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

Pedregal 24, Colonia Molino del Rey, Delegación Miguel Hidalgo, C.P. 11040, Ciudad de México

Type of securities: Ordinary shares, Serie única, 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, 2015

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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.

"AIC" means Advance Innovation Center LLC

"**Storage**" means the business unit offered by the Company focused on products and solutions 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., integrante del Grupo Financiero Banamex.

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

"**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.

“Chile” means the Republic of Chile.

“**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 March 19, 2003, 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.

“**Creandose Objetivos de Bienestar**” means Creándose 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, which is described in the "Management" section.

"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.

"**IASB**" means the International Accounting Standards Board.

"**IFRSIC**" means the International Financial Reporting Interpretation Committee.

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

"IMSS" means the Mexican Social Security Institute.

"**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.

“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 pesos, legal currency in Mexico.

“**Argentine pesos**” means 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.

"**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 the 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.

“Talsar” means Talsar, S.A.

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

“**TNS**” means TNS Research International an international firm dedicated to market research with a 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

“This summary does not intend to contain all the information that may be relevant for decision-making with respect to the securities mentioned herein. Therefore, the investors should read the complete Report, including the financial information and the corresponding notes, before making an investment decision. This summary is prepared in accordance with, and is subject to, the detailed information and financial statements contained in this Report. We recommend to pay special attention to the “Risk Factors” section of this Report *in order to determine the convenience of carrying out an investment in the securities issued by the Issuer.”*

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 more than 27,000 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 more than 27,000 points of sale through 6,850 distributors in 2015. 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, 2014 and 2015 the Company's consolidated net sales reached $6,551.8 million and $5,700.4 million, respectively, net consolidated profit of $416.8 million and $402.6 million, respectively, EBITDA of $859.5 million and $770.6 million, respectively, and EBITDA margin of 13.1% and 13.5%, respectively.

Water Solutions

The Company offers individual and integrated water solutions for urban and rural areas. The Company accounts for and report 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 2015, net sales of individual water solutions grew at a CAGR of 10.4%. 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 2015, net sales of integrated water solutions grew at a CAGR of 135.9%. 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		
	2015	2014	2013
	(amounts in millions of pesos, except percentages)		
Individual Water Solutions			
Net sales	4,447.1	4,850.5	4,963.2
EBITDA	625.5	687.2	732.9
EBITDA margin (%)	14.0%	14.1%	14.8%
Integrated Water Solutions			
Net sales	1.223.3	1,701.3	448.6
EBITDA	145.1	172.3	72.5
EBITDA margin (%)	11.9%	10.1%	16.2%
Total			
Net sales	5,700.4	6,551.8	5,411.8
EBITDA	770.6	859.5	805.4
EBITDA margin (%)	13.5%	13.1%	14.9%

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 2015, operations in Mexico accounted for 63.7% 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 2015, operations in Brazil accounted for 19.6% 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 2015, in the United States in the states of California, Georgia and Texas, 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 2015, operations in these countries accounted for 16.7% 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		
	2015	**2014**	**2013**
	(amounts in millions of pesos, except percentages)		
Mexico			
Sales	3,632.3	3,067.9	2,627.5
EBITDA	809.9	543.6	469.2
EBITDA margin (%)	*22.3%*	*17.1%*	*17.9%*
Brazil			
Sales	1,117.5	2,756.3	2,036.5
EBITDA	(97.9)	293.4	313.1
EBITDA margin (%)	*(83.3%)*	*10.6%*	*15.4%*
Others			
Sales	950.6	727.5	747.8
22.5	58.5	22.5	23.1
EBITDA margin (%)	*6.2%*	*3.2%*	*3.1%*
Total			
Sales	5,700.4	6,551.8	5,411.8
EBITDA	770.6	859.5	805.4
EBITDA margin (%)	*13.5%*	*13.1%*	*14.9%*

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 an intent to reduce high rates of childhood obesity. Recently enacted laws now require public and private schools in Mexico to offer a sufficient number of drinking fountains with continuous drinking water supply in each education facility. Private schools have 18 months and public schools have three years from May 2014 to install drinking fountains. The Mexican federal government has indicated that it will award two types of contracts for drinking fountains in public schools: sale contracts, where the government will buy water purifiers and drinking fountains without any added services, and long-term lease agreements, where the government will lease water purifiers and drinking fountains for extended periods of time and will include added services such as installation and maintenance for the duration of the lease. The Company expects that this demand for water purifiers and drinking water will represent a unique opportunity. The Company has 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 this date, the Company has been awarded directly or through its distributors thirteen 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. 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 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, 2016 the closing price per share of AGUA in the Mexican Stock Exchange was $33.46, representing an increase of 15.4% above its starting price.

The following table illustrates the monthly performance of the AGUA shares during 2015 and the first three months of 2016.

Date	Price at Closing
01/31/2015	31.14
02/28/2015	33.11
03/31/2015	32.65
04/30/2015	28.00
05/31/2016	29.77
06/30/2016	29.70
07/31/2016	28.54
08/31/2016	25.54
09/30/2016	27.90
10/31/2016	30.19
11/30/2016	28.11
12/31/2016	29.52
01/31/2016	28.53
02/29/2016	28.75
03/31/2016	33.46

Following is the maximum and minimum price for the period from December 10, 2014 to March 31, 2016.

Date	Price at Closing	Max/Min
03/03/2015	33.81	Max
08/31/2015	25,54	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

The Company 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 the Company 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 the Company, 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. The Company 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 2015, sales to the government sector represented 30.4% of the total sales of the Company, therefore, its results of operation and performance are tied to public sector spending in 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.

The Company 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. The Company's 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 the Company. 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 the Company 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 it 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 the Company 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, 2015, the Company had 22 Rotomolding and raw materials 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 the countries where the Company operates may affect its business

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 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.

During 2015 and the first quarter of 2016, the Company installed a facility in the states of California, Georgia and Texas, 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.

The Company has a contingency plan to continue its operations in these cases (Business Continuity Plan).

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 December 31, 2015, approximately 52.2% 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 Company's brands and patents 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 the Countries where the Company operates

Adverse economic conditions in 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, Chile, 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 the countries where the Company operates which are beyond its control. Emerging economies 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 economies in the countries where we operate, or periods of negative growth, or increases in inflation may result in lower demand for water solutions.

If the economies of the countries where we operate 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 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.

During 2015 and the first quarter of 2016 the Company entered the United States with the establishment of facilities in California, Georgia and Texas. This incursion causes the Company to have recurring transactions in dollars and may be affected by increases or decreases of such currency.

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 the countries where the Company operates may adversely affect its business and operating results

The actions and policies of the governments of the 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 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, the countries where the Company operates have experienced a 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 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 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 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 economy is still strongly influenced by U.S. and European economies and 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 could affect the economic recovery in Mexico. 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.

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 the Company 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 of $29.00 pesos per share amounted to $4,182 million considering the exercise of the Overallotment Option.

As of the date hereof, the proceeds from the Global Offering have been destined to working capital needs required mainly at the start of operations in the United States, in the acquisition of all the shares of the company Talsar in Argentina, leading company dedicated to the manufacture, distribution and sale of water heaters for a price of $642 million and in the possible acquisition of a minority stake in the capital stock of the Chilean center of innovation and research, Advanced Innovation Center, LLC (AIC) for $106 million, which is subject to certain closing conditions which at the date of this report have not yet been fulfilled; both transactions were announced in March 2016.

The Company plans to use the remaining proceeds to continue funding capital expenditures and working capital, which have the objective 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, as well as to finance the Company's growth through other possible acquisitions.

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 Pedregal 24, Col. Molino del Rey, Miguel Hidalgo, CP 11040, Ciudad de Mexico, 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 Company, 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 registered in the Public Registry of Commerce of the City of Mexico under commercial file number 175205 dated December 16, 2014, 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 City. Its main offices are located in Pedregal 24, Col. Molino del Rey, Miguel Hidalgo, 11040 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 the Company 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 obtained from the Global Offering have been used to fund the Company's working capital needs required mainly for the commencement of operations in the United States during 2015.

Additionally, in March 2016, the Company announced the acquisition of all the shares of Talsar, a leading Argentine company that manufactures, distributes and sells water heaters, for $642 million and the potential acquisition of a minority stake in the capital stock of the Chilean innovation and research center, Advanced Innovation Center, LLC (AIC) for $106 million. As od the date hereof, the acquisition of Talsar, S.A. has concluded and the investment in AIC is still subject to the compliance of certain closing conditions.

The Company plans to continue using proceeds remaining to finance capital investments and working capital in order to expand the business of individual water solutions in the United States, consolidate its business water solutions (mainly drinking fountains, residual water treatment plants, rain water systems and outdoor composting bathroom) in Mexico, as well as to finance the Company's growth through other possible acquisitions.

Principal Investments

The principal investments made by the Company in the last three years were the expansion in the United States by opening three production facilities. In March of 2016, the Compay acquired the entirety of the shares of Talsar for a price of $642 million and the possible minority stake in the capital stock of AIC for $106 million. As of the date of this report, the acquisition of Talsar has been concluded and the investment in AIC is still subject to the compliance of certain closing conditions.

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 the Company 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. Except as otherwise indicated, during the years 2013, 2014 and 2015 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 service. 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% 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 2013, 2014 and 2015, sales of water tanks represented 28.5%, 26.0% and 33.4% 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, available in diameters ranging between 20 mm and 110 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. Except as otherwise indicated, none of the individual water flow solutions represented more than 10% of the total sales of the Company during 2013, 2014 and 2015.

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 2013, 2014 and 2015, sales of hydraulic pipes represented 11.7%, 11.2% and 14.9% respectively of the net sales of the Company.

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 provided, 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:

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 a patent for its biodigesters.

Water Heater

Its 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 is 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 2013, 2014 and 2015 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 2013, 2014 and 2015, the sales of rainwater harvesting systems represented 5.6%, 22.7% and 16.7% 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.

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 Millward Brown in October 2015, Rotoplas is first in top-of-mind awareness in 41% of consumers with respect to trademarks of products and/or water solutions for the home 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, innovation 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.

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, 2015, the Company had filed 39 inventions as patent registrations, utility models and/or industrial designs in Mexico, which are currently undergoing equivalent procedures abroad, mainly in Argentina, Brazil, Costa Rica, Ecuador, Guatemala and Peru, resulting in a total of 91 filings and/or registrations in the world.

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, 2015, 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 cutomers' points of sale is key to closing the loop between the end-user and the sale of water solutions.

The Company believes that its water solutions have a positive impact in the customers' 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 24.0% 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, 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 Governments of the states 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, that in turn function 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 2013, 2014 and 2015 sales in Mexico were $2,627.5.8 million, $3,067.9 million and $3.632.3 million respectively. For 2015, sales in Mexico accounted for 63.7% of the Company's sales, making it the Company's first source of 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

Fight Against Hunger *(Cruzada Contra el Hambre)* 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 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* promoted by SEDESOL.

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

In 2014, the federal government promoted an initiative to encourage the consumption of water as a substitute for soft drinks and sweetened beverages to reduce high rates of childhood obesity and diabetes. As part of this initiative, the Mexican congress enacted 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. 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.

During 2015, we won two public bids from the *Instituto Coahuilense de la Infraestructura Física Educativa (ICIFED)*, whereby we installed over 300 drinking fountain systems in 18 municipalities and during the first quarter of 2016, a public bid was won for the *Instituto de la Infraestructura Física Educativa (INIFED)*, whereby we will install 808 drinking fountain systems.

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.

Brazil

The Company began operations in Brazil in 2001.

Historically, it has represented the second most important source of revenue for the Company, however, during 2015, the country underwent profound economic and political conflicts, which negatively affected our net results in the region.

At the beginning of the year, the Company made the decision to reduce its operations in this country by closing 4 rotomolding facilities (Minas Gerais, Alagoeus, Piaui and Tocantis) out of the eight that it had, but preserving the same production capacity by relocating the machinery to the remaining plants; this way, it ensured its capacity to attend the demands of the market once it recovers.

Derived from the foregoing, in 2015, sales dropped 59.5% with respect with 2014 and represented only 19.6% of the sales of the Company compared to 2014 then they represented 42.1%/

Currently, Brazil has 4 rotomolding facilities (Extrema, Petrolina, Maracanau and Simões Filho) and one for raw materials (Simões Filho).

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 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 date hereof, the Company had 7 rotomolding facilities located in Guatemala, Peru (province of Lima), Argentina (provinces of Buenos Aires and Tucumán) and the United States of America (California, Georgia and Texas) and 4 distribution centers located in Costa Rica, El Salvador, Honduras and Nicaragua.

In 2015, the Company's operations in such countries represented 16.7% 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. 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 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.

In March of 2016, the Company acquired 100% of the shares of Talsar, in order to complement its portfolio of individual water solutions and access new distribution channels in this country. Currently it is undergoing an integration period with the Company's operations.

United States

During 2015, and the first quarter of 2016, the Company commenced operations in the states of California, Georgia and Texas, in the United States of America. The operations of the Company in such country as of the date hereof consist in operations and machinery tests as well as the sale of individual water storage solutions such as industrial tanks and water tanks for agricultural use. As of December 31, 2015, it had two rotomolding facility located in California and Georgia.

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.

Chile

During the first quarter of 2016, the Company began the process of acquiring a minority stake with an option to acquire a majority stake of the Chilean innovation center AIC, which is subject to satisfaction of certain closing conditions and is expected to close in the second quarter of 2016. Disruptive technologies dedicated to water as the PWSS (Plasma Water Sanitation System), are developed and refined in this research center, whereby 100% of viruses and bacteria in contaminated water are removed. Once this transaction is finalized, the Company will explore ways to incorporate technology into their individual and integrated solutions.

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

	Year ended December 31,		
	2015	**2014**	**2013**
Sales in geographical markets	(in million Pesos)		
Mexico	3,632,3	3,068.0	2,627.5
Brazil	1,117,5	2,756.3	2,036.5
Others	950.6	727.5	747.8
Total	5,700.4	6,551.8	5,411.8

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. 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

Mexico

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 Company 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:

Mexico

Norm	Issuing Agency	Country	Description
NMX-C374-ONNCCE-CNCP-2012	ONNCCE y CNCP	Mexico	Industry prefabricated construction water tanks and cisterns (specifications and test methods)
NOM-006-CONAGUA-1997	CONAGUA	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-004-ENER-2008	SENER	Mexico	Energy efficiency pump and motor pump assembly for pumping clean water
NMX-E-226/2-CNCP-2007	CNCP	Mexico	Plastic industry – polypropylene pipes (PP) for thermofusion used for water piping hot or cold
GR-TPS-20-ET	CERTIMEX	Mexico	Compliance with specification as a reliable supplier for sanitary piping, tubing and fittings
NOM-003-SCFI-2000	SENER	Mexico	Electric products – security specifications

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	575	87	179	841
Sales	203	23	66	292
Operations	855	133	149	1,137
Total	**1,633**	**243**	**394**	**2,270**

As of December 31, 2015, 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*).
- 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, 2015, 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 the first quarter of 2016, we only had employees affiliated with the 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*) in Brazil.

As of December 31, 2015, 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, 2015, the Company had 1,185 unionized employees, of which 842 were located in Mexico, 243 in Brazil and 100 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 OHSAS 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.

Market Information. 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[1]. 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[2].

The problem generated by the increasing water demand in different sectors has been

[1] Source: "Water, sanitation and health (WSS)*", World Health Organization, 2014.*

[2] Source: "Meeting the Water Reform Challenge", *OECD iLibrary.*

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[3].

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

[3] Source: "Water and energy" *The United Nations World Water Development Report*

in a developing country a person on average consumes less than 100 liters of water per day[4].

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[5]. 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[6]. 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[7].

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

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

[4] Source: "*La problemática del agua en México y el mundo*", *Universidad Iberoamericana*
[5] Source: "Water, sanitation and hygiene in numbers", *UNICEF,* 2010.
[6] Source: "Progress on Sanitation and Drinking Water", *World Health Organization*, 2010

[7] Source: "Water and energy", *The United Nations World Water Development Report 2014*

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[8]. 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.

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.

Last September the new post-2015 development agenda was launched and 17 new goals for sustainable development were adopted. Due to the fundamental role that water plays in the future economic, social and environmental development it was decided to create a specific goal on water (No. 6), which proposes universal and equitable access to safe water at an affordable price, ensuring sanitation for all, among others.

Rectifying the resolution of the UN General Assembly, the member countries are obligated to comply with these objectives by 20130 through the creation of national programs and public policies.

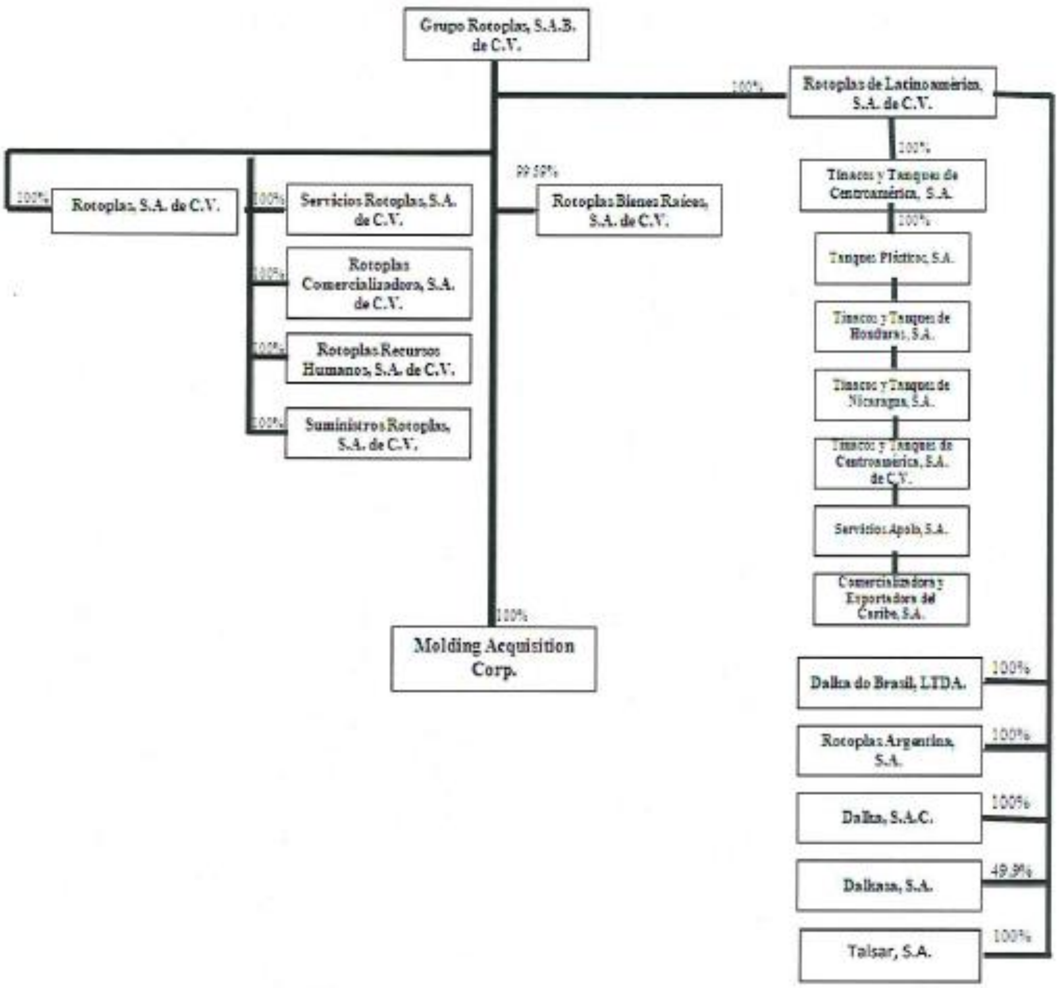
As a result, the Company believes it has great business potential advising and working together with the governments to propose solutions and projects that help reach such goals, as well

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

as expanding 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, 2015, 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 the date hereof, the Company has 19 rotomolding facilities; eight of which are located in Mexico, four in Brazil, one in Peru, two in Argentina, one in Guatemala and three in the United States.

During 2-15, the Company closed the production facilities in Montes Claros, Penedo and Teresina, all 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 and the United States 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. All of the 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, 2015, 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, 2015, 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, 2015, 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:

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Facility	City	State	Country	Manufacturing process	Production surface area (m2)	Annual capacity (tons)	Utilization	Coverage	Owned/ Leased	Years of operation
Compounding	Guadalupe	Nuevo León	Mexico	Raw Materials for tanks	1,556	48,000	90.0	America	Owned	11
Injection Lerma	Lerma	Edo. Mexico	Mexico	Injection/ Accessories	6,461	96,000,000[2]	90.0	America	Owned	21
Injection León	León	Guanajuato	Mexico	Extrusion Pipes	13,330	108,000,000[2]	75.0	America	Owned	8
Anáhuac	Mexico City	Mexico City	Mexico	Rotomolding	2,322	10,933	64.0	Local	Owned / Leased[(1)]	37
Pacífico	Los Mochis	Sinaloa	Mexico	Rotomolding	1,820	4,871	51.0	Local	Owned	20
Golfo	Veracruz	Veracruz	Mexico	Rotomolding	4,135	8,882	49.0	Local	Owned	22
Guadalajara	Guadalajara	Jalisco	Mexico	Rotomolding	4,275	5,234	60.0	Local	Owned	24
Sureste	Mérida	Yucatán	Mexico	Rotomolding	2,400	5,922	39.0	Local	Owned	21
Tuxtla	Tuxtla Gutiérrez	Chiapas	Mexico	Rotomolding	1,021	5,198	27.0	Local	Leased	20
Monterrey	Guadalupe	Nuevo León	Mexico	Rotomolding	2,400	4,479	58.0	Local	Owned	24
León	León	Guanajuato	Mexico	Rotomolding	6,650	10,423	49.0	Local	Owned	22
Extrema	Extrema	Minas Gerais	Brazil	Rotomolding	3,000	11,052	45.0	Local	Owned	3
Petrolima	Petrolima	Pernambuco	Brazil	Rotomolding	25,000	8,600	86.0	Local	Leased	3
Maracanaú	Maracanaú	Ceará	Brazil	Rotomolding	39,000	17,400	86.0	Local	Leased	2
Simões Filho	Simões Filho	Bahia	Brazil	Rotomolding	4,000	4,253.88	23.0	Local	Leased	2
Simões Filho Compounding	Simões Filho	Bahia	Brazil	Raw Materials for tanks	4,000	21,000	23.0	Local	Leased	2
Peru	Lima	Lima	Peru	Rotomolding	2,923	5,700	63.0	Local	Leased	17
Pilar	Pilar	Buenos Aires	Argentina	Rotomolding	2,062	4,169	51.0	Local	Owned	18
Tucumán	Tucumán	Tucumán	Argentina	Rotomolding	1,050	1,723	38.0	Local	Leased	4
Guatemala	Villanueva	Guatemala	Guatemala	Rotomolding	1,245	3,753	37.0	Central America	Owned	19
MAC/Rotoplas USA	Merced	California	USA	Rotomolding	4,891	7,492	20.0	Local	Leased	1
MAC/Rotoplas USA	Atlanta	Georgia	USA	Rotomolding	4,585	4,120	0.0	Local	Leased	0
MAC/Rotoplas USA	Dallas	Texas	USA	Rotomolding	4,526	3,324	0.0	Local	LEased	0

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

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, 2015, 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.

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, 2015, 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 has a dividend policy that provides that any payment of dividends is subject to the approval of its Board of Directors and the ordinary shareholders' meeting 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 payment of dividends.

In 2013 and 2014, the Company paid dividends to its shareholders in the amount of $641.4 million and $276.1 million, respectively. In 2015, 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 production processes.

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,		
	2015	**2014**	**2013**
	(in millions of pesos)		
Income statement data:			
Net sales	5,700.4	6,551.8	5,411.8
Cost of sales	3,396.8	4,037.5	3,210.0
Gross profit	**2,303.5**	**2,514.3**	**2,201.8**
Operating expenses	1,641.4	1,816.0	1,552.7
Other expenses (income), net	-	-	3.6
Operating income	**662.2**	**698.3**	**645.5**
Finance income	127.5	(114.4)	(107.1)
Finance expense	(214.1)	236.6	239.4
Finance costs, net	**86.6**	**122.2**	**132.4**
Share of results of associate	0.3	(1.1)	(1.0)
Profit before income tax	**575.8**	**577.2**	**514.2**
Income tax	173.6	160.4	77.7
Net consolidated profit	**402.2**	**416.8**	**436.5**
Profit attributable to:			
Controlling interest	402.1	416.9	435.3
Non-controlling interest	0.1	(0.1)	1.2
EBITDA	**770.6**	**859.5**	**805.4**
Total debt/EBITDA(2)		1.40	1.64
Net debt/EBITDA(2)		(3.20)	0.95
EBITDA/Finance costs, net		7.03	6.08
Earnings per share		1.20	1.30

	As of December 31,		
	2015	2014	2013
	(in millions of pesos)		
Balance sheet data:			
Current assets:			
Cash and cash equivalents	3,476.2	3,944.8	557.5
Accounts receivable	1,820.1	1,713.5	1,253.1
Related parties	5.2	5.1	7.6
Recoverable income tax	23.0	99.3	30.1
Other recoverable taxes	156.2	147.0	289.5
Inventories	768.1	876.9	645.4
Prepaid expenses	57.6	133.0	15.3
Fair value of financial assets with changes in results	17.2	-	-
Total current assets	**6,323.9**	**6,919.6**	**2,798.5**
Non-current assets:			
Related parties	89.1	61.8	49.4
Investment accounted under the equity method	9.3	7.8	6.8
Property, plant and equipment, net	1,304.3	1,196.1	1,230.9
Intangible assets	168.1	108.4	94.2
Deferred income taxes	203.2	200.7	197.3
Guarantee deposits	49.6	41.7	35.4
Total non-current assets	**1,823.6**	**1,616.5**	**1,613.9**
Total assets	**8,147.5**	**8,536.1**	**4,412.3**
Liabilities and stockholders' equity			
Current liabilities:			
Short-term bank loans	13.0	10.0	107.7
Accounts payable	269.3	579.4	406.2
Other accounts payable	294.4	359.2	444.1
Accrual of expenses	33.6	28.7	19.3
Income taxes payable	151.8	51.6	80.6
Other taxes payable	57.4	63.3	97.4
Employees' profit sharing	19.0	10.9	16.4
Total current liabilities	**838.5**	**1,103.1**	**1,171.7**
Long-term liabilities:			
Long-term bank loans	1,203.9	1,200.8	1,215.9
Employee benefits	8.6	7.5	5.5
Deferred income taxes	28.9	34.0	45.2
Derivative financial instruments	14.4	25.3	2.2
Total long-term liabilities	**1,255.8**	**1,267.6**	**1,268.7**
Total liabilities	**2,094.3**	**2,370.7**	**2,440.4**
Equity:			
Capital stock	5,039.6	5,211.3	1,176.8
Premium on share issuance	33.8	33.8	29.5
Retained earnings	1,288.6	897.6	715.2
Foreign currency translation adjustment	11.1	(177.0)	(190.3)
Revaluation surplus	(518.2)	196.1	237.2
Equity attributable to:			
Controlling interest	6,051.0	6,161.8	1,968.4
Non-controlling interest	2.2	3.5	3.5
Total stockholders' equity	**6,053.2**	**6,165.4**	**1,971.9**

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,		
	2015	2014	2013
	(in millions of pesos)		
Individual Solutions			
Net sales	4,477.1	4,850.5	4,963.2
Operating income	540.1	571.8	587.3
Plus			
Depreciation and amortization	82.4	98.6	133.5
Charitable donations	3	16.8	12.1
EBITDA	625.5	687.2	732.8
Integrated Solutions			
Net sales	1,223.3	1,701.3	448.6
Operating income	122.1	126.5	58.3
Plus			
Depreciation and amortization	22.4	39.2	13.2
Charitable donations	0.6	6.6	1.1
EBITDA	145.1	172.3	72.6
Total			
Net sales	5,700.4	6,551.8	5,411.8
Operating income	662.2	698.3	645.5
Plus			
Depreciation and amortization	104.8	137.8	146.6
Charitable donations	3.6	23.4	13.2
EBITDA	770.6	859.5	805.4

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,		
	2015	2014	2013
	(in millions of $, except percentages)		
Individual Water Solutions			
Net sales	4,477.1	4,850.5	4,963.1
EBITDA	625.4	687.2	732.8
EBITDA margin (%)	14.0%	14.1%	14.8%
Integrated Water Solutions			
Net sales	1,223.3	1,701.3	448.7
EBITDA	145.1	172.3	72.6
EBITDA margin (%)	11.9%	10.1%	16.2%
Total			
Net sales	5,700.4	6,551.8	5,411.8
EBITDA	770.6	859.5	805.4
EBITDA margin (%)	13.5%	13.1%	14.9%

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,		
	2015	2014	2013
	(in millions of pesos)		
Mexico			
Net sales	3,632.3	3,067.9	2,627.5
EBITDA	809.9	543.6	469.2
EBITDA margin (%)	22.3%	17.7%	17.9%
Brazil			
Net sales	1,117.5	2,756.3	2,036.5
EBITDA	(97.9)	293.4	313.1
EBITDA margin (%)	(83%)	10.6%	15.4%
Others			
Net sales	950.6	727.5	747.8
EBITDA	58.5	22.5	23.1
EBITDA margin (%)	6.2%	3.1%	3.1%
Total			
Net sales	5,700.4	6,551.8	5,411.8
EBITDA	770.6	859.5	805.4
EBITDA margin (%)	13.5%	13.1%	14.9%

Report on material loans

Indebtedness

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

	As of December 31,		
	2015	2014	2013
	(in millions of pesos)		
Long-term bank loans:			
Banorte	598.6	596.1	596.7
Santander (México)	598.4	595.9	600.0
BNDES	6.8	8.8	19.2
Santander (Brasil)	-	-	-
Total long-term debt	1,203.8	1,200.8	1,215.9
Short-term bank loans:			
Banorte	0.7	7	-
Banamex	-	-	100.0
BNDES	11.5	8.5	6.7
Banco Provincia S.A.	-	-	1.0
Santander (México)	0.7	0.7	-
Total short-term debt	13.0	9.9	107.7
Total	**1,216.9**	**1,210.7**	**1,323.6**

As of December 31, 2015, the Company's total indebtedness was $1,216.9 million, of which $1,203.9 million was long-term debt and $13.0 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, 2015, 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. The Company 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 the Company's outstanding debt to support its growth. As of December 31, 2015, the aggregate outstanding amount (including interest) under this facility was $599.4 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 19, 2020. The Company 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 the Company's outstanding debt to support its growth. As of December 31, 2015, the aggregate outstanding amount (including interest) under this facility was $599.2 million.

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

At the end of 2015, 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.

Results of operation

Year ended December 31, 2015 compared with year ended December 31, 2014

In 2015, despite strong demand for our solutions in Mexico and in Other countries, net sales decreased 13.0% as compared to 2014, due to the contraction in sales in Brazil. Without taking into account or Brazilian operations, net sales grew 20.7%.

In Mexico, sales benefited mainly from the long-term strategy that drives growth of integrated solutions. In 2015, the Company participated in programs that demanded sanitation and water harvesting solutions. In addition, the Company expanded its customer base to industries seeking to make water management in their operations more efficient, and bringing drinking water for consumption. Individual solutions benefited primarily from sales in the traditional channel. As a result, annual sales in Mexico in 2015 grew 18.4% as compared to 2014 and accounted for 63.7% of our total sales.

The division of Other countries includes the Company's operations in Argentina, Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Peru, and, since 2015, the United States. Together, these regions grew 30.7% as compared to 2014, due to increased penetration of individual solutions, and the expansion of our product portfolio and advertising campaigns. As a result, the Other countries represented 16.7% of our total sales.

During our first year of operations in the United States, we had good market acceptance. The Company built three rotomolding facilities in the region known as Sun Belt, allowing the Company to cover more than 60% of the water storage market. The Company will continue to implement its expansion and penetration plan to increase the importance of the United States in its operations.

In 2015, the lack of water and sanitation issues in Brazil continued; however, because the economic and political problems persisted throughout the year, sales of integrated solutions were unrealized. While during the first half of the year sales of individual solutions in the traditional channel increased, during the second half they had a different behavior because consumer confidence was adversely affected. As a result, sales decreased 59.5% and represented only 19.6% of our total sales, when in 2014, Brazil accounted for 42.1% of our total revenues.

As a result, the Company decided to downsize its operations to avoid the loss of value by closing four rotomolding facilities of the eight it originally had, but relocated its machinery to maintain its production capacity to supply the demand when the market recovers.

Sales of individual solutions decreased 7.7%. This decline was due to the fact that in 2014, individual solutions were sold to the government channel in Brazil and during the last quarter were transitioned to integrated solutions. Without taking into account this transition, individual solutions grew 12.9%.

On the other hand, sales of integrated solutions decreased 28.1%, mainly due to the impact of sales in Brazil described above.

Gross margin increased by 200 basis points due to a better product mix consisting of better prices and greater product volume, which also generated a greater absorption of fixed costs. In addition, in 2015 we capitalized the decline in oil prices, our principal raw material, and acquired it at lower prices as compared to last year.

Since late 2014, the Company began the implementation of the Zero Based Budget methodology throughout its organization. In 2015, the benefits of this methodology managed to offset the decline in sales, the expenses incurred to mitigate the effects in Brazil, which totaled $70 million, and expenses for the commencement of operations in the United States. As a result, our operating margin grew 90 basis points.

As a result of the above, the annual EBITDA margins of Mexico and the Other countries were benefited. Profitability in Mexico increased to 22.3% in 2015 from 17.7% in 2014, and the margin in our Other countries increased 300 basis points, while the EBITDA margin in Brazil was (8.8%). However, it is important to note that during the last quarter of 2015, EBITDA in Brazil remained at our breakeven point. This evidences the effectiveness and timeliness of decisions taken at the beginning of the year. At the Group level, EBITDA margin grew 40 basis points only.

EBITDA margin of individual solutions remained in line with 2014, and EBITDA margin of integrated solutions increased 170 basis points, mainly due to higher sales of these solutions in Mexico.

In 2015, despite the macroeconomic challenges, we leveraged the structural strength and flexibility of our operations and focused on factors over which we had control. As a result, our net profit margin increased 70 basis points.

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

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.

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. In 2014, in order to better cater to the needs of its customers, the Company transitioned the sale of individual solutions to integrated solutions, 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 increased 279.2% in 2014 as compared to 2013. This increase was mainly due to increased sales of rainwater harvesting systems in Brazil, and an increase in sales of outdoor composting bathrooms and rain harvesting systems in Mexico.

Consolidated cost of sales increased by 25.8% in 2014 as compared to 2013. 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.

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.

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.

As a result, 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.

The Company's net consolidated profit decreased by 4.5% as compared to the same period 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, 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.

In 2014, the Company conducted the initial public offering of Grupo Rotoplas, S.A.B. de C.V. under the ticker symbol "AGUA" as a source of financing to meet expansion opportunities.

As of the date of this report, the proceeds of the Global Offering have been used to fund the Company's working capital needs required mainly for the commencement of operations in the United States, and for the acquisition of all the shares of Talsar, a leading Argentine company that manufactures, distributes and sells water heaters, for $642 million. Such acquisition was made and announced to the market in the first quarter of 2016. Also, in March the Company announced the potential acquisition of a minority stake in the capital stock of the Chilean innovation and research center, Advanced Innovation Center, LLC (AIC) for $106 million.

The Company plans to use the remaining proceeds to continue funding its capital expenditures and working capital needs, with a view to expand its business of individual water solutions in the United States and consolidate its business of integrated water solutions (mainly drinking fountains, water treatment plants, rainwater harvesting systems and outdoor composting bathrooms) in Mexico, as well as to finance the growth of the Company through other potential acquisitions.

For a description of the events that could affect the Company's liquidity, see "Risk Factors—Risks Related to the Company's Operations."

The Company 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,		
	2015	2014	2013
	(in millions of Pesos)		
Net cash generated by operating activities	71.1	(29.6)	183.6
Net cash used in investing activities	(257.5)	(84.6)	(240.5)
Net cash generated by (used in) financing activities	(282.2)	3,501.5	466.0
Net increases (decreases) in cash and cash equivalents	**3,476.2**	**3,944.8**	**409.1**

Capital expenditures

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

	Year ended December 31,		
	2015	2014	2013
	(in millions of Pesos)		
Property, plant and equipment, and intangible assets			
Mexico	899.2	821.3	860.1
Brazil	223.2	279.9	309.6
Others	181.7	94.8	61.1
Total	**1,304.1**	**1,196**	**1,230.8**

In 2015, the Company's investments were $328 million, or 5.8% of total sale. These resources were used mainly to expand capacity in Mexico and to open plans in the United States.

In 2014, the Company's investments were used mainly to expand infrastructure in Mexico to support international operations.

In 2013, 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 derivative financial instruments 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, 2015, the fair value of the Company's positions was:

Type of instrument	Fair Value
	(millions of Pesos)
SWAP	(1.5)
SWAP / CAP	(12.9)

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, that 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 IAS 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, 2015, the Company had no material contractual obligations or business commitments.

Off-balance sheet arrangements

As of December 31, 2015, 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 and Conduct, 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 Conduct 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.

The Company believes in the power of acting with integrity, reason why it pays special attention to the respect for Human Rights, emphasizing compliance with fundamental rights and legal prohibitions, preventing discrimination and promoting freedom of association. In order to establish priorities and in turn promote a safe, healthy, productive and dignified work environment, which motivates Company employees to achieve objectives and as a result execute its operations in the best way.

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, 2015, 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.

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, Ciudad de México. 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, 2015, 2014 and 2013, 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 provided in 2015 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 $5.8 million, or 38% of the total fees paid to the external auditors that issue and opinion on the Company's consolidated financial statements.

Related Party Transactions and Conflicts of Interest

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, 2015, 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, 2015, 2014 and 2013 (thousands of pesos), the Company executed the following transactions with related parties, each negotiated on an arm's length basis.

	As of December 31,		
	2015	**2014**	**2013**
Sales			
Dalkasa, S.A. (associate)	$11,056	14,897	14,323

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

	As of December 31,		
	2015	2014	2013
Accounts receivable			
Dalkasa, S.A. (associate)	$5,246	$5,087	$7,573

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, 2015, 2014 and 2013 (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	6	Total
Execution Date	January 29, 2013	August 28, 2011	January 1, 2013	October 2, 2104	January 1, 2013	January 21, 2013	February 21, 2012	January 10, 2013	December 1, 2013	
Interest rate December 31, 2015	6.9%	UDI	6.9%	UDI	6.9%	6.9%	UDI	UDI	6.9%	
Initial balances	$14,989	$1,550	$12,406	$6,000	$10,163	9,739	$499	$486	$5,928	$61,760
Loan	-	-	-	-	-	-	-	-	51,531	51,531
Payments	-	-	-	-	-	-	-	-	(26,922)	(26,922)
Interest	827	121	683	-	547	525	11	10	-	2,724
Total	$15,816	$1,671	$13,809	$6,000	$10,710	$10,264	$510	$496	$30,537	$89,093

Officer	1		2		3	4		5	6	Total
Execution Date	January 29, 2013	August 28, 2011	January 1, 2013	October 2, 2104	January 1, 2013	January 21, 2013	February 21, 2012	January 10, 2013	December 1, 2013	
Interest rate December 31, 2014	6.9%	UDI	6.9%	UDI	6.9%	6.9%	UDI	UDI	6.9%	
Initial balances	$12,764	$5,575	$10,705	-	$9,882	9,492	$468	$472	$4,611	$53,969
Loan	10,244	-	7,682	$6,000	-	-	-	-	9,012	32,938
Payments	(8,707)	(4,200)	(6,530)	-	-	-	-	-	(7,695)	(27,132)
Interest	688	175	549	-	281	247	31	14	-	1,985
Total	$14,989	$1,550	$12,406	$6,000	$10,163	$9,739	$499	$486	$5,928	$61,760

Officer	1		2		3	4		5	6	Total
Execution Date	January 29, 2013	August 28, 2011	January 1, 2013	October 2, 2104	January 1, 2013	January 21, 2013	February 21, 2012	January 10, 2013	December 1, 2013	
Interest rate December 31, 2013	6.9%	UDI	6.9%	UDI	6.9%	6.9%	UDI	UDI	6.9%	
Initial balances	$11,915	$5,321	$9,993	-	$9,225	$8,840	$468	-	$9,304	$55,066
Loan	-	-	-	-	-	-	-	450		450
Payments				-					(4,693)	(4,693)
Interest	849	254	712	-	657	652	-	22	-	3,146
Total	$12,764	$5,575	$10,705	-	$9,882	9,492	$468	$472	$4,611	$53,969

As of December 31, 2015, 2014 and 2013 (thousands of pesos) the fair value of loans to officers was $85,430, $58,463, $41,483, 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 2015, 2014 and 2013, 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, 2015, 2014 and 2013, the Company had no outstanding accounts receivable or payable to Corporativo GBM.

ii. During the year ended December 31, 2015, 2014 and 2013 (Thousands of Pesos), the following transactions were executed with Corporativo GBM:

	As of December 31,		
	2015	**2014**	**2013**
Commissions paid	$1,575	$67,782	$ -
Interest collected	$103,047	$17,101	$913

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 annual ordinary shareholders' meeting held on April 28, 2016.

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 2015.

Name	Position	Age	Years of service
Carlos Rojas Mota Velasco	Chairman	63	26
Gonzalo Uribe Lebrija	Director	43	1
Mario Antonio Romero Orozco	Director	45	13
Carlos Rojas Aboumrad	Director	33	3
Francisco José González Gurría	Director	63	14
Alejandro Rojas Domene	Director	42	15
Alfredo Elías Ayub	Director	66	1
Pablo Iturbe Fernandez	Director	27	-
John G. Sylvia	Independent Director	57	12

Francisco Amaury Olsen	Independent Director	66	2
Elmer Franco Macías	Independent Director	75	15
José María González Lorda	Independent Director	70	12
Jaime Serra Puche	Independent Director	64	12
Alejandro Aboumrad Gabriel	Independent Director	73	1
Luis Fernando Reyes Pacheco	Independent Director	63	1
Mauricio Romero Orozco	Secretary Non-Member	42	13

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, Executive President and Chairman of the board of directors of Grupo Rotoplas, S.A.B. de C.V. Mr. Rojas is currently the Executive President and Chairman of the board of directors of Grupo Rotoplas and the Fundación Mexicana para la Educación, la Tecnología y la Ciencia (FUNED, A.C.). Mr. Rojas is also a member of the Boards of Directors of Scribe, Nasoft, Universidad Centro and Grupo Lar. Mr. Rojas holds a degree in Business Administration by the Universidad Anáhuac, Mexico City, Mexico.

Gonzalo Uribe Lebrija is the Company's Vice President of Operations. Mr. Uribe joined the Company in 2001. In 2011 he was appointed Vice President of Operations, and in 2014 he was appointed member of the Company's Board of Directors. He holds a degree in Industrial Engineering from the Universidad Anáhuac, Mexico City, Mexico 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'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. Mr. Rojas joined the Company in 2004 as a Developing Professional and was appointed Vice President of New Businesses in 2014. He holds a degree in Industrial Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey and a Master in Business Administration by Babson College.

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.

Pablo Iturbe Fernández was an officer at Grupo Rotoplas from 2007 until his departure in 2015. He joined Grupo Rotoplas in 2007 as a Developing Professional leading projects in the areas of finance and marketing. As a full-time collaborator, he participated in the industrial implementation of the project "Water forever" in Brazil, Development and Commercial Strategy of the retail channel in Mexico and most recently leading, among others, the launch of school drinking fountains as Water Solutions Manager. He is currently developing private equity projects in the areas of water, real estate and health services technologies.

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 has been an independent member of the board of directors of Grupo Rotoplas since 2003 and is the former chief executive officer of Unilever Latinoamérica and Black and Decker. He currently runs his own consulting firm.

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.

Mauricio Romero Orozco has been the Secretary Non-Member of the Board of Directors Grupo Rotoplas since 2003, the same year he founded the law firm Romero Solórzano. Mauricio has been a member of the Board of Directors of GBM SAB de CV, Sare SAB de CV, GMDR SAB de CV, Minsa SAB de CV, AM Advisors, Publimetro SA and Tierra Capital.

Mauricio has a law degree from the *Instituto Tecnológico Autónomo de México* (ITAM), Mexico City, Mexico and has a Master in Law and Business from J.L. Kellogg Graduate School of Management and Northwestern School of Law, Illinois, United States.

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 and Conduct 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 corporate practices committee is comprised of the following independent members of the Board:

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

Compensation Committee and Organizational Development

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 compensation committee is comprised of the following independent members of the Board:

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	63	Executive President	26
Mario Antonio Romero Orozco	45	Vice President of Administration and Finance	20
Gonzalo Uribe Lebrija	43	Vice President of Operations	14
Carlos Rojas Aboumrad	33	Vice President of New Businesses	10
José Luis Mantecón García	57	Vice President of Institutional Business Development	22
Diego Ernesto Casas González	44	Director of Human Resources	20
Eduardo Santos Burgoa Márquez	42	Director of Supply Chain	19
Érika María Domínguez Zermeño	38	Director of Marketing	2
Roberto Gracía de Alba Cantú		Director of Innovation	1
Alfonzo Gustavo Vásquez Salazar	56	Country Manager (Peru)	17
Antonio Caso Valdés	43	Country Manager (Mexico)	2
Juan Luis Fonseca Quirin		Country Manager (Central America)	-
Marcelo Claudio Santorelli Correa	38	Country Manager (Argentina)	5
Fabiano Pinto Goncalves	37	Country Manager of APS (Brazil)	12
Alfredo Alejandro Zolezzi Garretón	57	Chief Innovating Officer	-

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, Mexico City, Mexico. 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.

Roberto García de Alva Cantú, joined Rotoplas in 2015 and is the current Director of Innovation. He is responsible for leading innovation within the Company, and is in charge of the Center of Innovation and Development. Before Rotoplas, Roberto served as Director of

Innovation at Pepsico, FEMSA, SuKarne and Ragasa. He has a degree in Biochemical Engineering and an MBA, both from the Instituto Tecnológico y de Estudios Superiores de Monterrey, Campus Monterrey, Mexico, along with a specialty in Product Development from Braunschweig University, Germany.

Antonio Caso Valdés, joined Grupo Rotoplas in 2011 and is currently the Company's Country Manager for Mexico, reporting directly to Gonzalo Uribe, Vice President of Operations. He holds a degree in Industrial Relations from the Universidad Iberoamericana, Mexico City, Mexico and a Master in Business Administration by the IE Business School, Madrid, Spain.

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.

Juan Luis Fonseca Quirin, is currently the Country Manager in Central America, graduated from the Universidad del Istmo, Guatemala, has an MBA from the *Instituto Centroamericano de Adminsitración de Empresas*, INCAE Business School, Guatemala. He worked in Stanley black and Decker as country manager in Guatemala and El Salvador. Mr. Fonseca has been with the Company since 2015.

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.

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.

Alfredo Alejandro Zolezzi Garretón, is an industrial designer from the Pontificia Universidad Católica de Valparaiso, Chile, is the founder and Chief Innovator Officer of Advance Innovation Center (AIC). Mr. Zolezzi is highly recognized in the world of innovation and technology. In addition, he is an active collaborator in the development of the innovation platform of the Pacific Alliance, comprised of Chile, Colombia, Mexico and Peru.

Compensation of Directors and Senior Management

In 2013, 2014 and 2015, the Company paid the members of the board of directors an aggregate compensation of $2.8 million, $2.6 million and $3.6 million, respectively. In addition, each member of the board of directors is entitled to receive two gold coins known as "centennial" (*centenario*) (each worth $27,350.00 as of December 31, 2015), 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:

2015	2014	2013
$59.9 million	$60.8 million	$47.4 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 7,831,474 shares and has granted options to different officers of the company for a total of 4,130,360 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	1,770,154
Gonzalo Uribe Lebrija	Vice President of Operations	2,360,206
Total		**4,130,360**
Shares assigned to the Plan OCA Trust		3,701,114

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, 2015:

Officer	**Title**	**Units**	**Released**	**Not Released**
José Luis Mantecón García	Vice President of Institutional Business Development	185,205	115,889	69,316
Mario Antonio Romero Orozco	Vice President of Administration and Finance	353,442	141,440	212,002
Gonzalo Uribe Lebrija	Vice President of Operations	469,194	175,701	293,493
Eduardo Santos Burgoa Marquez	Supply Chain Director	303,573	119,235	184,338
Armando Valdés Zamora	Internal Auditor	105,852	53,155	52,697
Alfonso Vázquez Salazar	Country Manager (Peru)	244,887	105,275	139,612
Diego Ernesto Casas González	Human Resources Director	213,005	25,794	187,211
Antonio Caso González	Country Manager (Mexico)	187,062	22,631	164,431
Carlos Rojas Aboumrad	Vice President of New Businesses	223,017	23,748	199,269
Fabiano Pinto Goncalves	Country Manager Integrated Solutions (Brazil)	453,311	295,223	158,088
Erika Dominguez Zermeño	Director of Marketing	66,113	-	66,113
Total		**2,804,661**	**1,078,091**	**1,726,570**

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 4,130,360 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 of Directors, 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 of Directors. 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:

Shareholder	Shares owned after the Global Offering, considering the exercise of the over-allotment options	
	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
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)	7,831,474	1.61
Directors and executive officers	4,482,418	0.92
Repurchase fund	6,749,032	1.39
Public float	156,098,329	32.11
Total	**486,234,934**	**100.0**

As of the date of this report 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 51.76% 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, 65.59% of the Company's outstanding capital stock are effectively controlled by the Principal Shareholders.

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, 17,324,346 shares, or 3.56%, of the outstanding capital stock, of which (i) 4,482,418 shares are owned directly, and (ii) 12,841,928 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.

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.

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 modify its corporate purpose to more accurately describe the daily operations of the Company. The Company remained a company with variable capital. On November 24, 2014, the Company's bylaws were further 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. 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 one newspaper of general circulation of the Company's corporate domicile, or be made published through the electronic system established by the Ministry of Economy, 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 be registered on the Company's stock registry book or, as the case may be, 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

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. Only those persons 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 since they are self-owned and may not be taken into account 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. Based on the foregoing, the Company's Shareholders' Meeting held on April 28, 2016, approved the share repurchase fund, for a total maximum amount equal to the total amount of net income denominated in pesos, including retained earnings as of December 31, 2015.

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 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

Shareholders

Shareholder	Number	%
Principal Shareholders	173,892,677	35.76%
GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa División Fiduciaria, as trustee of Trust Number F/000116 dated November 18, 2014 (Voting Trust).	137,181,004	28.21%

Trading price of shares on the BMV

On December 10, 2014, Grupo Rotoplas, S.A.B. de C.V. conducted an initial public offering under ticker symbol "AGUA". It raised $4,182.3 million through the sale of 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 the AGUA share on the Mexican Stock Exchange was $30.14, representing an increase of 3.9% above its initial public offering price.

As of December 31, 2015, the closing price of the AGUA share on the Mexican Stock Exchange was $29.52, which represented a decrease of 2.0% as compared to the closing price in 2014.

The following table sets forth the behavior of the AGUA share as of the end of 2014 and 2015, as of the end of each quarter for the past fiscal year and monthly for the six months prior this report:

Date	Closing Price
12/31/2014	30.14
12/31/2015	29.52

Following is the behavior of the AGUA share per quarter:

	1T15	
	Date	Closing Price
Max.	03/03/2015	33.81
Min.	01/14/2015	29.11

	2T15	
	Date	Closing Price
Max.	04/01/2015	32.16
Min.	04/05/2015	27.91

	3T15	
	Date	Closing Price
Max.	07/15/2015	29.85
Min.	08/31/2015	25.54

	4T15	
	Date	Closing Price
Max.	11/13/2015	30.20
Min.	10/02/2015	28.00

	1T16	
	Date	Closing Price
Max.	03/14/2016	33.48
Min.	01/14/2016	28.05

The following table sets forth the monthly behavior of the AGUA share for the past six months:

	October 15	
	Date	Closing Price
Max.	10/30/2015	30.19
Min.	10/02/2015	28.00

	November 15	
	Date	Closing Price
Max.	11/03/2015	30.20
Min.	11/30/2015	28.11

	December 15	
	Date	Closing Price
Max.	12/22/2015	29.97
Min.	12/03/2015	28.09

	January 16	
	Date	Closing Price
Max.	01/04/2016	29.00
Min.	01/14/2016	28.05

	February 16	
	Date	Closing Price
Max.	02/10/2016	29.90
Min.	02/24/2016	28.40

	March 16	
	Date	Closing Price
Max.	03/14/2016	33.50
Min.	03/01/2016	29.40

Market maker

As of the date of publication of this annual report, the Company does not have a market maker.

Responsible parties

The undersigned certify under oath that, within the scope of their 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 material information that has been omitted or misstated in this annual report or of information that could be misleading to investors.

[*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 certifies under oath that the financial statements included in this annual report for the fiscal year ended December 31, 2015 were audited on April 19, 2016 in accordance with International Standards on Auditing and, to the best of our knowledge, such financial statements reasonably reflect its situation. In addition, the undersigned certify that we have no knowledge of material information that has been omitted or misstated in this annual report or of information that could be misleading to investors.

Furthermore, the undersigned certifies that I have read this annual report and based on such reading and within the scope of the audit performed, I have no knowledge of any material errors or inconsistencies in the information included and which source is the audited financial statements referred to in the above paragraph, nor of any information which could be misleading to investors.

Notwithstanding the above, the undersigned was not hired to, nor have I carried out additional procedures in order to, express an opinion with respect to other information contained in this annual report which does not derive from the financial statements audited by me.

PricewaterhouseCoopers, S.C.

[*Illegible Signature]*

C.P.C. Cesar Alfonso Rosete Vela
Auditing Partner

EXHIBITS