcing material through a die.

“**CRMV Trust**” means the trust established pursuant to agreement dated February 21, 2014, identified with the number F/000095 executed between Carlos Rojas Mota Velasco as settlor and GBM as trustee.

**“Voting Trust**” means the trust established under agreement dated November 18, 2014, identified with the number F/000116 executed between several shareholders of the Company as settlors and GBM as trustee, which is described in the “Management” section.

“**Plan OCA Trust**” means the irrevocable management trust established under agreement dated November 18, 2014, identified with the number F/000117 executed between the Company as settlor and GBM as trustee, which is described in the “Management” section.

“**Forteplas**” means one of the trademarks used by Conmix to sell its products in Argentina.

“**GBM**” means GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa. Financial institution in Mexico.

“**IASB**” means the International Accounting Standards Board.

“**IFRIC**” means the International Financial Reporting Interpretation Committee.

“**IFRS**” means the International Financial Reporting Standards issued by the IASB.

“**Indeval**” means S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.

“**INEGI**” means the Mexican National Institute of Statistics and Geography.

“**INFONAVIT**” means the National Workers’ Housing Fund Institute.

“**Interbrand**” means Interbrand, an international trademark consulting company established in 1974.

“**ISDA**” means International Swap Dealers Association.

“**ISR**” means the Income Tax.

“**IVA**” means the Value Added Tax.

"**ICMS**" means Tax for the Circulation of Goods and Services.

"**Lean Manufacturing**" means the concept production work that focuses on processes that add direct value to products and eliminates those that do not, making them more efficient.

"**LGSM**" means the Mexican General Corporations Law.

"**product lines**" means the 17 categories of products, systems and services produced and offered by the Company.

"**LMV**" means the Securities Market Law.

"**EBITDA Margin**" means the financial reason which divides the EBITDA for the period between sales of the same period, deriving a percentage of profit/loss for the same.

"**Improvement**" means the business unit of the Company focused on products and solutions whose function is to improve water quality.

"**Mexico**" means the United Mexican States.

"**NAFINSA**" means Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo. Financial institution in Mexico.

**"NOM"** means Official Mexican Standard (*Norma Oficial Mexicana*).

"**OTC**" means Over the Counter.

"**PAC 2**" means the Accelerated Growth Program (*Programa de Aceleração do Crescimento*) created and leveraged by the government of Brazil.

"**pesos**" **o** "**M.N.**" means Mexican pesos, legal currency in Mexico.

"**Argentine pesos**" means Argentine pesos, legal currency in Argentina.

"**PIB**" means the Gross Domestic Product in Mexico.

"**compounding facility**" means the type of facility dedicated to the transformation of raw materials of the Company.

"**Brazilian reals**" o "**BRL**" means reals, legal currency in Brazil.

"**World Water Report**" means the document titled Managing Water under Uncertainty and Risk which is part of the World Water Development Report, titled published by the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 2012.

"**RNV**" means the National Mexican Securities Registry.

"**rotomolding**" means the process for molding hollow plastic objects by placing fine particles of resin in a mold that is rotated in two axes by exposing it to heat and then to cooling.

"**Rotoplas**" means Rotoplas, S.A. de C.V., a subsidiary of the Company.

“**Rotoplas Bienes Raices**” means Rotoplas Bienes Raíces, S.A. de C.V., a subsidiary of the Company.

“**Rotoplas Bio**” means the product lines launched by the Company with environmentally friendly and sustainable technologies.

“**Rotoplas Comercializadora**” means Rotoplas Comercializadora, S.A. de C.V., a subsidiary of the Company.

“**Rotoplas de Latinoamérica**” means Rotoplas de Latinoamérica, S.A. de C.V., a subsidiary of the Company.

“**Rotoplas Recursos Humanos**” means Rotoplas Recursos Humanos, S.A. de C.V., a subsidiary of the Company

“**Santander (Brasil)**” means Banco Santander (Brasil), S.A., a Brazilian financial institution.

“**Santander (México)**” means Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México. Financial institution in Mexico.

“**SAP**” means the software designed by the German company SAP SE which manages enterprise software on-line for diverse functional areas of the Company.

“**SEDESOL**” means the Mexican Ministry of Social Development.

“**SEDI**” means the Electronic System for Sending and Distributing Information created by BMV.

**“SEMARNAT”** means the Mexican Ministry of the Environment and Natural Resources.

“**SENOICA**” means Senoica Industrial C.O. Limited, a shareholder of Dalkasa Ecuador.

“**Servicios Rotoplas**” means Servicios Rotoplas, S.A. de C.V., a subsidiary of the Company.

“**SIC**” means the International Trading System of the BMV.

“**SIFIC**” means the Financial and Accounting System Information of Issuers.

“**SKU**” means the stock-keeping unit, which is a unique reference number for each product and service that can be purchased.

“**water solutions**” means products, systems and services produced and offered by the Company.

“**individual solutions**” means the products that provide a final solution to customers. These products can be marketed without added services such as installation or maintenance to achieve their sale.

“**integrated solutions**” means systems with various individual products working together to provide a final solution to customers. Usually, these products require a more sophisticated method for marketing and sales and require value-added services such as installation or maintenance to achieve their sale.

“**TIIE**” means Interbank Equilibrium Interest Rate.

“**TNS**” means TNS Research International an international firm dedicated to market research with presence in Mexico since 1970.

“**Tuboplus**” means the brand under which the Company sells its pipe products for the conduction unit.

“**UGE**” means the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

“**business units**” means each of the three categories defined by the management of the Company based on the final function of individual water solutions, namely, storage, handling and improvement.

## Executive Summary

*Following is a summary of the Company's activities, financial and operating information. This summary does not contain all of the information which must be considered by prospective investors prior to making the decision to purchase shares of the Company. Prospective investors should read this entire report carefully and, particularly, the sections titled "Risk Factors," "The Issuer" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as the financial statements attached hereto, before investing in the Company's shares.*

Overview

The Company is leading provider of individual and integrated water solutions in Latin America in terms of sales volumes. The Company has more than 35 years of experience in the Mexican water solutions industry. The individual water solutions, which consist of cisterns, industrial tanks, water tanks, accessories, hydraulic pumps, sanitary catch pits, hydraulic and sewer pipes, biodigesters, water filters and water purifiers, are designed to store, carry and treat water, offering end-users a complete solution to their water management needs. The Company markets and sells individual water solutions without added services, such as installation and maintenance. Most of the customers for individual water solutions are authorized distributors such as hardware stores, home centers, home improvement stores and construction supplies stores that purchase individual water solutions to resell them to end-users in their different points of sale. The Company leverages its extensive experience in individual water solutions to provide a wide variety of on-site integrated water solutions to address more complex water management needs. In order to achieve its highest functionality, the Company markets and sells 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. Most of the customers for integrated water solutions are government entities and agencies that sponsor government programs, construction companies and, industrial and agricultural businesses.

For the last twenty years, the Company has significantly increased the efficiency of its manufacturing, distribution and sale processes by improving its production and logistics infrastructure and developing and implementing a robust and state-of-the-art technological platform. During this time, the Company expanded its operations from two individual water solutions marketed and sold in 3,000 points of sale in only one country, to 17 individual and integrated water solutions marketed and sold in 23,000 points of sale in 12 countries. Throughout its history, the Company has revolutionized markets by replacing traditional products for storing, carrying and treating water, with novel, value-added water solutions that better satisfy customers' needs. For the last three years, the Company expanded its product offering from individual water solutions to comprehensive value-added integrated water solutions.

The Company believes that satisfying the demand for clean water is crucial for inclusive economic growth, development, and sustainability of a country. The Company's mission is for people to have more and better water, by offering innovative and value-added water solutions aimed at improving their quality of life. The Company believes that they 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. The Company operates 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. Recently, governments of the countries where the Company operates have launched comprehensive programs to address the population's unmet basic water and sanitation needs. These characteristics specific to the countries where the Company operates make their products an attractive solution to customers' water management needs.

The Company conducts research and development of new technologies through the R&D center to create innovative water solutions and improve existing water solutions, as well as improve their production processes. This allows the Company to expand their product mix, reduce operating costs while achieving optimal operations and react quickly to the changing needs of customers and technological advances. 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, they start commercializing the water solution within a specific country or market.

In 1996 the Company began expanding internationally. As of the published date of this report, the Company has operations in 12 countries in the Americas, with 24 production facilities and 5 distribution centers strategically located in Mexico, Brazil, Peru, Argentina, Central America (Belice, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), Ecuador and the United States. The Company benefits from state-of-the-art production facilities and a strategic distribution network that allowed them to reach 23,000 points of sale through 6,850 distributors in 2014. The Company has a diversified customer base, including hardware stores, home centers and home improvement stores, construction supplies stores, government entities and agencies, construction companies and industrial and agricultural businesses.

The Company's operations are managed under the Rotoplas Way (*Estilo Rotoplas*), through a service center in Mexico that manages production processes, personnel and systems through a centralized platform. This centralized platform focuses on reducing operating expenses and standardizing processes to support strategic growth plan and profitability. The Rotoplas Way is based on four key aspects of 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 geographic markets benefiting from synergies, and implementing sound corporate governance practices.

For the years ended December 31, 2013 and 2014 the Company's consolidated net sales reached $5,411.8 million and $6,551.8 million, respectively, net consolidated profit of $436.5 million and $416.8 million, respectively, EBITDA of $805.4 million and $859.5 million, respectively, and EBITDA margin of 14.9% and 13.1%, respectively. The Company has experienced significant and steady growth over the last twenty years, increasing its net sales and EBITDA at a CAGR of 14.5% and 14.1%, respectively.

**Water Solutions**

The Company offers individual and integrated water solutions for urban and rural areas. The Company accounts for and reports each type of solution as a different operating segment.

*Individual Water Solutions*

Individual water solutions have historically been the Company's primary source of growth and revenue. From 2011 to 2013, net sales of individual water solutions grew at a CAGR of 28.3%. The Company's individual water solutions are classified in:

- *Water storage*. The 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.

- *Water flow*. The 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. Hydraulic pipes are manufactured with state of the art materials, such as the antibacterial plastic film.

- *Water treatment*. The individual water treatment solutions include biodigesters, water heaters, water filters and water purifiers.

*Integrated Water Solutions*

The Company offers a wide variety of on-site integrated water solutions to address more complex water management needs of customers. 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 the Company expects 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 2014, net sales of integrated water solutions grew at a CAGR of 250.2%. In the upcoming years, the Company intends to focus operations on integrated water solutions as it believes they represent an attractive business opportunity.

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

| | Years ended on December 31 | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | (amounts in millions of pesos, except percentages) | | |
| **Individual Water Solutions** | | | |
| Net sales | 4,850.5 | 4,963.2 | 4,636.2 |
| EBITDA | 687.2 | 732.9 | 621.1 |
| EBITDA margin (%) | *14.1%* | *14.8%* | *13.4%* |
| **Integrated Water Solutions** | | | |
| Net sales | 1,701.3 | 448.6 | 43.8 |
| EBITDA | 172.3 | 72.5 | 5.3 |
| EBITDA margin (%) | *10.1%* | *16.2%* | *12.1%* |

| | Years ended on December 31 | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | (amounts in millions of pesos, except percentages) | | |
| **Total** | | | |
| Net sales | 6,551.8 | 5,411.8 | 4,680.0 |
| EBITDA | 859.5 | 805.4 | 626.4 |
| EBITDA margin (%) | *13.1%* | *14.9%* | *13.4%* |

**Geographic Markets**

As of the date of this report, the Company has operations in 12 countries in the Americas. The Company classifies these 12 countries in three different regions, which it accounts for and reports as three different geographic markets:

- *Mexico*. Operations in Mexico include the production, marketing and sale of individual water storage, flow and treatment solutions as well as integrated water solutions. During 2014, operations in Mexico accounted for 46.8% of the Company's 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. During 2014, operations in Brazil accounted for 43.2% of the Company's consolidated net sales.

- *Other*. The Company conducts operations in Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, in Central America, Peru and Argentina in South America; and, since the last quarter of 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. During 2014, operations in these countries accounted for 10.7% of the Company's consolidated net sales.

Also, the Company conducts operations in Ecuador through an indirect, non-controlling investment in its associate Dalkasa Ecuador. See "The Issuer—Geographic Markets—Others—Ecuador."

| | Years ended on December 31 | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | (amounts in millions of pesos, except percentages) | | |
| **Mexico** | | | |
| Net sales | 3,067.9 | 2,627.5 | 2,595.8 |
| EBITDA | 543.6 | 469.2 | 407.9 |
| EBITDA margin (%) | *17.1%* | *17.9%* | *15.7%* |
| **Brazil** | | | |
| Net sales | 2,756.3 | 2,036.5 | 1,395.1 |
| EBITDA | 293.4 | 313.1 | 174.2 |
| EBITDA margin (%) | *10.6%* | *15.4%* | *12.5%* |

| | | | |
|---|---|---|---|
| **Others** | | | |
| Net Sales | 727.5 | 747.8 | 689.1 |
| 22.5 | 22.5 | 23.1 | 44.2 |
| EBITDA margin (%) | *3.1%* | *3.1%* | *6.4%* |
| **Total** | | | |
| Net sales | 6,551.8 | 5,411.8 | 4,680.0 |
| EBITDA | 859.5 | 805.4 | 626.4 |
| EBITDA margin (%) | *13.1%* | *14.9%* | *13.4%* |

**Market Opportunity**

The Company expects there will be continued and strong demand for its solutions in coming years throughout the Americas. According to LatinFocus, a company that provides information studies of Latin American economies, 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. The Company believes 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 they operate translates into a continued and increased demand for water. The Company expects that this increased demand will represent an attractive market opportunity for its water solutions.

The Company believes that the markets in which they operate present significant growth opportunities for their individual water solutions. The Company continues to expand its production of individual water solutions in Mexico and introduce complete portfolio of individual water solutions in the rest of the countries where they operate. For example, the Company expects to have high customer acceptance of its polypropylene hydraulic and sewer pipes as they present a more affordable and resistant alternative to other types of technologies available in these countries. The Company expects strong demand for these individual water solutions given its successful track record in the marketing and sale of individual water storage solutions in these markets.

Governments in the markets in which the Company operates 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. It is expected that 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 order 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. The Company expects that this demand for water purifiers and drinking water will represent a unique opportunity. Recently, the Company developed affordable and durable drinking fountains made of polyethylene that are specifically designed for children's use. The Company expects to leverage its high service and quality standards, added-value to its customers, operational efficiency and innovative water purifier and drinking fountain solutions to take advantage of this business opportunity. As of December 31, 2014, the Company has been awarded directly or through its distributors seven water purifier and drinking fountain sale and maintenance contracts in Mexico.

The Company's participation in these programs is consistent with its goal of providing access to clean water by offering innovative and value-added water solutions aimed at improving the quality of life of people. The Company has the proven ability and know-how to participate in major government processes and execute large-scale government contracts. The Company believes that its production capacity, infrastructure, competitive prices, product quality and experience increase its opportunities to obtain new government contracts.

The Company considers that the United States will represent an attractive market opportunity for its 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. The Company expects 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 they currently operate, will represent an attractive market opportunity for its water solutions.

**Trading prices of the Securities in the BMV**

On December 10, 2014, the Initial Public Offering of shares of Grupo Rotoplas, S.A.B. de C.V. was carried out under ticker symbol "AGUA". $4,182.3 million were raised by placing 144.2 million shares representing 29.7% of the capital stock in the company at a price of $29.0 pesos per share. As of March 31, 2015 the closing price per share of AGUA in the Mexican Stock Exchange was $32.65, representing an increase of 12.6% above its starting price.

The following table illustrates the monthly performance of the AGUA shares at the end of 2014 and the first three months of 2015.

| Date | Price at Closing |
|---|---|
| 12/31/2014 | 30.14 |
| 01/31/2015 | 31.14 |
| 02/28/2015 | 33.11 |
| 03/31/2015 | 32.65 |

Following is the maximum and minimum price for the period from December 10 to March 31, 2015.

| Date | Price at Closing | Max/Min |
|---|---|---|
| 03/03/2015 | 33.81 | Max |
| Start of trading | 29.00 | Min |

## Risk Factors

*The public should carefully consider the risk factors described below prior to taking any investment decision. The risks and uncertainties described below are not the only ones faced by the Company. The risks and uncertainties of which the Company is unaware, as well as those that the Company currently considers minor, could also affect its operations and activities.*

*The realization of any of the risks described below could have a material adverse effect on the operations, financial position or results of operations of the Company.*

*The risks described below are intended to highlight those that are specific to the Company, but that in no way should be seen as the only risk that the public might face. These additional risks and uncertainties, including those that usually affect the industry in which the Company operates, the geographical areas in which the Company is present or those risks they believe are not important, can also potentially affect your business and the investment value.*

*The information other than the historical information contained in this report reflects the operational and financial perspective regarding future events, and may contain information about financial results, economic conditions, trends and uncertain events. The terms "expects", "estimates", "believes", "anticipates", "plans" and similar expressions identify these estimates. In assessing these estimates, the potential investor should consider the factors described in this section and other warnings contained in this report. Risk Factors describe the circumstances of nonfinancial character that could cause actual results to differ materially from those expected based on future estimates.*

### Risks related to the Company's operations

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

Grupo Rotoplas is exposed to economic, political and social factors in Mexico, Brazil and the rest of the countries where it operates, which could affect consumer confidence in and preferences for its water solutions. There are several external factors beyond the Company's 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. Furthermore, 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.

The business and operating results of Grupo Rotoplas depend upon the appeal of its water solutions. The Company's continued success in the water industry will depend upon its ability to redesign and extend its 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 the business of Grupo Rotoplas, 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. Grupo Rotoplas cannot assure you that its current solutions will continue to appeal end-users or that newly developed solutions will achieve any significant degree of market acceptance.

***The Company's performance is tied to public sector spending and certain customers within this sector***

During 2014, sales to the government sector represented 46.5% of the total sales of the Company, therefore, its results of operation and performance are tied to public sector spending in Mexico, Brazil and the rest of the countries where it operates. 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 the Company's financial condition and results of operations.

Grupo Rotoplas cannot assure that it will be able to maintain the current level of sales to these entities and its ability to do so depends on many factors beyond its control, including competitive factors, changes in government personnel making contract decisions, spending limits, changes in laws and regulations and economic and political factors. Any decrease in sales to entities and agencies of the federal government or if any principal customer stops buying water solutions or defaults on their obligations to the Company, could have a material adverse effect on its business, financial condition and results of operations.

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

A substantial portion of sales to the public sector is derived from contracts awarded to the Company through competitive bidding processes, which result in greater competition and increased pricing pressure. Grupo Rotoplas' success in generating government sales depends on the Company's 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 Grupo Rotoplas. Even if the Company is awarded contracts, it 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, the Company 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 it and, consequently, affect the results of operation.

***A substantial portion of the sales of Grupo Rotoplas derives from retail sales. If the retailers have financial difficulties or prefer the products of competitors the Company's financial situation could be affected***

A substantial portion of the Company's sales derives from retail sales which are made through the traditional channel, focused on sales to points of sale dedicated to the sale and commercialization of construction materials and products, such as hardware stores, home centers and home improvement stores and construction materials stores. Retailers offer and sell water solutions to end-users. A significant deterioration of the Company's main retailers' business in the traditional channel could negatively affect sales of water solutions. In addition, retailers offer and sell products that compete with those of the Company. It is possible that retailers could prioritize the sale of competitors' products or form alliances with them, or prioritize the sale of their own brands. If the retailers stop buying the Company's water solutions or prefer competitors' products, the business, financial position and operating results could be adversely affected.

***Income derived from long-term leases involving the Company's integrated water solutions, including drinking fountains, may decrease over time***

The Company expects that a significant amount of sales to governments of their integrated water solutions, including 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 the Company does not accurately judge the potential for increases in market rental rates. In that case, the income derived from such leases would be lower, which could in turn adversely affect the Company's financial condition and results of operations.

***The Company's business may be affected by severe weather conditions, especially prolonged periods of rain, and could make the Company more susceptible to seasonality***

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

***The operations and financial condition of the Company could be adversely affected by fluctuations in the prices of raw materials, which are necessary for the manufacturing of products.***

The Company's operations are highly dependent on the acquisition of key raw materials used in the manufacturing of their products, which are acquired from national and international suppliers. The raw materials mainly used by the Company are polyethylene and polypropylene which prices usually fluctuate along with the price of oil. Although the Company contracts derivative financial instruments from time to time to hedge its 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 the Company currently imports 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 the Company's manufacturing processes. Any of these factors could have an adverse effect on the operating costs, liquidity, margins and financial position of the Company and could delay 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 used by the Company in its manufacturing processes have experienced significant increases in international markets, thus increasing production costs, as well as the prices of 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 the Company's operations, which may adversely affect its results of operations.

In order to implement its strategy and achieve overall performance and prospects, the Company 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, there can be no assurance that it will have a stable supply of gas or electricity, that the supplies will be available at reasonable prices or that suppliers will be willing to continue supplying the Company with these materials on current terms or at all, which could adversely affect the Company's operating results or financial position. There is no assurance that the Company will be able to surpass 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 raw materials that are beyond the Company's control may result in higher prices, which could adversely affect the business, financial condition and results of operations of the Company.

***The competitive advantage of Grupo Rotoplas as an innovative company could be adversely affected by its inability to develop innovative solutions***

A key driver for the Company's success is its reputation for high-quality products and its ability to satisfy the needs of customers by offering a wide variety of individual and integrated solutions. The Company is 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 manufacturing processes. The rhythm of the development of new and better solutions depends on the Company's ability to successfully implement cutting-edge technology in the design, engineering and assembly of solutions, which require significant capital expenditures. A significant reduction in capital expenditures may affect the ability to develop and use better technology in its products, which could adversely reduce demand for water solutions.

***Any interruption of the production facilities, supply chain, distribution centers or distribution network of the Company may adversely affect its business***

As of December 31, 2014, the Company had 24 production facilities strategically located in Mexico, Brazil, Peru, Argentina, Guatemala and the United States and five distribution centers located in Mexico, Costa Rica, El Salvador, Nicaragua and Honduras. Any disruption in any or all of these production facilities or distribution centers which may be due to reasons beyond the Company's control, such as natural disasters, accidents, technological failures, power shortages or labor strikes, among other disruptions, could affect the production and delivery of products and water solutions which could adversely affect the results and operation of the Company.

Any interruption in the supply of raw materials, particularly resins and other oil derivatives, could affect the Company's ability to operate its production facilities at the required capacity. Any severe disruption in the supply of raw materials could adversely affect its production. The Company currently does not depend on a single supplier and is able to obtain its 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 the Company constantly compares prices offered by its suppliers to ensure they remain competitive, it cannot assure you that any problem with the supply of raw materials would not result in delays in its manufacturing and supply processes that may have an adverse effect on the financial position and results of operation of the Company.

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

***If the water solutions offered by the Company are defective or otherwise fail to perform as expected, the Company could be liable for damages and incur unanticipated warranty, recall and other related expenses, its reputation could be damaged, it could lose market share and, as a result, the financial condition or results of operations of the Company could be affected.***

The water solutions offered by the Company may contain defects or experience failures due to any number of issues in design, materials, deployment and/or use. Failure of some of the 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, the Company may be subject to claims, potential liabilities and fines. If any of the Company's water solutions contain a defect or fail to function properly, the Company may have to devote significant time and resources to find and correct the issue. Such efforts could divert the attention of the management team and other relevant personnel from other important tasks. Although the Company has not experienced many claims for product defects or malfunctions and has not recorded any material costs associated with warranty claims, product recalls, write-offs of returned products and customer repair programs in the past, it 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 the Company's reputation and relationships with distributors; result in property damage, health problems or physical injury; result in the loss of business to competitors; and result in litigation against the Company. Some of the 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, the Company could end up incurring materially higher warranty expenses than anticipated, which could harm the business, financial condition, and results of operations of the Company.

***Limitations on foreign trade in Mexico, Brazil or any of the countries where the Company operates may affect its business***

Mexico, Brazil and the rest of the countries where the Company operates or from which it acquires 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 the manufacturing of merchandise or the supply chain since the Company imports and exports a significant portion of raw materials from its raw materials facility located in Mexico and exports a significant amount of merchandise to countries where it currently has no production facilities.

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

The Company has recently made and plans to continue to make significant capital investments related to its 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, it is necessary to have rotomolding facilities strategically located within a reasonable distance of its different points of sale and delivery. In addition, the Company expects to make significant capital investments in the development and marketing of its integrated water solutions. In particular, it expects 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 the possibility that the Company may be unable to realize the expected return on these and other investments if adverse developments arise in the markets for its water solutions, including if the 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, or, if the Company cannot secure sufficient resources to make any necessary capital expenditures, which could have an adverse effect on the results of operations, including as a result of asset impairment charges.

In addition, the Company may be unable to complete its 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.

***The Company's inability to effectively manage its growth could adversely affect its business and its operating results***

The successful implementation of the expansion plan of Grupo Rotoplas implies significant investments and expenses before generating considerable income and depends on a series of factors, including its ability to locate and obtain adequate locations pursuant to its budget and operating needs, hire suppliers and qualified personnel, the present and future competitive environment, the availability of excess capital, its 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 the Company's organic expansion strategy depends on its ability to perform strategic significant investments in production facilities and distribution centers. To effectively manage the business and planned growth, it must continue to improve its operational, financial and management processes, controls, systems and procedures. If the Company is unable to implement these processes and procedures, its expenses may increase more than expected, its revenues could decline or grow more slowly than expected and it may be unable to implement its business strategy.

Furthermore, it is expected that the continuing expansion and development of the Company's business will require significant capital, which it may be unable to obtain on acceptable terms or at all, to fund its capital expenditures and operating expenses, including working capital needs. It is possible that the Company may fail to generate sufficient cash flow from its operations to meet its cash requirements.

There can be no guarantee that Grupo Rotoplas will carry out, totally or partially, its desired expansion and, if it does, that it will successfully manage increased operating activities and satisfy increased demand. Any of the factors described above may have an adverse effect on its business, financial condition and results of operations.

***The Company may be unable to successfully expand its operations into new markets, including the United States***

The Company is constantly analyzing and looking to expand its operations into new markets. In order for the Company to achieve its expected results in new markets it 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 its ability to successfully operate in the current markets is also applicable to its ability to successfully operate in new markets. In addition to these risks, it is possible that the Company may not possess the same level of familiarity with the dynamics and market conditions of any new markets that it may enter, which could adversely affect its ability to expand into or operate in those markets. If the Company is unable to create similar demand for its water solutions and business, it could adversely affect its profitability. If it are unsuccessful in expanding its operations into new markets, it could be materially and adversely affected.

In September 2014, the Company installed a facility in California in order to service the states of Arizona, California and Nevada, in the United States. Although the Company believes 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 the Company 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. The Company 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 its brands or brands that are similar to its brands are already being used.

***The Company faces intense competition for its individual water flow solutions***

The Company faces 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 its ability to adjust its product mix based on market conditions is limited due to the limitations inherent in the manufacturing processes. The Company's competitors include larger companies or those better established within the 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 the Company's profitability and operating results.

***The Company might not be able to obtain the necessary resources to finance its working capital needs and capital expenditures or to implement its growth strategy***

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

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

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

***The Company depends on the expertise of its senior management and skilled personnel. Its continued growth requires it to hire and retain qualified personnel***

The senior management of the Company possesses extensive operating experience and industry knowledge. It depends on its senior management to set out strategies, direction and manage the business and it believes that their involvement is crucial to its success. Furthermore, over the past years, the demand for employees who engage in and are experienced in the services it performs has continued to grow. The continued growth of the Company's 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 it may experience difficulty in attracting and retaining personnel, which could reduce its capacity to perform adequately in present and future projects. Particularly, the Company's top executives have considerable experience and knowledge of the water industry. The loss of any of the senior management team, or the inability to attract and retain sufficient and qualified additional executives, could adversely affect its ability to implement its business strategy. The remuneration and incentive schemes the Company has in place may not be sufficient in retaining the services of experienced personnel.

The Company's 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. The business could be adversely affected if the Company cannot attract the required personnel.

***If any significant acquisition which the Company may perform is not successfully integrated with the Company, this may adversely affect its operating results***

The Company is 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 it is unable to integrate or manage acquired businesses successfully, it may not realize anticipated cost savings, revenue growth and levels of integration, which may result in reduced profitability or operating losses. In addition, the Company may face unforeseen costs and expenses in connection with the integration of any acquired business, and it may experience other unanticipated adverse effects, all of which may adversely affect the Company.

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

The Company is subject to various federal, local and municipal environmental protection and safety laws and regulations governing among other things the health and safety of employees. Environmental laws are complex, change frequently and have a tendency to become more stringent over time. While the Company has budgeted for future capital and operating expenditures to maintain compliance with environmental laws, there can be no assurance 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 the Company to make significant additional capital expenditures, which could affect its profitability, operations or financial condition in the future. Changes in local circumstances or to applicable laws and regulations could require us it modify its authorizations or permits or to change its processes and procedures to comply with such provisions, or to obtain additional authorizations or permits not foreseen to operate facilities at this moment. The Company cannot assure you it 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 costs or increase the prices of products, which could adversely affect the results of operations or financial condition of the Company.

The Company is also required to obtain, maintain and regularly renew its permits, licenses and authorizations from governmental authorities to construct and operate its production facilities and distribution centers. The Company tries to maintain complete compliance at all times with such laws, regulations and permits, however, it cannot assure you that it has been or will be at all times in complete compliance with such laws, regulations and permits. If the Company violates or fails to comply with these laws, regulations or permits, it could be fined or otherwise sanctioned by regulators.

***Natural disasters, production hazards and other events could adversely affect the Company's business***

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

The operations are subject to hazards, such as fires, explosions and other accidents, associated with the handling of chemicals and the storage and transportation of 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 the

Company’s production facilities could force it to suspend operations temporarily and result in significant remediation costs and lost sales.

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

Additionally, the Company could experience difficulties to reach acceptable efficacy in its manufacturing processes thanks to the complexity of the same. Such difficulties increase with the use of new materials and new technologies. Operations could be adversely affected if such difficulties cannot be overcome.

***Union conflicts and labor liabilities and litigation could have an adverse effect on the operations, financial condition and operating results of the Company.***

As of September 30, 2014, approximately 60.2% of the Company’s employees were unionized. Historically, the relationships of the Company with labor unions have been respectful and cordial. The Company renegotiates collectively-bargained wage and benefit agreements on a regular basis in accordance with applicable laws in the different jurisdictions where it operates. The Company cannot assure the future stability of its 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 operating costs, damage relationships with customers and adversely affect the business, financial condition and results of operations of the Company. Likewise, as any other business, from time to time, the Company 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 financial condition and results of operations. The Company sponsors 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 the financial condition and results of operations of the Company.

***The protection and recognition of intellectual property, patents and other intellectual property rights are key for the Company’s business***

The protection and reputation of the brands and patents of Grupo Rotoplas are essential for its business because they allow it to promote growth and the sale of water solutions. Consequently, trademarks, trade names, patents and any other intellectual property rights are key assets for the Company’s business. Maintaining the reputation of the brands and patents in the markets in which it operates is essential to its ability to attract and retain distributors, customers and employees, which is critical to future success and the consolidations of expansion plans.

Failure to maintain the reputation of the Company's brands, trade names, patents or any other intellectual rights could have a material adverse effect on the business, results of operations and financial condition of the Company. If the Company fails, or appears to fail, in dealing with various issues that may give rise to reputational risk, it could harm 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 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 to the business.

The Company's principal trademarks are registered in the countries where such trademarks are used. The Company's inability to maintain an adequate protection of its brands, trademarks and patents could represent a risk for its operations and adversely affect its business, operating results and financial position.

Furthermore, the Company intends to enforce its trademark rights against infringement by third parties, but its actions to establish and protect trademark rights may not be adequate to prevent imitation of products by others or to prevent others from seeking to block sales of products on grounds that its products violate their trademarks and proprietary rights. If a competitor were to infringe on the Company's trademarks, enforcing its rights would likely be costly and would divert resources that would otherwise be used to operate and develop its business. Although the Company intends to actively defend its brands and trademark rights, it may not be successful in enforcing intellectual property rights, which could materially and adversely affect the Company.

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

***A material disruption of the Company's information systems could adversely affect its operations***

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

**Risks Related to Mexico, Brazil and the Rest of the Countries where the Company operates**

***Adverse economic conditions in Mexico, Brazil and the rest of the countries where The Company operates may adversely affect business, financial condition and results of operations***

The Company currently has operations in Mexico, Brazil, Peru, Argentina, Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the Unites States. Additionally, the Company has a presence in Ecuador through an indirect, non-controlling investment in its associate Dalkasa Ecuador. Therefore, the operations and operating results are dependent upon the performance of the local economy of these countries. The Company's activities, financial position and operating results may be adversely affected by economic conditions in Mexico, Brazil and the rest of the countries where the Company operates which are beyond its 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. There can be no assurance that such conditions will not have an adverse effect on the business, financial condition or results of operations of the Company. 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 water solutions.

According to INEGI's Center for Public Finance Studies, based on the National Accounts System of Mexico, in 2012, 2013 and 2014 Mexico's GDP grew by 3.9%, 1.0% and 2.6% respectively, and the inflation rate was at 3.6, 3.9% and 4.1%, respectively. In 2012, 2013 and 2014, 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%, 3.8% and 3.0%, respectively. On the other hand, according to World Bank, in 2012, 2013 and 2014 Brazil's GDP grew by 1.0%, 2.5% and 0.0%, respectively and the inflation rate was at 5.4%, 6.2% and 6.3%, respectively. 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 7.1%, 9.4%, and 10.9% 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, the activities, financial position and operating results of the Company could also be adversely affected.

***Exchange rate fluctuations in the countries where the Company operates and foreign currency exchange controls in these counties could adversely affect it***

The Company uses different currencies in Mexico, Brazil and the rest of the countries where it operates. However, the reporting and functional currency of its 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 it operates could cause governmental intervention and the establishment of exchange controls, as it has happened in the past. The imposition of exchange controls could restrict the Company's ability to receive dividends from its foreign subsidiaries or limit its ability to make payments in currencies different to the local currency, which could affect the real price of 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 the financial position of the Company. The Company cannot guarantee that the governments of the countries where it conducts business will maintain their current currency and exchange policies, or that the value of such currencies will not significantly change in the future.

The Company plans to continue incurring debt denominated in Mexican pesos and in other currencies, including reals and Argentine pesos, to perform its projects, which generate capital in Mexican pesos and other currencies to pay such financings. To the extent the Company continues to incur financings in Mexican pesos, reals and Argentine pesos, the applicable interest rates could be higher.

***The inflation rate in the markets in which the Company operates may have an adverse effect on its investments and business***

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

***Changes in governmental policies in Mexico, Brazil and in the other countries where the Company operates could adversely affect its business, financial condition, results of operations, and prospects***

The governments of Mexico, Brazil and the other countries where the Company operates, 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 the industry in particular could have a significant impact on the Company, as well as on the conditions, market prices and profits of its shares. There can be no assurance that changes in the governmental policies of these countries will not adversely affect the business, financial condition results of operations and prospects of the Company.

***Political and social events in Mexico, Brazil and other countries where the Company operates may adversely affect its business and operating results***

The actions and policies of the governments of Mexico, Brazil and the other countries where the Company operates 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 the Company 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. The Company's business, financial condition, operating results and dividend distribution could be adversely affected by changes in governmental policies and regulations that affect management, operations and tax regime.

The Company cannot assure you that changes in the policies of the governments of Mexico, Brazil and the rest of the countries where it operates will not adversely affect the business, financial position or results of operation. The different tax laws in Mexico, Brazil and the rest of the countries where it operates are subject to changes and the Company 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 the business, financial condition, results of operation or future prospects of the Company.

***Violence or the perception of violence in Mexico and Brazil could adversely affect the Company's 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 the Company's 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 the Company's business, including its ability to operate and offer water solutions. There can be no assurance that the levels of violence in Mexico, Brazil and the rest of the countries where it operates, which are beyond its control, will not increase or decrease and will not have any adverse effects on these economies and the business, results of operations or financial condition of the Company.

***Developments in other countries could adversely affect the economies of Mexico, Brazil and the rest of the countries where the Company operates, the market value of the shares and its 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 the business, financial condition and results of operations of the Company.

***Amendments to tax laws could adversely affect the business, financial condition and results of operations of the Company***

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

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 its customers and the demand for 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 $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 the Company's financial position.

Brazilian tax regime is complex. The Company has exposure to the tax structure in Brazil, where it has noted that several other companies have had issues with Brazilian tax authorities that have negatively impacted earnings. The Company, in conjunction with its Brazilian tax advisors, continuously reviews and analyzes the impact of tax laws and regulations in Brazil in order to avoid claims by Brazilian authorities. There cannot be any assurance 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 the expansion strategy of the Company in Brazil, it has focused on establishing 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 the Company, its income and its operations in Brazil and the relevant province.

## Other securities

Neither the Company nor its subsidiaries have any other securities registered in the RNV, the Mexican Stock Exchange or foreign stock markets.

## Significant changes to the rights of securities registered in the registry

Since the issuance of the certificates of Grupo Rotoplas, S.A.B. de C.V. there have not been any changes to the rights of securities registered in the registry.

## Use of Proceeds

The net proceeds obtained as a result of the Global Offering on December 10, 2014 (after deducting fees and estimated offering expenses) at an offering price price of $29.00 per share amounted to $3,985 million considering the exercise of the Overallotment Option.

The Company plans to use the net proceeds from the global offering to fund capital expenditures and working capital, with the aim of expanding its business in individual water solutions in the United States and consolidate its integrated water solutions (mainly drinking fountains, water treatment plants, rainwater collection and outdoor composting bathroom in Mexico and Brazil, as well as to finance the Company's growth through possible acquisitions; which at the date of this report are not identified nor negotiated. The remainder, if any, will be applied for other general corporate purposes, which have not been defined neither in the medium nor short term.

## Public documents

The documentation submitted by the Company to the CNBV and the BMV in order to maintain the registration of the shares in the RNV and its listing with the BMV, respectively, is available for consultation on the website of the CNBV, www.cnbv.gob.mx; website of the BMV, www.bmv.com.mx; and the Company's website, www.rotoplas.com.

The Company will provide any shareholder who requests a copy of such documentation, this report and the financial, economic, accounting, administrative and legal information provided in the quarterly and annual reports to the CNBV and the Mexican Stock Exchange, in the offices of the Company located in Paseo de la Reforma 115, 18th Floor, Col. Lomas de Chapultepec, Miguel Hidalgo, CP 11000, Mexico, DF, at (55) 5201 5000, or email agua@rotoplas.com, to the attention of Ms. Nayelli Corro Campos.

For more information about the Company, see the aforementioned website.

# THE ISSUER

## History and development of the Issuer

### Name

The company's name is Rotoplas Group, S.A.B. de C.V. and it operates under the trade name *Rotoplas*.

### Incorporation and Duration

The origin of the company dates back to 1978, with the establishment of Rotoplas, S.A. de C.V. After a series of corporate restructures in 1993, Grupo Rotoplas, S.A. de C.V. was established through public deed No. 86,126, issued March 17, 1993 before Mr. Eduardo Garcia Villegas, public notary No. 15 of the Federal District, which first testimony was recorded in the Public Registry of Commerce of the Federal District under commercial file No. 175,205 on May 26 of the same year.

On November 24, 2014 the shareholders of the Issuer, by unanimous resolutions taken outside a shareholders' meeting and formalized by public deed No. 50,967, dated November 25, 2014 before Mr. Guillermo Oliver Bucio, notary public No. 246 of the Federal District, which first testimony is in the process of registration in the Public Registry of Commerce of the Federal District, approved the transformation of the Issuer to a stock corporation and, therefore, a total revision of its corporate bylaws to include the provisions required by the Securities Market Law.

The duration of the Company is indefinite.

### Domicile

The registered office of the Issuer is Mexico, Federal District. Its main offices are located in Paseo de la Reforma No. 115, 18th Floor, Col. Lomas de Chapultepec, Miguel Hidalgo, 11000 Mexico, D.F. The telephone number of such offices is (55) 5201 5000.

**Evolution of the Issuer**

The Company began operations in 1978 as a manufacturer of polyethylene products, such as pots and containers for residential use, through the process known as rotomolding. After a series of corporate restructurings, since 2013 it operates 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 the Company 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 Grupo Rotoplas to position itself as a market leader in Mexico in terms of sales of water tanks for residential use.

In 1991, the Company began to expand its business with the construction and installation of additional production facilities.

By 1995, the Company 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, the Company decided to build a plastic blow and injection facility and founded its research and development center with the purpose of generating new and better water solutions, manufacturing processes and water value-added solutions, and improving existing processes through defensive innovation and maintaining and/or increasing its market share.

In 1996 the Company began its international expansion by opening one production facility in Guatemala and in the following years, it ventured into Belize, Costa Rica, Honduras, El Salvador and Nicaragua in Central America, as well as into Argentina, Peru, Brazil and Ecuador – through Dalkasa – in South America.

In 1998, with a focus on expanding its individual water solutions offering and capitalizing on its brand positioning and distribution network, the Company began to diversify its product portfolio. It launched water filters in 1999, water purifiers in 2000 and hydraulic pumps in 2001.

In 2003, Aqua International Partners, a private equity fund managed by the Texas Pacific Group (TPG), acquired 20% of the Company's capital stock recognizing its growth and value creation potential. In addition, the Company reorganized its operations to streamline its processes to support its growth and launched the its first individual water solution of hydraulic pipes made under the brand *Tuboplus*. The Company again confirmed its ability to innovate and revolutionize markets by developing an important alternative to traditional copper and CPVC pipes and reiterated its commitment to provide end-users greater benefits and improve their quality of life.

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

Due to the high demand created by the launching of new water solutions, in 2007, the Company opened a hydraulic pipe production facility in León, Guanajuato. As of that year, the Company has a private issuer rating issued by Standard & Poor's. In 2008, the water flow solutions unit was expanded to include sewer pipes, and the Company started the implementation of the Enterprise Resource Planning software developed by SAP, in all the countries in which it operates which standardized operating processes and was the foundation for the creation, in 2009, of a centralized services center focused on consolidating and making more efficient customer and distributor service and financial, accounting and billing operations.

In 2009, the *Rotoplas Bio* line was launched through which the Company ventured into environmentally friendly and sustainable technologies, innovating individual water solutions – such as water heaters and biodigesters. Likewise, it took an important step forward and started developing integrated water solutions: outdoor composting bathrooms and rainwater harvesting systems, which consist in a series of individual water solutions working together to form an integrated system.

In 2010, the current shareholders purchased Aqua International Partners' stake in the Company. Since 2005 a balanced scorecard methodology had been implemented, a management system for the Company's strategic planning, the experience with the fund helped the Company to evolve with emphasis on institutionalization, from a small family-owned business, into a well-established and institutional company. In that same year, the Company strengthened its long-term strategic planning process with the support of external consultants.

In the last quarter of 2011, the Company carried out its first and, thus far, only acquisition with the acquisition of Conmix, S.A., an Argentine company with operations in the provinces of Tucumán and Buenos Aires dedicated to producing and selling polyethylene tanks used in homes and in the agriculture sector, under two trademarks *Forteplas* and *Tinacos* that held an estimated 20% market share according to the Company's internal studies. Conmix was acquired with the purpose of increasing the leadership in Argentina, lowering production costs through high sales volumes and using its distribution network to strengthen the Company's business.

From 2011 to date, several government departments and agencies in Mexico and Brazil, awarded the Company several contracts to install water tanks, cisterns, outdoor composting bathrooms and rainwater harvesting systems in underprivileged areas. Sales growth in Brazil led to the expansion of the Company with the opening of eight new production plants in that country.

During 2013, the Company increased its integrated water solutions offering by launching drinking fountains, water purifying units and water treatment plants.

On December 13, 2013 Grupo Rotoplas merged with its parent company, Industria Mexicana de Moldeo Rotacional, S.A. de C.V., becoming the holding company of its corporate group.

In 2014, Conmix merged with the subsidiary Rotoplas Argentina S.A. to consolidate and make the Company's operations in Argentina more efficient.

In September 2014 the Company entered the US market launching the production facility in Merced, California. This was in order to continue the expansion plans of the Company and to service the states of California, Nevada and Arizona.

On December 10, 2014 the initial public offering of shares of Grupo Rotoplas, S.A.B. de C.V. was held under the ticker symbol "AGUA". $4,182 million were raised by placing 144.2 million shares representing 29.7% of the company at a price of $29.0 pesos per share.

The proceeds will be used to finance capital investments and working capital in order to expand the business of individual solutions in the United States, consolidate its business solutions in Mexico and Brazil, as well as to finance growth through possible acquisitions.

### Principal Investments

The principal investments made by Grupo Rotoplas, S.A. de C.V. in the last three years were the expansion in Brazil by opening nine production facilities to meet government programs and strengthening operations and central services platform to serve all geographies where the Company operates in Mexico. In the last three years the Company has invested $282.6 million in Brazil and $404.9 million in Mexico.

The Company has sound administrative, operational, sales and business processes that allow it to grow rapidly, and has developed centralized shared services practices, all of which allowed it to evolve rapidly from a family business to an established institutional business.

## Business Description

## Main Activity

The water solutions of the Company, which focus on solving the problems of water management and supply that are common in the markets in which it operates (scarcity, low pressure and interrupted water service, lack of water and drinking water as well as lack of sanitation and health), are divided into two categories: individual solutions and integrated solutions. The Company believes that climate change may cause more prolonged droughts, which could generate an increase in demand for water solutions. The Company also believes that these longer droughts caused by climate change will generate increased demand for water solutions in the markets in which the Company participates.

*Seasonality*

Historically, the sales volume of the Company remains constant throughout the year. However, climatic conditions, especially long periods of rain, may affect the levels of demand for water storage solutions offered by the Company (such as systems of rainwater harvesting) because the excess water reduces storage needs for future use of its customers. Conversely, sales of these products generally increase during prolonged periods of drought because water scarcity increases storage needs. The occurrence of these climatic events and the consequences of climate change can have an adverse effect on the results of Grupo Rotoplas and can make it susceptible to seasonality.

*Individual Water Solutions*

The individual water solutions of the Company consist of products designed to store, carry and treat water, offering end users a final solution to their needs. The individual water solutions have historically been the Company's primary source of growth and revenue.

*Individual Water Storage Solutions*

The 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 with a storage capacity ranging between 250 liters and 25,000 liters and accessories.

Set forth below is a description of its individual water storage solutions of the Company. Unless otherwise stated, during the years 2012, 2013 and 2014 none of its individual water storage solutions represented more than 10% of the Company's total sales.

**Rotoplas Cisterns**


Cisterns are water tanks with a capacity ranging from 1,200 liters to 16,000 liters for residential use, usually installed underground in houses and buildings that they serve. These water tanks are made of a polyethylene outer layer and an antimicrobial inner layer (AB) that inhibits bacterial growth. The cisterns 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, that retains soil and sediment, preventing pipes from clogging and providing high-quality water. At the closing of 2012, 2013 and 2014, sales of cisterns represented 31.1%, 34.6% and 20.9% respectively of the Company's total sales.

**Rotoplas Industrial Tanks**


Industrial tanks have a storage capacity ranging between 250 and 25,000 liters. This high storage capacity tanks are ideal for various industries, and diverse uses. The tanks are offered in black and neutral (food grade) made with polyethylene and reinforcement. They are ideal to store water and 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. The Company offers tanks in two versions: balck and sand. In both instances, 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, by preventing photosynthesis. The Company offers basic water tanks and 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 and sold by the Company, that retains soil and sediment, preventing pipes from clogging and providing high-quality water. At the end of 2012, 2013 and 2014, sales of water tanks represented 33.2%, 28.5% and 26.0% respectively of the Company's total sales.

**Rotoplas Cone Bottom Tanks**


Cone bottom tanks are tanks with conical bottoms for ease of dosed or complete dispensing of the liquids stored. They have a storage capacity ranging between 600 to 14,000 liters.

**Rotoplas Hauling Tanks**


Hauling tanks are industrial tanks with a storage capacity ranging between 1,000 and 5,000 liters and are used for transport liquids. They 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*

The 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. The hydraulic pipes are produced with high-technology materials such as the antibacterial film that differentiates the Company’s pipes from CPVC and metal pipes. The manufacturing process employed to produce these solutions is extrusion.

Set forth below is a description of the individual water flow solutions. Unless otherwise stated, none of the individual water flow solutions represented more than 10% of the total sales of the Company during 2012, 2013 and 2014.

**Rotoplas Hydraulic Pumps**

Types of hydraulic pumps:

- 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.

**Sanitary Catch Pits**


The 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**

The 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.

The hydraulic pipes are made of two layers: a polypropylene outer layer that protects from UV rays and therefore may be installed outdoors without the need for recovering, 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.They are available in diameters ranging between 20 and 110 mm. At the closing of 2012, 2013 and 2014, sales of hydraulic pipes represented 14.2%, 11.7% and 11.2% respectively of the net sales of the Company.

**Tuboplus Sewer Pipes**

The 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. The sewer pipes are made of three layers of highly resistant polypropylene that protects from impacts and UV rays, which make it sun-resistant. 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. Available diameters range between 40 and 160 mm.

*Individual Water Treatment Solutions*

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. Individual water treatment solutions are produced in the injection facility and the rotomolding facilities.

Set forth below is a description of its individual water treatment solutions. Unless otherwise stated, during the years 2012, 2013 and 2014 none of the Company's individual water treatment solutions represented more than 10.0% of its total sales of the Company:

**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 its biodigesters range between 600 and 14,000 liters. Biodigesters also help prevent contamination of groundwater. We currently hold the patent of biodigesters.

**Water Heater**


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

**Rotoplas Water Filters**

Its water filters feature the Company's exclusive HydroNET® technology developed by us that retains 99% 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**

The 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 (2,400 liters). The Company's water purifiers are certified by Green Mortgage and Renew Your Home Credit programs sponsored by the INFONAVIT in Mexico, which allow individuals to obtain an additional credit amount when purchasing environmentally friendly products that reduce household spending due to family savings in water, energy and gas consumption.

**Reverse Osmosis Purifier**

The reverse osmosis purifier produces 100% 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 purifies 185 liters of water per day with a total yield of 33,000 liters per cartridge.

### *Integrated Water Solutions*

The 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 the Company's integrated water solutions. Unless otherwise provided, during the years 2012, 2013 and 2014 none of the Company's water treatment solutions represented more than 10.0% of the total sales of the Company:

**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 (optional), and is compatible with various types of pipes. At the end of 2012, 2013 and 2014, the sales of rainwater harvesting systems represented 0.0%, 5.6% and 22.7% respectively of the total sales of the Company.

**Outdoor Composting Bathroom (*Baño Digno*)**

The outdoor composting 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. The outdoor composing bathrooms are composed of a beige water tank, a self-cleaning biodigester, a toilet, a sink, hydraulic and sewer pipes and one sludge valve.

**Drinking Fountains**

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, which is why the drinking fountain arises from the need to improve nutrition and health of children in schools. Its main purpose is to purify water provided by municipal water supplies and to provide quality drinking water. The 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 2 modules: the purification module, confined in a metal cabinet for outdoor use, and the dispenser module that has three nozzles, and is safe for children as it is made from polyethylene.

**Wastewater Treatment Plant**


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 reducing bacteria. 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 Standards regarding water reutilization and use of sludge.

**Water Purifying Units**


Rotoplas' 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 pipe, together with Tuboplus pipes. They are ideal for hotels, hospitals, residential complexes and rural communities. These water purifying units are produced in different capacities to fulfill different needs: 5,000, 10,000, 24,000 and 30,000 liters per day. The Company offers 2 models: an ultrafiltration system and a reverse osmosis system.

## Raw Materials

The Company uses various raw materials, which come from both Mexican and foreign suppliers. The main raw materials used by the Company are polyethylene and polypropylene, which prices usually fluctuate as much as oil prices. An increase or substantial volatility in oil prices and its derivatives, or in the exchange rate of the peso against the dollar or the euro could affect the prices of raw materials imported from the United States, Brazil, Portugal and Italy, which in turn could affect the market price of the acquired by the Company to manufacture their products.

In recent years, prices of oil and its derivatives have suffered significant fluctuations in international markets. These fluctuations have increased production costs of the Company and therefore prices of water solutions. Although prices have not recently experienced severe fluctuations due to increased availability of gas in North America, future fluctuations in oil prices and its derivatives could cause increases in materials that the Company uses for its operations. The raw materials used by the Company include:

*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 the raw materials (compounding) facilities for the Company's operations.

*Polypropylene*

Polypropylene is an oil or gas derivative consisting of a semi-crystalline thermoplastic material. Polypropylene has many applications and is therefore considered as 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 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; also, it is the main component of shells and skeletons of many organisms (i.e. mollusks, corals) or eggshells. This material is mainly used in the production of individual water storage solutions as foam.

*Masterbatch*

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

## Distribution Network

The Company does not have a fleet of vehicles for the distribution of its products in any of the countries where it operates, it outsources to specialized transportation companies working together to ensure the same quality and correct manner and time of delivery. Therefore, the distribution system of the Company's products is done on two levels: primary and secondary.

The primary distribution system is the distribution that takes place between the manufacturing facilities of the Company, mainly between compounding facilities, injection facilities and extrusion facilities to other rotomolding facilities in Mexico and abroad. The primary distribution in Mexico and Central America is carried out by road. In Central America, the distribution is centralized in Guatemala, where it is supplied to the other CEDIS in the countries of the region. The primary distribution to Brazil, Peru, Argentina and Ecuador is carried by sea, for delivery to Brazil and Argentina the port of Veracruz is used and for Peru and Ecuador the port of Manzanillo, Colima is used. The company exports on average 100 containers per month for operations abroad.

The secondary distribution system is the distribution that takes place between the manufacturing plants of the company in Mexico and abroad to customers, in all cases outsourcing the services of specialized companies. The secondary distribution expenses for the for the water storage business unit are significantly higher than the cost for water improvement business unit because in this case the weight transported is very low with respect to the volume. The Company’s continued goal is to make distribution costs, both primary and secondary, more efficient. It does this through the CID through reengineering of water solutions.

The Company also uses the services of external companies specialized in distribution, installation and maintenance of individual and integrated solutions for projects of direct sales in government programs. The Company works closely with these companies to ensure that the facilities and distributions are made correctly and efficiently, this gives the company flexibility to expand operations when necessary.

## Patents, Licenses, Trademarks and Other Contracts

### Trademarks

The Company uses the Rotoplas trademark as the main brand through which it commercializes all water solutions. According to a study conducted by TNS in January 2014, Rotoplas is first in top-of-mind awareness in 75% of individuals seeking water storage solutions in Mexico and was ranked the most remembered brand for products of its kind in Mexico. The Company’s registered trademarks are well positioned in the market, with distributors, installers and consumers, who associate it with attributes such as quality, value, social responsibility and reliability. Due to the high recognition of the Rotoplas trademark, as well as its association with premium products and solutions, the Company is able to set its prices up to 20% above those of its competitors. The Rotoplas trademark positioning plays a very important role in generating demand where confidence in water solutions is key in the purchasing decision process. Positive associations to the Rotoplas trademark extend to new businesses of the Company.

Mexico Mexico, Argentina and Brazil
Peru

The Company follows a five-step communications plan to strengthen the brand and position it globally:

- Project a strategic long-term growth plan for the brand;
- 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 its entire portfolio of individual and integrated water solutions to show the real scope of the brand;
- Create independent lines of solutions and be established as leaders in the water solutions industry; and
- Strengthen foundations in order for Rotoplas to behave as a global brand.

The Company has registered the brands, slogans and logos of its most important water solutions in the countries where it operates and in others. Some of the trademarks and slogans registerd by the Company are *Rotoplas*, *Tuboplus*, *More and Better Water* (*Mas y Mejor Agua*) and *Acqualimp*. These brands are relevant because they identify the most important water solutions in terms of sale volumes of the Company in Mexico and abroad. The Company uses its brands in Mexico through its subsidiary Rotoplas, S.A. de C.V. and outside of Mexico through the respective local subsidiaries. Therefore, the Company has license agreements with all of these subsidiaries which allow them to use the brands.

***Patents***

The Company has a policy to protect its inventions and innovative processes through patents, utility models and industrial designs, in order to integrate and consolidate the intellectual capital of the Company in Mexico and in the countries where it operates. The Company predominantly operates with high-tech machinery and currently has a research and development center that constantly seeks protection for patentable inventions in Mexico and abroad. As of December 31, 2014, the Company had 24 patents, industrial designs and utility models mainly in Mexico and abroad, mainly in Argentina, Brazil, Costa Rica, Ecuador, Guatemala and Peru. As of the date hereof, none of the trademarks, licenses or patents are close to their expiration dates or subject to a renewal process.

**Contracts**

In the ordinary course of business, the Company has 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 operating needs and strategies. The Company considers that as of the date hereof, all contracts required for its operations are operating under normal conditions. The Company has 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."

As of December 31, 2014, the Company believes that it has not entered into any relevant contracts which performance or default by any of the contracting parties could significantly affect business and/or financial operations of the Company and its subsidiaries.

## Main Customers

The majority of the customers are authorized distributors of the Company's water solutions. Authorized distributors are customers who purchase water solutions to resell them to end-users in their different points of sale such as hardware stores, home centers and home improvement stores and construction supplies stores. Sales to distributors are made through direct purchases based on purchase orders; therefore the Company has no distribution agreements for these sales. The Company offers distributors wholesale and bulk discounts to encourage large purchase orders, generate new business and cultivate customer loyalty. Furthermore, the Company offers its distributors training and customer service programs to develop in-store merchandising support to sales representatives. The Company believes that having strong support in its customer's' points of sale is key to closing the loop between the end-user and the sale of water solutions.

The rest of the Company's customers are consistent direct customers, primarily government entities and agencies. As of December 31, 2014, the sales to governmental entities and agencies of Brazil represented 35.9% of the Company's total sales, 14.5% of which were sales to a single government entity. Except for this customer, none of the other customers accounted for more than 10.0% of the Company's total sales, meaning there is no significant customer concentration. Furthermore, given that the Company offers a broad range of solutions, it has a significant number of customers with diversified profiles.

The Company believes that its water solutions have a positive impact in the customer's day-to-day activities. According to a study by Vox Populi and Harvard University on the impact of the Company's water solutions in Brazil, families that had a rainwater harvesting system increased water consumption from 6.6 to 10.2 glasses per day, have increased their income by 23.% and have increased 5.5 more hours per week to customers by eliminating the need to manually collect water. In addition, 80.0% of its customers cook three meals at home and 98.0% use cistern water to cook.

Some of its distributors and major customers are El Surtidor del Hogar, The Home Depot, Maestro, Leroy Merlin, Kuroda, Telhanorte, Boxito Group, Easy Cencosud Home & Construction; and with respect to its major customers and distributors of the public sector they are the Federal Government and the Government of the State of Mexico in Mexico, Funasa, the State Government of Ceara, ATS, the Brazilian Ministry of Health, and the Government of Minas Gerais, Brazil.

### Geographic Markets

The Company operates in three different regions, which are reported as three different geographic markets. The Company operates in these different geographic markets through its subsidiaries. The Company's subsidiaries follow the *Rotoplas Way* and are managed by local executives with strong knowledge of local markets in which they operate.

***Mexico***

The Company was formed and began operations in Mexico in 1978 and since then Mexico has historically been the Company's most important source of revenue and operations. Mexico has eight rotomolding facilities, one raw materials (compounding) facility and one extrusion facility, as well as distribution centers located in the states of Chiapas, State of Mexico, Guanajuato, Jalisco, Federal District, Nuevo León, Sinaloa, Veracruz and Yucatán which provides national coverage. For 2012, 2013 and 2014 sales in Mexico were $2,595.5 million, $2,627.5.8 million and $3,067.9 million, respectively. For 2014, sales in Mexico accounted for 46.2% of the Company's sales, making it the Company's first source if income.

Due to its history and presence, Mexico is the country with furthest consolidation in the three business units and the five sales channels.

In addition to the business operations in the country, 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 rotomolding facilities of the Company (except for rotomolding facilities located in Brazil);

- The production and delivery of accessories for all of the Company's water solutions;

- The production and delivery of all individual water flow solutions of the Company;

- A service center that implements shared and centralized processes for all the countries where the Company operates 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 the research and development center, which develops new water solutions adapting global technologies to improve manufacturing processes.

***Government Programs and Opportunities in Mexico***

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

*Fight Against Hunger*

In 2013, the Company won a public bid at a national level for the acquisition, distribution and installation of rainwater harvesting systems and outdoor composting bathrooms as part of the federal government's initiative *Fight Against Hunger (Cruzada Contra el Hambre)* promoted by SEDESOL.

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 involves a model to address causes of extreme poverty and famine with a comprehensive approach that addresses all the dimensions of wellbeing. According to SEDESOL, this initiative involves the combination of resources and actions of at least 70 federal programs sponsored by 19 agencies, and state and municipal governments. In January 2013, this strategy which goal is to end food extreme poverty that affects 7.01 million Mexicans began.

In addition to the procurement of high-volume programs such as Fight Against Hunger, the Company is also involved in small-scale public bids, directly or through distributors.

According to the Company's internal research, it believes the market size for its rainwater harvesting systems and outdoor composting bathrooms in Mexico to be approximately 1.6 million units and 3.9 million units, respectively.

*Drinking Fountains in Schools*

Throughout 2014, the Company won public bids to install and maintain drinking fountains in schools.

These contracts are 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. As part of this initiative, in March 2014, the Mexican congress enavted the General Law of Physical Education Infrastructure which regulates, among other things, the minimum infrastructure requirements mandatory for all facilities in Mexican public and private schools. This law requires 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: sale contracts, whereby the government will buy and drinking fountains without any added services, and long-term lease agreements, which will include added services such as installation and maintenance for the duration of the lease.

The Company expects that this demand for drinking water in public and private schools represents a unique opportunity. Recently, the Company developed affordable and durable drinking fountains made of polyethylene that are specifically designed for use by children. The Company expects to leverage its high service and quality standards offered to its customers, operational efficiency and innovative water solutions to take advantage of this business opportunity.

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

The Company's participation in these programs is consistent with its goal to provide access to clean water, offering innovative and value-added water solutions aimed at improving the quality of life of people. The Company has the proven ability to successfully participate in major government processes and execute large-scale government contracts. The Company believes that their production capacity, infrastructure, competitive prices, quality and experience increase its opportunities to obtain new government contracts.

The Company intends to continue applying its internal controls in order to prevent bribery and corruption within its organization.

***Brazil***

The Company began operations in Brazil in 2001. Historically, Brazil has represented the second most important source of revenue for the Company. Sales efforts in Brazil are divided into two divisions: Acqualimp Brazil, which sells individual and integrated water solutions, and APS, which is focused on government contracts to supply its water solutions under government programs. At the end of 2014, the Company had 7 rotomolding facilities located in the states of Alagoas, Bahía, Ceará, Minas Gerais, Pernambuco and Piauí and one raw materials (compounding) facility located in the state of Bahia, therefore the Company has achieved the succesfull installation of facilities in remote areas of Brazil. Acqualimp Brazil uses one rotomolding facility of the Company for its operations, located in Extrema, Minas Gerais which distributes solutions to suppliers in southeastern Brazil, in the states of Espírito Santo, Rio de Janeiro, São Paulo and Paraná. APS uses 7 rotomolding facilities of the company for its operations, covering northeastern Brazil. Throughout 2014, the operations of the Company in Brazil accounted for 43.2% of their consolidated sales.

***Government Programs and Opportunities in Brazil***

According to the BBC (British Broadcasting Corporation) Brazil is currently amidst the worst drought in the last 80 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" (*Brasil sin Miseria)*, which combines all the major social programs in the country and involves a comprehensive and innovative plan to help approximately 15 million people living in extreme poverty through the use of technology.

According to information from the Brazilian Ministry of National Integration, the semiarid region in Brazil covers an area of 980.1 million $km^2$, in which 1,135 municipalities are located within nine Brazilian states, making this 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% of the total population in Brazil, 8 million of which live in rural areas. Due to the intense heat that characterizes this region, evaporation renders shallow water containers useless. The experience and infrastructure of the Company give it the ability to continue winning calls for public bids from several entitites in the Brazilian government.

According to the internal research of the Company, it believes the market size in Brazil for its rainwater harvesting systems and outdoor composting bathrooms is 4.6 million and 6.4 million units, respectively.

*Water for Everyone*

In the last few years, the Company won several public bids and therefore was 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 named *Water for Everyone*. Under the P1 MC plan (one of the first general government programs), the federal government of Brazil provided cisterns and rainwater harvesting systems made of cement, which were costly and difficult to install. As part of the program *Water for Everyone,* the Company leveraged its ability to revolutionize the market and worked alongside the government of Brazil to introduce cisterns made of polyethylene. In three years, the Company was able to install approximately the same number of polyethylene cisterns as cement cisterns installed in the previous ten years.

The program *Water for Everyone* is part of the PAC 2 (Growth Acceleration Program) launched in 2010 by the federal government as as part of the Brazil without Extreme Poverty Plan (*Plan Brasil Sin Miseria)*. The PAC 2 contemplates resources of R$1.59 billion reais in various sectors such as transportation, energy, culture, environmental, health, social and housing, focused on increasing the purchasing capacity and welfare of the underprivileged population. Under the program *Water for Everyone*, coordinated by the Ministry of National Integration, it 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 are already benefiting from polyethylene cisterns with rainwater harvesting capabilities, which provides better health and quality of life.

According to The Economist, rainwater harvesting in northeastern Brazil has helped reduce extreme poverty in the region, the money invested in programs such as *Water for Everyone* during the last decade, has helped 36 million Brazilians out of the poverty and in the last month, the Food and Agriculture Organization of the United Nations eliminated Brazil from the World Hunger Map.

*Acqualimp Brazil Initiative*

In 2013, the Company launched a new business plan initiative denominated Acqualimp Brazil. This plan includes specific actions to improve the Company's brand recognition in Brazil. This plan is aimed at consolidating the Company's brand in the different regions, allowing it to have a higher market share. The Company will use its production facilities for APS and its established distribution network in the northeastern part of Brazil to generate operational synergies with Acqualimp Brazil.

***Others***

The Company also has operations in Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua in Central America, Peru, Argentina and Ecuador in South America and in the states of Arizona, California and Nevada, in the United States of America. These operations of the Company include the production, marketing and sale of individual water storage, flow and treatment solutions and integrated water solutions. At the end of 2014, the Company had 5 rotomolding facilities located in Guatemala, Peru (province of Lima), Argentina (provinces of Buenos Aires and Tucumán) and the United States of America (California) and 4 distribution centers located in Costa Rica, El Salvador, Honduras and Nicaragua. In 2014, the Company's operations in such countries represented 11.1% of the consolidated sales. According to the Company's internal research, the Company believes the market size in this region for its rainwater harvesting systems and outdoor composting bathrooms is approximately 850.0 thousand and 2.2 million units, respectively.

*Central America*

The Company began operations in Central America in 1996 with one rotomolding facility in Guatemala. This opening was the Company's first effort to expand operations internationally. The Company has operations in several countries in the region such as Belize, Costa Rica, El

Salvador, Guatemala, Honduras and Nicaragua, currently the Company has one rotomolding facility in Guatemala and four distribution centers. In this region water storage and treatment product units are sold.

*Peru*

In 1998, the Company began operations in Peru and currently has a rotomolding facility located in the province of Lima and one distribution center. Throughout its history the country has catered to various distribution channels such as traditional, government and organized business.

*Argentina*

The Company began operations in Argentina in 1997 with one rotomolding facility and with the sale of individual water storage solutions, such as water tanks, industrial tanks and cisterns. The Company has two rotomolding facilities located in the provinces of Tucuman and Buenos Aires.

In November 2011, the Company acquired in the provinces of Tucumán and Buenos Aires, the company Conmix dedicated to the business of producing and selling polyethylene tanks used in home and in the agriculture sector. Conmix operated two trademarks, *Tinacos* and *Forteplas*, which hold an estimated 20% market share according to its internal studies. As previously mentioned, Conmix was acquired with the purpose of increasing a leadership position in the country, lowering production costs through a larger scale and using sales channels to strengthen Rotoplas' business.

*United States*

In September 2014, the Company commenced operations in the states of Arizona, California and Nevada, in the United States of America. The operations of the Company in such country as of December 21, 2014 involved operations and machinery tests in order for the future marketing and sale of individual water storage solutions such as industrial tanks and water tanks for agricultural use. As of December 31, 2014, it had one rotomolding facility located in central San Joaquin Valley, California.

*Ecuador*

The Company keeps an investment in Dalkasa Ecuador, dedicated to the production and commercialization of individual water storage and treatment solutions. The Company does not exercise control, nor joint control over Dalkasa Ecuador and in accordance with IFRS, the Company has significant influence over Dalkasa Ecuador's affairs since it is represented in its board of directors, participates in the decision making process of important decisions and transactions, and also provides technical information.

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

| Sales in grographical markets | Year ended December 31, | | |
| --- | --- | --- | --- |
| | 2014 | 2013 | 2012 |
| | (in million Pesos) | | |
| Mexico ...................... | 3,067.9 | 2,627.5 | 2,595.8 |
| Brazil......................... | 2,756.3 | 2,036.5 | 1,395.1 |
| Others........................ | 727.5 | 747.8 | 689.1 |
| **Total ....................** | **6,551.8** | **5,411.8** | **4,680.0** |

**Competition**

The Company competes against multinational, regional and local enterprises in each of the markets in which it operates. The Company believes that the main strengths that distinguish it from its competitors are the quality of the water solutions, its efficient manufacturing processes and unique distribution network and its assisted sales process and customer service. The Company believes that these strengths have allowed them to maintain market leadership in the countries where it operates, except for Brazil, particularly in terms of sales of individual water storage solutions. The Company holds the second largest market share in Brazil according to internal studies. The Company considers that it has a strong brand recognition which allows for new water solution products to be well received in the market, communicating their same message of quality and value.

## Applicable Laws and Tax Situation

The Company is subject to the general applicable regime in commercial, corporate governance and environmental regulation matters, both at the federal and local levels. Such regime includes laws and their respective regulations applicable to the Company's activities. The following legal ordinances are included in such regime: the Commerce Code, the Mexican Corporations Law, the Securities Market Law, 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 the Company's 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 also applicable to the activities of the Group 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, the Company is required to comply with 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.

Furthermore, the Company's operations are subject to certain technical standards in Mexico. 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 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 |

| Norm | Issuing Agency | Country | Description |
|---|---|---|---|
| GR-TPS-20-ET | CERTIMEX | Mexico | Compliance with specification as a reliable supplier for sanitary piping, tubing and fittings |

Note: For norm NMX C374 ONNCCE CNCP version 2012 is applicable.

***Brazil***

The operations of the Company 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) |

**Tax Situation**

The Company is subject to payment of income tax the jurisdictions in which it operates. The main components of the Company's tax expense consist of income taxes incurred in Mexico and Brazil. The income tax expense of the Company consists of taxes incurred and deferred taxes, computed based on the requirements of IFRS as explained in Note 24 to the Financial Statements. The Company does not consolidate its subsidiaries for tax purposes. The Company and its subsidiaries are in compliance with all of their applicable tax obligations.

In Mexico, the Company is taxed pursuant to the general regime provided by the Income Tax Law and has no special tax benefit, nor has it been subject to any special tax derived from its own activities.

In Brazil, the Company is subject to income tax and social contribution on net profit based on the actual profit system (annual). The Company has reduced ICMS tax incentives for operations carried out in units Penedo-AL, Petrolina-PE and Extreme-MG. These incentives are granted by the Ministry of the Treasury derived from industrial development programs of the respective States.

## Human Resources

At the end of 2014, the Company had 2,703 employees. The following table sets forth the number of employees of the Company in accordance with their functions at such time:

| | As of December 31, 2014 | | | |
|---|---|---|---|---|
| | **Mexico** | **Brazil** | **Others** | **Total** |
| **Employees** ......... | (Number of Employees) | | | |
| Administrative | 410 | 154 | 124 | 875 |
| Sales ...... | 185 | 74 | 82 | 341 |
| Operations | 577 | 321 | 153 | 1,487 |
| **Total** .............. | **1,172** | **549** | **359** | **2,703** |

As of December 31, 2014, employees were members of the following unions in Mexico:

- Operators, Mechanics, Auxiliary, and Similar Workers Union of the Mexican Republic *(Union de Operadores, Mecanicos, Ayudantes y Similares de la Republica Mexicana).*
- 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 December 31, 2014, 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 December 31, 2014, 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, relations between the Company and such unions have been cordial and up to the date of this report the Company has never suffered any strike or lockout. The Company periodically renegotiates wages and benefits of its union employees in accordance with applicable laws of the different countries where it operates. See "Labor Legislation" section.

As of December 31, 2014, the Company had 1,568 unionized employees, of which 950 were located in Mexico, 530 in Brazil and 88 in Argentina. All unionized employees belong to the operational staff.

***Labor Legislation***

*Mexico*

The Constitution of the United Mexican States provides minimum rights for employees, including, among other things, the length of the working day depending on the shift, minimum wage, the right to the payment of a Christmas bonus, vacation entitlement and the payment of vacation bonus, and the right to compensation in case of unjustified dismissal. The Federal Labor Law regulates in detail individual labor relationships as well as collective ones. All workers are entitled to assistance from the Mexican Social Security Institute (IMSS) and to obtain loans to purchase homes through the National Workers' Housing Fund Institute (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.

*Brazil*

Labor agreements in Brazil are subject to Brazilian labor laws and regulations as well as to collective bargaining agreements or negotiations with trade unions. The laws and regulations in Brazil govern almost every aspect of the employment relationship and do not leave much room to negotiate with employees. Agreements with employees generate obligations for the parties and must comply with the law. The Brazilian Labor Code mainly regulates the rights of employees to receive payment of holiday bonus, paid medical leave and up to 50% additional daily wages for extra time, among other things. Brazilian law generally requires payment equal to 50% of the employee's salary for compulsory redundancy fund or unemployment fund "FGTS". FGTS funds may also be withdrawn when the employee retires, dies or his employment is terminated without any grounds, among others. Employers in Brazil are required to acquire health insurance for employees, if and when provided in the labor agreement or law, and employers are required to cover all costs of transportation and food when the employee required to take a business trip. Both employees and employers in Brazil are required to pay contributions to the National Insurance Institute, similar to the "Mexican Social Security Institute" in Mexico. These mandatory contributions include contributions to the labor insurance for occupational accidents and diseases. In accordance with the Law 6957/2009, such portion of the contribution varies from 1% to 3% of the salary. All employees in Brazil are represented by a union to which the Company carries out contributions. The law authorizes the Company to deduct compulsory union contributions from employees' wages.

## Environmental Performance

*Mexico*

In Mexico, the applicable legal framework for environmental protection is comprised of the provisions of the General Law of Ecological Balance and Environmental Protection and its regulations (the LGEEPA), the Law for the Prevention and Integral Management of Wastes and its Regulations (the Waste Law), the General Law on Sustainable Forest Development and its Regulations (the Forest Law), the General Wildlife Law and its Regulations, the National Water Law and its Regulations (the Water Law), the General Law on National Assets and its Regulations, the Regulations for the Land Transport of Hazardous Materials and Wastes, the Regulations for the Protection of the Environment against Pollution caused by Noise Emission, various Official Mexican Standards (NOMs) and laws and regulations of the states and municipalities where its projects and facilities are located (collectively, the Environmental Law).

The LGEEPA establishes the legal framework applicable to the environmental impact procedure and the release of pollutant emissions to the air. In addition, the Waste Law regulates the generation and management of hazardous materials and wastes and discharge of polluting materials to the soil.

The Regulations on Environmental Impact Assessment issued under the LGEEPA regulate the procedure for assessing environmental impact, which is the process through which the Ministry of the Environment and Natural Resources (SEMARNAT) authorizes or rejects the environmental impact study of a particular project. All changes or deviations from the original project should be carried out in accordance with Environmental Legislation, which in some cases requires obtaining prior authorization from SEMARNAT or the competent environmental authorities.

In addition, the Company shall comply with certain administrative regulations in Mexico relating to environmental protection: obtaining operating licenses, company generating hazardous waste manifesto, delivery manifesto, transportation and final disposal of hazardous waste, risk assessment study for high-risk activities and, in the case of new facilities or expansions, environmental impact assessment study and risk analysis, land use license, waste discharge permits and concession titles for the use and exploitation of national waters, as applicable, 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 the SEMARNAT, acting through the Federal Attorney General for Environmental Protection.

The lack of compliance with Environmental Legislation may result in the imposition of fines and administrative sanctions; revocation of concessions, authorizations, licenses, permits or registrations; administrative arrests; the attachment of polluting equipment; temporary or permanent closure of facilities; and imprisonment, in the event that the respective violations are classified as crimes.

The Company believes that it has the necessary permits and authorizations to operate all its projects and facilities; and that it is in substantial compliance with the Environmental Legislation. Currently, the Company is not aware of any judicial or administrative proceeding relating to compliance of the Environmental Legislation. The amendments to Environmental Legislation to which it is subject or that may affect its operations could require the Company to make additional investments to remain in compliance with such law, and such fact could have a material adverse effect on its financial condition or results of operation.

The Company has sporadically participated and continues to participate in various environmental programs in order to provide a benefit to society. Currently, the Company is not consistently involved in any environmental program.

It should be noted that currently all the Company’s plants in Mexico are ISO 9001 certified; additionally, the plants located in Leon, Guanajuato and Lerma, State of Mexico, are operating under the ISO 14001 environmental certification and ISO 18001 security certification. The Company in its commitment to society has decided to undertake a project to implement the ISO 18001 security certification in all its facilities.

## The Water 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. The Company intends to continue with this type of approach, positioning the Company firmly in the water market industry. The slogan "more and better water for people" ("que la gente tenga más y mejor agua") confirms the Company's 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% through 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.

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Source: “Water and energy” *The United Nations World Water Development Report 2014*
Source: "*La problemática del agua en México y el mundo*." *Universidad Iberoamericana*

*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.

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Source: "Water, Sanitation and Hygiene." *UNICEF*, 2010
Source: "Progress on Sanitation and Drinking Water." World Health Organization, 2010
Source: "Water and energy." *The United Nations World Water Development Report 2014*

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. Brazil has the worst drought in 84 years, with several cities (including San Pablo ) at the risk of running out of water. 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. 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.

Source: "Managing Water under Uncertainty and Risk." *The United Nations World Water Development Report 4*: Page 205. Web.

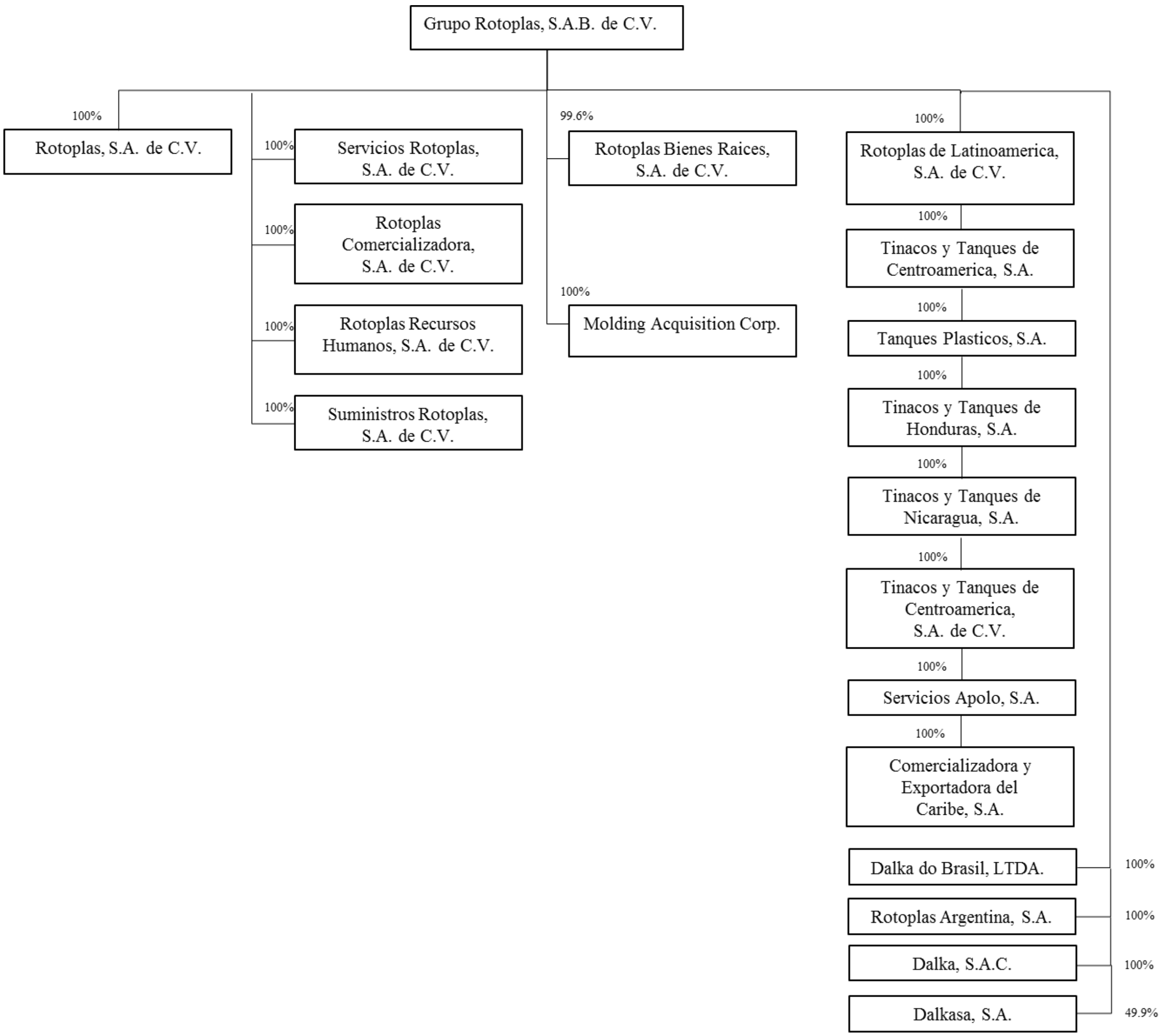
Brazil, in turn, has managed to increase the amount of people with access to drinking water by 15.0% between 2000 and 2012; however, the report shows that it has not yet reached its goal to increase the use of sanitation or sewage services within its population.

With respect to the rest of the countries where the Company operates, the 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 and sewage services.

As a result, the Company believes that there is potential for expansion of the Company's operations in the countries where it operates 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.

## Corporate Structure

The graphic below depicts the corporate structure of the Company:




The Company owns, directly or indirectly, 100.0% of the capital stock of each of its investments, except for (i) Rotoplas Bienes Raíces, S.A. de C.V., where a 0.41% ownership interest is held by certain individuals, and (ii) Dalkasa Ecuador, where the Company holds a 49.9% ownership interest.

*Business relationships with subsidiaries*

The only two significant subsidiaries of the Company are Rotoplas, S.A. de C.V. and Dalka do

Brasil, LTDA., which contribute more than 10.0% of the Company's net consolidated profit, and with whom the Company has the following business arrangements:

a) With

Rotoplas, S.A. de C.V.:

b) With

Dalka do Brasil, LTDA.:

- \- Services agreement, entered into in September 2009, relating to advisory services aimed at improving the development of trademarks and patents, and which has been automatically renewed every year.

- \- Revolving credit facility, entered into in January 2006, relating to reciprocal remittances between the parties, which balance and total outstanding and available loan amount for each party in respect of the other is determined by the end of each calendar year. The term of this agreement is indefinite.

  \- Trademark license agreement, entered into in November 2005, relating to the license to use any trademark of the Company to the subsidiary. The term of this agreement is indefinite.

  \- Trademark license agreement, entered into in July 2006, relating to the license to use any trademark of the Company to the subsidiary, free of charge. The term of this agreement is indefinite.

With respect to the Company's associated company, Dalkasa Ecuador, is it not a significant associated company since it does not contribute more than 10.0% of the Company's net consolidated profit.

## Description of the Company's Key Assets

In Mexico, the Company owns or leases property it uses as part of its operations. The Company has not granted a security interest in any of its properties or key **assets owned by it.**

**Production Facilities and Distribution Centers**

As of December 31, 2014, the Company had 24 production facilities and five distribution centers strategically located in Mexico, Brazil, Argentina, Central America, Peru and the United States.

**Production Facilities**

The Company has four different types of production facilities:

*Rotomolding facilities*

The Company produces most of its water solutions at its 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.

The Company's 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. The Company's rotomolding facilities are strategically located within a reasonable distance of where its 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 the Company's 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.

The Company's rotomolding process consists of four different stages: raw materials unloading process, manufacturing, finished product and warehouse. The Company's rotomolding facilities receive raw materials for production from its raw materials (compounding) facility and receive components and accessories from its injection facility. The Company's rotomolding facilities also serve as warehouses for its inventory. The Company's distribution network starts at these production facilities from where solutions are delivered to its customers. As of December 31, 2014, the Company had 20 rotomolding facilities; eight of which were located in Mexico, seven in Brazil, one in Peru, two in Argentina, one in Guatemala and one in the United States.

During the second quarter of 2014, the Company closed a production facility in Cabo de Santo, Pernambuco, in Brazil, and during the fourth quarter the Company closed a production facility in Palmas, Tocantins, in Brazil. The Company's decision to close these facilities was driven by its constant effort to create distribution efficiencies and reduce operating costs. All the equipment installed and located at these facilities was diverted to other production facilities in Brazil in order to maintain the Company's steady production capacity and its ability to satisfy consume demand.

*Raw materials (compounding) facilities*

The Company's raw materials (compounding) facilities produce the compound used in its rotomolding process. The Company processes raw materials at these facilities by mixing polyethylene pellets with color and additives such as bacteria repellents to create a value-added compound. The entire compound produced at the Company's raw materials (compounding) facilities is for internal use and it is not sold to third parties. As of December 31, 2014, the Company had two raw materials facilities located in Mexico (in charge of the distribution of compound to all of its rotomolding facilities located outside Brazil) and Brazil (in charge of the distribution of compound to its rotomolding facilities located in Brazil).

*Injection facility*

The Company's injection facility produces most of the components and accessories that complement its water storage and treatment solutions. The Company's 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 the Company's 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 the Company's injection facility are for internal use and are not sold to third parties. As of December 31, 2014, the Company had one injection facility located in Mexico.

*Extrusion facility*

The Company produces all of its hydraulic and sewer pipes and some of its water flow solutions and accessories at its 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 the Company's extrusion facility are for internal use and are not sold to third parties. As of December 31, 2014, the Company had one extrusion facility located in Mexico.

Currently, all of the Company's 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. Based on its commitment with the community, the Company currently expects that it will be able to implement the ISO 18001 security certification in all of its all facilities.

The table below sets forth certain information about the Company's 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 |
| MAC/Rotoplas USA | Merced | California | US | Rotomolding | 26,300 | 2,000 | - | Local | Leased | - |

(1) This facility is partially owned by the Company and it leases an adjacent property.

(2) Units.

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

The Company maintains insurance in all its production facilities covering various risks, including damages, civil liability, and criminal activity. The Company believes that its insurance coverage is similar to that of other companies in the industry and in line with industry standards.

*Distribution Centers*

As of December 31, 2014, the Company had five distribution centers located in Mexico, Costa Rica, El Salvador, Honduras and Nicaragua. The Company leases all the properties where its distribution centers are located. The Company stores its inventory and finished solutions at its distribution centers. Like its rotomolding facilities, the Company's distribution centers are located in strategic locations within a reasonable distance of where its water solutions are to be distributed, delivered or installed in order to reduce distribution and transportation costs. The Company does not carry out any production or manufacturing processes within its distribution centers.

**Insurance**

The Company maintains insurance in all the countries where it operates covering various risks, including damages, civil liability, criminal activity, life insurance and major medical expenses for certain of its employees. The Company also maintains insurance on the transportation of equipment and inventory. The Company maintains 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 the Company, its shareholders and third parties for decisions inadequately taken by the Company's directors and officers in the performance of their duties.

The Company believes that its insurance coverage is similar to that of other companies in the industry and in line with industry standards.

## Legal and Administrative Proceedings

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

The Company is currently not aware of any threatened legal proceedings against it and the Company is not subject to any bankruptcy proceeding.

**Judicial, administrative or arbitration proceedings**

At December 31, 2014, the Company was not party, in Mexico or abroad, to any judicial, administrative or arbitration proceedings relating to intellectual property outside the ordinary course or that could have a material adverse effect on its operations.

### Shares of capital stock

See Description of capital stock and bylaws.

### Dividends

The declaration, amount and payment of dividends must be approved by the Company's ordinary 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 the Company enters into in the future and by its subsidiaries' ability to pay dividends to the Company.

The Company currently does not have a dividend policy. Any policy and the payment of dividends would be subject to the approval of its ordinary shareholders' meeting, applicable law and will depend on a number of factors, including the Company's results of operations, financial condition, cash requirements, future prospects, taxes, the terms and conditions of future debt instruments that may limit its ability to pay dividends and other factors that its board of directors and shareholders deem relevant.

The Principal Shareholders currently have and will continue to have, significant influence in the approval of any dividend policy and matters related to the payment of dividends.

In 2012, the Company did not pay any dividends to its shareholders since it reinvested its retained earnings in such years to finance its growth and optimize its manufacturing processes. In 2013 and 2014, the Company paid dividends to its shareholders in the amount of $[641.4] million and $[276.1] million, respectively.

## FINANCIAL INFORMATION

### Selected financial information

The following selected financial information should read in conjunction with the Company's Financial Statements and the sections "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The financial information set forth in the following tables derives from the Audited Financial Statements included elsewhere in this report. The audited financial information included in this report has been prepared in accordance with IFRS and the related interpretations as issued by the IFRIC. In accordance with the Regulations, starting from the year ended December 31, 2012, companies with shares listed on the BMV must prepare and present their financial information in accordance with IFRS.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in millions of pesos)[1] | | |
| **Income statement data:** | | | |
| Net sales | 6,551.8 | 5,411.8 | 4,680.0 |
| Cost of sales | 4,037.5 | 3,210.0 | 2,846.0 |
| Gross profit | 2,514.3 | 2,201.8 | 1,834.0 |
| Operating expenses | 1,816.0 | 1,552.7 | 1,346.8 |
| Other expenses (income), net | - | 3.6 | (8.9) |
| Operating income | 698.3 | 645.5 | 496.0 |
| Finance income | (114.4) | (107.1) | (221.3) |
| Finance expense | 236.6 | 239.4 | 325.2 |
| Finance costs, net | 122.2 | 132.4 | 104.0 |
| Share of results of associate | (1.1) | (1.0) | (0.7) |
| Profit before income tax | 577.2 | 514.2 | 392.8 |
| Income tax | 160.4 | 77.7 | 48.0 |
| Net consolidated profit | 416.8 | 436.5 | 344.7 |
| Profit attributable to: | | | |
| Controlling interest | 416.9 | 435.3 | 343.8 |
| Non-controlling interest | (0.1) | 1.2 | 1.0 |
| EBITDA | 859.5 | 805.4 | 626.4 |
| Total debt/EBITDA[2] | 1.40 | 1.64 | 1.25 |
| Net debt/EBITDA[2] | (3.20) | 0.95 | 1.01 |
| EBITDA/Finance costs, net | 7.03 | 6.08 | 6.03 |
| Earnings per share | 1.20 | 1.30 | 2.43 |

| | As of December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in millions of pesos) | | |
| **Balance sheet data:** | | | |
| **Current assets**: | | | |
| Cash and cash equivalents | 3,944.8 | 557.5 | 148.4 |
| Accounts receivable | 1,725.5 | 1,253.1 | 782.3 |
| Related parties | 5.1 | 7.6 | 1.4 |
| Recoverable income tax | 99.3 | 30.1 | 25.3 |
| Other recoverable taxes | 147.0 | 289.5 | 222.8 |
| Inventories | 876.9 | 645.4 | 647.1 |
| Prepaid expenses | 133.0 | 15.3 | 8.2 |
| Total current assets | 6,931.6 | 2,798.5 | 1,835.5 |
| **Non-current assets:** | | | |
| Related parties | 49.8 | 49.4 | 45.8 |
| Investment accounted under the equity method | 7.8 | 6.8 | 5.7 |
| Property, plant and equipment, net | 1,196.1 | 1,230.9 | 1,241.9 |
| Intangible assets | 108.4 | 94.2 | 109.0 |
| Deferred income taxes | 200.7 | 197.3 | 135.5 |
| Derivative financial instruments | - | - | 3.6 |
| Guarantee deposits | 41.7 | 35.4 | 36.0 |
| Total non-current assets | 1,605.9 | 1,613.9 | 1,577.6 |
| Total assets | 8,536.1 | 4,412.3 | 3,413.0 |
| **Liabilities and stockholders' equity** | | | |
| *Current liabilities:* | | | |

| | | | |
|---|---|---|---|
| Short-term bank loans | 10.0 | 107.7 | 396.4 |
| Accounts payable | 579.4 | 406.2 | 501.0 |
| Other accounts payable | 359.2 | 444.1 | 241.9 |
| Accrual of expenses | 28.7 | 19.3 | 10.7 |
| Income taxes payable | 51.6 | 80.6 | 38.9 |
| Other taxes payable | 63.3 | 97.4 | 92.8 |
| Employees' profit sharing | 10.9 | 16.4 | 18.0 |
| Total current liabilities | 1,103.1 | 1,171.7 | 1,299.6 |
| *Long-term liabilities:* | | | |
| Long-term bank loans | 1,200.8 | 1,215.9 | 387.5 |
| Employee benefits | 7.5 | 5.5 | 11.8 |
| Deferred income taxes | 34.0 | 45.2 | 34.7 |
| Derivative financial instruments | 25.3 | 2.2 | - |
| Total long-term liabilities | 1,267.6 | 1,268.7 | 434.0 |
| Total liabilities | 2,370.7 | 2,440.4 | 1,733.6 |
| **Equity:** | | | |
| Capital stock | 5,211.3 | 1,176.8 | 539.7 |
| Premium on share issuance | 33.8 | 29.5 | 29.5 |
| Retained earnings | 897.6 | 715.2 | 921.3 |
| Foreign currency translation adjustment | (177.0) | (190.3) | (50.9) |
| Revaluation surplus | 196.1 | 237.2 | 237.2 |
| Equity attributable to: | | | |
| Controlling interest | 6,161.8 | 1,968.4 | 1,676.8 |
| Non-controlling interest | 3.5 | 3.5 | 2.6 |
| Total stockholders' equity | 6,165.4 | 1,971.9 | 1,679.5 |

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

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(in millions of pesos)** | | |
| **Individual Solutions** | | | |
| Net sales | 4,850.5 | 4,963.2 | 4,636.2 |
| Operating income | 571.8 | 587.3 | 492.3 |
| *Plus* | | | |
| Depreciation and amortization | 98.6 | 133.5 | 126.2 |
| Charitable donations | 16.8 | 12.1 | 2.6 |
| EBITDA | 687.2 | 732.8 | 621.1 |

| | | | |
|---|---|---|---|
| **Integrated Solutions** | | | |
| Net sales | 1,701.3 | 448.6 | 43.8 |
| Operating income | 126.5 | 58.3 | 3.7 |
| *Plus* | | | |
| Depreciation and amortization | 39.2 | 13.2 | 1.5 |
| Charitable donations | 6.6 | 1.1 | - |
| EBITDA | 172.3 | 72.6 | 5.3 |
| **Total** | | | |
| Net sales | 6,551.8 | 5,411.8 | 4,680.0 |
| Operating income | 698.3 | 645.5 | 496.0 |
| *Plus* | | | |
| Depreciation and amortization | 137.8 | 146.6 | 127.8 |
| Charitable donations | 23.4 | 13.2 | 2.6 |
| EBITDA | 859.5 | 805.4 | 626.4 |

## Selected Financial Data by Type of Solution

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

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(in millions of $, except percentages)** | | |
| **Individual Water Solutions** | | | |
| Net sales | 4,850.5 | 4,963.1 | 4,636.2 |
| EBITDA | 687.2 | 732.8 | 621.1 |
| EBITDA margin (%) | 14.1% | 14.8% | 13.4% |
| **Integrated Water Solutions** | | | |
| Net sales | 1,701.3 | 448.7 | 43.8 |
| EBITDA | 172.3 | 72.6 | 5.3 |
| EBITDA margin (%) | 10.1% | 16.2% | 12.1% |
| **Total** | | | |
| Net sales | 6,551.8 | 5,411.8 | 4,680.0 |
| EBITDA | 859.5 | 805.4 | 626.4 |
| EBITDA margin (%) | 13.1% | 14.9% | 13.4% |

### Net Sales by Geographic Market

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

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(in millions of pesos)** | | |
| **Mexico** | | | |
| Net sales | 3,067.9 | 2,627.5 | 2,595.8 |
| EBITDA | 543.6 | 469.2 | 407.9 |
| EBITDA margin (%) | 17.7% | 17.9% | 15.7% |

| | | | |
|---|---|---|---|
| **Brazil** | | | |
| Net sales | 2,756.3 | 2,036.5 | 1,395.1 |
| EBITDA | 293.4 | 313.1 | 174.2 |
| EBITDA margin (%) | 10.6% | 15.4% | 12.5% |
| **Others** | | | |
| Net sales | 727.5 | 747.8 | 689.1 |
| EBITDA | 22.5 | 23.1 | 44.2 |
| EBITDA margin (%) | 3.1% | 3.1% | 6.4% |
| **Total** | | | |
| Net sales | 6,551.8 | 5,411.8 | 4,680.0 |
| EBITDA | 859.5 | 805.4 | 626.4 |
| EBITDA margin (%) | 13.1% | 14.9% | 13.4% |

## Report on material loans

### Indebtedness

The following table sets forth the Company's indebtedness for the periods and years indicated:

| | **As of December 31,** | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(in millions of pesos)** | | |
| **Long-term bank loans:** | | | |
| Banorte | 596.1 | 596.7 | - |
| Santander (México) | 595.9 | 600.0 | 356.2 |
| BNDES | 8.8 | 19.2 | - |
| Santander (Brasil) | - | - | 31.3 |
| **Total long-term debt** | 1,200.8 | 1,215.9 | 387.5 |
| **Short-term bank loans:** | | | |
| Banorte | 7 | - | - |
| Banamex | - | 100.0 | 276.4 |
| BNDES | 8.5 | 6.7 | |
| Banco Provincia S.A. | - | 1.0 | - |
| Santander (México) | .7 | - | 120.0 |
| **Total short-term debt** | 9.9 | 107.7 | 396.4 |
| **Total** | **1,210.7** | **1,323.6** | **783.8** |

As of December 31, 2014, the Company's total indebtedness was $1,210.7 million, of which $1,200.8 million was long-term debt and $9.9 million was short-term debt. Of the Company's total indebtedness as of December 31, 2014, 99% was denominated in Mexican pesos, and 1% was denominated in Brazilian reals. As of such date, 100% of the Company's total debt accrued interest at variable rates, 98.6% of which was hedged under interest rate derivatives.

Proceeds obtained from bank loans has been primarily used to fund the Company's working capital needs and capital expenditures consistent with its growth plan.

*Bank loans*

As of December 31, 2014, the Company's two most relevant bank loans evidencing its long-term debt were the following:

*Banorte term loan*

On December 20, 2013, the Company entered into a term loan agreement with Banorte for an aggregate amount of $600 million. The term of this loan is seven years and matures on December 20, 2020. Grupo Rotoplas is 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* 1.50%. This loan is guaranteed by subsidiaries of the Company. Net proceeds of this loan were used to refinance and extend the term of Grupo Rotoplas' outstanding debt to support its growth. As of December 31, 2014, the aggregate outstanding amount (including interest) under this facility was $598.4 million.

*Santander term loan*

On December 19, 2013, the Company entered into a term loan agreement with Santander for an aggregate amount of $600 million. The term of this loan is seven years and matures on December 20, 2020. Grupo Rotoplas is 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* 1.55%. This loan is guaranteed by subsidiaries of the Company. Net proceeds of this loan were used to refinance and extend the term of Grupo Rotoplas' outstanding debt to support its growth. As of December 31, 2014, the aggregate outstanding amount (including interest) under this facility was $598.1 million.

*Principal covenants and events of default in the Company's debt instruments*

At the end of 2014, all amounts of principal and interest due under the Company's credit facilities have been paid and it is in compliance with all other covenants. The Company has not entered into any agreement with its creditors regarding classification or ranking of creditors' claims and has not granted any other benefit to a particular creditor.

The principal covenants under the Company's credit facilities are the following:

- *Reporting*. Deliver annual and quarterly consolidated financial information.
- *Proportional payments*. The Company is required to make ratable payments of principal under its credit facilities in case it makes any payment under any of its other unsecured indebtedness.
- *Financial obligations*. The Company is required to maintain certain financial ratios such as leverage ratios, coverage ratios and capitalization ratios.

The principal events of default under the Company's credit facilities are the following:

- *Cross-default/cross-acceleration*. The Company's credit facilities may be accelerated if it 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 $50.0 million; or (ii) fails to pay one or more final judgments against any of them, aggregating $50.0 million or more, which judgments are not appealed and stayed.

- *Change of control*. The Company's credit facilities may be accelerated if Carlos Rojas Mota Velasco and/or his successors cease to (i) own, directly or indirectly, more than 25% of its or the subsidiary guarantors' capital stock, and (ii) have the power to determine, directly or indirectly, its or the subsidiary guarantors' management and policies.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Basis for the Presentation of Financial Information

The Company's Audited Financial Statements for the years ended December 31, 2012, 2013 and 2014, have been prepared in accordance with IFRS and the related interpretations issued by the IASB.

*Net sales*

Revenue derived from sales of water 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 subsidiaries. The Company recognizes 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. The Company determines its estimates based on accumulated experience, taking into account the type of customer, type of transaction and the specific terms and conditions of each contract.

In 2012, 2013 and 2014 the main contributor to sales was Mexico, accounting for 55.5%, 48.6% and 46.8% respectively. Mexico has reduced its percentage of sales in 2012, 2013 and 2014 due to increased sales in Brazil, which accounted for 29.8%, 37.6% and 42.1% respectively; however, both markets have increased their sales volume. Sales of the Company for 2012, 2013 and 2014 were $4,680.0 million, $5,411.8 million and $6,551.8 million, respectively.

In 2014, net sales of individual water solutions and integrated water solutions accounted for 74.0% and 26.0%, respectively, of total net sales. During such period, 35.1% of sales were made through the traditional channel, 9.6% through the construction channel, 6.1% through the retail channel, 46.5% through the government channel and 2.8% through the industrial channel.

*Investment in associate*

As of December 31, 2014, the Company 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 plastic water tanks to store water. In accordance with IFRS, the results of Dalkasa Ecuador are accounted for by the Company under the equity method since it does not exercise control over it. However, the Company has significant influence over Dalkasa Ecuador's affairs since the Company is 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 2012, 2013 and 2014, Dalkasa Ecuador had net sales of $20.3 million, $23.6 million and $27.6 million, respectively. Net profit recognized from the Company's participation in Dalkasa Ecuador was $0.7 million, $1.0 million and $1.1 million, during 2012, 2013 and 2014, respectively. For more information please see Note 15 to the Company's Audited Financial Statements.

*Costs of sales*

The principal components of the Company's cost of sales have historically been raw materials and consumables and indirect production costs. The Company's costs are directly related to its sales volume and the prices of raw materials in the market, particularly polyethylene, polypropylene, energy and gas. In 2012, 2013 and 2014, costs of sales were $2,846.0 million, $3,210.0 million y $4,037.5 million, respectively, accounting for 60.8%, 59.3% and 61.6% of net sales, respectively.

*Operating expenses*

The principal components of the Company's operating expenses are distribution and logistics, payroll, benefits to employees and other operating expenses consisting mainly of third party contractors, insurance and expenses relating to exports. The Company's main operating expenses are distribution and logistics expenses because the Company's 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. In 2012, 2013 and 2014, operating expenses totaled $1,346.8 million, $1,552.7 million and $1,816.0 million, respectively, which represented 28.8%, 28.7% and 27.7%, respectively, of the Company's net sales. The Company is continuously seeking to achieve savings and efficiencies in the area of operating expenses and has reduced spending as a percentage of net sales by centralizing services and following the Rotoplas Way.

*Finance costs (net)*

The result of the Company's finance costs (net) is comprised of:

- exchange gain (loss), which includes net gains or losses relating to fluctuations in foreign currency exchange rates;
- interest income earned on investments of excess cash flow and credit to debtors;
- interest 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 interest and exchange rate hedge instruments.

*Income tax*

The principal components of the Company's tax expense consist of income taxes incurred in Mexico and Brazil. The Company's income tax expense consists of taxes incurred and deferred taxes, computed based on the requirements of IFRS as explained in the Company's Audited Financial Statements. The Company does not consolidate its subsidiaries for tax purposes. The Company and its subsidiaries are in compliance with all of its and their tax obligations.

**Currency**

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which each subsidiary operates. The Company's consolidated results and financial information are presented in Mexican pesos, its reporting and functional currency. The Company has international operations and is exposed to exchange rate risk in connection with the different currencies of the countries where it operates.

The Company has established a policy that requires that its subsidiaries manage exchange rate risk based on their functional currency. The group's subsidiaries must cover their exchange rate risk through Grupo Rotoplas' treasury. To manage the exchange rate risk from future commercial transactions and recognized assets and liabilities, the Company's subsidiaries use forward contracts negotiated by its treasury. The Company has outstanding debt denominated in foreign currencies and bank debt denominated in Mexican pesos. The Company is exposed to risk associated with fluctuations in foreign exchange rates of the Mexican peso against the U.S. dollar and the Euro due to its imports of raw materials mainly from the United States, Portugal and Italy. The Company is also exposed to fluctuations on the foreign exchange risk of the Brazilian real against the U.S. dollar and the Mexican peso based on its percentage of revenues in this currency.

**EBITDA**

"EBITDA" means earnings before interest, taxes, depreciation and amortization. EBITDA is a measure used in the Company's financial analysis that is not recognized under IFRS, but is calculated from amounts that derive from its financial statements. The Company calculates EBITDA as operating income plus depreciation and amortization, impairment of non-current assets and charitable donations. The Company believes 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 (i) comprehensive income, as an indicator of the Company's operating performance, or (ii) cash flow from operations, as a measure of the Company's liquidity.

**Results of operation**

***Year ended December 31, 2014 compared with year ended December 31, 2013***

*Net sales*

Consolidated net sales for the year ended December 31, 2014 were $6,551.8 million, an increase of 21.1% as compared to $5,411.8 million in 2013. This increase was mainly due to increased sales of individual and integrated water solutions in Mexico and Brazil. The 2.3% decrease in sales of individual water solutions described below was more than offset by a 279.2% increase in net sales of integrated water solutions. These changes were mainly due to increased demand for rainwater harvesting systems (which are an integral water solution) in lieu of tanks (which are individual water solutions) in the APS program in Brazil.

*Net sales of individual water solutions*

Net sales of individual water solutions decreased 2.3%, from $4,963.1 million for the year ended December 31, 2013, to $4,850.5 million in 2014. Without considering the transition, net sales of individual water solutions increased by 18.4% due to increased sales of the Company's products in all the countries where the Company operates.

*Net sales of integrated water solutions*

Net sales of integrated water solutions increased 279.2%, from $448.6 million for the year ended December 31, 2013, to $1,701.3 million in 2014. This increase was mainly due to increased sales of rainwater harvesting systems in Brazil, mainly under the program Water for Everyone. Without considering the transition, net sales of integrated water solutions increased by 50.5%. The increase in sales of integrated solutions was also due to increased sales of outdoor composting bathrooms and rain harvesting systems in Mexico, mainly under the program Fight Against Hunger.

*Costs of sales*

Consolidated cost of sales increased by 25.8%, from $3,210.0 million for the year ended December 31, 2013, to $4,037.5 million in 2014. This increase was mainly due to increased production costs as a result of higher sales volumes, and an increase in the cost of raw materials as a result of the depreciation of the currencies of the countries where the Company operates against the U.S. dollar. Costs of sales as a percentage of net sales increased from 59.3% for the year ended December 31, 2013 to 61.6% in 2014.

*Gross profit*

For the reasons described above, gross profit increased 14.2%, from $2,201.8 million for the year ended December 31, 2013, to $2,514.3 million in 2014.

*Operating expenses*

Consolidated operating expenses increased 17.0%, from $1,552.7 million for the year ended December 31, 2013, to $1,816.0 million in 2014, mainly due to the increase in net sales.

Operating expenses as a percentage of net sales decreased to 27.7% for the year ended December 31, 2014, from 28.7% in 2013.

*Operating income*

For the reasons described above, operating income increased 8.1%, from $645.5 million for the year ended December 31, 2013, to $698.3 million in 2014. The Company's operating margin in 2014 was 10.6%, reflecting a decrease of 10.7% as compared to 11.9% in 2013.

*Finance costs (net)*

Finance costs (net) decreased by 7.7%, from $132.4 million for the year ended December 31, 2013, to $122.2 million for 2014. This increase was mainly due to an increase in interest income (net), arising from higher excess cash available at the Company's treasury as compared with the previous year.

*Share of results of associate*

The share of results of associate increased by 10.8%, from $1.0 million for the year ended December 31, 2013, to $1.1 million in 2014. This increase was mainly due to an increase in net sales of Dalkasa Ecuador.

*Income tax*

Income tax expense increased 105.1%, from $77.7 million for the year ended December 31, 2013, to $160.4 million in 2014. This increase was mainly due to increased deferred taxes from prior years.

The Company's effective tax rate for the year ended December 31, 2014 was 28.0%.

The Company's income tax was comprised as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in millions of Pesos) | |
| Accrued income tax .................... | 119.8 | 128.9 |
| Deferred income taxes ................ | 40.6 | (51.3) |
| **Total income tax....................** | **160.4** | **77.7** |

*Net consolidated profit*

For the reasons described above, the Company's net consolidated profit decreased by 4.5%, from $436.5 million for the year ended December 31, 2013, to $416.8 million in 2013.

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

*Net sales*

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

*Net sales of individual water solutions*

Net sales of individual water solutions increased 7.1%, from $4,636.2 million for the year ended December 31, 2012, to $4,963.2 million in 2013, mainly due to a 34.7% increase in sales of cisterns in Brazil, mainly under the program Water for Everyone, and a 53.6% increase in sales of biodigesters in Peru.

*Net sales of integrated water solutions*

Net sales of integrated water solutions increased 924.6%, from $43.8 million for the year ended December 31, 2012, to $448.6 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 under the program Fight Against Hunger.

*Costs of sales*

Consolidated cost of sales increased by 12.8%, from $2,846.0 million for the year ended December 31, 2012, to $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 the Company's production processes.

*Gross profit*

For the reasons described above, the Company's gross profit increased 20.1%, from $1,834.0 million for the year ended December 31, 2012, to $2,201.8 million in 2013.

*Operating expenses*

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

- a 69.3% increase in labor expenses, from $193.8 million for the year ended December 31, 2012, to $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 the Company's integrated water solutions; and

- a 436.7% increase in advertising expense from $16.6 million for the year ended December 31, 2012, to $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*

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

*Finance costs (net)*

The Company's finance costs (net) increased by 27.3%, from $104.0 million for the year ended December 31, 2012 to $132.4 million for 2013. This increase was mainly due to a 91.9% increase in net exchange loss from $22.9 million for the year ended December 31, 2012 to $44.0 million for 2013, as a result of an increase in the Company's 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 the Company's financial assets from $8.6 million for the year ended December 31, 2012, to $15.1 million for 2013, as a result of an increased loss of the Company's 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 $0.7 million for the year ended December 31, 2012, to $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 $48.0 million for the year ended December 31, 2012, to $77.7 million in 2013. This increase was mainly due to a lower amount of tax losses credited against the Company's taxable income from $27.1 million in 2012 to $7.4 million in 2013.

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

The Company's income tax was comprised as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2013** | **2012** |
| | **(in millions of Pesos)** | |
| Accrued income tax........ | 128.9 | 101.5 |
| Deferred income taxes.... | (51.3) | (53.5) |
| **Total income tax........** | **77.7** | **48.0** |

*Net consolidated profit*

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

**Liquidity and capital resources**

Historically, the Company's primary sources of liquidity have been operating cash flows. However, in the past few years the Company has incurred in long-term financings to fund the Company's expansion and growth plans, particularly in Mexico, Brazil and Argentina, and the Company's 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. The Company's cash requirements have historically consisted primarily of working capital needs, including investments in property, plant and equipment. In 2014, the Company conducted the initial public offering of Grupo Rotoplas, S.A.B. de C.V. under the ticker symbol "WATER" as a source of financing to meet expansion opportunities. So far, the proceeds of the initial public offering have been used primarily to fund the Company's working capital needs. For a description of the events that could affect the Company's liquidity, see "Risk Factors—Risks Related to the Company's Operations."

As of December 31, 2012, 2013 and 2014:

- the Company's leverage ratio (total debt *over* stockholders' equity) was 0.47, 0.67 and 0.20, respectively;
- the Company's coverage ratio (EBITDA *over* finance costs, net) was 6.03, 6.08 and 7.03, respectively; and
- the Company's capitalization ratio (total debt *over* total debt *plus* stockholders' equity) was 0.32, 0.40 and 0.16, respectively.

Grupo Rotoplas has a Corporate Treasure in charge of establishing its and its subsidiaries' operating treasury guidelines and policies.

Cash flow from operations, including cash flow generated by the Company's subsidiaries, is managed and controlled by the Company's centralized treasury in Mexico City. The Company's treasury is in charge of establishing its and its subsidiaries' operating treasury guidelines and policies. All payments received are first recorded by the CSC, which is under the supervision of the 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 the Company's system and are subject to spooling and remote issuance by the corporate treasury. All checks are nominative and for deposit only. The corporate comptroller ensures that all bank accounts are settled on a daily basis, and the corporate treasury monitors this settlement.

The following table summarizes the Company's cash flow for the periods indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(in millions of Pesos)** | | |
| Net cash generated by operating activities | (36.9) | 183.6 | 69.6 |
| Net cash used in investing activities | (77.2) | (240.5) | (304.8) |
| Net cash generated by (used in) financing activities | 3,501.5 | 466.0 | 256.9 |
| Net increases (decreases) in cash and cash equivalents | **3,387.4** | **409.1** | **21.7** |

## Capital expenditures

The table below sets forth the Company's capital expenditures by geographic market for the periods indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| | **(in millions of Pesos)** | | |
| **Property, plant and equipment, and intangible assets** | | | |
| Mexico | 117.0 | 189.1 | 110.8 |
| Brazil | 15.8 | 76.9 | 189.7 |
| Others | 46.3 | 15.2 | 13.5 |
| **Total** | **179.1** | **281.2** | **314.0** |

In 2014, the Company made capital expenditures for $281.2 million, a decrease of 36.3% as compared with $179.1 million in 2013. This decrease was mainly due to investments made in 2013 that were not made in 2014 in Mexico to enhance the central platforms and in Brazil to support sales growth under the program Water for Everyone. Investments were used mainly to expand infrastructure in Mexico to support international operations.

In 2013, the Company made capital expenditures for $281.2 million, a decrease of 10.4% as compared with $314.0 million in 2012. This decrease was mainly due to a reduction in the Company's investments in Brazil, which were partially offset by an increase in investment in Mexico. The Company's investments were mainly used to increase the efficiency of tis production facilities, redesign some of its products and enhance its SAP operating platform.

## Derivative financial instruments

The use of financial derivatives is based on the recommendations and policies determined by the Board of Directors and supervised by the Audit Committee, which provide guidelines on the management of foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

At December 31, 2014, the fair value of the Company's positions was:

| Type of instrument | Fair Value |
|---|---|
| | **(millions of Pesos)** |
| SWAP | 3.2 |
| SWAP / CAP | (22.1) |

*Quantitative and qualitative information concerning market risk*

The Company is exposed to a variety of financial risks such as market risk (including currency, cash flow and pricing risks), credit risk and liquidity risk. The Company's risk management plan seeks to minimize the potential negative effects of the unpredictability of the markets on the financial performance of the Company and its subsidiaries. The vice-presidency of administration and finance is responsible for the risk management plan and activities based on policies approved by the Board of Directors, which has issued general policies concerning financial risk management and policies for specific risks. The Vice-President of Administration and Finance executed this policies, which are, in turn, supervised by the Audit Committee.

*Financial risk management goals*

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

The Company's risk management policy goal is to assess the possible losses and the consolidated impact of the same, and to mitigate its exposure to fluctuations in interest and exchange rates. The Company intends to minimize the effects of these risks using derivative financial instruments with hedging purposes. The Vice-Presidency of Administration and Finance, as well as the Company's corporate treasury, coordinate access to national and international financial markets, oversee and manage financial risks related to the Company's operations through internal risk reports, which analyze the degree and scope of the relevant risks.

The use of derivative financial instruments is governed by the recommendations and policies of the Company's 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. The Company is not authorized to obtain derivative financial instruments for speculative purposes. Derivative financial instruments may only be obtained to mitigate financial risks from operations. Any hedging transaction shall be executed with financial institutions with which the relevant ISDA agreement is executed, and with whom the Company has a business relationship.

All derivative financial instruments are contracted with local and international counterparties OTC. Among other authorities, the Vice-President of Administration and Finance selects participants, who must be regulated institutions authorized to carry out such transactions which, in addition, provide all the assurances required by the Company.

The Company's treasury quantifies and reports on a monthly basis to the Vice-President of Administration and Finance the monthly requirements of operating resources related to derivative financial instruments. The Vice-President of Administration and Finance jointly with the Executive President authorize the scope of hedges of amounts identified. Under no circumstances shall the Company operate amounts that are greater than the risk to be covered by the Company. The treasury must report to the Vice-President of Administration and Finance and the Executive President, the derivative financial instruments that have been executed in accordance with their authorizations.

As the Company expands into markets outside Mexico, it upgrades, and expects to continue upgrading its risk management strategy to adjust to changes in the Company's exposure to risk, especially interest rate risk.

With respect to matters related to the management of financial risk by the Company, the Board of Directors together with the Vice-Presidency of Administration and Finance, oversee and evaluate the Company's financial risk management guidelines. In addition, depending on the situation, they decide over internal and external sources of liquidity that the Company can use to satisfy cash requirements derived from financial instruments. The Company has lines of credit available to secure the payment of derivative financial instruments. Decisions are made based on liquidity levels and upon the occurrence of a covered event.

Monthly and pursuant to IFRS 9, the Company's comptroller recognizes on a monthly basis the value of derivative financial instruments based on their reasonable value, and the effective portion of the relevant instruments' earnings or losses, which are recognized within comprehensive equity earnings or losses and are reclassified and impact 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 external auditors, who validate the information. The valuation processes are reviewed by external auditors as part of their audit process.

The valuation of derivative financial instruments is carried out on a monthly basis by a calculation or valuation agent, who is, in all cases, the counterparty to the transaction. Derivative financial instruments valuation techniques derive from models based on recognized financial principles and reasonable estimates about future market conditions, and may reflect other financial factors, such as the anticipated profit or gain on transactional hedges and other costs. Company valuations for swap instruments estimate the present value of future cash flows, given a projected curve and a discounted curve. Depending on the results arising from the valuation of derivative financial instruments, the Vice-President of Administration and Finance, together with the Executive President, decide on whether to reduce the financial impact to the Company for maintaining, closing or increasing the derivatives position. It should be noted that valuations are not an accurate indicator of future results; however, the Company seeks to generate as much certainty as possible in the valuation of derivative financial instruments. The Company may use methods as a reference to exposure, fair value and dollar-offset to determine the effectiveness of derivative financial instruments.

Risks identified that may result in losses to the Company for operating derivative financial instruments due to changes in market conditions are: i) exchange rate fluctuations, for forwards; and ii) changes in interest rates, movements in the projected curve, movements in the discounted curve and volatility of curves, for swap instruments. Changes to exposure to risks identified may occur for various reasons such as: 1. Increase in debt, the Company could increase its leverage levels and therefore require additional coverage to hedged the underlying assets, 2. Future increases / decreases in obligations or cash flow in foreign currencies, thus far, the Company has no knowledge or expect any changes that could increase its exposure to these identified risks. The Company is not authorized to defer the use of derivative financial instruments originally conceived; all of the Company's derivative financial instruments are contracted for hedging and not speculative purposes.

**Contractual obligations and business commitments**

As of December 31, 2014, the Company had no material contractual obligations or business commitments.

**Off-balance sheet arrangements**

As of December 31, 2014, the Company had no material off-balance sheet arrangements.

**Quantitative and qualitative information concerning market risk**

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

For more information regarding the use of derivative financial instruments please see the Company's Audited Financial Statements.

**Internal Control**

The Company has internal control policies and procedures designed to provide reasonable assurance that transactions and other aspects of its operations are carried out, recorded and reported pursuant to guidelines set forth by management using IFRS, applied in conformity with available interpretive guidance thereunder. In addition, the Company's operational processes are subject to periodic internal audits, and internal control systems are subject to an annual review by external auditors.

The Company's strategy is also subject to periodic reviews by various committees and the board of directors, which is in charge of managing the Company's operations.

**Regulatory compliance**

The Company does not pay and does not condone paying bribes to any person. According to its code of ethics, under no circumstance is extortion and/or bribery allowed within its organization. The Company's 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) influencing official acts or decisions of that person or entity; (ii) obtaining or retaining business or a business advantage for, or direct business to, the Company; and/or (iii) secure any improper advantage. The use of 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 the organization, they are obligated to report such conduct immediately to the Director of Human Resources. The Company's officers and employees are also responsible for reporting any coercion or bribery if they are aware of such pressure being exerted on others within the Company. The Company is committed to maintaining the highest possible ethical standards. It is its policy to comply with all relevant anti-corruption, anti-bribery and anti-money laundering laws applicable to it. Any employee who violates the Company's policies is subject to disciplinary measures, up to and including termination and, where appropriate, referral of the matter to relevant law enforcement authorities.

The Company's procedures 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 the Company's policy and to the related procedures where appropriate, including in response to legal, regulatory, or industry changes or violations; and (g) appropriate incentives and sanctions to employees and executives for violations of the relevant policies and related procedures.

The Company's 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;
- not accept any immoral practices or activities;
- conduct business in any foreign country with the same ethic criteria as used in the country of origin; and
- ensure that any payment or disbursement of funds on behalf of the Company is legal and has a legitimate purpose.

The Company's ethics committee, comprised of the Vice-President of Operations, the Vice-President of Administration and Finance and the Director of Human Resources, is responsible for overseeing compliance of the Company's code of ethics and its anti-corruption, anti-bribery and anti-money laundering policy, and must report regularly to the audit committee, which exercises reasonable oversight as to the implementation and effectiveness of the Company's policies.

**Critical accounting policies**

Estimates and judgments used in the preparation of 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.

*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. 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.

*Impairment of goodwill*

The Company performs 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 the Company's tests, it was determined that at December 31, 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*

The Company is 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.

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.

The Company recognizes an active deferred tax for tax loss carry-forwards based on projections and estimates about the realization of the related tax benefit through future taxable income and considering the prevailing market conditions at year end.

If the end result of these processes differs by 5% from the recognized estimates, the Company should increase or reduce the income tax liability incurred by $8,659, $7,153 and $5,650, and reduce or increase the deferred tax asset by $8,338, $7.594 and $5.030 for 2014, 2013 and 2012, respectively.

*Fair value of financial 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 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 swaps and caps contracts would be reduced by approximately $6.9 million, $4.1 million and $3.3 million or increased by approximately $1.8 million, $4.6 million and 0.4 million, if the discount rate used in the analysis of discounted cash flows had differed by 10% from estimates for the fiscal years 2014, 2013 and 2012, 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.

At the end of each year, the Company estimates the discount rate to determine the present value of estimated future cash flows to settle pension obligations, based on interest rates of government bonds denominated in the same currency as the retirement benefits and with similar maturities. Other assumptions used to estimate pension obligations are based on current market conditions.

Should the discount rate for the year 2014 had fluctuated by 1% above or below the discount rate estimated by Management, the carrying value of labor obligations would have been $6.73 or $8.34 million pesos, respectively.

Should the discount rate for the year 2013 had fluctuated by 1% above or below the discount rate estimated by Management, the carrying value of labor obligations would have been $4.9 or $6.09 million pesos, respectively.

Should the discount rate for the year 2012 had fluctuated by 1% above or below the discount rate estimated by Management, the carrying value of labor obligations would have been $4.97 or $6.14 million pesos, respectively.

# MANAGEMENT

### External Auditors

The Company's 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. The Company's external auditors are appointed by the board of directors in consultation with the audit committee, taking into account their experience, quality and service standards. In addition, the board of directors must ratify the appointment of external auditors annually based on the recommendation of the audit committee.

The consolidated financial as of and for the years ended December 31, 2014, 2013 and 2012, were audited by PricewaterhouseCoopers, S.C.

PricewaterhouseCoopers, S.C., has served as external auditor of the Company since 2003. For the past three years that they audited the Company's financial statements, they have not issued a qualified opinion or a negative opinion, nor have they refrained from giving an opinion on the Company's financial statements.

The external auditors have provided non-auditing services to the Company consisting of transfer price analysis and legal, tax and accounting consulting services.

The aggregate amount paid for such services was $3.5 million, or 21% of the total fees paid to the external auditors that issue and opinion on the Company's consolidated financial statements.

### Related party transactions

*In the ordinary course of business, the Company has engaged in, and expects to continue to engage in, transactions with companies that are owned or controlled, directly or indirectly, by its Principal Shareholders, including, without limitation, the transactions described below. For more information regarding relationships and transactions with related parties, see the notes to the audited consolidated financial statements included elsewhere in this report.*

The Company has engaged in, and expects to continue to engage in, transactions with its directors, officers, Principal Shareholders and other related parties, including, without limitation, the transactions described in this section. Related party transactions are negotiated by one or more of the Company's 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. The Company believes that these transactions include terms and conditions similar to those that would be negotiated with unrelated third parties.

**Related party transactions**

*Dalkasa Ecuador*

The Company conducts its 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 carry water. As of December 31, 2014, the Company maintained an equity stake of 49.9% in Dalkasa Ecuador.

In order to operate Dalkasa Ecuador, the Company has entered into certain agreements with Dalkasa Ecuador and its shareholders. These agreements include (i) a distribution agreement and a supply agreement of raw materials and finished solutions, that sets forth the terms and conditions for the distribution and supply of Company products by Dalkasa Ecuador, and (ii) a trademark licensing agreement relating to the trademarks *Rotoplas* and *AB y Diseño*, owned by the Company and used by Dalkasa Ecuador. The Company believes that such agreements are on terms no less favorable to the Company or its related parties than would have been obtained in transactions negotiated on an arms' length basis.

The Company believes that all of its transactions with related parties are executed on standard commercial terms and conditions. As of the date of this report, neither the Company nor any of its subsidiaries have guaranteed any third-party obligations and it has no doubtful accounts with Dalkasa Ecuador.

As of December 31, 2014, 2013 and 2012 (thousands of pesos), the Company executed the following transactions with related parties, each negotiated on an arm's length basis.

| | As of December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Sales | | | |
| Dalkasa, S.A. (associate) | 14,897 | 14,323 | 1,196 |

Balances as of the end of the fiscal year (thousands of pesos) relating to sales/purchases of goods and services.

| | As of December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Accounts receivable | | | |
| Dalkasa, S.A. (associate) | 5,087 | 7,573 | 1,427 |

*Company Officers*

The Company has extended and may continue to extend loans to certain key officers and other officers. The proceeds of these loans have been used to fund the acquisition by these officers of shares under the Company's stock option plan. The Company believes that the terms and conditions of these loans are under standard market conditions.

As of December 31, 2014, 2013 and 2012 (thousands of pesos), loans extended to key officers accrue interest at the fixed and variable rates set forth in the following table. These loans have a 10-year maturity.

| Officer | 1 | | 2 | 3 | 4 | | 5 | Total |
|---|---|---|---|---|---|---|---|---|
| Execution Date | January 29, 2013 | August 28, 2011 | January 1, 2013 | January 1, 2013 | January 21, 2013 | February 21, 2012 | January 10, 2013 | |
| Interest rate | 6.9% | UDI | 6.9% | 6.9% | 6.9% | UDI | UDI | |
| December 31, 2014 | | | | | | | | |
| Initial balances | $12,764 | $5,575 | $10,705 | $9,882 | 9,492 | $468 | $472 | $49,358 |
| Loan | 10,244 | - | 7,682 | - | - | - | - | 17,926 |
| Payments | (8,707) | (4,200) | (6,530) | - | - | - | - | (19,437) |
| Interest | 688 | 175 | 549 | 281 | 247 | 31 | 14 | 1,985 |
| Total | $14,989 | $1,550 | $12,406 | $10,163 | $9,739 | $499 | $486 | $49,832 |

| Officer | 1 | | 2 | 3 | 4 | | 5 | Total |
|---|---|---|---|---|---|---|---|---|
| Execution Date | January 29, 2013 | August 28, 2011 | January 1, 2013 | January 1, 2013 | January 21, 2013 | February 21, 2012 | January 10, 2013 | |
| Interest rate | 6.9% | UDI | 6.9% | 6.9% | 6.9% | UDI | UDI | |
| December 31, 2013 | | | | | | | | |
| Initial balances | $11,915 | $5,321 | $9,993 | $9,225 | $8,840 | $468 | $- | $45,762 |
| Loan | - | - | - | - | - | - | 450 | 450 |
| Interest | 849 | 254 | 712 | 657 | 652 | - | 22 | 3,146 |
| Total | $12,764 | $5,575 | $10,705 | $9,882 | 9,492 | $468 | $472 | $49,358 |

As of December 31, 2014, 2013 and 2012 (thousands of pesos) the fair value of loans to officers was $46,535, $41,483 and 34,301, respectively.

Compensation of directors and other key officers is determined by the Board of Directors based on their performance and market trends.

*Corporativo GBM*

In 2014, 2013 and 2012, the Company executed transactions with Corporativo Grupo Bursátil Mexicano (GBM), which is the parent company of GBM International, Inc. and GBM México.

Corporativo GBM and its subsidiaries maintain business relationships with the Company and its subsidiaries, and as of this date have provided financial advisory services, investment banking and other banking services.

Carlos Rojas Mota Velasco quien es el principal accionista de la Compañía, presidente del Consejo de Administración y Director General de la Compañía, tiene una relación familiar con los principales accionistas de Corporativo GBM, consecuentemente Corporativo GBM y sus subsidiarias son consideradas partes relacionadas.

The Company's principal shareholder, chairman of the board of directors and executive president, Carlos Rojas Mota Velasco, has a family connection with the principal shareholders of Corporativo GBM, and therefore are considered related parties.

i. As of December 31, 2014, 2013 and 2012, the Company had no outstanding accounts receivable or payable to Corporativo GBM.

ii. During the year ended December 31, 2014, 2013 and 2012 (Thousands of Pesos), the following transactions were executed with Corporativo GBM:

| | As of December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Commissions paid | $67,782 | $ - | $ - |
| Interest collected | $17,101 | $913 | $781 |

**Management and shareholders**

**Board of Directors**

Pursuant to the Company's bylaws, the board of directors is comprised of no more than 21 members. Members of the board are appointed and ratified by the 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. The Company's 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 the Company's bylaws, any shareholder has the right to appoint and revoke the appointment of one member of the board and its corresponding alternate for every 10.0% of voting shares of outstanding capital stock owned. The board of directors meets at least once every three months. Pursuant to the LMV, at least 25.0% of the members of the board of directors must be independent; however, currently 50.0% of the members of the Company's board of directors are independent. The current members of the board of directors were appointed and/or ratified by the shareholders by means of unanimous resolutions adopted in lieu of a shareholders' meeting on November 24, 2014.

The following table sets forth the names of the members of the Company's board of directors, their age, position, and their years of service as members of the board of directors at the end of 2014.

| **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 Pacheco | 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 the board of directors.

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

Gonzalo Uribe Lebrija is the Company's Vice-President of Operations. 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 the Company, Mr. Uribe was the Director of Operations of Comexma (textile). Mr. Uribe has been with the Company since 2001 and was appointed Vice-President of Operations in 2011. Mr. Uribe's wife is Carlos Rojas Mota Velasco's niece.

Mario Antonio Romero Orozco is the Company's Vice-President of Administration and Finance. He holds a degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM) and a graduate certificate degree in business administration by Harvard University. Mr. Romero has been with the Company since 1995 and was appointed Vice-President of Administration and Finance in 2004. Mr. Romero is Mauricio Romero Orozco's brother.

Carlos Rojas Aboumrad is the Company's 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 the Company 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 the board of directors since 2001.

Alejandro Rojas Domene is currently the chief executive officer of Armada Capital. Mr. Rojas has been a member of the 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 (CFE). Mr. Elías has been a member of the board of directors since 2014.

John G. Sylvia holds undergraduate and graduate degrees from Santa Clara University. Mr. Sylvia is currently the chief executive officer of HuHonun Bio 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 the 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 the 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 the board of directors since 2000.

José María González Lorda is the former chief executive officer of Unilever Latinoamérica and Black and Decker. He currently runs his own consulting firm. Mr. González has been a member of the board of directors since 2003.

Jaime Serra Puche, is the former Minister of Commerce and Industry and Minister of Finance and Public Credit in Mexico. He is member of the board of several companies such as Grupo Ferroviario Mexicano, Fondo México, 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 the 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, and serves as member of the board of directors of certain subsidiaries of Grupo Carso. Mr. Aboumrad has been a member of the board of directors since 2014.

Luis Fernando Reyes Pacheco 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 the board of directors since 2014.

The principal shareholder, chairman of the board of directors and executive president of the Company, Carlos Rojas Mota Velasco, is a member of the Rojas Mota Velasco family, a group of shareholders that controls Corporativo GBM, which in turn controls GBM International, Inc.[, an initial purchaser in the international offering, and GBM, a Mexican underwriter in the Mexican Offering].

The Company has a code of ethics that applies to all the Company's personnel, including senior officers and directors. See "Regulatory Compliance" in this section.

**Authority of the Board of Directors**

The board of directors is the Company's legal representative and is authorized to take any action in connection with its operations not expressly reserved to the shareholders.

Pursuant to the Company's bylaws and the LMV, the board of directors must approve, among other matters:

- the Company's general strategy;
- monitor the Company's management and that of its subsidiaries;
- in consultation with the audit and corporate practices committee: (i) transactions with related parties, subject to certain limited exceptions; (ii) the election of the Company's executive president, his compensation and removal for cause and policies for the description and comprehensive remuneration of other executive officers; (iii)

the Company's guidelines on internal control and internal audit and those of its subsidiaries; (iv) the Company's consolidated financial statements and those of its 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% of the Company's consolidated assets or (b) the granting of collateral or guarantees or the assumption of liabilities, equal to or exceeding 5% of the Company's consolidated assets, and (vi) engagement of external auditors;

- call shareholders' meetings and execute their resolutions;
- the annual submission to the general shareholders' meeting of (i) the executive president's report, and (ii) the opinion of the board of directors in respect of such report;
- any transfer by the Company of shares in its 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 the Company's bylaws is expressly reserved for the shareholders or the board of directors;
- determine how to vote the shares that the Company holds in its subsidiaries; and
- the exercise of general powers in order to achieve the Company's corporate purpose.

Meetings of the board of directors will be validly convened and held if a majority of 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 the board's authority, the Company's shareholders may at any time override decisions adopted by the board pursuant to decisions validly adopted at a shareholders' meeting.

Meetings of the Company's board of directors may be called by the chairman, by 25% of board members, or by the chairman of the audit committee or the corporate practices committee. In addition, the LMV provides that the board of directors must approve any transaction among directors and any of the Company's shareholders, officers or related parties. For additional information on the board of directors, see "Description of Capital Stock and Bylaws."

The LMV imposes a duty of care and a duty of loyalty on 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 the board of directors and the secretary of the board will breach their duty of loyalty to the Company and be liable for damages caused to the Company or its subsidiaries if, while having a conflict of interest, they vote or make a decision with respect to the Company's assets of those of its subsidiaries or if they fail to disclose such conflict of interest unless confidentiality duties prevent them from disclosing it.

**Committees**

The Company's different strategies are reviewed periodically by the board of directors and 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 the Company's external auditors and analyzing their reports, (ii) analyzing and supervising the preparation of the Company's consolidated financial statements, (iii) informing the board of internal controls and their adequacy, (iv) supervising the execution of related party transactions, (v) requesting reports from 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 the Vice-President of Administration and Finance; and (x) providing an annual report to the board of directors.

The Company's audit committee exercises reasonable oversight as to the implementation and effectiveness of internal policies. Among other related functions, the audit committee is responsible for reviewing and analyzing reports from the ethics committee related to regulatory compliance and violations of the Company's anti-corruption, anti-bribery and anti-money laundering policy. The ethics committee is comprised of the Vice-President of Operations, Vice-President of Administration and Finance and the Director of Human Resources.

As of the date of this [report], the audit committee is comprised of the following independent members of the board:

John G. Sylvia - Chairman
Francisco Amaury Olsen - Secretary
José María González Lorda - Member

*Corporate Practices Committee*

The members of the corporate practices committee are appointed by the board of directors in accordance with the provisions of the LMV. The LMV requires the 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% 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 key officers, (ii) report transactions between the Company and 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 the board of directors key aspects of the Company's business, including scope; geographic expansion; general business and corporate policy guidelines; business expectations, and restrictions relating to the Company's sources of funding and debt and risk levels;

- pre-evaluating the strategic plan prepared by the executive president and making sure that it meets the board of directors' plans and that it is consistent with the Company's business and management guidelines. The committee is in charge of identifying issues that eventually need to be included in the Company's annual plan;

- pre-evaluating business action plans and annual budget proposals and making sure that they are consistent with the Company's business and management guidelines;

- monitoring the execution and performance of the Company's strategic plan and identifying areas that require adjustments; and

- recommending the hiring of advisory services to support the Company's senior management team in the formulation of its strategy, by proposing methodologies, analyzing the internal and business settings and defining policies and guidelines.

As of the date of this [report], the members of the corporate practices committee are

Jaime Serra Puche – Chairman
Alejandro Rojas Domene – Secretary
Luis Fernando Reyes Pacheco - Member

*Compensation Committee*

The compensation committee's purpose is to assist the board of directors in reviewing the Company's organizational structures and making sure they are consistent with its strategy, determining salaries and compensation policies, reviewing ethical values and relations among employees, proposing initiatives to improve the work environment, and proposing methodologies to improve organizational development processes. The compensation committee meets quarterly or more frequently as required.

The compensation committee's principal duties are:

- reviewing the Company's organizational structure and recommending adjustments to make it consistent with its 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 the Company's principles and values.

As of the date of this report, the members of the compensation committee are

Luis Fernando Reyes Pacheco – Chairman
José María González Lorda – Secretary

**Senior Management**

The following table sets forth the names of the members of the Company's senior management, their age, position, and years of service:

| Name | Age | Position | Years of service |
|---|---|---|---|
| Carlos Rojas Mota Velasco | 62 | Executive President | 25 |
| Mario Antonio Romero Orozco | 43 | Vice-President of Administration and Finance | 19 |
| Gonzalo Uribe Lebrija | 42 | Vice-President of Operations | 13 |
| Carlos Rojas Aboumrad | 32 | Vice President of New Businesses | 9 |
| José Luis Mantecón García | 56 | Vice President of Institutional Business Development | 21 |
| Diego Ernesto Casas González | 42 | Director of Human Resources | 19 |
| Eduardo Santos Burgoa Márquez | 41 | Director of Supply Chain | 18 |
| Érika María Domínguez Zermeño | 36 | Director of Marketing | 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 |

Carlos Rojas Mota Velasco, see "—Board of Directors."

Mario Antonio Romero Orozco, see "—Board of Directors."

Gonzalo Uribe Lebrija, see "—Board of Directors."

Carlos Rojas Aboumrad, see "—Board of Directors."

José Luis Mantecón García, is the Company's Vice-President of Institutional Business Development. He has a bachelor's degree in Business Administration from Saint Michael´s College and an executive marketing post-graduate degree by the Anahuac University. Before joining the Company, he founded many companies in the construction sector. Mr. Mantecón has been with the Company since 1993.

Diego Ernesto Casas González, is the Company's Director of Human Resources. 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 the Company's Director of Supply Chain. He holds a degree in Industrial Engineering from the Universidad Iberoamericana and a Master in Business Administration by the University of Georgetown. Before joining the 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 the Company's Director of Marketing. She holds a degree in International Business from the Universidad Panamericana. Before joining the Company, she was the director of marketing of Grupo Prendamex and Senior Marketing Manager at COMEX. Mrs. Domínguez has been with the Company since 2013.

Antonio Caso Valdés, is the Company's Country Manager for Mexico. He holds a degree in Industrial Relations from the Universidad Iberoamericana and a Master in Business Administration by the Instituto de Empresa (IE Business School). Before joining the 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 the Company's 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 the Company, he worked at Editorial Sur, Helenoplast and Polymer. Mr. Valdés has been with the Company since 1990.

Marcelo Claudio Santorelli Correa, is the Company's Country Manager for Argentina. Before joining the 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.

Alfonzo Gustavo Vásquez Salazar, is the Company's 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.

Vinicius Ramos Ranucci, is the Company's Country Manager for Brazil. He holds a degree in Business Administration from the Universidad Federal do Paraná in Brazil. Before joining the 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 the Company's 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.

**Compensation of Directors and Senior Management**

In 2012, 2013 and 2014, the Company paid the members of the board of directors an aggregate compensation of \$2.8 million, \$2.6 million and \$2.8 million, respectively. In addition, each member of the board of directors is entitled to receive two gold coins known as "centennial" (*centenario*) (each worth \$23,350.00 as of December 31, 2014), as compensation for each board meeting attended by such director. The Company expects to continue to remunerate the members of the board of directors in accordance with policies maintained to date. The Company does not offer severance payments or retirement plans to the members of the board of directors.

The following table sets forth the compensation paid to the Company's executive officers during the last three years:

| 2014 | 2013 | 2012 |
|---|---|---|
| $60.8 million | $47.4 million | $30.2 million |

The payments and benefits of the Company's executive officers include salary, life and medical insurance, vacation bonus, savings fund, and year-end bonus.

In addition, the Company has established and implemented two long-term incentive plans for its directors and officers: a stock option plan and an equity-referenced units plan.

**Stock option plan**

The Company's stock option plan consists of a variable incentive scheme whereby options to subscribe and pay for shares are granted to certain relevant officers and directors, based on their achievements and results obtained during the year. This plan is managed by the chairman of the 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 the Company's 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 Plan OCA Trust and as of the date hereof, this trust 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 from June 2014.

The table below sets forth the underlying shares corresponding to the options granted to the Company's employees, which have not yet vested:

| Participant | Position | Underlying Shares |
|---|---|---|
| Mario Antonio Romero Orozco.............................. | Vice-President of Administration and Finance | 1,504,631 |
| Gonzalo Uribe Lebrija........................................... | Vice-President of Operations | 2,006,175 |
| **Total** ...................................................................... | | **3,510,806** |
| Shares assigned to the Stock Option Plan Trust ...... | | 3,970,668 |

**Equity-Referenced Units Plan**

The equity-referenced units plan is a variable compensation scheme that is granted to certain 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 (UVR), which value is tied to the value and economic rights of the Company's outstanding shares. The UVRs do not represent any dilution to the Company's shareholders with respect to capital stock, nor do they have any corporate rights. The UVRs only represent the participant's right to receive a bonus that is linked to the Company's shares.

This plan is managed by the chairman of the board of directors who, with the approval of the compensation committee, selects the participants and determine the number of UVRs to be allocated to each of them.

The release of UVRs, meaning, the participant's opportunity to request that the Company repurchase its UVRs 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 the Company, the Company is obligated to pay the amount relating to the UVRs that have been released at the time of separation.

In the event of ordinary retirement, disability or death of the participant, the Company pays the participant or its dependents, as applicable, the total number of UVRs 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 UVRs allocated or any rights and/or obligations thereunder.

The table below sets forth the UVRs allocated to officers as of December 31, 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, Mr. Carlos Rojas Mota Velasco, in his capacity as settlor, executed a revocable trust identified under number F/000095 with GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, as trustee, to which he transferred and assigned shares of the Company's capital stock. As of the date of this report, the CRMV Trust held 160,772,984 shares, representing 33.06% of the Company's outstanding shares.

The main purpose of the CRMV Trust is to promote an orderly corporate decision-making process and continuity of the Company's 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.

The 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. The CRMV Trust shall appoint the two daughters of Mr. Carlos Rojas Mota Velasco as members of the board of directors, as well as two independent board members as members of the Compensation Committee.

**Voting Trust**

On November 18, 2014, several shareholders executed with GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa a revocable trust identified under number F/000116, to which they transferred and assigned 137,181,004 shares of the Company's capital stock, representing 28.21% of its outstanding shares. 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.

**Plan OCA Trust**

On November 18, 2014, the Company executed with GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa an irrevocable administration and depositary trust agreement identified under number F/000117, to implement the Company's stock option plan. The Plan OCA Trust subscribed, paid and/or acquired a total of 7,831,474 shares of the Company to implement the stock option plan. As of the date of this report, the Plan OCA Trust had granted options to certain executive officers for 3,510,806 shares. The current vesting schedule has a duration of ten years from June 2014.

The Plan OCA Trust provides that the shares held by it shall be voted according to instructions given by a representative of the Company to the trustee, so that, through the Plan OCA Trust, the chairman of the board, which is also the majority shareholder, will exercise the corporate and economic rights pertaining to such shares so long as they are not distributed to the relevant officers and employees.

The representative of the Company for these purposes is the chairman of the board. Currently, this position is held by Mr. Carlos Rojas Mota Velasco, who is also one of the Principal Shareholders of the Company, and who has the power to instruct the trustee of the Plan OCA Trust the manner in which the relevant shares shall be voted.

## Shareholders

### Principal Shareholders

The table below sets forth certain information regarding the ownership of the Company's capital stock as of the date of this report:

| | Shares owned after the Global Offering, considering the exercise of the over-allotment options | |
|---|---|---|
| **Shareholder** | **Total** | **%** |
| Principal Shareholders | 173,892,677 | 35.76 |
| GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa División Fiduciaria, as trustee of the Trust Number F/000116 dated November 18, 2014 (Voting Trust) | 137,181,004 | 28.21 |
| Minority Shareholders | 18,323,228 | 3.77 |
| GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa División Fiduciaria, as trustee of the Trust Number F/000117 dated November 18, 2014 (Plan OCA Trust) | 7,481,474 | 1.54 |
| Directors and Executive Officers | 5,139,156 | 1.06 |
| Public Float | 144,217,395 | 29.66 |
| **Total** | **486,234,934** | **100.0** |

As of the date of this report offering and immediately after to the Global Offering, the Company's principal shareholders are Carlos Rojas Mota Velasco, as beneficiary of the CRMV Trust, and his son Carlos Rojas Aboumrad directly and as beneficiary of the Voting Trust. The Company's principal shareholders own, directly and indirectly, approximately 51.69% of the Company's outstanding capital stock (including the shares held by the Plan OCA Trust, which are voted according to instructions given by Mr. Carlos Rojas Mota Velasco, as chairman of the board, so long as they are not distributed to the relevant officers and employees in accordance with the terms of such Plan OCA Trust). Therefore, 63.98% of the Company's outstanding capital stock are effectively controlled by the Principal Shareholders. See ["Risk Factors—Our principal shareholders will continue to have significant influence over the Company after the Global Offering, and their interests could conflict with yours,"] and "Management–Voting Trust."

For the past three years, there have not been any significant changes in the percentage of ownership by the Company's shareholders.

### Relevant Directors

As of the date of this report, the Company's directors own, directly or indirectly, 19,862,612 shares, or 4.08%, of the 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. Mr. José Luis Mantecón García is the only executive officer that owns, directly or indirectly, more than 1% of the Company's capital stock.

None of the relevant directors and executive officers, individually or jointly owns, directly or indirectly, more than 10% or the Company's capital stock after the Global Offering.

## Minority Shareholders

As of the date of this report, the Company's minority shareholders own directly and indirectly, 70,818,464 shares, or 14.56%, of the Company's 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.

None of the minority shareholders individually owns, directly or indirectly, more than 10% of the Company's capital stock.

*Control, significant influence and/or control*

As stated above, the following summary describes and lists the Company's shareholders that exercise control, significant influence and/or control, as well as those that, as of the date of this report, have an ownership interest greater than 10% of the Company's capital stock.

a) Shareholders that own more than 10% of capital stock: CRMV Trust and Carlos Rojas Aboumrad

b) Shareholders that have significant influence: CRMV Trust.

c) Shareholders that exercise control or commanding power: CRMV Trust and Carlos Rojas Aboumrad.

## Bylaws and other agreements

This section includes a description of the Company's capital stock and its bylaws. The description includes a summary of the principal terms and conditions of the Company's bylaws as amended and restated on November 24, 2014 and which will be in effect upon the registration of the Company's Shares with the RNV maintained by the CNBV in order to reflect certain provisions applicable to the Company 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 the Company's bylaws and Mexican law. Unless otherwise indicated, this description gives effect to the capitalization upon the completion of the Global Offering and the amendment of the Company's bylaws.

## Incorporation and Bylaws

The Company was incorporated on March 17, 1993 under Mexican law as Grupo Rotoplas, S.A. de C.V., by means of public deed No. 86,126 dated March 17, 1993, 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, the Company's bylaws were amended in its entirety in order to adopt the form and legal framework applicable to publicly traded companies and adjust them to the provisions of the LMV as a publicly traded company. The Company's corporate domicile is located in Mexico City, Federal District. Copies of the bylaws have been filed with the CNBV and with the BMV and are available for inspection at the BMV and the CNBV, and available for review at the BMV's website: www.bmv.com.mx.

**Duration**

The duration of the Company's corporate existence is indefinite.

**Corporate Purpose**

The Company's corporate purpose, as set forth in its bylaws, is to produce and commercialize water solutions, among others.

**Outstanding Capital Stock and Voting Rights**

The Company is a publicly traded limited liability corporation with variable capital (*sociedad anónima bursátil de capital variable*) and as result, its stock has a fixed portion represented by Class "I" shares and a variable portion represented by Class "II" shares. As of the date of this report, the Company's issued and outstanding capital stock consists of 486,234,934 shares, no par value, divided into fixed and variable capital shares. The Company's fixed capital is represented by 15,104 full voting Class "I" shares of common stock, no par value, and the variable capital is represented by 486,219,830 fully voting Class "II" shares of common stock, no par value.

In the future, the Company may issue additional capital stock. It 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% of the capital stock publicly-traded 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 report, no limited voting shares had been issued and none were outstanding.

On December 13, 2013, the Company increased its capital stock and issued 192,438,787 shares which were subscribed and paid by existing shareholders, at a price of $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 the Company. This transaction was deemed a corporate restructuring, and the Company's shareholders only received more shares of capital stock as a result of the merger. The only asset of Industria Mexicana de Moldeo Rotacional, S.A. de C.V. were shares in the Company which, as a result of the merger, were exchanged for shares of the Company in the amount of 110,062,533 (one hundred ten million sixty two thousand five hundred thirty three) Class "A" shares, no par value, representing the variable portion of the Company's capital stock. The Company did not acquire any assets as a result of the merger.

**Changes in the Company's Capital Stock and Capital Increase Preemptive Rights in its Bylaws**

Except for certain exceptions relating to treasury shares 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 the Company's capital stock must be approved by a resolution of the majority of the shareholders present at a general extraordinary or ordinary shareholders meeting, respectively. In the event of an increase in the capital stock (except for public offerings of shares or re-sales of shares maintained in the treasury as a result of repurchases of shares conducted pursuant to the rules set forth in the LMV), the shareholders have the right to subscribe and pay for new shares issued as a result of such increase in proportion to their ownership interest at that time. See "Share Repurchases

Pursuant to the Company's bylaws, the entities directly or indirectly controlled by it will not be entitled to, directly or indirectly, acquire shares or any other negotiable instrument representing shares, unless such shares are acquired through an investment company (*sociedad de inversión*).

**Shareholders' Meetings and Quorum**

Pursuant to the Company's 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 the Company that, during a fiscal year, exceeds 20% or more of the Company's consolidated assets pursuant to the financial statements of the latest quarter. An annual ordinary meeting of 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 the Company's 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 shares from the RNV or from any stock exchange, amendments to bylaws and any other matters for which the Company's bylaws require an extraordinary meeting.

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 the Company's bylaws, the attendance quorum required for an ordinary shareholders' meeting on first call is at least 50% of the Company's outstanding shares. Resolutions are passed when adopted by the holders of the majority of the shares represented in the relevant ordinary meeting. On 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% of the Company's outstanding shares and resolutions are passed when adopted by holders of at least 50% of the Company's outstanding shares; on second and subsequent calls, the minimum attendance quorum is at least 50% of the Company's outstanding shares and resolutions are valid when adopted by at least 50% 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 the Company's corporate domicile at least 15 days prior to the date of the meeting. As required by Mexican law, the Company's 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 the Company 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 the Company 15 days prior to the meeting

**Rights of Minority Shareholders**

The bylaws of the Company 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 the Company (and if applicable, its 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.

The annual audited financial statements and the 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. The Company is also required to file an annual report with the BMV also available at the BMV's website.

**Authority of the Board of Directors**

The Company's bylaws provide that the board of directors is vested with, among others, the power to determine 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 financial, administrative and legal status. This broad authority includes the appointment and removal of the Chief Executive Officer, as well as the determination of the compensation policy for the chief executive officer and other senior officers.

**Authority of the Chief Executive Officer**

The Company's bylaws provide that the 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 the board of directors. To fulfill this responsibility, the Chief Executive Officer is vested with authority in connection with acts of administration, lawsuits, collections and, with certain limitations, the authority to dispose of property (in accordance with the guidelines provided by the board of directors). The 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

The Company has a single audit and corporate practices committee (*comité de auditoría y prácticas societarias*) comprised of three members of the 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:

- *Auditing responsibilities*: supervising outside auditors, analyzing the audit reports prepared by accountants, informing the board of directors with respect to existing internal controls, supervising related party transactions, requiring 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.

- *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

The Company's 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 the capital stock represented at a general ordinary shareholders' meeting. By law, prior to any distribution of dividends, the Company is required to allocate a minimum of 5% of its income to a legal reserve fund until such fund equal 20% of its 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

The Company has filed an application to register all of its shares with the RNV, in accordance with Mexican securities law requirements.

Pursuant to the LMV and the bylaws, the Company's shares must be deposited with Indeval at all times. The 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 the shareholders upon request. The Company maintains 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 shareholders.

**Share Repurchases**

Pursuant to the LMV and its bylaws, the Company is entitled to temporarily repurchase shares representing its 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 such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting of the Company.

In accordance with the LMV, the repurchase of the Company's 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 the Company's stockholders' equity (*capital contable*) or the Company's capital stock (*capital social*), provided that it is not in default under any debt securities registered with the RNV.

**Ownership of Capital Stock by Subsidiaries**

The Company's subsidiaries may not, directly or indirectly, invest in shares representing the capital stock of the Company, 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 the general extraordinary shareholders' meeting of the Company, 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 the board of directors of the Company if such authority is delegated by the shareholders.

**Dissolution or Liquidation**

Upon the Company's 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 capital stock will be entitled to participate equally in any liquidation proceeds.

**Preemptive Rights**

Under Mexican law and the Company's bylaws, the shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if the Company issues additional shares of capital stock, the 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 the 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 foreign shareholders will not be able to exercise their preemptive rights in the event of future capital increases unless certain conditions are met. The Company is not required to adopt any measure intended to permit such exercise. See "Risk Factors—Preemptive rights may be unavailable to foreign shareholders."

**Delisting or Cancellation of Registration with the RNV**

In the event that the Company wishes to cancel its registration of Shares with the RNV, or if it is cancelled by the CNBV, the Company 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 50% of the capital stock of a company, or (iii) directly or indirectly control a company, its strategy or principal policies, through an agreement or through any other means.

The Company's bylaws provide that in the event that after such a tender offer is concluded there were still shares in the market, the Company 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 otherwise approved 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% of the holders of the outstanding capital stock at an extraordinary shareholders' meeting.

**Transfer Restrictions**

The Company's bylaws provide that any transfer of more than 10% of outstanding shares, consummated in one or more transactions by any person or group of persons acting jointly, requires prior approval of the board of directors, except for certain permitted transfers in accordance with the 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 the 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 shall not apply to the following transfers: (a) the acquisition of shares by or affecting a trust of shareholders of the Company prior to the initial public offering of its 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 of the transferring shareholders.

**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 the Company’s 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 the board of directors and stockholders of the Company, 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% of the outstanding shares, at a price equal to the greater of (i) the average trading price in the BMV for the 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% or more of the shares of the Company; or (iii) the ability to direct, directly or indirectly, through any means, the management, strategy or policies of the Company.

In the event that such tender offer takes place, the board of directors is required, subject to the prior opinion of the Corporate Practices Committee, to give an opinion with respect to the price of the offer. Prior to expressing such opinion, the board of directors may request the opinion of an independent third party expert. The members of the board of directors and the Chief Executive Officer of the Company are required to disclose to the public whether or not each of them will sell any of the shares owned by them in the tender offer.

**Additional Matters**

***Variable Capital***

The Company is 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 the Company’s shares.

***Forfeiture of Shares***

As required by Mexican law, the Company's 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 owned and rights and obligations derived from any agreements 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 the Company's 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 the Company's 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 the Company's shareholders; provided it exercises its appraisal rights within 15 days following the adjournment of the meeting at which the relevant change was approved.

## Capital Markets

### Trading Prices of Shares in the BMV

On December 10, 2014 the initial public offering of shares of Grupo Rotoplas, S.A.B. de C.V. was issued under ticker symbol "AGUA". It raised $4,182.3 million by placing 144.2 million shares representing 29.7% of the Company at a price of $29.0 pesos per share. On December 31, 2014 the closing price per share of AGUA in the Mexican Stock Exchange was $30.14, representing an increase of 3.9% above its starting price.

The following table demonstrates the monthly behavior of the AGUA share at the closing of 2014 and for the first three months of the year 2015:

| Date | Closing Price |
|---|---|
| 12/31/2014 | 30.14 |
| 01/31/2015 | 31.14 |
| 02/28/2015 | 33.11 |
| 03/31/2015 | 32.65 |

Following is the monthly behavior of the AGUA share:

| | **December** | | |
|---|---|---|---|
| | Date | Closing Price | Volume |
| Max. | 12/31/2014 | 30.14 | 26,732 |

| | | | |
|---|---|---|---|
| Min. | 12/09/2014 | 29.00 | - |

| | January | | |
|---|---|---|---|
| | Date | Closing Price | Volume |
| Max. | 01/20/2015 | 30.28 | 246,575 |
| Min. | 01/14/2015 | 29.11 | 20,729 |

| | February | | |
|---|---|---|---|
| | Date | Closing Price | Volume |
| Max. | 02/20/2015 | 33.48 | 2,094,150 |
| Min. | 02/01/2015 | 31.14 | 766,259 |

| | March | | |
|---|---|---|---|
| | Date | Closing Price | Volume |
| Max. | 03/03/2015 | 33.81 | 238,902 |
| Min. | 03/10/2015 | 31.63 | 214,875 |

## Market Maker

As of the date of publication of this Annual Report, Grupo Rotoplas does not have a market maker.

## Responsible Parties

The undersigned manifest under oath that, in the realm of our corresponding capacities, we have prepared the information regarding the issuer contained in this annual report, which, to the best of our knowledge, reasonably reflects its current situation. Furthermore, we represent that we have no knowledge of any relevant information that has been omitted or falsified in this annual report or which may lead investors to commit errors.

[*Illegible Signature]*

Carlos Rojas Mota Velasco

Chief Executive Officer

[*Illegible Signature]*

Mario Antonio Romero Orozco

Vicepresident of Management and Finance

[*Illegible Signature]*

Luis Humberto Maya Marques

Comptroller

(with respect to legal information)

The undersigned manifest under oath, that the consolidated financial statements of Grupo Rotoplas, S.A.B. de C.V. and its subsidiaries attached hereto, that include the consolidated financial situation as of December 31, 2014, and the consolidated results of operations, of integrated operations, of changes in capital and cash flows for the year ended on such date, contained in this Annual Report, were audited in April 13, 2015; in accordance with International Standards on Auditing.

Furthermore, we manifest that we have read this annual report and based on such reading and within the scope of the auditing performed, we have no knowledge of any relevant errors or inconsistencies in the financial information included and which source in the audited financial statements referred to in the above paragraph, nor of any financial information which has been omitted or falsified in this annual report, or which may lead investors to commit errors.

Notwithstanding the above, the undersigned were not hired to, nor have we carried out additional procedures in order to, express our opinion with respect to other information, contained herein, which does not come from the financial statements audited by us.

April 30, 2015

PricewaterhouseCoopers, S.C.

[*Illegible Signature]*

________________________________
L.C.C. Cesar Alfonso Rosete Vela
Auditing Partner

[*Illegible Signature]*

________________________________
L.C.C. Alberto del Castillo Velaszo Vilchis
Legal Representative

# EXHIBITS

***Grupo Rotoplas, S. A. B. de C. V. and subsidiaries***
Consolidated Financial Statements
December 31, 2014 and 2013

# *Grupo Rotoplas, S. A. B. de C. V. and subsidiaries*
Contents
December 31, 2014 and 2013

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## Independent Auditor's Report

(This report is a free translation from the original prepared in spanish, which was issued to have effect only in México)

To the Stockholders of
Grupo Rotoplas, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Grupo Rotoplas, S. A. B. de C. V. (the Company or Grupo Rotoplas) and subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

The Company's and its subsidiaries' Management is 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 of material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. These standards require that we comply with 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 in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assements, 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 the accounting policies used and the reasonableness of the accounting estimates made by Management as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

## Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Rotoplas, S. A. B. de C. V. and subsidiaries as at December 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

C.A. César Alfonso Rosete Vela
Audit Partner

Mexico City, April 13, 2015

# *Grupo Rotoplas, S. A. B. de C. V. and subsidiaries*

Consolidated Statements of Financial Position
December 31, 2014 and 2013

*Thousands of Mexican pesos*

| | | December 31 | |
|---|---|---|---|
| **Assets** | Notes | 2014 | 2013 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 8 | $3,944,821 | $ 557,459 |
| Accounts receivable and other accounts receivable | 9 | 1,725,462 | 1,253,121 |
| Related parties | 10 | 5,087 | 7,573 |
| Income tax receivable | | 99,316 | 30,100 |
| Other recoverable taxes | 11 | 146,997 | 289,483 |
| Inventories | 12 | 876,873 | 645,422 |
| Prepayments | 13 | 132,951 | 15,296 |
| **Total current assets** | | 6,931,507 | 2,798,454 |
| NON-CURRENT ASSETS: | | | |
| Related parties | 10 | 49,832 | 49,358 |
| Property, plant and equipment - Net | 14 | 1,196,117 | 1,230,891 |
| Investment accounted under the equity method | 15 | 7,795 | 6,752 |
| Intangible assets | 16 | 108,354 | 94,161 |
| Deferred income tax asset | 24 | 200,776 | 197,252 |
| Guarantee deposits | 6 | 41,707 | 35,437 |
| **Total assets** | | $8,536,088 | $4,412,305 |
| **Liabilities and Stockholders' equity** | | | |
| CURRENT LIABILITIES: | | | |
| Bank loans | 18 | $ 9,956 | $ 107,691 |
| Suppliers | 19 | 579,443 | 406,183 |
| Other accounts payable | 20 | 359,197 | 444,058 |
| Provisions | 21 | 28,690 | 19,292 |
| Income taxes payable | | 51,615 | 80,634 |
| Other taxes payable | | 63,328 | 97,403 |
| Employees' statutory profit sharing | | 10,934 | 16,402 |
| **Total non-current liabilities** | | 1,103,163 | 1,171,663 |
| NON-CURRENT LIABILITIES: | | | |
| Bank loans | 18 | 1,200,785 | 1,215,917 |
| Employee benefits | 22 | 7,493 | 5,497 |
| Deferred income tax liability | 24 | 34,023 | 45,152 |
| Derivate financial instruments | 17 | 25,268 | 2,169 |
| **Total liabilities** | | 2,370,732 | 2,440,398 |
| STOCKHOLDERS' EQUITY: | | | |
| Capital stock | 23 | 5,211,295 | 1,176,800 |
| Share premium | | 33,759 | 29,506 |
| Retained earnings | | 897,635 | 715,207 |
| Currency translation effect in subsidiaries | | (177,012) | (190,294) |
| Revaluation surplus | | 196,149 | 237,216 |
| Capital attributable to: | | | |
| Controlling interest | | 6,161,826 | 1,968,435 |
| Non-controlling interest | | 3,530 | 3,472 |
| **Total stockholders' equity** | | 6,165,356 | 1,971,907 |
| **Total liabilities and stockholders' equity** | | $8,536,088 | $4,412,305 |

The accompanying notes are an integral part of these consolidated financial statements.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Finance and Administration Vice President

# *Grupo Rotoplas, S. A. B. de C. V. and subsidiaries*
Consolidated Statements of Income
December 31, 2014 and 2013

*Thousands of Mexican pesos*

| | Notes | Year ended on December 31 2014 | 2013 |
|---|---|---|---|
| Net sales | 7 | $6,551,761 | $5,411,821 |
| Cost of sales | 25 | 4,037,461 | 3,210,009 |
| Gross profit | | 2,514,300 | 2,201,812 |
| Operating expenses | 26 | 1,816,012 | 1,556,294 |
| Operating profit | | 698,288 | 645,518 |
| Financial income | 27 | (114,400) | (87,093) |
| Financial expenses | 27 | 236,565 | 219,457 |
| Net financial costs | | 122,165 | 132,364 |
| Profit from associated company by the equity method | 15 | 1,148 | 1,036 |
| Profit before income taxes | | 577,271 | 514,190 |
| Income taxes | 24 | 160,430 | 77,668 |
| Consolidated profit for the year | | $ 416,841 | $ 436,522 |
| Profit attributable to: | | | |
| Controlling interest | | $ 416,956 | $ 435,296 |
| Non-controlling interest | | (115) | 1,226 |
| | | $ 416,841 | $ 436,522 |
| Earnings per share* | 2.27, 23 | $ 1.197 | $ 1.304 |

* The earnings per share are expressed in Mexican pesos.

The accompanying notes are an integral part of these consolidated financial statements.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Finance and Administration Vice President

*Thousands of Mexican pesos*

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Consolidated net profit | $ 416,841 | $ 436,522 |
| Other comprehensive income: | | |
| Items that may be subsequently reclassified to profit of loss: | | |
| Currency translation differences* | 13,948 | (139,783) |
| Consolidated comprehensive income for the year | $ 430,789 | $ 296,739 |
| Consolidated comprehensive income for the year attributable to: | | |
| Controlling interest | $ 430,238 | $ 295,906 |
| Non-controlling interest | 551 | 833 |
| | $ 430,789 | $ 296,739 |

* These items were not subject to payment of income taxes.

The accompanying notes are an integral part of these consolidated financial statements.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Finance and Administration Vice President

# Grupo Rotoplas, S. A. B. de C. V. and subsidiaries

## Consolidated Statements of Changes in Stockholders' Equity

## For the years ended on December 31, 2014 and 2013

*Thousands of Mexican pesos*

| | Notes | Ordinary shares | Share Premium | Retained earnings | Currency translation effect in subsidiaries | Revaluation surplus | Stockholder's equity of controlling interest | Non-controlling interest | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| Balances as at January 1, 2013 | | $ 539,744 | $ 29,506 | $ 921,261 | ($ 50,904) | $ 237,216 | $ 1,676,823 | $ 2,639 | $ 1,679,462 |
| Comprehensive income for the period: | | | | | | | | | |
| Other comprehensive income | | - | - | - | (139,390) | - | (139,390) | (393) | (139,783) |
| Profit for the year | | - | - | 435,296 | - | - | 435,296 | 1,226 | 436,522 |
| Total comprehensive income | | - | - | 435,296 | (139,390) | - | 295,906 | 833 | 296,739 |
| Transactions with shareholders recognized directly in equity: | | | | | | | | | |
| On December 16, 2013, the shareholders unanimously approved the increase in the capital stock | 23 | 637,056 | - | - | - | - | 637,056 | - | 637,056 |
| Dividend payment unanimously approved on December 23, 2013 | 23 | - | - | (641,350) | - | - | (641,350) | - | (641,350) |
| Total transactions with the shareholders recognized directly in equity | | 637,056 | - | (641,350) | - | - | (4,294) | - | (4,294) |
| Balances as at December 31, 2013 | | 1,176,800 | 29,506 | 715,207 | (190,294) | 237,216 | 1,968,435 | 3,472 | 1,971,907 |
| Comprehensive income for the period: | | | | | | | | | |
| Other comprehensive income | | - | - | - | 13,282 | - | 13,282 | 666 | 13,948 |
| Profit for the year | | - | - | 416,956 | - | - | 416,956 | (115) | 416,841 |
| Total comprehensive income | | - | - | 416,956 | 13,282 | - | 430,238 | 551 | 430,789 |
| Transfer of revaluation of property, plant and equipment | | | | 41,067 | | (41,067) | | | - |
| Transactions with shareholders recognized directly in equity: | | | | | | | | | |
| On June 2, 2014, the shareholders unanimously approved the capital stock increase | 23 | 13,673 | 4,253 | - | - | - | 17,926 | - | 17,926 |
| Dividend payment unanimously approved on June 16, 2014 | 23 | - | - | (275,595) | - | - | (275,595) | - | (275,595) |
| Dividend payment unanimously approved on June 16, 2014 | 23 | - | - | - | - | - | - | (149) | (149) |
| Dividend payment unanimously approved on September 24, 2014 | 23 | - | - | - | - | - | - | (344) | (344) |
| On November 24, 2014, the shareholders unanimously approved the increase in the capital stock | 23 | 13,145 | - | - | - | - | 13,145 | - | 13,145 |
| Treasury shares under trust /117 (Plan OCA) | 23 | (38,742) | - | - | - | - | (38,742) | - | (38,742) |
| On November 24, 2014, the shareholders unanimously approved the public offering of shares | 23 | 4,182,304 | - | - | - | - | 4,182,304 | - | 4,182,304 |
| Costs incurred for the public offering of shares | 23 | (135,885) | - | - | - | - | (135,885) | - | (135,885) |
| Total transactions with the shareholders recognized directly in equity | | 4,034,495 | 4,253 | (234,528) | - | (41,067) | 3,763,153 | (493) | 3,762,660 |
| Balances as at December 31, 2014 | | $5,211,295 | $ 33,759 | $ 897,635 | ($ 177,012) | $ 196,149 | $ 6,161,826 | $ 3,530 | $6,165,356 |

The accompanying notes are an integral part of these consolidated financial statements.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Finance and Administration Vice President

# *Grupo Rotoplas, S. A. B. de C. V. and subsidiaries*
Consolidated Statements of Cash Flows
December 31, 2014 and 2013

*Thousands of Mexican pesos*

| | December 31 | |
|---|---|---|
| **Operating activities** | 2014 | 2013 |
| Profit before income taxes | $ 577,271 | $ 514,190 |
| Adjustments for items not involving cash flows: | | |
| Depreciation and amortization included in expenses and costs | 137,780 | 146,645 |
| Profit on sale of property, plant and equipment | (5,093) | - |
| Profit from associated company | (1,148) | (1,036) |
| Derivative financial instruments | 23,099 | 5,783 |
| Allowance for doubtful accounts | 8,209 | 28,537 |
| Interest receivable | (29,935) | (15,496) |
| Employee benefits costs | 2,384 | (5,339) |
| Interest payable | 90,075 | 88,762 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (466,446) | (499,321) |
| Recoverable income tax | (69,216) | (4,775) |
| Other recoverable taxes | 142,486 | (66,701) |
| Inventories | (231,451) | 1,634 |
| Prepayments | (117,655) | (7,111) |
| Guarantee deposits | (6,270) | 591 |
| Suppliers | 173,260 | (94,783) |
| Other accounts payable | (75,463) | 202,503 |
| Other taxes payable | (34,075) | 4,606 |
| Employees' statutory profit sharing | (5,468) | (7,636) |
| Employee benefits payments | (388) | (989) |
| Net cash flows from operating activities | 111,956 | 290,064 |
| Income taxes paid | (148,843) | (87,197) |
| Net cash flows from operating activities | (36,887) | 202,867 |
| **Investing activities** | | |
| Acquisitions of property, plant and equipment | (154,323) | (280,375) |
| Proceeds from sale of property, plant and equipment | 70,000 | 20,780 |
| Acquisition of intangible assets | (24,857) | (830) |
| Related parties | 2,012 | 4,455 |
| Interest received | 29,935 | 15,496 |
| Net cash flows from investing activities | (77,233) | (240,474) |
| **Financing activities** | | |
| Proceeds from public offering of shares | 4,182,304 | - |
| Proceeds from issuance of ordinary shares | 31,071 | 637,056 |
| Costs incurred on public offering of shares | (194,121) | - |
| Payment of dividends to shareholders | (275,595) | (641,350) |
| Payment of dividends to non-controlling interest | (493) | - |
| Purchase of shares under trust 117(Plan OCA) | (38,742) | - |
| Payment of bank loans | (112,867) | (783,835) |
| Bank loans received | - | 1,323,607 |
| Interest paid | (90,075) | (88,762) |
| Net cash flows from financing activities | 3,501,482 | 446,716 |
| Increase in cash and cash equivalents | 3,387,362 | 409,109 |
| Cash and cash equivalents at beginning of year | 557,459 | 148,350 |
| Cash and cash equivalents at end of year | $ 3,944,821 | $ 557,459 |

Non-cash transactions are included in Note 29.

The accompanying notes are an integral part of these consolidated financial statements.

Mr. Carlos Rojas Mota Velasco
President

Mr. Mario Antonio Romero Orozco
Finance and Administration Vice President

*Thousands of pesos, unless otherwise specified*

**Note 1 - Company information:**

Grupo Rotoplas, S. A. B. de C. V. (Grupo Rotoplas) and its subsidiaries (the Company or Group) started operations in Mexico City in 1978. The Company is mainly engaged in manufacturing, purchasing, selling and installing plastic containers and accessories that provide water storage, conduction and improvement solutions, and in providing individual and comprehensive water solutions to its clients.

The Group operates nine production plants in Mexico City, Guadalajara, Lerma, Monterrey, León, Mérida, Veracruz, Tuxtla Gutiérrez and Los Mochis, as well as a distribution center in Hermosillo. The Group also operates production plants in Guatemala, Peru, Argentina and Brazil and distribution centers in El Salvador, Honduras, Nicaragua and Costa Rica, which provides for a very extensive market in Mexico and Central and South America.

The Company's address and main place of business is:

Paseo de la Reforma 115, piso 18
Col. Lomas de Chapultepec
11000 México, D. F.

**Relevant transactions**

a. Public offering of shares. On November 24, 2014, the Company's shareholders issued a public offering of shares consisting of a primary public offering for subscription of 144,217,395 common, sole series, class II, nominative shares with no par value, representing the variable portion of the Company's capital stock. The offering includes 18,810,964 common, sole series, class II, nominative shares with no par value, which are part of the overallotment option.

   On the basis of the foregoing and in accordance with Mexican laws, as of that date the Company changed its name from Grupo Rotoplas, S. A. de C. V. to Grupo Rotoplas, S. A. B. de C. V., as now it is a traded stock corporation.

b. Merger of Grupo Rotoplas, S. A. B. de C. V. and Industria Mexicana de Moldeo Rotacional, S. A. de C. V. On December 19, 2013, the shareholders of Grupo Rotoplas, S. A. B. de C. V. and its holding company, Industria Mexicana de Moldeo Rotacional, S. A. de C. V. (IMMR) jointly agreed the legal and accounting merger of the companies, where Grupo Rotoplas, S. A. B. de C. V. resulted as the prevailing company. The transaction between companies of the Group constituted a legal reorganization under common control. Therefore, the consolidated financial statements as at December 31, 2013 show the financial information of IMMR as if it had always been a part of Grupo Rotoplas, S. A. B. de C. V. (see Note 29).

c. Closing of the plant. On July 30, 2014, the Company decided to close the rotomolding plant in Cabo Santo, Pernambuco, Brazil. The Company's decision was based on distribution and cost reduction improvements. The molds and machinery held at the plant were distributed amongst different plants of the Company in Brazil to maintain the same production capacity.

**Note 2 - Summary of significant accounting policies:**

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The consolidated financial statements at December 31, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Interpretations of the International Financial Reporting Standards (IFRIC). Therefore the historical cost convention has been used for valuation of captions, except for property, plant and equipment, financial assets and liabilities and derivative instruments, which have been determined at fair value.

IFRS require certain critical accounting estimates to be made when preparing the financial statements. They also require management to exercise its judgment in determining the accounting policies to be applied by the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

**2.1.1 Changes in accounting policies and disclosures**

2.1.1.1 New standards, amendments to standards and interpretations applied by the Company.

The following standards have been adopted for the first time by the Company for the period starting on January 1, 2014. The nature and effects of each new standard or amendment thereto are described as follows:

- Amendment to International Accounting Standard (IAS) 32 "Financial instruments: presentation on the offsetting financial assets and liabilities". This amendment clarifies that the right to set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

- Amendments to IAS 36, "Impairment of assets on the recoverable amount disclosures for non-financial assets". This amendment removed certain disclosures of the recoverable amount of cash-generating units (CGU) which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the consolidated financial statements.

- Amendment to IAS 39 "Financial instruments: recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to *over the counter* derivatives and the establishment of central counterparties. Under IAS 39, novation of derivatives of central counterparties would result in discontinuation of hedge accounting. The amendment provides relief by discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the consolidated financial statements.

- IFRIC 21 “Levies” sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 “Provisions”. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Group is not currently subjected to significant levies so the impact to the Group is not material.

2.1.1.2 New standards not yet adopted by the Company.

A number of new standards applicable to annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements, are set out below:

- IFRS 9 “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for recognition of changes in own credit risk in other comprehensive income , for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness test. It requires an economic relationship between the hedged item and the hedging instrument and for the hedging ratio to be the same as the one Management actually use for risk management purposes. Contemporaneous documentation is still required, but is different to the currently prepared under IAS 39. The standard is effective for periods beginning on or after January 1, 2018. Early adoption is permitted.

- IFRS 15 "Revenue from contracts with customers". This standards deals with revenue recognition and it establishes principles for reporting useful information for the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and has the ability to direct the use and obtain benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and the related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017, and earlier application is permitted.

At the date of the consolidated financial statements the Company’s management is in the process of analyzing the effects of the adoption of the new standards and amendments noted above.

There are no other additional standards, changes or interpretations that are not yet effective that would be expected to have a material impact on the Group’s financial information.

## 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, or has rights to, variable returns from its involvement with the entity 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. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account the business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Company. The consideration transferred includes the fair value of any asset of liability resulting from a contingent consideration arrangement. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, 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 recorded as expenses as they are incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains of losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 "Financial instruments": Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Transactions, balances and unrealized gains or losses between Group companies are eliminated. When necessary, the accounting policies applied by the subsidiaries have been modified to ensure their consistency with those adopted by the Group.

The accompanying consolidated financial statements include those of the company and the following subsidiaries:

| Company | Participation in 2014 and 2013 (%) | Operations |
|---|---|---|
| Rotoplas S. A. de C. V. (Rotoplas)[1] | 99.99 | Manufacturing 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 | Administrative services provided to manufacturing companies. |
| Rotoplas Recursos Humanos, S. A. de C. V. (Recursos) | 99.99 | Rendering of administrative services. |
| Servicios Rotoplas, S. A. de C. V. (Servicios) | 99.99 | Rendering of administrative services. |
| Rotoplas Comercializadora, S. A. de C. V. (Comercializadora) | 99.99 | Subholder of shares. |
| Rotoplas de Latinoamérica, S. A. de C. V. (Latino)[3] | 99.99 | Subholder of shares. |
| Rotoplas Bienes Raíces, S. A. de C. V. (Bienes Raices)[1] | 42.63 | Real estate services. |
| Moulding Acquisiton, Corp. (MAC)[4] | 100 | Manufacturing and sale of plastic tanks for water storage. |

1 Rotoplas is in turn the holder of 56.96% of the shares of Bienes Raices.

2 Fideicomiso AAA was set up on March 15, 2007 by the Company in its capacity of trustor in order to promote the development of companies by operating a preferential financial support system aimed at suppliers and distributors. (See Note 28).

3 Latino is the holder of the shares of the following tier two companies for consolidated financial statement purposes:

| Company | Participation In 2014 and 2013 (%) | Operations |
|---|---|---|
| Dalka do Brasil, Ltda. (Brasil) | 99.99 | Manufacturing and sale of plastic tanks for water storage. |
| Dalka, S. A. C. (Perú) | 99.99 | Manufacturing and sale of plastic tanks for water storage. |
| Rotoplas Argentina, S. A. (Argentina) | 98.87 | Manufacturing and sale of plastic tanks for water storage. |
| Conmix Argentina, S. A. (Argentina)* | 98.87 | Manufacturing and sale of plastic tanks for water storage. |
| Tinacos y Tanques de Centroamérica, S. A. de C. V. y subsidiarias (Guatemala), (Centroamerica)[5] | 99.99 | Manufacturing and sale of plastic tanks for water storage. |

4 In April 2014 the Company registered Molding Acquisition, Corp. (MAC) in the state of California as it is a very competitive state for environmental efficiencies, and seeking to attract close to one third of the US water storage plastic tanks market. MAC was set up in the City of Merced as it is located in the center of the state, where the production facilities have been operating since January 2015.

* On July 10, 2014, the shareholders agreed to merger Conmix Argentina, S. A. and Rotoplas Argentina, S. A., as a result, from that date Rotoplas Argentina, S. A. took over the assets and liabilities of that company, the main reason of this merger is the positioning of the products in the market and ensuring greater sales thereof. The transaction had no significant effects on the financial statements of Grupo Rotoplas, S. A. B. de C. V.

5 Centroamerica is the holder of the shares of the following tier three companies for consolidated financial statement purposes:

| Company | Equity in 2014 and 2013 (%) | Operations |
|---|---|---|
| Tinacos y Tanques de Centroamerica, S. A. | 99.99 | Manufacturing and sale of plastic tanks for water storage. |
| Exportadora y Comercializadora del Caribe, S. A. | 90 | Exportation, importation and distribution of water storage plastic tanks. |
| Servicios Apolo, S. A. | 90 | Rendering of administrative services. |
| Tinacos y Tanques de Honduras, S. A. de C. V. | 99 | Manufacturing and sale of water storage plastic tanks. |
| Tanques Plásticos, S. A. (Costa Rica) | 100 | Manufacturing and sale of of water storage plastic tanks. |
| Tinacos y Tanques de Centroamérica, S. A de C. V. (El Salvador) | 100 | Manufacturing and sale of water storage plastic tanks. |
| Tinacos y Tanques de Nicaragua, S. A. | 99.99 | Manufacturing and sale of water storage plastic tanks. |

### 2.2.2 Changes in the interest of subsidiaries without loss of control

Transactions carried out with the non-controlling interest that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### 2.2.3 Legal reorganizations of companies

Management uses the equity reorganization method to account for the internal reorganizations of the Group under common control. The bases of the equity reorganization method are as follows:

The financial statements of the ongoing company fully incorporate the profit/loss (including the comparative periods), regardless of whether the reorganization took place on intermediary dates over the year. This means that the transaction involves two entities controlled by the same controlling company. The figures used refer to the accounting values of the existing entity, i.e., the consolidated financial statements reflect the figures from the perspective of the controlling company, for the period over which the absorbing entity has held control. The method is based on the principle that the transaction involves no substantial economic changes and instead it represents a change in the Group's structure.

In applying the equity reorganization method it is not possible to generate new goodwill, which means that any differences between the transaction cost of the book values over net assets are recognized in retained earnings under stockholders' equity. (See Note 29).

### 2.2.4 Disposal of subsidiaries

When the Company ceases to have control retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. Fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

### 2.2.5 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. (See Note 15). Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to “share of profit of associated company accounted for using the equity method” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognized in the Company’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

As at December 31, 2014 and 2013, the Company holds an indirect investment (through its subsidiary Latino) in Dalkasa, S.A. (Ecuador) of 49.88% of its equity. That company is mainly engaged in manufacturing and selling water storage plastic tanks.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. (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 Group’s entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Mexican pesos ($), which is the Group's 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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ‘finance income or costs’. All other foreign exchange gains and losses are presented in the income statement within "Financial income and expenses".

### 2.4.3 Group companies

The results and financial position of the Company's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

b. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c. All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

The main types of exchange rates used in the different translation processes are as follows:

| | | Local currency valued in Mexican pesos | | | |
|---|---|---|---|---|---|
| | | Closing exchange rate at December 31 | | Average exchange rate at December 31 | |
| Country | Local currency | 2014 | 2013 | 2014 | 2013 |
| Brazil | Brazilian Real | 5.55 | 5.58 | 5.48 | 5.94 |
| Argentina | Argentinian Peso | 1.72 | 2.00 | 1.69 | 2.34 |
| Central America | Quetzal | 1.94 | 1.67 | 1.90 | 1.63 |
| Peru | New sol | 4.93 | 4.69 | 4.89 | 4.73 |
| United States of America | Dollar | 14.73 | - | 13.30 | - |

### 2.5 Property, plant and equipment

Land and buildings comprise mainly the production and distribution plants and the offices,. Land and buildings are shown at fair value based on valuations performed by external experts, less subsequent building depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. If there are events that indicate that the fair value has changed, it would be necessary to determine a new price. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenses directly attributable to the acquisition of elements.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognized to other comprehensive income and shown as revaluation surplus in stockholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When the carrying amount of an asset exceeds its estimated recoverable value, an impairment loss is recognized to reduce the book value to its recoverable value.

When revalued assets are sold, the amounts included in other comprehensive income are transferred to retained earnings.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized within operating expenses and costs of sales, depending on the function of assets.

**2.5.1 Leasehold improvements**

Improvements to leased property and commercial space in which the Company acts as lessee are recognized at their historical cost less accumulated depreciation. Depreciation of leasehold improvements is measured by the straight-line method based on the initial term of the lease agreement or the useful life of improvements, the lower of these two. (See Note 28).

**2.6 Intangible assets**

**2.6.1 Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each CGU or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less the cost of disposal. Any impairment, if any, is recognized immediately as an expense and is not subsequently reserved.

**2.6.2 Trademarks and licenses**

Trademarks and licenses acquired individually are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at acquisition date. Trademarks and licenses have an indefinite useful life and are recorded at cost less accumulated amortization. Amortization is calculated by the straight-line method based on estimated useful lives of three to five years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

**2.6.3 Computer programs**

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software.
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Direct costs that are capitalized as part of computer programs include compensation of the employees developing the programs and an appropriate portion of relevant overheads.

Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

**2.7 Impairment of non-financial assets**

Intangible assets with indefinite useful lives, e.g. goodwill or intangible assets not ready for use, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU). Prior impairments of non-financial assets other than goodwill are reviewed for possible reversal at each reporting date.

**2.8 Financial assets**

**2.8.1 Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and accounts receivable. Management classifies its financial assets under those categories at the time of initial recognition, considering the purpose for which they were acquired.

**2.8.1.1 Financial assets measured at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

**2.8.1.2 Loans and accounts receivable**

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and accounts receivable are shown in the following captions of the statement of financial position: Cash and cash equivalents, Accounts receivable and Related parties.

**2.8.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Financial income and expenses" in the period in which they arise.

**2.9 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of breach, insolvency or bankruptcy of the Company or the counterparty.

**2.10 Impairment of financial assets**

**2.10.1 Assets carried at amortized cost**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future 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 recognised 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 under the contract. The Group may measure impairment on the basis of an instrument's fair value using an observable market price. As a practical experience, the Group evaluates the impairment estimate for accounts receivable when these clients overreach 90 days of not have received the payment the due payment, the analysis is performed for each account and under individual behavior basis. Increases to this estimate are recognized under operating expenses in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

**2.11 Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Financial instruments that fail to comply with hedging accounting are recognized at their fair value through profit or loss.

At December 31, 2014 and 2013, the Company has derivative financial instruments contracted for economic hedging purposes; however, it does not recognize them as hedge accounting. (See Note 17).

**2.12 Inventories**

Inventories are stated at the lower of cost and net realizable value, controlled through the standard cost method, which is adjusted at the end of each month to recognize their values through the weighted average cost method. The cost of finished products and of work in progress includes raw materials, direct labor costs and related overheads based on the Group's regular operating capacity. Net realizable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses.

**2.13 Accounts receivable**

Accounts receivable represent amounts due from customers and arise from the sale of goods over the ordinary course of business. If collection is expected in one year or less from the closing date, they are classified as current assets. Otherwise, they are shown as non-current assets. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any.

**2.13.1 Prepayments**

Prepayments comprise expenses incurred by the Company where the risks and rewards inherent to the goods to be acquired and services to be received have not been transferred yet. Prepayments are recorded at cost and are shown in the statement of financial position as current assets or if they are expected to be transferred in more than one year as non-current assets. Once the goods and/or services are received, related to prepayments, they must be recognized as an asset or an expense in the statement of income in the period, respectively.

**2.13.2 Guarantee deposits**

Guarantee deposits relate to disbursements made to secure commitments assumed under certain agreements (mainly related to leased property). Guarantee deposits, whose recoverability will take place in a period of over 12 months, are recognized at their amortized cost using the effective interest method. Guarantee deposits to be recovered over a period of less than 12 months are not discounted.

**2.14 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, restricted cash, deposits held at call with banks and other short-term highly-liquid investments with maturities of three months or less. At December 31, 2014 and 2013, short-term highly-liquid investments with maturities of three months or less are invested in bank debt securities and government bonds. (See Note 8).

**2.15 Stockholders' equity**

**2.15.1 Capital stock**

Ordinary shares are classified as capital stock in equity and are expressed at their historical cost. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in stockholders' equity as a deduction, net of tax, from the proceeds. Capital stock includes inflation effects recognized until December 31, 1997.

**2.15.2 Share premium**

The share premium represents the excess between the payment for share subscription and the par value thereof on historical bases.

**2.15.3 Legal reserve**

Under the Corporations Law, 5% of the net profit must be set aside to increase the legal reserve until it is the equivalent of 20% of the historical capital stock. The purpose behind that reserve is to keep a minimum amount of capital to cover unforeseen funding needs.

**2.15.4 Retained earnings**

This item relates to accumulated net income of previous years and includes the effects of inflation recognized until December 31, 1997.

**2.15.5 Comprehensive income**

Comprehensive income is comprised of the net income for the year, plus other capital reserves, net of taxes, which are made up of the effects of currency translation of foreign entities, remeasurement of employee benefits and other items that in accordance with specific provisions must be recorded in stockholders' equity and do not qualify as capital contributions, reductions or distributions.

**2.15.6 Treasury shares**

On stockholders' meetings, the stockholders may at times authorize disbursements of a maximum limit to acquire own shares. When an entity's own shares are repurchased, they become treasury shares and the related amount is charged to stockholders' equity at purchase price: a portion goes to capital stock at modified historical value and the surplus goes to retained earnings. Those amounts are expressed at historical value.

**2.16 Accounts payable**

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

**2.17 Bank loans**

Loans are initially recognized at their fair value, net of related costs incurred, and are subsequently recognized at their amortized cost. Any differences between the proceeds received (net of related costs incurred) and the redemption value are recognized in the income statement over the period of the loan using the effective interest method.

**2.18 Loan costs**

General and specific loan costs directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. At December 31, 2014 and 2013, no financing costs had been capitalized.

All other loan costs are recognized in profit or loss in the period in which they are incurred.

**2.19 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in stockholders' 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 on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for 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 accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. (See Note 24).

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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 difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognized.

The balances of deferred income tax assets and liabilities are offset when there is the legal right to offset tax incurred and they are related to the same tax authorities and the same tax entity or different tax entities, provided the intention is to settle the balances on a net basis.

**2.20 Employee benefits**

**2.20.1 Pension Plan**

Defined benefit plans

A defined benefit plan is the amount of a seniority premium benefit to which an employee is entitled at retirement, which usually depends on one or two factors, such as age, years of service and compensation. In this case, the Company is required to pay the amount established in the plan when it comes due. The Group companies have established a plan in conformity with the requirements set forth in the Federal Labor Law (FLL) in respect of which the Group companies that have personnel are required to pay their employees, and the latter are entitled to receive, a seniority premium upon termination of employment after 15 years of service.

The liability recognized in the statement of financial position for seniority premium, which is considered to be a defined benefit, is the present value of the defined benefit obligation at the end of the reporting period less the fair of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit cost method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using interest rates for high-quality government bonds that are denominated in the same currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognized immediately in the statement of income.

**2.20.2 Retirement benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntarily redundancy in exchange for those benefits. The Company recognizes termination benefits at the earlier of the following dates: a) when the Company can no longer withdraw the offer those benefits, and b) when the Company recognizes costs for a restructuring that is in scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. If an offer is made to encourage voluntary termination of the employment relationship by employees, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**2.20.3 Annual employee bonuses**

Some of the Company's executives receive an annual bonus calculated as a percentage of their annual compensation and depending on the level of compliance of the goals established to each officer at the beginning of the year. In the years in which these bonuses were distributed, the Company recorded a provision of $993 and $11,959 at December 31, 2014 and 2013, respectively, which is included in Note 21 in the provision for employee bonuses.

**2.20.4 Other officer bonuses**

As part of a retention plan, the Company gives to its officers support in order to acquire Company's shares. Depending on certain factors, mainly years of service, eligible employees can opt to accept a loan for a future purchase of shares, which is periodically discounted from their pay and which bears market value interest. (See Note 10c)

**2.20.5 Employees' statutory profit-sharing (ESPS) and gratifications**

The Company recognizes a liability and a bonus expense and employees' statutory profit sharing based on a calculation that considers the profit attributable to the Company's stockholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a past practice that generates a constructive obligation. (See Note 26).

**2.21 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**2.22 Revenue recognition**

Revenue from the sale of goods in the normal course of the Company's operations is measured at the fair value of the consideration received or receivable. Revenue is stated net of value-added tax (VAT), rebates and discounts, after eliminating intercompany sales. The Company recognizes revenue when it can be reliably measured, when economic benefits are likely to flow to the entity, and when specific criteria have been met for each type of operation, as described below. The Group bases its estimates based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**2.22.1 Revenue from sales of plastic containers and accessories (wholesale)**

The Company manufactures and sells a broad variety of plastic containers and accessories in the wholesale market. Sales of those products are recognized when the Company has delivered the products to the customer, who is entitled to decide the distribution channel and sales price of the products to be sold in the retail market, and when there is no longer a pending obligation to be met by the Company that could result in the return or rejection of products.

Products are considered to have been delivered to the customer when they have been placed in the location specified in the contract, the related loss risks have been transferred to the customer and the customer has accepted the products as per the agreement in place, or the return terms have expired, or the Company has objective evidence that it has complied with all the requirements for the customer to accept the products.

Plastic containers and accessories are generally sold at a discount for volume. Additionally, customers have the right to return defective products. Sales are recognized on the basis of the prices agreed in the respective agreements, net of an allowance for discounts for volume and returned items. Allowances for discounts for volume and returned items are determined on the basis of past experience. It is not considered that financing is being offered to customers as a separate component of a sales transaction, since the credit term is 7 to 60 days, which is consistent with market practices.

**2.23. Interest income**

Interest income is recognized using the effective interest method. When a loan or account receivable is impaired, its carrying value is adjusted to its recoverable value, which is determined discounting the estimated future cash flow at the instrument's original effective interest rate. Interest income on impaired loan and account 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 financial or operating leases depends on the substance of transactions rather than on the form of the respective agreements.

Leases in which a significant portion of the risks and benefits related to the leased items are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentives received from the lessor) are charged to the statement of income based on the straight line method over the period of the lease.

Leases where the Company assumes substantially all the risks and rewards of the leased property are classified as financial leases. Financial leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum payments. If it is practical, the calculation to discount the minimum payments at present value is carried out using the implicit lease interest rate; otherwise, the lessee incremental borrowing rate is used. Any initial lessee direct costs are added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and the financial charges until a constant rate for the current balance is reached. The respective lease obligations are included in the current portion of the non-current debt, net of financial charges. Financial costs interest is charged to income for the year over the lease period, in order to produce a constant periodic interest rate for the remaining balance of the liability for each period. Property, plant and equipment acquired under a financial lease arrangement are depreciated based on the useful lives of assets.

**2.26 Dividend distributions**

Dividends distribution to the Company's shareholders are recognized as a liability in the financial statements in the period in which dividends are approved by the Company's shareholders and the right to receive these payment is established. In order to pay dividends (which are discounted from prior year's net income), the Company uses the individual financial statements prepared in accordance with IFRS for legal purposes.

**2.27 Earnings per share**

Net earnings per share are calculated by dividing the profit for the year attributable to the controlling interest by the weighted average number of ordinary shares in issue during the year. At December 31, 2014 and 2013, there are no components of diluted earnings, thus earnings per diluted share are not calculated or disclosed. The basic earnings per share are expressed in Mexican pesos.

**2.28 Comparison**

Classifications of certain balances have been reviewed and the comparative data have been amended to the new policies and standards for better presentation in the consolidated financial statements.

**Note 3 – Financial risk management:**

**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks, such as: market risk (including currency risk, cash flow and price risks), credit risk and liquidity risk. The purpose behind the Group's risk management plan is to minimize the potential adverse effects arising from the unpredictable nature of markets on the Group's financial performance.

The Group's financial risk management is overseen by the Finance department in accordance with the policies approved by the Board of Directors, which has issued general policies on financial risk management and specific risks.

**3.1.1 Market risks**

i. Foreign currency exchange rate risk

The Group operates internationally and it is exposed to US dollar (USD) and euro (€) exchange risks in relation to the functional currencies of each subsidiary. Exchange risk arises from future commercial operations in foreign currency and from certain foreign currency assets and liabilities.

The Finance department has established a policy requiring Group companies to manage exchange risks in relation to their functional currency. The Group companies must hedge their exposure to foreign currency exchange risks through the Group's Treasury department. In managing exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group companies can use different instruments such as forwards agreements negotiated by the Group Treasury. Exchange rate risk arises when future commercial transactions and recognized assets and liabilities are contracted in a currency other than the entity's functional currency.

As part of its risk management policies, the Group's Finance department periodically analyzes its exposure to risk and when the economic conditions of each country in which it operates require it, the Group contracts expected cash flow hedges for the following 12 months, for each relevant currency. Additionally, the Group calculates sham differences in exchange rates and, when necessary, it adjusts the costs of its products. At December 31 of the reporting years, the Group had contracted no financial instruments to hedge exchange rate risks.

The Group has contracted foreign currency financing and peso bank loans. The Group is mainly exposed to the risk of fluctuations in the peso-US dollar and peso-euro exchange rates associated to merchandise that it imports from the US, Portugal and Italy. Purchases of merchandise paid in a currency other than the Mexican peso represent approximately 7% of total purchases. The Company's consolidated operations were exposed to exchange rate risk of (USD15,195) and (€1,922) at December 31, 2014 and (USD9,000) and €138 at December 31, 2013.

In the event of a 10% increase in the peso-USD (and euro) exchange rate at December 31, 2014 and 2013, the Company would incur a loss of approximately $22,553 and $11,759, respectively, and ($3,445) and $1,084, respectively, due to its euro position. This 10% represents the sensitivity rate used when the exchange risk is reported internally to the Finance department, and represents management's assessment of possible changes in exchange rates. The sensitivity analysis includes only those monetary items not yet settled denominated in a foreign currency at the period closing.

The Group has a number of investments in foreign operations, whose net assets are exposed to exchange rate risk. Currency exchange rate exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At December 31, 2014 and 2013, the Company and its subsidiaries had monetary assets and liabilities denominated in thousands of USD and €, as follows:

| | December 31 | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Dollars | Euros | Dollars | Euros |
| Assets | USD 1,316 | € 197 | USD66,947 | € 5,719 |
| Liabilities | (16,511) | (2,119) | (75,947) | (5,581) |
| Net (short) long position | (USD15,195) | (€ 1,922) | (USD 9,000) | € 138 |

At December 31, 2014 and 2013, the exchange rate was $14.73 and $13.06 per USD, respectively, and $17.92 and $18 per €, respectively.

At April 13, 2015, date of issuance of the financial statements, the exchange rate was $15.29 to the USD and $16.10 to the €.

The exchange rate of the USD to the currency of the subsidiaries established abroad at December 31, 2014 and 2013 is as follows:

| | | Foreign currency equivalents in USD | |
|---|---|---|---|
| | | December 31 | |
| Country | Currency | 2014 | 2013 |
| Argentina | Peso | .1169 | .1534 |
| Brazil | Real | .3765 | .4269 |
| Costa Rica | Colón | .0018 | .0020 |
| El Salvador | Dollar | .1143 | .1143 |
| Guatemala | Quetzal | .1316 | .1275 |
| Honduras | Lempira | .0462 | .0482 |
| Nicaragua | Cordoba | .0376 | .0395 |
| Peru | New sol | .3344 | .3589 |

ii. Price risk

The Company is exposed to price risk fluctuation in relation to the prices of raw materials needed to manufacture its products  Risk price arises form fluctuations in the prices of resin, which is the main raw material used and which is associated to the oil commodity.  The risk arises because the price of an asset may vary due to economic uncertainty.

The Company does not utilize hedge financial instruments or guaranteed purchase agreements with its suppliers.  Instead, the best prices for this raw material are analyzed and purchases are made based on the best price identified.  The Company prepares simulations to analyze the risk of price fluctuations and, if necessary, adjusts the cost of products.

In the event of a 10% increase or decrease in the prices of resin at December 31, 2014 and 2013, the Company would experience an increase or decrease in the cost of sales of approximately $174,840 and $141,780, respectively, which would be charged through the sales prices.  This 10% represents the sensitivity rate used when the price risk is reported internally to the Finance department, and it represents Management's assessment of possible changes in the price of resin.

iii. Cash flows and fair value of interest rates

The Company’s interest rate risk arises from long-term borrowings.  Loans bearing interest at variable rates expose the Company to the risk of fluctuations in the related future cash flows.   That is risk is partially compensated by cash equivalents also bearing interest at variable rates.  Loans bearing interest at fixed rates expose the Company to the risk of market value of interest rates.  In 2014 and 2013, the Company's borrowings bearing interest at variable rates were denominated in USD, reales and Argentinian pesos.

The Company analyzes its exposure to interest rate risk in a dynamic manner. Various scenarios are simulated taking into consideration refinancing arrangements, renewal of existing positions, alternative forms of financing and hedge contracts. Based on these scenarios, the Company calculates the impact of a change in interest rates on income for the year. For each simulation, the same interest rate fluctuation is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Company manages its risk of changes in cash flows arising from loans contracted at variable rates by contracting swaps with variable-to-fixed interest rates. Those swaps have the effect of changing variable rates on loans to fixed rates. The main reason for using these financial instruments is to know for certain the cash flows that the Company will pay to meet its contractual obligations.

With these interest-rate swaps, the Company agrees with other parties to periodically deliver or receive the existing difference between the amount of interest of variable rates set forth in debt agreements and the amount of interest of fixed rates contracted under derivative financial instruments.

If the interest rates of borrowings contracted in pesos not hedged with financial instruments had increased/decreased by 10%, while the rest of the variables remained constant, after-tax income for 2014 would have increased/decreased by $2,527, mainly due to the difference in the cost of interest on borrowings contracted at variable rates; while income for 2013 would have increased/decreased by $3,482, mainly as a result of the change in the market value of fixed rate financial assets classified as available for sale.

Additionally, if the variable interest rates had been five basis points above/below, and all other variables had remained constant, net income for the period at December 31, 2014 and 2013 would have increased/decreased by $1,263 and $1,149, respectively, as a result of the changes in the fair value of hedge derivative financial instruments contracted to hedge exposure to the changes in variable interest rates of loans contracted in Mexican pesos.

Additionally, the proportion of fixed and variable interest rates of loans received is as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Variable rate loans | 99% | 90% |
| Fixed rate loans | 1% | 10% |

At December 31, 2014 and 2013, bank loans with variable rates are hedged by the financial instruments described in Note 17.

**3.1.2 Credit risk**

Credit risk is managed on a consolidated basis, except for risk related to accounts receivable balances. Each Company subsidiary is responsible for managing and analyzing each of its new customer's credit risk prior to determining the credit terms and conditions for delivery. Credit risk relates to cash and investments in securities, derivative financial instruments and deposits in banks and financial institutions, as well as to credit granted to wholesale and retail customers, including balances not yet collected. Banks and financial institutions only accept clients that have been issued acceptable credit rates by specialized agencies to meet the respective financial obligations (e.g., minimum "A" rate). Independent ratings are considered for wholesale clients, when available. If there are none, the Company's management estimates the customer's credit quality, taking into account its financial situation, past experience and other factors. Individual credit limits are established based on internal and external ratings, according to the policies established by the Finance department. Credit limits are regularly monitored.

Credit limits were not exceeded in the years being reported and Management does not expect the Company to incur losses from breach by those entities. Also in those years, the Company increased its portfolio mainly as a result of the influence of government clients involved in social development programs.

Credit quality of the financial assets not yet matured or impaired, which has been evaluated using external credit ratings as reference, when available, or historical information on compliance ratios of their issuers and counterparties, is shown as follows:

| | December 31 | |
|---|---|---|
| Customers | 2014 | 2013 |
| Counterparties without external credit ratings: | | |
| Group A | $ 38,035 | $ 83,222 |
| Group B | 1,430,030 | 1,069,999 |
| Group C | 160,264 | 35,668 |
| Total accounts receivable from a customers, not impaired | $1,628,329 | $1,188,889 |
| Cash at bank and short-term bank deposits | | |
| Counterparties with external credit ratings: | | |
| AAA | $ 206,843 | $ 123,335 |
| AA | 3,674,843 | 434,124 |
| A | 63,135 | - |
| | $3,944,821 | $ 557,459 |

Loans to related parties

| | | |
|---|---|---|
| Counterparties without external credit ratings: | | |
| Group B | $ 49,832 | $ 49,358 |

Group A: new customers /related parties (under six months of operations).

Group B: customers/existing related parties (over six months of operations) with no past breaches.

Group C: customers/existing related parties (over six months of operations) with some past breaches. In those cases, past due balances were collected in full.

No financial assets have been renegotiated. There are no past due balances receivable from related parties.

**3.1.3 Liquidity risk**

Cash flow forecasting is performed at the operating subsidiary level and the Finance department subsequently consolidates that information. The Company's Finance department monitors cash flow forecasts and the Company's liquidity requirements, ensuring that cash and investments in trading securities are sufficient to meet operating needs.

The Company constantly monitors, and makes decisions not to violate, the limits and covenants established in indebtedness contract. Projections consider Company financing plans and compliance with covenants, minimum internal liquidity ratios and legal or regulatory requirements.

Surplus cash held by the operating entities are transferred to the Company's Treasury. The Company's Treasury invests these funds in term deposits and marketable securities, whose maturities or liquidity allow for flexibility to cover the Company's cash needs. At December 31, 2014 and 2013, the Company had term deposits of $232,244 and $90,046, respectively, which are expected to be enough to manage liquidity risk.

The table below analyzes the Group's financial liabilities, presented for the period between the date of the consolidated statement of financial position and the date of its expiration. Amounts shown in the table correspond to non-discounted cash flows, including interest.

| December 31, 2014 | Under 3 months | Between 3 months & 1 year | Between 1 & 5 years | Total |
|---|---|---|---|---|
| Bank loans | $ - | $60,068 | $1,398,364 | $1,458,432 |
| Derivative financial instruments for economic hedging | $ - | $ - | $ 25,268 | $ 25,268 |
| Suppliers | $563,109 | $16,334 | $ - | $ 579,443 |
| Other accounts payable | $227,248 | $ - | $ - | $ 227,248 |
| Total | $790,357 | $76,402 | $1,423,632 | $2,290,391 |

| December 31, 2013 | Under 3 months | Between 3 months & 1 year | Between 1 & 5 years | Total |
|---|---|---|---|---|
| Bank loans | $ - | $107,691 | $1,215,917 | $1,323,608 |
| Derivative financial instruments for economic hedging | $ - | $ | $ 2,169 | $ 2,169 |
| Suppliers | $395,395 | $ 10,788 | $ - | $ 406,183 |
| Other accounts payable | $443,362 | $ 696 | $ - | $ 444,058 |
| Total | $838,757 | $119,175 | $1,218,086 | $2,176,018 |

### 3.2 Capital management

The Company's objectives in managing capital are: to safeguard its capacity to continue in business as a going concern, provide returns for the stockholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can vary the amount of dividends payable to the stockholders, conduct a capital stock reduction, issue new shares or sell assets and reduce its debt. The Company has the practice of reinvesting its profits as a capitalization instrument.

Like other entities in the industry, the Company monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (including current and non-current loans as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

In general terms, the Group monitors the gearing ratio with a view to avoid exceeding the 50% mark. The gearing ratios for the reporting periods were as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Total loans (Note 18) | $ 1,210,741 | $1,323,608 |
| Less: cash and cash equivalents (Note 8) | (3,944,821) | (557,459) |
| (Excess cash over debt) net debt | (2,734,080) | 766,149 |
| Total stockholders' equity | 6,165,856 | 2,093,205 |
| Total capital and debt | $ 3,431,776 | $2,859,354 |
| Indebtedness index | - % | 27% |

At December 31, 2014, the Company has determined that the gearing ratio is zero, in view of the cash flows arising from public offerings of shares made by the Company in 2014.

### 3.3 Fair value estimate

The table below shows the financial instruments recorded at fair value, classified as per the valuation method used in each case. The different levels are determined as follows:

Level 1: quoted price (not adjusted) of an identical asset or liability.

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 3: inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| December 31, 2014 | | | | |
| Derivative financial instruments - Liability | $ - | ($ 25,268) | $ - | ($ 25,268) |
| December 31, 2013 | | | | |
| Derivative financial instruments - Liability | $ - | ($ 2,169) | $ - | ($ 2,169) |

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from a stock exchange, negotiators, brokers, industrial groups, price services or a regulating agency and those prices represent real and recurring transactions in the market on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in Level 1. The instruments included in level 1 comprise mainly tradable securities or securities available for sale.

The fair value of financial instruments not traded in active markets, e.g., over-the-counter derivatives, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimations. If all relevant inputs required to fair value of a financial instrument are observable, the instrument is included in Level 2.

If one or more relevant inputs are not based on observable market information, the instrument is included in Level 3.

**3.4 Compensation of financial assets and liabilities**

As at December 31, 2014 and 2013, the Company has not compensated financial assets and liabilities.

**Note 4 - Critical accounting estimates and judgments:**

Estimations and judgments used in preparing the financial statements are constantly evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

**4.1 Critical accounting estimates and judgments**

The Company prepares estimations and assumptions considering future events to recognize and measure certain captions of its financial statements. The resulting accounting estimates recognized probably differ from actual results or events. Estimations and assumptions involving a significant risk of material adjustments to assets and liabilities recognized in the subsequent year are as follows:

**4.1.1 Impairment of goodwill**

The company tests annually whether goodwill has suffered any impairment; in accordance with the criteria set forth in Note 2.6.1. The recoverable amount of CGU has been determined based on their value-in use calculations. The determination of the value-in use requires the use of certain estimates. (See Note 16).

Based on tests performed by the Company, it was determined that at December 31, 2014 and 2013 there was no impairment in goodwill and therefore it was considered unnecessary to carry out sensitivity tests, since cash flow surpluses at present value significantly exceed the book values.

**4.1.2 Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgments are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The Company recognizes liabilities for matters observed during tax audits if it considers that they will likely result in the determination of tax in addition to the amount originally incurred. Where the final outcome of these matters is different from the estimated liability , these differences are recognized in income taxes payable and/or deferred for the period.

The Company recognizes a deferred tax asset for accumulated tax losses based on the projections and estimations for realization of the respective tax benefit through future tax profits and considering the existing market conditions at the year closing.

If the tax result of those processes differs 5% from recognized estimates, the Company must increase or reduce the income tax liability by $8,659 and $7,153, and reduce or increase the deferred tax asset by $8,338 and $7,594, for 2014 and 2013, 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 through the use of valuation methods. The Company uses its judgment to select the methods and assumptions to be considered, which are mainly based on existing market conditions at year end.

The Company has determined the fair value of derivative financial assets by estimating its discounted cash flows. The use of estimation methods could result in amounts different from those shown at maturity. The effects on income of swaps contracts would be lower by $6,897 and $4,121, or higher by $1,778 and $4,555 respectively, if the discount rate used in the analysis of discounted cash flows had varied by 10% from Management's estimates for 2014 and 2013, respectively.

**4.1.4 Retirement benefits**

The present value of retirement obligations depends on the number of circumstances determined on the basis of actuarial studies using several assumptions. The assumptions used in determining the net cost for the period include the discount rate. Any changes to these assumptions would affect the liability recognized.

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

At the end of each year, the Company estimates the discount rate for determining the present value of future cash flows calculated to liquidate retirement obligations, based on the interest rates of top-quality corporate bonuses, expressed in the same currency as pension benefits with similar maturity dates. Other factors used to estimate pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

If the discount rate for 2014 had varied by 1% above or below the discount rate estimated by management, the book value of labor obligations would have been $6,733 or $8,338 (2013: $4,992 o $6,095), respectively.

**Note 5 - Classification of financial instruments:**

Financial assets according to balance sheet:

| December 31, 2014 | Loans and accounts receivable | Assets at fair value through income (loss) | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 274,501 | $ - | $ 274,501 |
| Short-term highly-liquid investments with maturities of three months or less | - | 3,670,320 | 3,670,320 |
| Accounts receivable | 1,632,786 | - | 1,632,786 |
| Short-term and long-term related parties | 54,919 | - | 54,919 |
| | $1,962,206 | $3,670,320 | $5,632,526 |

| December 31, 2013 | Loans and accounts receivable | Assets at fair value through income (loss) | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 123,335 | $ - | $ 123,335 |
| Short-term highly-liquid investments with maturities of three months or less | - | 434,124 | 434,124 |
| Accounts receivable | 1,214,026 | - | 1,214,026 |
| Short-term and long-term related parties | 56,931 | - | 56,931 |
| | $1,394,292 | $434,124 | $1,828,416 |

Financial assets according to balance sheet:

| December 31, 2014 | Liabilities at fair value through profit or loss | At amortized cost | Total |
|---|---|---|---|
| Financial assets according to balance sheet: | | | |
| Long-term and short-term bank loans | $ - | $1,210,741 | $1,210,741 |
| Suppliers | - | 579,443 | 579,443 |
| Other accounts payable | - | 359,197 | 359,197 |
| Derivate financial instruments | 25,268 | - | 25,268 |
| | $25,268 | $2,149,381 | $2,174,649 |

| December 31, 2013 | Liabilities at fair value | At amortized cost | Total |
|---|---|---|---|
| Financial assets according to balance sheet: | | | |
| Long-term and short-term bank loans | $ - | $1,323,608 | $1,323,608 |
| Suppliers | - | 406,183 | 406,183 |
| Other accounts payable | - | 444,058 | 444,058 |
| Derivate financial instruments | 2,169 | - | 2,169 |
| | $2,169 | $2,173,849 | $2,176,018 |

**Note 6 - Guarantee deposits:**

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Guarantee for purchase of Conmix Argentina, S. A. | $ 19,629 | $18,731 |
| Guarantee for electric power services | 6,915 | 6,341 |
| Guarantee for leasing of real estate | 3,629 | 2,374 |
| Guarantee for sundry services | 11,534 | 7,991 |
| | $ 41,707 | $35,437 |

**Note 7 - Segment reporting:**

General Management is the maximum authority for making Company operation decisions. Therefore, General Management has determined the operating segments to be reported based on internal reports previously reviewed to make strategic business decisions.

An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis. Revenue of the different Company segments streams mainly from the sale of products.

Water solutions:

"Individual solutions" segment

Individual solutions are products that by themselves satisfy the needs of customers on permanent bases. Those products are commercialized through the Company's distributor network, without the need for additional services such as installation or maintenance services.

"Comprehensive solutions" segment

Comprehensive solutions are systems made up of different Individual Solutions that interact with each other to meet more complex needs. Generally speaking, those systems include added value services such as installations or maintenance to ensure that they function properly.

Income and results per operating segment:

The Company evaluates the performance of each operating segment based on profits before financial results, taxes, depreciation and amortizations and donations (EBITDA), and considers that indicator to be a good measure to evaluate the yield of each Group operating segment, as well as the capacity to fund capital investments and working capital requirements. The EBITDA is not a financial performance measure under IFRS and it should not be considered an alternative to net profit to measure operating performance, or cash flows to measure liquidity.

The Company has defined EBITDA as the consolidated profit (loss) before taxes after adding or subtracting, as the case may be: 1) depreciation, amortization and impairment of non-current assets; 2) the net financial result (includes interest costs and income, and exchange gains or losses), 3) equity in loss of associate, and 4) donations.

Geographic markets:

The Company also controls its assets and liabilities per geographic market, classified as Mexico, Brazil and Others (Peru, Argentina, Guatemala, Honduras, Nicaragua, Costa Rica and El Salvador).

Below is an analysis of income and results per segment to be reported: The other income statement items are not assigned, as they are managed on a corporate level. The information disclosed in each segment is shown net of eliminations related to transactions conducted between Group companies. This form of presentation is the same as that used by management in its periodic review processes of the Company's performance.

| | Year ended on December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | Individual Solutions | | Comprehensive Solutions | | Consolidated | |
| Sales to external customers | $ 4,850,510 | $ 4,963,124 | $ 1,701,251 | $ 448,697 | $ 6,551,761 | $ 5,411,821 |
| Pretax profits | $ 482,481 | $ 466,901 | $ 94,790 | $ 47,289 | $ 577,271 | $ 514,190 |
| EBITDA | $ 687,174 | $ 732,815 | $ 172,332 | $ 72,558 | $ 859,506 | $ 805,373 |

Revenue of approximately $1,059,000 ($1,291,000 in 2013) derived from three external customers. This revenue is attributable to the Mexico and Brazil segments.

Pretax income per period is as follows:

| | Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| EBITDA | $ 859,506 | $ 805,373 |
| Depreciation and amortization | (137,780) | (146,645) |
| Donations | (23,438) | (13,210) |
| Financial costs - Net | (122,165) | (132,364) |
| Equity in results of associate | 1,148 | 1,036 |
| Income before taxes | $ 577,271 | $ 514,190 |

Geographic information:

Sales per geographic market for the year ended on December 31:

| | Mexico | | Brazil | | Other | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Net sales | $ 3,067,934 | $2,627,468 | $2,756,326 | $ 2,036,537 | $ 727,501 | $ 747,816 | $ 6,551,761 | $ 5,411,821 |

Assets by geographic area:

| | Property, plant and equipment at December 31: | |
|---|---|---|
| | 2014 | 2013 |
| Mexico | $ 821,337 | $ 860,120 |
| Brazil | 279,940 | 309,611 |
| Other | 94,840 | 61,160 |
| | $1,196,117 | $1,230,891 |

**Note 8 - Cash and cash equivalents:**

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Cash | $ 268 | $ 244 |
| Restricted cash* | 41,989 | 33,045 |
| Bank deposits | 232,244 | 90,046 |
| Short-term highly-liquid investments with maturities of three months or less | 3,670,320 | 434,124 |
| Total cash and cash equivalents | $3,944,821 | $557,459 |

* Restricted cash comprises the amount contributed to guarantee the promotion and development of companies. Restricted cash is kept as a bank deposit at a financial institution with an external credit rating of AAA. (See Note 28).

**Note 9 - Accounts receivable and other accounts receivable:**

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Clients | $1,628,329 | $1,188,889 |
| Less: impairment estimate | (23,568) | (29,463) |
| | 1,604,761 | 1,159,426 |
| Sundry debtors | 22,024 | 50,309 |
| Employees | 1,588 | 963 |
| VAT not yet credited | 92,676 | 39,095 |
| Other accounts receivable | 4,413 | 3,328 |
| | 120,701 | 93,695 |
| | $1,725,462 | $1,253,121 |

The fair value of accounts receivable at December 31, 2014 and 2013 is similar to their book value.

Accounts receivable include balances receivable from the following customers:

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Codevasf (Brazil) | $ 636,476 | $ 133,602 |
| Sedesol (Mexico) | - | 333,070 |
| Other | 968,285 | 692,754 |
| | $1,604,761 | $1,159,426 |

The analysis of past due but not impaired accounts receivable from customers is as follows:

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Over three months | $118,014 | $84,214 |

Movements in allowance for impairment of the customer portfolio are as follows:

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Book value at January 1 | $29,463 | $20,336 |
| Impairment for the year | 8,209 | 28,537 |
| Account cancellations | (14,104) | (19,410) |
| Net book value | $23,568 | $29,463 |

Charges and reversals in the customer allowance have been included under operating expenses in the statement of income. When there is no further expectation of recovery of an account from a customer, the balance is canceled together with the respective impairment provision. The Other accounts receivable are not impaired.

At December 31, 2014, accounts receivable from customers of $23,568 (2013: $29,463) were impaired and have been fully reserved. Accounts receivable from customers impaired individually relate mainly to customers who are unexpectedly going through economic difficulties. A portion of those accounts receivable is expected to be recovered.

The maximum exposure to credit risk at year end is the book value of customers and other accounts receivable. The group received no guarantees in relation to customers or other accounts receivable.

**Note 10 – Related parties:**

a. In the year ended on December 31, 2014 and 2013, the following operations were carried out with related parties at market value:

| | Year ended on December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Sales | | |
| Dalkasa, S. A. (associate) | $14,897 | $14,323 |

b. Year-end balances resulting from sales/purchases of goods and services.

| | December 31, | |
|---|---|---|
| Accounts receivable | 2014 | 2013 |
| Dalkasa, S. A. (associate) | $ 5,087 | $ 7,573 |

c. Loans made to personnel

At December 31, 2014 and 2013, loans made to key officers are subject to fixed and variable interest rates, shown below: Additionally, those loans are for a period of 10 years starting as from the date they are contracted.

| Officer | 1 | | 2 | 3 | 4 | | 5 | |
|---|---|---|---|---|---|---|---|---|
| Engagement date | January 29, 2013 | August 28, 2011 | January 1, 2013 | January 1, 2013 | January 21, 2013 | February 21, 2012 | January 10, 2013 | Total |
| Interest rate | 6.9% | UDI | 6.9% | 6.9% | 6.9% | UDI | UDI | |
| December 31, 2014. | | | | | | | | |
| Opening balances | $ 12,764 | $ 5,575 | $ 10,705 | $ 9,882 | $ 9,492 | $ 468 | $ 472 | $ 49,358 |
| Loan | 10,244 | - | 7,682 | - | - | - | - | 17,926 |
| Collections | (8,707) | (4,200) | (6,530) | - | - | - | - | (19,437) |
| Interest | 688 | 175 | 549 | 281 | 247 | 31 | 14 | 1,985 |
| Total | $ 14,989 | $ 1,550 | $ 12,406 | $ 10,163 | $ 9,739 | $ 499 | $ 486 | $ 49,832 |

| Officer | 1 | | 2 | 3 | 4 | | 5 | |
|---|---|---|---|---|---|---|---|---|
| Engagement date | January 29, 2013 | August 28, 2011 | January 1, 2013 | January 1, 2013 | January 21, 2013 | February 21, 2012 | January 10, 2013 | Total |
| Interest rate | 6.9% | UDI | 6.9% | 6.9% | 6.9% | UDI | UDI | |
| December 31, 2013. | | | | | | | | |
| Opening balances | $ 11,915 | $ 5,321 | $ 9,993 | $ 9,225 | $ 8,840 | $ 468 | $ - | $ 45,762 |
| Loan | - | - | - | - | - | - | 450 | 450 |
| Interest | 849 | 254 | 712 | 657 | 652 | - | 22 | 3,146 |
| Total | $ 12,764 | $ 5,575 | $ 10,705 | $ 9,882 | $ 9,492 | $ 468 | $ 472 | $ 49,358 |

The fair value of officer's loans as at December 31, 2014 and 2013 was $46,535 and $41,483, respectively.

d. Compensations paid to directors and other management members were as follows:

| | Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Salaries and other short-term benefits | $ 133,897 | $122,087 |

Compensation paid to directors and key executives is determined by the Board of Directors based on their performance and on market trends.

e. Other related parties

In 2014 and 2013 the Company carried out operations with Corporativo Grupo Bursatil Mexicano (GBM), which in turn holds the shares of GBM International, Inc. and GBM México.

Corporativo GBM and subsidiaries have a commercial relationship with the Company and its subsidiaries, and to date have provided financial advisory services, investment banking services and other bank services.

Carlos Rojas Mota Velasco, main Company shareholders and President of the Board of Directors and CEO, has a familiar relationship with the main shareholders of Corporativo GBM and therefore Corporativo GBM and its subsidiaries are considered to be related parties.

i. As at December 31, 2014 and 2013, the Company had no balances receivable from or payable to Corporativo GBM.

ii. During the year ended December 31, 2014 and 2013, the Company conducted the following operations with Corporativo GBM:

| | Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Commissions paid | $67,782 | $ - |
| Interest collected | $17,101 | $ 913 |

**Note 11 - Other recoverable taxes:**

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Favorable VAT | $ 2,672 | $ 91,128 |
| Financial contribution to social security | - | 14,307 |
| Income tax on industrialized products[1] | 59,956 | 64,666 |
| Other taxes[2] | 84,369 | 119,382 |
| | $ 146,997 | $ 289,483 |

[1] Relates to a federal Brazilian tax paid on the purchase of an industrialized product, which can be deducted from the amount earned from the sale of that product to third parties.

[2] Relates to different minor local taxes incurred by the different entities located in Latin America, the salient being Brazil and Peru.

**Note 12 - Inventories:**

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Raw materials | $369,901 | $300,766 |
| Packaging materials | 16,206 | 13,792 |
| Products in progress | 13,175 | 17,874 |
| Finished goods | 336,588 | 242,151 |
| | 735,870 | 574,583 |
| Plus: | | |
| Merchandise in transit | 141,003 | 70,839 |
| | $876,873 | $645,422 |

**Note 13.- Prepayments:**

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Prepaid insurance | $ 2,982 | $ 2,739 |
| Prepaid expenses | 17,245 | - |
| Advances for cistern installations* | 112,724 | 12,557 |
| | $132,951 | $15,296 |

* Relates to advances made to install cisterns in Dalka Brasil, see Note 28.

## Note 14 - Property, plant and equipment:

| Year ended on December 31, 2014: | Land | Constructions in progress | Buildings | Machinery and tools | Furniture, fixtures and computer equipment | Transportation equipment | Molds | Leasehold improvements | Total |
|---|---|---|---|---|---|---|---|---|---|
| Opening balances | $ 322,528 | $ 158,520 | $ 353,963 | $ 317,711 | $ 8,939 | $ 2,311 | $ 63,320 | $ 3,599 | $ 1,230,891 |
| Effect of currency translation | 565 | 2,096 | (4,954) | (20,409) | 4,015 | 3,257 | 5,922 | 158 | (9,350) |
| Transfers | - | (119,611) | 46,552 | 45,280 | 3,655 | 754 | 23,370 | - | - |
| Acquisitions | - | 163,685 | - | 700 | 194 | 1,718 | 349 | - | 166,646 |
| Disposals | (59,266) | (1,567) | (5,639) | (3,607) | (811) | (5,710) | (4,405) | - | (81,005) |
| Depreciation of disposals | - | - | 5,683 | 1,052 | 705 | 4,978 | 3,680 | - | 16,098 |
| Depreciation for the period | - | - | (52,444) | (44,996) | (7,367) | (1,530) | (20,826) | - | (127,163) |
| Closing balances | $ 263,827 | $ 203,123 | $ 343,161 | $ 295,731 | $ 9,330 | $ 5,778 | $ 71,410 | $ 3,757 | $ 1,196,117 |
| Balances at December 31, 2014: | | | | | | | | | |
| Cost | 263,827 | $ 203,123 | $ 521,387 | $ 561,349 | $ 68,347 | $ 19,911 | $ 260,827 | $ 5,245 | $ 1,904,016 |
| Accumulated depreciation | - | - | (178,226) | (265,618) | (59,017) | (14,133) | (189,417) | (1,488) | (707,899) |
| Closing balance | $ 263,827 | $ 203,123 | $ 343,161 | $ 295,731 | $ 9,330 | $ 5,778 | $ 71,410 | $ 3,757 | $ 1,196,117 |
| Year ended on 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 currency 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 period | - | - | (38,232) | (55,603) | (9,821) | (1,865) | (25,618) | - | (131,139) |
| Closing 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) |
| Closing balance | $ 322,528 | $ 158,520 | $ 353,963 | $ 317,711 | $ 8,939 | $ 2,311 | $ 63,320 | $ 3,599 | $ 1,230,891 |

At December 31, 2014 and 2013, the charge for depreciation is included in the cost of sales by $106,336 and $101,844 and in operating expenses by $20,827 and $29,295, respectively.

If land and buildings had been measured using the historic cost valuation method instead of by the revaluation method, the balances recorded would have been as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Cost of land | $105,510 | $164,211 |
| Cost of buildings | 465,848 | 424,556 |
| Accumulated depreciation | (132,528) | (109,236) |
| Net book value | $438,830 | $479,531 |

**14.1 Fair value of land and buildings**

In 2010, appraisals of land and buildings were carried out by independent experts at January 1, 2011. The increase of revaluation was recorded net of deferred taxes under revaluation surplus recorded at January 1, 2011.

Assets are classified under different levels depending on their features, as follows;

1. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

2. inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

3. inputs for the assets or liabilities that are not based on observable market data (unobservable data) (level 3).

Following is information on fair value measurements carried out at January 1, 2011 using non-observable data classified as level 3:

| Description | Fair value at January 1, 2011 | Valuation techniques | Non-observable data | Range of non-observable data weighted average prices * Higher | Used | Lower |
|---|---|---|---|---|---|---|
| México, D. F. | | | | | | |
| Land | $ 122,401 | Comparison of prices | Price per $m^2$ | 6,555 | 6,555 | - |
| Plants | 13,110 | Comparison of prices | Price per $m^2$ | 1,549 | 1,757 | - |
| Total Mexico City | 135,511 | | | | | |
| Guadalupe, Nuevo León | | | | | | |
| Land | 60,216 | Comparison of prices | Price per $m^2$ | 800 | 800 | - |
| Plants | 52,799 | Comparison of prices | Price per $m^2$ | 6,918 | 5,351 | - |
| Total Guadalupe, Nuevo León | 113,015 | | | | | |
| Subtotal on following page | 248,526 | | | | | |

| Description | Fair value at January 1, 2011 | Valuation techniques | Non-observable data | Range of non-observable data weighted average prices * Higher | Used | Lower |
|---|---|---|---|---|---|---|
| Subtotal previous page | $ 248,526 | | | | | |
| Tlajomulco de Zúñiga, Jalisco | | | | | | |
| Land | 19,066 | Comparison of prices | Price per $m^2$ | 239 | 239 | - |
| Plants | 21,164 | Comparison of prices | Price per $m^2$ | 1,584 | 1,584 | - |
| Total Tlajomulco de Zúñiga, Jalisco | 40,230 | | | | | |
| León, Guanajuato | | | | | | |
| Land | 9,399 | Comparison of prices | Price per $m^2$ | 800 | 800 | - |
| Plants | 118,494 | Comparison of prices | Price per $m^2$ | 6,918 | 6,918 | - |
| Total León, Guanajuato | 127,893 | | | | | |
| Los Mochis, Sinaloa | | | | | | |
| Land | 2,806 | Comparison of prices | Price per $m^2$ | 210 | 210 | - |
| Plants | 13,097 | Comparison of prices | Price per $m^2$ | 1,633 | 1,667 | - |
| Total Los Mochis, Sinaloa | 15,903 | | | | | |
| Lerma, State of México | | | | | | |
| Land | 14,253 | Comparison of prices | Price per $m^2$ | 1,100 | 1,100 | - |
| Plants | 45,368 | Comparison of prices | Price per $m^2$ | 6,846 | 6,821 | - |
| Total Lerma, Estado de México | 59,621 | | | | | |
| Mérida, Mexico, April 26, 2004 | | | | | | |
| Land | 29,938 | Comparison of prices | Price per $m^2$ | 1,008 | 1,008 | - |
| Plants | 15,305 | Comparison of prices | Price per $m^2$ | 3,134 | 3,134 | - |
| Total Mérida, Yucatán | 45,243 | | | | | |
| Tejería, Veracruz | | | | | | |
| Land | 23,216 | Comparison of prices | Price per $m^2$ | 700 | 700 | - |
| Plants | 31,291 | Comparison of prices | Price per $m^2$ | 2,878 | 2,859 | - |
| Total Tejería, Veracruz | 54,507 | | | | | |
| Total Mexico | 591,923 | | | | | |
| Pilar, Buenos Aires | 17,158 | Comparison of prices | Price per $m^2$ | 722 | 704 | - |
| Total Argentina | 17,158 | | | | | |
| Villanueva, Guatemala | 13,478 | Comparison of prices | Price per $m^2$ | 10,048 | 8,128 | 5,990 |
| Total Guatemala | 13,478 | | | | | |
| Extrema, Brazil | 71,543 | | | | | |
| Total Brazil | 71,543 | | | | | |
| | $ 694,102 | | | | | |

* Values used are expressed in Mexican pesos.

Fair values net of movements for the periods are as follows:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | Land | | Buildings | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| México | $ 211,137 | $ 270,402 | $290,869 | $ 298,760 | $502,006 | $ 569,162 |
| Argentina | 3,429 | 3,987 | 8,156 | 6,048 | 11,585 | 10,035 |
| Guatemala | 9,486 | 8,149 | 4,912 | 4,912 | 14,398 | 13,061 |
| Brazil | 39,775 | 39,990 | 39,224 | 44,243 | 78,999 | 84,233 |
| | $ 263,827 | $ 322,528 | $343,161 | $ 353,963 | $606,988 | $ 676,491 |

Changes in fair value measurement using significant non-observable data (level 3):

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Land and buildings | | |
| Opening balance | $237,216 | $237,216 |
| Disposals | (41,067) | - |
| Closing balance | $196,149 | $237,216 |

Increases and decreases in fair value determined at January 1, 2011 using immaterial data are shown under land and buildings at the beginning of this note.

Group valuation process

The Group's Finance and Administration department performs the valuations of land and buildings required for financial reporting purposes, including level 3 fair values. This team reports directly to the senior directors of the Finance department. The results of valuation and annual processes performed serve to confirm that the conditions set forth in the accounting policy for revaluation of assets takes place every five years is still in force.

Valuations of land and buildings performed by external parties take place every five years if the conditions shown in non-observable data or of assets are affected by external and internal elements. Based on discussions between management and the external appraisers, it has been determined that non-observable data used as the basis for valuations, such as age, dimensions and borders, conditions of land and buildings, locations and local economic factors, are comparable to the prices of the respective locations of assets.

Assets valued at January 1, 2011 have suffered no increases resulting from revaluation, except for certain immaterial improvements.

The ratio of non-observable data when measuring the fair value is as follows: the higher the price per square meter, the higher the fair value.

Amounts obtained from the revaluation of land and buildings at fair value have not experienced significant changes from the date of the appraisal (January 1, 2011) to the date of the reporting periods.

**Note 15 - Investment accounted for under the equity method:**

Nature of the investment

The Company has an investment in Dalkasa, S.A. (Dalkasa), an associate that was accounted for under the equity method. Dalkasa, a private entity incorporated and operating in Quito, Ecuador, is mainly engaged in manufacturing and selling plastic water containers for water storage. At December 31, 2014 and 2013, the equity in the associate was 49.88%.

The Company holds no joint control over Dalkasa because it does not meet the requirements to do so. Instead, in accordance with IFRS, it holds significant influence in Dalkasa because it has participation in the Board of Directors; it participates in policy processes and in significant transactions, and in the supply of technical information.

Investment contingencies and commitments:

At December 31, 2014 and 2013, the company had no contingencies.

The Company has no restrictions over cash and cash equivalents.

Certain financial information pertaining to the investment in the associate is shown as follows:

a. Summarized statement of financial position

| | December 31, | |
|---|---|---|
| Assets | 2014 | 2013 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 273 | $ 39 |
| Accounts receivable and other accounts receivable | 11,115 | 13,627 |
| Inventories | 8,094 | 5,899 |
| Prepayments | 1 | 16 |
| Total current assets | 19,483 | 19,581 |
| PROPERTY, PLANT AND EQUIPMENT | 3,756 | 3,199 |
| Total assets | $23,239 | $22,780 |
| Liabilities and Stockholders' equity | | |
| CURRENT LIABILITIES: | | |
| Suppliers | $ 778 | $ 654 |
| Other accounts payable | 5,912 | 7,735 |
| Provisions | - | 858 |
| Other taxes payable | 922 | - |
| Total liabilities | 7,612 | 9,247 |
| Total net assets | $15,627 | $13,533 |

b. Summarized statement of comprehensive income

| | Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Net sales | $27,573 | $23,581 |
| Cost of sales | 21,975 | 18,944 |
| Gross profit | 5,598 | 4,637 |
| Operating expenses | 3,300 | 2,744 |
| Other income (expenses) - Net | (3) | (184) |
| Net profit | $ 2,301 | $ 2,077 |

c. Reconciliation of summarized financial information at carrying value regarding equity in associates

| | December 31 | |
|---|---|---|
| Summarized financial information | 2014 | 2013 |
| Net assets as at January 1 | $13,533 | $11,456 |
| Profit for the year | 2,301 | 2,077 |
| Currency translation effect | (207) | - |
| Net assets at closing | $15,627 | $13,533 |
| Investments in associate (49.88%) | $ 7,795 | $ 6,752 |

d. Share of profit of associate based on the equity method

| | Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Net profit of associate | $ 2,301 | $ 2,077 |
| Investment in associate | 49.88% | 49.88% |
| | $ 1,148 | $ 1,036 |

**Note 16 - Intangible assets:**

| | Goodwill | Brand | Software and SAP licenses | Total |
|---|---|---|---|---|
| Balance at January 1, 2014: | | | | |
| Opening balances | $56,626 | $20,937 | $ 16,598 | $ 94,161 |
| Investments | $ - | $ - | $ 24,857 | $ 24,857 |
| Currency translation effect | - | - | (47) | (47) |
| Amortization for the period | - | - | (10,617) | (10,617) |
| Closing balances | $56,626 | $20,937 | $ 30,791 | $108,354 |
| Balance at December 31, 2014: | | | | |
| Cost | $56,626 | $20,937 | $157,486 | $235,049 |
| Accrued amortization | - | - | (126,695) | (126,695) |
| Closing balances | $56,626 | $20,937 | $ 30,791 | $108,354 |
| Balance at January 1, 2013: | | | | |
| Opening balances | $56,626 | $20,951 | $ 31,460 | $109,037 |
| Currency translation effect | - | (14) | (186) | (200) |
| Investments | - | - | 830 | 830 |
| Amortization for the period | - | - | (15,506) | (15,506) |
| Closing balances | $56,626 | $20,937 | $ 16,598 | $ 94,161 |
| Balance at December 31, 2013: | | | | |
| Cost | $56,626 | $20,937 | $132,958 | $210,521 |
| Accrued amortization | - | - | (116,360) | (116,360) |
| Closing balances | $56,626 | $20,937 | $ 16,598 | $ 94,161 |

Impairment testing of goodwill

Goodwill is assigned to the CGU and is monitored at the Group operating segment level.

Following is a summary of goodwill assigned to each CGU:

| | December 31, | |
|---|---|---|
| CGU | 2014 | 2013 |
| Rotoplas Argentina, S. A. | $ 66,480 | $ 36,307 |
| Conmix Argentina, S. A.* | - | 27,389 |
| | $ 66,480 | $ 63,696 |

* As mentioned in Note 2.2.1, on July 10, 2014, the shareholders agreed to merger Conmix Argentina, S. A. and Rotoplas Argentina, S. A., as a result of which as of that date they are considered to be a single CGU.

The recoverable value of the CGUs has been determined on the basis of their value in use, which is determined through projections of 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 following estimated growth rates, which do not exceed the average long-term growth rate for the business in which each CGU operates.

Key assumptions used at December 31, to calculate in use values are as follows:

| | Conmix Argentina, S. A. | Rotoplas Argentina, S. A. | |
|---|---|---|---|
| | 2013 | 2014 | 2013 |
| Gross margin | 27.20% | 19.56% | 21% |
| Long-term growth rate | - % | 1% | 0% |
| Discount rate | 17.58% | 17.28% | 17.58% |

These assumptions have been used for each CGU.

The gross margin has been budgeted based on past performance and on expectations of development for each market. The weighted average growth rates used are consistent with the projections included in the industry's reports. The discount rates used are pre-tax and reflect specific risks relating to the each operating segment.

**Note 17 – Derivative financial instruments:**

Contracted interest rate and position instruments at each year end were as follows:

| | Date of | | Interest rate | | Fair value at December 31, | |
|---|---|---|---|---|---|---|
| Notional amount | Execution | Maturity | Instrument | Debt | 2014 | 2013 |
| Swap | | | | | | |
| $1,200,000 | Feb 2014 | Dec - 2020 | 7.5% | 5.0% | ($ 22,113) | $ - |
| 301,440 | Nov 2011 | Nov - 2016 | 6.0% | 4.8% | (3,155) | (2,169) |
| | | | | | ($ 25,268) | ($ 2,169) |

This protection was contracted to establish a maximum rate and manage the interest rate agreed on the bank loan contracted with Banco Santander, S.A. (see Note 18). When the reference rate is above the level of the agreed-upon interbank interest rate (TIIE), the right, yet not obligation is generated to exercise the agreed-upon rate. While the reference rate is below the level of the agreed-upon rate, the rate exercised is the reference rate.

The notional amounts related to derivative financial instruments reflect the reference volume contracted; however, they do not reflect the amounts at risk as concerns future flows. Amounts at risk are usually limited to the unrealized profit or loss on market valuation of those instruments, which may vary depending on the changes in the market value of the underlying goods, their volatility and the credit rating of the counterparts.

**Note 18 - Bank loans:**

The book value of bank loans is as follows:

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Long-term bank loans: | | |
| Banco Mercantil del Norte, S. A.[1] | $ 596,136 | $ 596,700 |
| Banco Santander (México), S. A.[2] | 595,889 | 600,000 |
| Banco Nacional de Desenvolvimiento Económico e Social (BNDES).[5] | 8,760 | 19,217 |
| | 1,200,785 | 1,215,917 |
| Short-term bank loans: | | |
| Banco Nacional de México, S. A.[4] | - | 100,000 |
| BNDES[5] | 8,505 | 6,694 |
| Banco Provincia, S. A.[3] | - | 997 |
| Banco Mercantil del Norte, S. A.[1] | 722 | - |
| Banco Santander (México), S. A.[2] | 729 | - |
| | 9,956 | 107,691 |
| Total | $1,210,741 | $1,323,608 |

1 On December 20, 2013, Grupo Rotoplas singed a loan opening agreement with Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte, for $600,000 subject to variable interest that will be the result of adding the TIIE plus 1.50 additional points. The agreement is for a period of seven years, maturing on December 19, 2020. Grupo Rotoplas agrees to settle the loan in 84 monthly installments. The agreement establishes 36 months of that term as the grace period for payment of the capital, starting as from the date of execution.

2 On December 19, 2013, Grupo Rotoplas singed a loan opening agreement with Banco Santander (México), S. A., Institución de Banca Múltiple, Grupo Financiero Santander México, for $600,000 subject to variable interest that will be the result of adding the TIIE plus 1.55 additional points. The agreement is for a period of seven years, maturing on December 19, 2020. Grupo Rotoplas agrees to settle the loan in 84 monthly installments. The agreement establishes 36 months of that term as the grace period for payment of the capital, starting as from the date of execution.

3 On May 3, 2013, Rotoplas Argentina, S. A., signed a straight loan opening agreement with Banco de la Provincia de Buenos Aires, for $2,004 (1,000 thousand Argentinian pesos), subject to fixed interest of 17%. The agreement is for a period of one year, maturing on May 29, 2014. Rotoplas Argentina, S. A. agrees to settle that loan in 12 monthly installments starting as from the date of execution of the agreement.

4 On October 29, 2013, Grupo Rotoplas signed a promissory note payable to Banamex, S. A. for $100,000, subject to 4.71% annual interest, which was paid on December 16, 2014.

5 On January 3, 2012 Dalka do Brasil, Ltda. (Dalka Brasil), signed a straight loan opening agreement with BNDES for $4,999 (R$901 thousand reales), subject to variable income resulting from adding 3.90 additional points to the UMBNDES rate. The loan is for a 5-year period, from the date of execution of the agreement.

On June 25, 2012, Dalka Brasil signed a straight loan opening agreement with BNDES for $14,678 (R$2,646 thousand reales), subject to variable income resulting from adding 3.90 additional points to the UMBNDES rate. The loan is for a 5-year period, from the date of execution of the agreement.

On August 2, 2012, Dalka Brasil signed a straight loan opening agreement with BNDES for $8,321 (R$1,499 thousand reales), subject to variable income resulting from adding 3.90 additional points to the UMBNDES rate. The loan is for a 5-year period, from the date of execution of the agreement.

On February 15, 2013, Dalka Brasil signed a straight loan opening agreement with BNDES for $4,992 (R$899 thousand reales), subject to variable income resulting from adding 3.90 additional points to the UMBNDES rate. The loan is for a 5-year period, from the date of execution of the agreement.

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 jointly liable with the borrower with respect to each and every obligation contracted under the above agreements.

The aforementioned agreements establish obligations of to do and not to do, such as contracting further debt at an additional cost (under certain circumstances); restrictions on capital investments, and maintaining certain financial indicators, which have been complied with at December 31, 2014 and 2013.

The book value of bank loans is as follows:

| | December 31, | |
|---|---|---|
| Fair value | 2014 | 2013 |
| Bank loans: | | |
| Banco Mercantil del Norte, S. A. | $ 602,485 | $ 602,626 |
| Banco Santander (México), S. A. | 602,510 | 602,658 |
| BNDES | 8,644 | 19,217 |
| Banco Nacional de México, S. A. | - | 100,026 |
| Banco Provincia, S. A. | - | 1,083 |
| | $1,213,639 | $1,325,610 |

The fair values of the loans based on discounted cash flow using rates (%) for each debt are as follows:

| | December 31 | |
|---|---|---|
| Fair value | 2014 | 2013 |
| Banco Mercantil del Norte, S. A. | 4.81 | 5.29 |
| Banco Santander (México), S. A. | 4.86 | 5.33 |
| BNDES | 3.9 | 3.9 |
| Banco Nacional de México, S. A. | - | 5.62 |
| Banco Provincia, S. A. | - | 17.04 |

The aforementioned fair values fall within level 2.

The book values of the Company's loans are expressed in the following currencies:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Reales * | $ 3,112 | $ 4,646 |
| * Equivalent of reales in Mexican pesos | $ 17,265 | $ 25,911 |
| Mexican peso loan | $1,193,476 | $1,297,697 |
| Total in Mexican pesos | $1,210,741 | $1,323,608 |

**Note 19 - Suppliers:**

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Braskem, S. A. | $ 62,969 | $ 16,094 |
| Indelpro, S. A. de C. V. | 57,689 | 30,049 |
| Equistar Chemicals LP | 55,603 | 15,121 |
| Goldman, Sachs & Co. | 47,941 | - |
| Pemex Petroquímica | 37,401 | 61,615 |
| TRM Resinas Termoplásticas Indústria e Comércio, Ltda. | 35,374 | 2,303 |
| Marangon Danilo & Co., S. de R. L. | 31,728 | 4,174 |
| Pentair Flow Technologies | 21,141 | - |
| Dow Internacional Mexicana, S. A. de C. V. | 20,359 | 44,458 |
| Polipropileno del Caribe, S. A. de C. V. | 14,288 | 5,938 |
| The Dow Chemical Company | 13,087 | - |
| Arco Colores, S. A. de C. V. | 12,888 | 7,515 |
| Vinmar Plastichem, S. de R. L. de C. V. | 12,768 | 3,054 |
| Vinmar Overseas Ltd. | 11,951 | 21,813 |
| Xingfa International Co. Ltda. | 11,673 | 2,965 |
| Neospec, S. A. de C. V. | 7,421 | 4,156 |
| Dismolper, S. A. de C. V. | 6,569 | 5,309 |
| The Girex Corpotation | 6,097 | 875 |
| Marra S.R.L. | 6,090 | - |
| Chemtex International de México, S. A. de C. V. | 4,345 | - |
| Rugo, S. A. de C. V. | 4,141 | 3,056 |
| Sta - Rite de México S. A. de C. V. | 2,167 | 16,083 |
| Polímeros Nacionales, S. A. de C. V. | 10 | 7,236 |
| Other | 95,743 | 154,369 |
| | $579,443 | $406,183 |

**Note 20 – Other accounts payable:**

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Sundry creditors | $168,032 | $188,537 |
| Accrued expenses and other accounts payable* | 191,165 | 255,521 |
| | $359,197 | $444,058 |

* Accrued expenses refer to expenses incurred for services received.

**Note 21 - Provisions:**

| For the period of 2013 | Employee bonuses | Legal suits | Total |
|---|---|---|---|
| At January 1, 2013 | $ 9,404 | $ 1,291 | $ 10,695 |
| Charge to the statement of income | 30,215 | 6,042 | 36,257 |
| Cancellations | (6,998) | - | (6,998) |
| Applications | (20,662) | - | (20,662) |
| At December 31, 2013 | $11,959 | $ 7,333 | $ 19,292 |
| For the period of 2014 | | | |
| At January 1, 2014 | $11,959 | $ 7,333 | $ 19,292 |
| Charge to the statement of income | 29 | 32,660 | 32,689 |
| Cancellations | (1,777) | (11,554) | (13,331) |
| Applications | (9,218) | (742) | (9,960) |
| At December 31, 2014 | $ 993 | $ 27,697 | $ 28,690 |

Provisions mainly include liabilities for estimated compliance and performance bonuses expected to be covered in the following year, as well as labor suits filed against the company and other commercial suits that have been assessed under management's best estimation and are expected to be covered in the short-term.

**Note 22 - Employee benefits:**

The value of obligations for benefits acquired at December 31, 2014 and 2013 totaled $7,493 and $5,497 respectively, as shown below:

The amount shown as a liability in the consolidated statement of financial position is comprised as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Obligations for acquired benefits | $7,493 | $5,497 |
| Fair value of plan assets | - | - |
| Current situation | $7,493 | $5,497 |
| Present value of non-funded obligations | $7,493 | $5,497 |
| Cost of past services not recognized | - | - |
| Liability in the statement of financial position | $7,493 | $5,497 |

Defined benefit obligation movements were as follows:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | Seniority premium | | Other separation benefits | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Opening balance at January 1 | $5,497 | $ 5,523 | $ - | $ 6,302 | $5,497 | $11,825 |
| Net cost for the period | 1,353 | 1,308 | - | - | 1,353 | 1,308 |
| Contributions to fund | | | | | | |
| Payments with a charge to the reserve | (388) | (989) | - | - | (388) | (989) |
| Actuarial (gains) losses | 1,031 | (345) | - | (6,302) | 1,031 | (6,647) |
| Closing balance at December 31 | $7,493 | $ 5,497 | $ - | $ - | $7,493 | $ 5,497 |

The net cost for the period is as follows:

| | Seniority premium Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Cost of service for the period | $ 928 | $ 946 |
| Financial costs - Net | 425 | 362 |
| | $1,353 | $1,308 |

The economic hypotheses in nominal and real terms used were as follows:

| | December 31 | |
|---|---|---|
| Mexico | 2014 (%) | 2013 (%) |
| Discount rate | 6.75 | 8 |
| Salary increase rate | 4.50 | 4.50 |
| Minimum wage increase rate | 4.25 | 4.25 |
| Expected long-term inflation rate | 4 | 4 |

The sensitivity of the obligation for defined benefits due to changes in the weighted average of the main assumptions is as follows:

| | Impact on the obligation for defined benefits | | |
|---|---|---|---|
| | Change in assumptions | Increase in assumptions | Decrease in assumptions |
| Discount rate | 1.00% | Decrease of 12.5% | Increase of 14.3% |
| Salary increase rate | 1.00% | Increase of 8.5% | Decrease of 7.25% |

The foregoing sensitivity analyses are based on a change in one assumption with all other assumptions remaining constant. In practice, this is unlikely and changes in other assumptions can be correlated. In calculating the sensitivity of the obligation for defined benefits, we applied the same method as that used for significant actuarial assumptions (current value of obligations for defined benefits calculated by the projected unit credit method at the end of the period of reference). This method was also applied to the calculation of the liability for pensions recognized in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not vary in relation to the preceding period.

**Note 23 - Stockholders' equity:**

The capital stock is comprised as follows:

| Shares* | | | Total | |
|---|---|---|---|---|
| December 31, | | | December 31, | |
| 2014 | 2013 | Description | 2014 | 2013 |
| 15,104 | 15,104 | Representing the minimum fixed portion of capital with no withdrawal rights | $ 50 | $ 50 |
| 486,219,830 | 333,901,407 | Representing the variable portion of of capital with withdrawal rights | 5,139,856 | 1,105,361 |
| 486,234,934 | 333,916,511 | Historical capital stock | 5,139,906 | 1,105,411 |
| | | Restatement increase up to 1997 | 71,389 | 71,389 |
| | | Capital stock | $ 5,211,295 | $ 1,176,800 |

* Common, nominative shares with no par value at December 31, 2014 and 2013 of $10.57083 and $3.31044, respectively, fully subscribed and paid in.

The elements used in determining the basic profit per share are as follows:

| | Year ended on December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Profit attributable to Company shareholders | $416,956 | $435,296 |
| Weighted average of common outstanding shares (in thousands) | 348,302 | 333,901 |
| Basic profit per share | 1.197 | 1.304 |

On June 2, 2014, it was unanimously agreed to increase the capital stock by $13,6773, which represents a total of 4,130,360 shares with a par value of 3.31044 each and a share premium of $4,253.

On June 16, 2014, it was unanimously agreed to declare a dividend payment of $275,595 that was distributed among the shareholders depending on their shareholding percentage. Of the foregoing dividend, $101 did not come from the CUFIN and consequently $75 tax was paid, which is included in tax payable in the year.

On June 16, 2014, it was unanimously agreed to declare a dividend of $149, which was distributed to the non-controlling interest through a subsidiary. That balance was paid out from the CUFIN and therefore was not subject to IT.

On September 24, 2014, it was unanimously agreed to declare a dividend of $344, which was distributed to the non-controlling interest through a subsidiary. That balance was paid out from the CUFIN and therefore was not subject to IT.

On November 24, 2014, it was unanimously agreed to increase the capital stock by $13,145, which represents a total of 3,970,668 shares with a par value of 3.31044 each.

On December 19, 2014, the Company acquired 350,000 own shares through Trust 117 for a total of $38,742. Those shares are held as treasury shares in order for them to be sold to eligible officers on subsequent dates.

As mentioned in Note 1, on November 24, 2014, the Company's shareholders issued a public offering of shares consisting of a primary public offering for subscription of 144,217,395 common, sole series, class II, nominative shares with no par value, representing the variable portion of the Company's capital stock. The offering includes 18,810,964 common, sole series, class II, nominative shares with no par value, which are part of the overallotment option. This public offering consists of a primary public offering for subscription of shares in Mexico through the BMV, as well as a primary private offering for share subscription in the US to institutional investors (qualified institutional buyers) in accordance with the provisions of rule 144A of the 1933 US Securities Act, through transactions that are exempt from the registration requirements set forth in that law, and in other international markets outside the US in accordance with the regulations to that Law. The amount secured through the public offering totaled $4,182,304, which was fully paid in. The public offering gave rise to $135,885 in net costs of placement taxes.

On December 16, 2013, it was unanimously agreed to increase the capital stock by $637,056, which represents a total of 192,438 shares with a par value of 3.31044 each.

On December 23, 2013, it was unanimously agreed to declare a dividend payment of $641,350 that was distributed among the shareholders depending on their shareholding percentage. Of the foregoing dividend, $322 did not come from the CUFIN and consequently $137 tax was paid, which is included in tax payable in the year.

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

In October 2013, Congress approved the issuance of a new Income Tax Law that came into effect on January 1, 2014. Among other aspects, this law establishes a 10% tax on earnings generated as from 2014, and on dividends paid to residents in Mexico and abroad, and establishes that for the periods from 2001 to 2013, the net tax profit must be determined in the terms of the current Income Tax Law for the tax period in question.

Dividends are not subject to income tax if paid from the CUFIN. Dividends in excess of the CUFIN are subject to 42.86% tax if paid in 2015. The tax is payable by the Company and may be credited against income tax of the current period or that of the following two periods. Dividends paid from previously taxed profits are not subject to tax withholding or additional payments.

In the event of a capital reduction, any excess of stockholders' equity over capital contributions, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends.

As a result of the merge, 110,062,533 class "A" common shares with no par value of the variable portion of capital held by IMMR 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.

**Note 24 - Income taxes:**

IT

In 2014, the company determined a tax profit of $451,549 (2013; $514,526). In 2014, the Company amortized prior years' combined tax losses of $58,409 (2013; $31,313). The tax result differs from the book result mainly due to items that accrue over time and are deducted differently for book and tax purposes, to the recognition of the effects of inflation for tax purposes and to items affecting only the book or tax result.

New Income Tax Law

In October 2013, the Congress approved the issuance of a new Income Tax Law, which went into effect on January 1, 2014 and the repeal of the Income Tax Law published on January 1, 2002. Although the new Income Tax Law retains the essence of the previous Income Tax Law, a number of important amendments have been made, of which the following are the most significant:

i. It places restrictions on the deduction of contributions to pension funds and exempt salaries, car leasing, restaurant expenses and Social Security dues. It also eliminates immediate deduction of fixed assets.

ii. It modifies the mechanics for taxing income arising from installment sales and generalizes the procedure for determining the profit on the sale of shares.

iii. It modifies the procedure for determining the ESPS taxable base, establishes the mechanics for determining the opening balance of the capital contributions account and the CUFIN, and establishes new mechanics for recovering asset tax.

iv. It establishes an income tax rate of 30% for 2014 and subsequent periods, as compared to the previous Income Tax Law, under which the rates were 30%, 29% and 28% for 2013, 2014 and 2015, respectively.

v. It eliminates the direct costing system and the last-in, first-out valuation method.

The Company has reviewed and adjusted the deferred income balance at December 31, 2013. Determination of temporary differences considers the application of these new provisions, the impact of which is detailed in the reconciliation of the effective rate shown below: However, the effects on the limitation on deductions and others mentioned above will be applied as from 2014, and will mainly affect tax incurred as from this period.

The charge to income for income taxes is analyzed below:

| | For the year ended on December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Current income taxes | $119,824 | $128,948 |
| Deferred income taxes | 40,606 | (51,280) |
| Total charges to consolidated income | $160,430 | $ 77,668 |

Deferred tax assets and liabilities are analyzed as follows:

| | December 31, | |
|---|---|---|
| Deferred tax asset: | 2014 | 2013 |
| Recoverable within the following 12 months | $ 66,226 | $118,300 |
| Recoverable after 12 months | 134,550 | 78,952 |
| | $200,776 | $197,252 |
| Deferred tax liability: | | |
| Payable within the following 12 months | $ - | $ - |
| Payable after 12 months | 34,023 | 45,152 |
| | ($ 34,023) | ($ 45,152) |

The principal components of deferred income taxes and the movement of assets and liabilities due to deferred income tax in 2014 and 2013 are shown on the tables appearing on the following pages:

Reconciliation of 2014 movements:

| Company | Labor obligations | Provisions | Property, plant and equipment | Unamortized tax losses | Inventory - net | Client advances | Allowance for doubtful accounts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Opening balance as at January 1, 2014 | ($ 2,468) | ($ 67,193) | $ 44,855 | ($ 73,216) | ($ 9,880) | ($ 75,313) | ($ 10,192) | $ 41,307 | ($ 152,100) |
| Effect of currency translation | 357 | (2,905) | 122 | 5,544 | 11 | (112) | (2) | (38) | 2,977 |
| 2014 movements: | | | | | | | | | |
| Grupo Rotoplas | - | (1,363) | - | (12,205) | - | - | - | - | (12,205) |
| Rotoplas | - | 22,875 | (12,008) | - | (644) | 65,895 | 2,124 | (41,211) | 37,031 |
| RHH | (455) | (490) | - | - | - | - | - | - | (945) |
| Servicios | (144) | 5,570 | 643 | - | - | - | - | - | 6,069 |
| Bienes Raices | - | - | (12,220) | - | - | - | - | 1,091 | (11,129) |
| Latinoamerica | - | - | - | 1,929 | - | - | - | - | 1,929 |
| Argentina | - | (3,197) | - | (2,274) | (93) | - | (224) | - | (5,788) |
| CONMIX | - | (189) | - | 9,662 | 14 | - | 336 | - | 9,823 |
| Brasil | - | (530) | 4,351 | 13,200 | 483 | - | (161) | (1,362) | 15,981 |
| Peru | - | 1,600 | - | - | (92) | - | (164) | - | 1,344 |
| Centroamerica | 437 | (371) | - | - | 48 | (137) | (118) | - | (141) |
| Movement for the year, Net | (162) | 23,905 | (19,234) | (47,924) | (284) | 65,758 | 1,793 | (41,482) | 40,606 |
| Minus items recognized in capital stock* | - | - | - | 58,236 | - | - | - | - | (58,236) |
| Balance as at December 31, 2014 | ($ 2,273) | ($ 46,193) | $ 25,743 | ($ 115,596) | ($ 10,153) | ($ 9,667) | ($ 8,401) | ($ 213) | ($ 166,753) |

* In the period ended on December 31, 2014, the company recognized deferred tax on costs arising from public offering amounting to $58,236, which were recognized under capital stock (see Note 23).

Deferred income tax balances for asset items at December 31, 2014.

| Company | Labor obligations | Provisions | Property plant and equipment | Unamortized tax losses | Inventory - net | Client advances | Allowance for doubtful accounts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Grupo Rotoplas | $ - | ($ 1,438) | $ - | ($ 70,441) | $ - | $ - | ($ 1,251) | $ - | ($ 73,130) |
| Rotoplas | - | (9,365) | 3,388 | - | (8,538) | (9,418) | (5,909) | - | (29,842) |
| RHH | (1,803) | (1,314) | - | - | - | - | - | - | (3,117) |
| Servicios | (445) | (3,269) | (11,668) | - | - | - | - | - | (15,382) |
| Bienes Raices | - | - | - | - | - | - | - | - | - |
| Latinoamerica | - | - | - | - | - | - | - | - | - |
| Argentina | - | (5,875) | - | (5,909) | (388) | - | (380) | - | (12,552) |
| CONMIX | - | - | - | - | - | - | - | - | - |
| Brasil | (25) | (22,921) | - | (39,246) | (415) | - | (355) | (213) | (63,175) |
| Perú | - | (1,337) | - | - | (650) | - | (283) | - | (2,270) |
| Centroamerica | - | (674) | - | - | (162) | (249) | (223) | - | (1,308) |
| Total | ($ 2,273) | ($ 46,193) | ($ 8,280) | ($ 115,596) | ($ 10,153) | ($ 9,667) | ($ 8,401) | ($ 213) | ($200,776) |
| Items recognized in capital stock | $ - | $ - | $ - | ($ 58,236) | $ - | $ - | $ - | $ - | ($ 58,236) |

Deferred income tax balances for liability items at December 31, 2014.

| Company | Labor obligations | Provisions | Property plant and equipment | Unamortized Tax losses | Inventory - net | Client advances | Allowance for doubtful accounts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Grupo Rotoplas | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Rotoplas | - | - | - | - | - | - | - | - | - |
| RHH | - | - | - | - | - | - | - | - | - |
| Services | - | - | - | - | - | - | - | - | - |
| Bienes Raices | - | - | 34,023 | - | - | - | - | - | 34,023 |
| Latinoamerica | - | - | - | - | - | - | - | - | - |
| Argentina | - | - | - | - | - | - | - | - | - |
| CONMIX | - | - | - | - | - | - | - | - | - |
| Brasil | - | - | - | - | - | - | - | - | - |
| Peru | - | - | - | - | - | - | - | - | - |
| Centroamerica | - | - | - | - | - | - | - | - | - |
| Total | $ - | $ - | $ 34,023 | $ - | $ - | $ - | $ - | $ - | $ 34,023 |

Reconciliation of 2013 movements:

| Company | Labor obligations | Provisions | Property plant and equipment | Unamortized Tax losses | Inventory - net | Client advances | Allowance for doubtful accounts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Opening balance as at January 1, 2013 | ($ 4,683) | ($ 30,905) | $ 33,144 | ($ 85,037) | ($ 4,074) | ($ 3,349) | ($ 1,251) | ($ 4,665) | ($ 100,820) |
| 2013 movements: | | | | | | | | | |
| Grupo Rotoplas | - | (75) | - | - | - | - | - | - | (75) |
| Rotoplas | - | (22,913) | 11,132 | - | (3,819) | (71,964) | (8,032) | 41,211 | (54,385) |
| RHH | 27 | (673) | - | - | - | - | - | - | (646) |
| Servicios | (19) | (1,856) | 300 | - | - | - | - | (1,374) | (2,949) |
| Bienes Raices | - | - | (1,541) | - | - | - | - | 11,994 | 10,453 |
| Latinoamerica | - | - | - | 718 | - | - | - | - | 718 |
| Argentina | 492 | 1,053 | (296) | (8,806) | (240) | - | (235) | - | (8,032) |
| CONMIX | - | 1,222 | 1,019 | (19) | (14) | - | (336) | (1,000) | 872 |
| Brasil | 414 | (8,851) | 1,095 | 21,364 | (912) | - | (189) | (8,583) | 4,338 |
| Peru | 1,342 | (1,359) | 2 | - | (570) | - | (141) | - | (726) |
| Centroamerica | (41) | (2,836) | - | - | (251) | - | (8) | 3,724 | 588 |
| Movements 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) |

Deferred income tax balances for asset items at Tuesday, December 31, 2013.

| Company | Labor obligations | Provisions | Property plant and equipment | Unamortized tax losses | Inventory - net | Client advances | Allowance for doubtful accounts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Grupo Rotoplas | $ - | ($ 75) | $ - | $ - | $ - | $ - | ($ 1,251) | $ - | ($ 1,326) |
| Rotoplas | - | (32,240) | - | - | (7,893) | (75,313) | (8,032) | - | (123,478) |
| RHH | (1,349) | (824) | - | - | - | - | - | - | (2,173) |
| Servicios | (300) | (8,839) | (12,311) | - | - | - | - | - | (21,450) |
| Bienes Raices | - | - | - | - | - | - | - | (1,091) | (1,091) |
| Latinoamerica | - | - | - | (1,929) | - | - | - | - | (1,929) |
| Argentina | - | (307) | - | (8,806) | (240) | - | (235) | - | (9,588) |
| CONMIX | - | - | - | (9,663) | (14) | - | (336) | - | (10,013) |
| Brasil | (25) | (22,376) | (4,473) | (52,818) | (912) | - | (189) | - | (80,793) |
| Peru | - | (2,721) | - | - | (570) | - | (141) | - | (3,432) |
| Centroamerica | (794) | | - | - | (251) | - | (8) | - | (1,053) |
| Total | ($ 2,468) | ($67,382) | ($ 16,784) | ($ 73,216) | ($ 9,880) | ($ 75,313) | ($ 10,192) | ($1,091) | ($256,326) |

Deferred income tax balances for liability items at Tuesday, December 31, 2013.

| Company | Labor obligations | Provisions | Property plant and equipment | Unamortized tax losses | Inventory - net | Client advances | Allowance for doubtful accounts | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Grupo Rotoplas | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Rotoplas | - | - | 15,396 | - | - | - | - | 41,211 | 56,607 |
| RHH | - | - | - | - | - | - | - | - | - |
| Servicios | - | - | - | - | - | - | - | - | - |
| Bienes Raices | - | - | 46,243 | - | - | - | - | - | 46,243 |
| Latinoamerica | - | - | - | - | - | - | - | - | - |
| Argentina | - | - | - | - | - | - | - | - | - |
| CONMIX | - | 189 | - | - | - | - | - | - | 189 |
| Brasil | - | - | - | - | - | - | - | 1,187 | 1,187 |
| Peru | - | - | - | - | - | - | - | - | - |
| Centroamerica | - | - | - | - | - | - | - | - | - |
| Total | $ - | $ 189 | $ 61,639 | $ - | $ - | $ - | $ - | $ 42,398 | $ 104,226 |

The reconciliation between the legal tax rate and the effective income tax rate is as follows:

| | For the year ended on December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Profit before income taxes | $ 577,271 | $ 514,190 |
| Incurred IT rate | 30% | 30% |
| ISR at statutory rate | ($ 173,181) | $ 154,257 |
| Plus (less) income tax effect of the following permanent items: | | |
| Effect of different rates* | $ 20,783 | $ 9,115 |
| Non-deductible expenses | 16,267 | 8,585 |
| Inflation annual adjustment | 6,035 | 7,811 |
| Tax benefits ** | (81,234) | (65,092) |
| Other | 25,328 | (37,008) |
| | $ 160,360 | $ 77,668 |
| Effective IT rate | 28% | 15% |

* The legal rate used in this reconciliation is in accordance with the IT Law, which is the most representative for the reporting entity. The effect on rates is due to the fact that there are branches at several countries in Central and South America, the principal in Brazil.

Following are the rates in effect in the different countries:

| Country | % |
|---|---|
| Argentina | 35 |
| Brazil | 34 |
| Peru | 30 |
| Central America | 30 |
| México | 30 |

** The tax benefit is an exemption from the payment of Tax on the Circulation of Merchandise (TCM) for each of the plants located in Brazil as per the percentages shown in the following table: That tax benefit is recorded in income for the period as revenue, and is non-taxable.

| State: | % |
|---|---|
| Piauí | 75 |
| Montes Claros | 90 |
| Petrolina | 90 |
| Penedo | 50 |
| Bahía | 90 |
| Ceara | 30 |
| Cabo de Sto. Agosthino | 70 |

FLAT TAX

In October 2013, the Congress approved the abrogation of the Flat Tax Law published on October 1, 2007. Therefore, as of the date on which the decree approved in October 2013 went into effect, all general administrative resolutions and provisions and all rulings issued pertaining to flat tax consultations, interpretations, authorizations or permits issued to private parties become null and void.

In 2013 the Company determined a higher IT base. As per tax legislation in effect at December 31, 2013, the Company was subject of payment to the higher of IT and flat tax for the year.

**Note 25 - Analysis of costs per nature:**

| | For the year ended on December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Raw material and production materials purchases | $2,754,937 | $2,282,151 |
| Installation costs | 250,457 | - |
| Direct labor | 172,875 | 169,852 |
| Electrical power | 93,901 | 75,508 |
| Energy (gas) | 111,184 | 86,222 |
| Depreciation | 106,336 | 101,844 |
| Indirect manufacturing expenses | 547,771 | 494,432 |
| Total | $4,037,461 | $3,210,009 |

**Note 26 - Analysis of operating expenses per nature:**

| | For the year ended on December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Distribution and logistics | $ 602,673 | $ 486,002 |
| Employee remuneration and benefits | 443,430 | 328,184 |
| Services contracted | 27,387 | 9,017 |
| Commissions | 29,737 | 23,820 |
| Repair and maintenance | 26,095 | 18,711 |
| Amortization | 10,617 | 15,506 |
| Leasing | 31,557 | 53,886 |
| Depreciation | 20,827 | 29,295 |
| Travel expenses | 57,037 | 61,493 |
| ESPS[1] | 10,218 | 16,352 |
| Fuels and lubricants | 16,481 | 20,307 |
| Advertising | 99,947 | 89,045 |
| Other | 440,006 | 404,316 |
| Total expenses | $1,816,012 | $1,556,294 |

[1] The Company is required to pay ESPS, which is calculated applying the procedures established in the IT Law. In 2014 and 2013, the Company determined an ESPS expense of $1,583 and $6,538, respectively. In accordance with Peruvian law, in 2014 and 2013, the company determined an ESPS expense of $8,635 and $9,814, respectively.

**Note 27 - Financial income and expenses:**

| | For the year ended on December 31, | |
|---|---|---|
| Financial revenue | 2014 | 2013 |
| Interest earned | $ 29,935 | $ 15,496 |
| Profit on derivative financial instruments | - | 10,744 |
| Exchange gain | 84,465 | 60,853 |
| | $114,400 | $ 87,093 |
| Financial expenses | | |
| Interest paid | $ 90,075 | $ 88,762 |
| Loss on derivative financial instruments | 28,089 | 20,874 |
| Changes in the fair value of financial instruments | 23,099 | 4,970 |
| Exchange loss | 95,302 | 104,851 |
| | $236,565 | $219,457 |
| | $122,165 | $132,364 |

**Note 28 - Commitments, contingencies and subsequent events:**

**Commitments:**

The Company has a trust named Fideicomiso AAA created on March 15, 2007 in order to promote the development of the companies via the operation of a system of preferential financial support for suppliers and distributors. The main purpose is to provide financing in the form of an electronic discount of collection rights eligible under the productive chain arrangement, in both local currency and USD.

On January 23, 2014, Dalka Brazil signed a contract with CODEVASF for the supply of 29,088 cisterns in the state of PIAUI. The value of that contract is R152,091 thousand reales (equivalent to $843.7 million ). The contract establishes that in the event of total noncompliance, the right to be contracted could temporarily be suspended and a fine of 10% of the contract value would be imposed in accordance with the law, in addition to the implications contemplated in the law, up to a maximum of 20% of the overall value of the contract, which will be a cause for rescission. On the other hand, in the event of partial noncompliance or delay in the execution of the contract, a fine will be imposed of 2% of the value of the unexecuted or delayed portion of the contract. A fine will be imposed on any remaining unexecuted portion, amounting to 2% of the value of that unexecuted portion. That contract was in effect up to January 15, 2015. At the date of issuance of the consolidated financial statements, that contract has not been concluded because CODAVASF must inspect installed cisterns before work can continue on the following cisterns. This has resulted in no penalties for the Company.

On January 23, 2014, Dalka Brazil signed a contract with CODEVASF for the supply of 10,000 cisterns in the state of PIAUI. The value of that contract is R48,490 thousand reales (equivalent to $269 million). That contract was in effect up to September 15, 2014. At the date of issuance of the consolidated financial statements, the government has not yet concluded inspection of the installation.

Operating leases are for the buildings housing the plants in Peru and Honduras. The leasing periods for those buildings are 10 years and one year with a one-year extension, respectively, and mature in 2021 and March 2015, respectively. At the date of issuance of the financial statements, management is negotiating an extension to the leasing agreement. All operating leasing agreements contain clauses for the annual revision of lease payments at market prices. The agreements do not establish the option to buy the space leased at the date of expiration of the lease terms. The monthly lease payments are $361 and $23 for the buildings located in Peru and Honduras, respectively.

Following is an analysis of future minimum payments arising from those leasing agreements:

| | |
|---|---|
| Up to 1 year | $4,338 |
| From 1 to 5 years | 1,084 |
| | $5,422 |

On April 29, 2013, Dalka Brazil signed a contract to supply 26,021 tanks whit CODEVASF; therefore 16,299 tanks was going to send the State of Alagoas and another for 9,722 for the State of Minas Gerais. The value of those contracts is R148,164 thousand reales (equivalent to $879 million). The contract establishes that in the event of total noncompliance, the right to be contracted could temporarily be suspended and a fine of 10% of the contract value would be imposed in accordance with the law, in addition to the implications contemplated in the law, up to a maximum of 20% of the overall value of the contract, which will be a cause for rescission. That contract is for a term of one year, renewable up to June 20, 2014. The contract concludes in 2014.

On November 8, 2013, Rotoplas S.A. de C.V. signed a contract with the Department of Social Development For the acquisition, distribution and installation of rainwater capturing systems for domestic use in housing located in rural areas. The value of that contract is $270 million. It establishes a clause providing for a penalty of 5% of the amount for each calendar day of delay, a deduction of 3% on the amount of partial or deficient compliance with the schedule of deliveries and rescission of the contract when the sum of deductions totals 10% of the overall contract. The contract was in effect up to December 31, 2013 and payment was made in February 2014.

On May 7, 2013, Tinacos y Tanques de Centro America, S. A. signed a contract with ACICAFOC for the supply of 3,496 cisterns for the collection of rainwater in Guatemala, El Salvador, Honduras and Nicaragua. The value of that contract was $2.11 million plus VAT for each country. That contract contemplates no sanctions in the event of a delay or failure to comply. It was in effect from May 7 to December 30, 2013 and was paid in 2013.

**Contingencies:**

At December 31, 2014, and at the date of issuance of these financial statements, there are no contingencies.

**Subsequent events:**

At the date of issuance of the consolidated financial statements, there have been no subsequent events that could have a material effect on those financial statements.

At the date of issuance of the consolidated financial statements, the Company has used the resources received from public offering of shares (see Note 23) to finance its operating and investment activities, principally in the business of comprehensive solutions in Mexico and Brazil, where growth is sought via the possible acquisition of businesses.

Additionally, those resources have been used to expand the individual solutions business in the US, where, as mentioned in Note 2.2.1, the first manufacturing plant is now operating. The installation of two additional manufacturing plants in the US is expected to conclude in 2015.

**Note 29 - Reorganization of businesses under common control:**

On December 19, 2013, the stockholders of the Company and of IMMR decided on the legal and accounting merger of the companies, with Grupo Rotoplas S. A. de C. V. surviving, using internal balance sheets at November 30, 2013. That transaction between companies of the Group amounted to a legal reorganization, and the consolidated financial statements at December 31, 2013 reflect the financial information of IMMR as if it had always been part of Grupo Rotoplas S. A. de C. V.

The condensed internal balance sheets at November 30, 2013 are as follows:

| | Accounting balances at November 30, 2013 | | | |
|---|---|---|---|---|
| Description | IMMR | Company | Balances and eliminations and effects of merger | Company restructured |
| Current assets | $ 362 | $1,250,187 | $ - | $1,250,549 |
| Noncurrent 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 liabilities | $ 2,283 | $ 437,788 | - | $ 440,071 |
| Long-term liabilities | - | 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 |
| Share premium | 7,556 | 29,506 | - | 37,062 |
| Retained earnings | 562,408 | (138,103) | (588,978) | (164,673) |
| Income for the year | - | 504,035 | - | 504,035 |
| Controlling portion | 622,797 | 1,572,239 | (624,718) | 1,570,318 |
| Non-controlling portion | - | 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 |

**Note 30 - Authorization of issuance of consolidated financial statements:**

The accompanying consolidated financial statements and notes thereto were authorized for issuance on April 13, 2015 by the undersigned officers.

| | |
|---|---|
| Mr. Carlos Rojas Mota Velasco | Mr. Mario Antonio Romero Orozco |
| President | Vice President of Finance and Administration |