

Main accounting policies and information criteria followed in the preparation of financial information:

To the General Shareholders' Meeting of
Grupo Rotoplas, S.A.B. de C.V.

In accordance with article 172, section b) of the General Law of Mercantile Societies, the report on the main accounting policies and information criteria followed by Grupo Rotoplas, S.A. B. de C.V. ("Company") and its consolidated entities (together, the "Group") for the preparation of financial information is presented:

Below, the most significant accounting policies used for the preparation of these consolidated financial statements are summarized, which have been consistently applied in the years presented, unless otherwise specified.

a) Basis of Preparation

The consolidated financial statements as of December 31, 2023 and 2022 are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to entities reporting under IFRS. The financial statements comply with IFRS issued by the IASB. For this purpose, the historical cost method has been used for the valuation of items, except for derivative financial instruments measured at fair value, land and buildings, financial asset at fair value through profit or loss, and operations in Argentina, which is considered a hyperinflationary economy in accordance with IFRS 29 "Financial Reporting in Hyperinflationary Economies," expressed in terms of the current unit of measure at the end of the reporting period.

IFRS requires certain critical accounting estimates to prepare the consolidated financial statements. Likewise, it requires Management to exercise its judgment to define the accounting policies that the Group will apply. Items involving a higher degree of judgment or complexity and where assumptions and estimates are significant for the consolidated financial statements.

b) Consolidation

- Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns due to its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company. They are deconsolidated from the date control ceases.

The Company uses the purchase method to recognize business combinations. The consideration for the acquisition of a subsidiary is determined based on the fair value of the net assets transferred, liabilities assumed, and equity issued. The consideration for an acquisition also includes the fair value of any contingent amounts receivable or payable as part of the agreement.

Identifiable assets acquired and contingent liabilities assumed in a business combination are generally recognized initially at their fair values at the acquisition date. The Company recognizes non-controlling interests



in the acquired entity, either at their fair value at the acquisition date or at the proportionate share of the identifiable net assets of the acquired entity.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying amount of the acquirer's previously held interest in the acquired entity at the acquisition date is adjusted to fair value at the acquisition date, recognizing any difference in profit or loss.

Any contingent consideration to be paid by the Company is recognized at fair value at the acquisition date.

Intercompany transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries are adjusted to comply with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control by the Company are recorded as transactions in equity, that is, as transactions with shareholders in their capacity as such. The difference between the fair value of the consideration paid and the acquired interest in the carrying amount of the net assets of subsidiaries is recorded in equity. Gains or losses from the sale of non-controlling interests are also recorded in equity.

When the Company loses control or significant influence over an entity, any retained interest in that entity is measured at fair value, recognizing the effect in profit or loss. Subsequently, this fair value is the initial carrying amount for recognizing the retained interest as an associate, joint venture, or financial asset, as appropriate. Also, amounts previously recognized in other comprehensive income (OCI) in relation to that entity are derecognized as if the Company had disposed of the assets or liabilities directly related. This implies that amounts previously recognized in OCI are reclassified to profit or loss in certain cases.

- **Associates**

Associates are all entities over which the Company exercises significant influence but does not control. Generally, the Company holds between 20 and 50% of the voting rights in these entities. Investments in associates are measured using the equity method and are recognized initially at cost, with the carrying amount adjusted for the investor's share of the associate's profits or losses after the acquisition date. The Group's investment in associates includes identified goodwill at the time of acquisition, net of any accumulated impairment loss.

If the interest in an associate is reduced but significant influence is retained, only the proportionate share of OCI related to the interest sold is reclassified to profit or loss if required.

The Company's share of the associates' net profit or loss is recognized in the consolidated statement of profit or loss and other comprehensive income. Unrecognized losses of associates that represent a reduction in the carrying amount of an asset to the extent that the investment in the associate is eliminated are recognized as an impairment loss in the consolidated statement of profit or loss and other comprehensive income. Additional losses are only provided if the Company has incurred a legal or constructive obligation or has made payments on behalf of the associate.



The Company evaluates at the end of each year whether there is objective evidence of impairment in its investment in associates. If such evidence exists, the amount of impairment is calculated as the excess of the recoverable amount of the associate over its carrying amount, and the relative loss is recognized in "Share of profit (loss) of associates" in the statement of profit or loss.

Unrealized gains arising from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated, except where the transaction provides evidence of impairment of the transferred asset. Accounting policies applied by the associate have been adjusted to ensure consistency with the accounting policies adopted by the Company, where necessary.

Gains and losses from dilution of interests in investments in associates are recognized in the statement of profit or loss.

c) Financial Information by Segment

Financial information by operating segments is presented consistently with the information included in the internal reports provided to the Company's Management for operational decision-making. The Company's Management is responsible for allocating resources and assessing the performance of the operating segments.

d) Foreign Currency Translation

- Functional and Presentation Currency

Items included in the financial statements of each of the entities that make up the Group are measured in the currency of the primary economic environment in which each entity operates, i.e., its "functional currency." The consolidated financial statements are presented in Mexican pesos, which is the functional and presentation currency of the Group.

- Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or the valuation date when the items are revalued. Gains and losses from fluctuations in exchange rates resulting from either the settlement of such transactions or the translation of foreign currency-denominated monetary assets and liabilities at year-end exchange rates are recognized in the statement of profit or loss, except when they are required to be included in OCI, such as in the case of transactions qualifying as cash flow hedges. Gains and losses from fluctuations in exchange rates are presented in the statement of profit or loss on a net basis under the heading "Financial income and expenses."

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date the fair value was determined. Conversion differences arising from non-monetary financial assets and liabilities recognized at fair value with changes in profit or loss are recognized in profit or loss as part of the gain or loss on fair value. Conversion differences arising from non-monetary financial assets are recognized as part of other comprehensive income.

- Group Entities

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency:

- Assets and liabilities recognized in the statement of financial position are translated at the exchange rate at the date of that statement of financial position.
- Income and expenses recognized in the income statement are converted at the average exchange rate for each year (except when this average is not a reasonable approximation of the effect of converting the results at the exchange rates prevailing on the transaction dates, in which case those exchange rates are used).
- Resulting conversion differences are recognized as part of comprehensive income.

When a foreign operation is sold or any loan forming part of the net investment is repaid, associated exchange differences are reclassified to profit or loss as part of the gain or loss on disposal.

Goodwill and adjustments to assets and liabilities, arising on the acquisition date of a foreign operation to measure them at fair value, are recognized as assets and liabilities of the foreign entity and are converted at the exchange rate at the closing date. Conversion differences are recorded in OCI.

e) Property, Plant, and Equipment

Land and buildings mainly comprise production and distribution plants, and offices. Land and buildings are stated at fair value, based on valuations by independent external experts, less subsequent depreciation of the buildings. Valuations are conducted with sufficient regularity (at least every five years) to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. In cases where a country's annual cumulative inflation exceeds 20% or when there is evidence that the carrying amount materially differs from the fair value at the date of the financial statements, land and buildings are revalued at intervals of less than five years.

All other property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenses directly attributable to the acquisition of the items.

Costs related to an asset incurred subsequent to initial recognition are capitalized, as part of that asset or a separate asset, as appropriate, only when it is probable that they will generate future economic benefits for the Company and the cost can be reliably measured. The carrying amount of replaced components is derecognized. Maintenance and repair expenses are charged to the statement of profit or loss in the period incurred.

Increases in the carrying amount from revaluation of land and buildings are recognized in OCI and shown as revaluation surplus in equity. Decreases offsetting prior increases in the same asset are charged to OCI directly to equity, while all other decreases are charged to the statement of profit or loss.



Depreciation of property, plant, and equipment is calculated using the straight-line method, applied to the asset's cost excluding its residual value, and considering its estimated useful lives as follows:

Years

Buildings 20

Machinery and tools 4-10

Furniture, fixtures, and computer equipment 3

Transport equipment 4

Molds 10

Improvements to leased premises 10-12

Treatment plant 15

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at the end of each year.

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

When revalued assets are sold, the amounts included in OCI are transferred to accumulated results.

The result from the disposal of property, plant, and equipment is determined by comparing the fair value of the consideration received and the carrying amount of the asset transferred and is presented in the statement of profit or loss within operating expenses and selling costs in accordance with the function of the fixed asset.

The revaluation surplus included in equity related to land and buildings may be transferred directly to retained earnings when they are derecognized. Transfers of revaluation surplus to retained earnings are not made through the statement of profit or loss.

Improvements to leased premises

Improvements and adaptations to buildings and commercial premises in which the Company acts as a lessee are recognized at historical cost less respective depreciation. Depreciation of improvements is calculated using the straight-line method based on the initial lease term. The company considers the shorter period of depreciation between the lease term and the useful life of the improvement (10 to 12 years).

f) Intangible Assets

- Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess of the transferred consideration, the amount of any non-controlling interest in the acquired entity, and the fair value at the acquisition date of any previously held interest in the acquired entity over the fair value of the identifiable net assets acquired. If the total transferred consideration, recognized non-controlling interest, and previously held interest measured at fair value is less than the fair value of the net assets of the acquired subsidiary, in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each Cash Generating Unit (CGU) or group of CGUs, which is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill has been allocated represents the lowest level within the entity at which goodwill is monitored for internal Management purposes. Goodwill is monitored at the operating segment level.

Reviews for impairment of goodwill are conducted annually or more frequently if events or changes in circumstances indicate a possible impairment. The carrying amount of the CGU related to goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

- Brands and licenses

Individually acquired brands and licenses are recognized at their historical cost. Brands and licenses acquired through a business combination are recognized at their fair value at the acquisition date. Licenses with a defined useful life are recognized at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method based on their estimated useful lives of between three and five years. Licenses for acquired computer programs are capitalized based on the costs incurred to acquire and implement the related program. These costs are amortized over their estimated useful lives of between three and five years.

Brands have an indefinite useful life because they are expected to contribute to cash flows indefinitely and are recorded at cost less accumulated impairment losses.

- Computer Programs

Costs associated with the maintenance of computer programs are recognized as expenses when incurred. Development costs that are directly attributable to the customization, design, and testing of identifiable and controllable computer programs by the Company are recognized as intangible assets when the following criteria are met:

It is technically feasible to complete the development of the computer program so that it is available for use.

- There is an intention to complete the development of the computer program for use or sale.
- There is the ability to use or sell the computer program.
- It is feasible to demonstrate how the computer program will generate future economic benefits.
- There are adequate resources available, whether technical, financial, or otherwise, to complete the development of the computer program for use or sale.
- The development costs can be reliably measured.

Direct costs capitalized as part of computer programs include employee remuneration for program development and the proportionate share of related indirect costs.

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



Capitalized computer program development costs are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method based on their estimated useful lives, which do not exceed three years.

- Customer Relationships

There are customer relationships that have had uninterrupted operations for a number of years and are expected to continue to have operations in the foreseeable future and contribute to the generation of estimated future revenues; those acquired through a business acquisition are recognized at their fair value at the acquisition date. Amortization is calculated using the straight-line method based on their estimated useful lives of 30 years and is recognized as an expense in subsequent periods.

- Non-Compete Agreement

The company has a non-compete agreement signed with the former partners of the Argentine company IPS (now Rotoplas Argentina, S.A.) and corresponds to the legal ability of Grupo Rotoplas to limit the involvement of the former partners of IPS as competition. This contract arises through the acquisition of businesses and its fair value is recognized at the acquisition date. Amortization is calculated using the straight-line method based on its 10-year useful life, corresponding to the duration of the contract, and is recognized as an expense in subsequent periods.

- *Non-Financial Asset Impairment

Intangible assets with indefinite useful lives, such as goodwill or trademarks, are not subject to amortization and undergo annual impairment tests. Assets subject to amortization are tested for impairment when events or circumstances indicate that they may not recover their carrying amount. Impairment losses are recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of assets is the higher of the fair value of the asset less costs to sell and its value in use. For impairment assessment purposes, assets are grouped at the lowest levels at which identifiable cash flows are generated (Cash Generating Units, CGUs). Non-financial assets other than goodwill that have been impaired are reassessed at each reporting date for possible reversals of such impairment.

g) Financial Assets

- Classification

The Group classifies its financial assets into the following categories:

- Those measured subsequently at fair value (either through other comprehensive income, OCI, or through profit or loss), and
- Those measured at amortized cost.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value (FV), gains and losses are recorded in profit or loss or OCI. For investments in equity instruments not held for trading, this depends on whether the Group has made an irrevocable decision at initial recognition to measure the investment at fair value through OCI.

The Group reclassifies debt instruments when, and only when, its business model for managing those assets changes.

- Interest Income

Interest income is recognized using the effective interest rate method. When a loan or receivable is impaired, its carrying amount is adjusted to its recoverable amount, which is determined by discounting the estimated future cash flows at the original effective interest rate of the instrument. Interest income on impaired loans or receivables is recognized using the original effective interest rate.

For financial assets purchased or originated other than financial assets with credit impairment, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently suffered credit impairment. For financial assets that have subsequently suffered credit impairment, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk in the financial instrument with credit impairment improves so that the financial asset no longer has credit impairment, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

- Recognition and Measurement

Purchases and sales of financial assets are recognized on the trade date, which is the date the Company commits to purchase or sell the asset. Financial assets are derecognized when the right to receive cash flows from the financial assets has expired or has been transferred, and the Company has transferred substantially all risks and benefits associated with its ownership.

Financial assets are initially recognized at fair value plus transaction costs, except for financial assets measured at fair value through profit or loss, which are initially recognized at fair value and transaction costs are recognized as an expense in profit or loss.

There are three measurement categories according to which the Company classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows when those cash flows represent solely payments of principal and interest are measured at amortized cost. Income received from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising from derecognition are recognized directly in profit or loss and presented in other gains/(losses) along with gains and losses on foreign exchange.

FV-OCI: Assets that are held for collection of contractual cash flows and for sale of financial assets, when the cash flows of the assets represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FV-OCI). Movements in the carrying amount are recognized through OCI, except for the recognition of impairment gains or losses, interest income, and gains and losses on foreign exchange

that are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Gains and losses on foreign exchange are presented in other gains (losses), and impairment losses are presented as a separate line item in the profit or loss statement.

FV-profit or loss: Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss. A gain or loss on a debt instrument subsequently measured at fair value through profit or loss is recognized in profit or loss and presented on a net basis in other gains (losses) in the period in which it arises.

h) Financial Instruments Offsetting

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

i) Impairment of Financial Assets

- Assets Measured at Amortized Cost

The Company uses the 3-stage model, considering the results of the portfolio's behavior assessment. The nature of the change is intended to clarify the effects and the macroeconomic factors affecting the customers' ability to settle their accounts. To achieve this, the Company considers current and reasonable prospective information that is available.

j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. The classification of the gain or loss arising from changes in the fair values of these instruments in profit or loss or other comprehensive income (OCI) depends on whether they are designated as hedging instruments or not, as well as the nature of the item being hedged, if any.

At the inception of the hedging relationship, the Company documents the economic relationship between the hedging instruments and the hedged items, even if it is expected that changes in the cash flows of the hedging instruments will offset the changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedging transactions.

When forward contracts are used to hedge forecast transactions, the Company generally designates only the change in the fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedging reserve within equity. The change in the forward component of the contract relating to the hedged item ("aligned forward component") is recognized in OCI in the hedging reserve costs within equity. In some cases, the entity may designate the total change in the fair value of the forward

contract (including forward points) as the hedging instrument. In such cases, gains or losses corresponding to the effective portion of the change in the fair value of the entire forward contract are recognized in the cash flow hedging reserve within equity.

Amounts accumulated in equity are reclassified in periods when the hedged item affects profit or loss. Deferred amounts are ultimately recognized in profit or loss for the period within finance income or costs.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any accumulated deferred gain or loss and deferred hedging costs in equity remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset, such as inventory. When it is no longer expected that the forecast transaction will occur, the accumulated gain or loss and deferred hedging costs reported in equity are immediately reclassified to profit or loss.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, when derivatives do not meet the criteria for hedge accounting, they are classified as held for trading for accounting purposes and are measured at fair value with changes in profit or loss affecting finance income or costs. They are presented as current assets or liabilities to the extent that they are expected to be settled within 12 months after the end of the reporting period.

The entire fair value of hedging derivatives is classified as non-current assets or liabilities when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Hedge effectiveness is determined at the inception of the hedging relationship, through periodic prospective effectiveness assessments to ensure there is an economic relationship between the hedged item and the hedging instrument.

For foreign currency purchase hedges, the Company creates hedge relationships where the critical terms of the hedging instrument exactly match the terms of the hedged item. Therefore, the Company performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer exactly match the critical terms of the hedging instrument, the Company uses the flow-through method.

In foreign exchange purchase coverages, ineffectiveness may arise if the timing of the anticipated transaction changes from what was originally estimated, or if there are changes in Mexico's credit risk or that of the derivative counterparty.

The fair value of financial instruments not traded in an active market, such as hedging instruments, is determined using valuation techniques that maximize the use of observable information and place the least possible reliance on entity-specific estimates. If all relevant variables for establishing the fair value of a financial instrument are observable, the instrument is included in Level 2.

k) Inventories

Inventories are recognized at cost or net realizable value, whichever is lower, using the standard costing technique, which is periodically adjusted at the end of each month to bring it to its weighted average cost. The cost of finished goods and work in process includes raw material costs, direct labor, other direct costs, and indirect manufacturing expenses based on the normal operating capacity of the plant. Net realizable value is the estimated selling price in the ordinary course of business of the Company less the corresponding variable selling expenses.

Cost includes reclassifications from equity of any gain or loss on cash flow hedges related to purchases of raw materials but excludes borrowing costs.

l) Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and other highly liquid short-term investments with maturities of three months or less and insignificant risk of changes in value. Demand investments with a maturity of no more than three months are invested in bank debt and government instruments.

m) Restricted Cash

Cash whose restrictions prevent it from meeting the definition of cash and cash equivalents described above is presented separately in the consolidated statement of financial position and excluded from cash and cash equivalents in the consolidated statement of cash flows.

Restricted cash arises from the decision to acquire IPS, and to dispose of such cash, prior approvals for its use and/or those of a contractual or legal nature are required.

The amount of restricted cash, as well as short-term financial investments, approximates their fair value, based on their duration (less than twelve months).

Restricted cash is presented as current if it is expected to be used within 12 months from the reporting date. Any restricted fund beyond 12 months is recorded as non-current.

n) Equity

- Share Capital

The Company's ordinary shares are classified as share capital within equity and are stated at historical cost. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the amount received, net of taxes.

- Share Subscription Premium

The share subscription premium represents the excess difference between the payment for subscribed shares and their nominal value on a historical basis.

- Legal Reserve

In accordance with the General Law of Mercantile Companies, at least 5% of the net profit for the year must be set aside to increase the legal reserve until it reaches 20% of the historical share capital. The purpose of this reserve is to maintain a minimum amount of capital in case an unforeseen need for funds arises.

- Accumulated Results

These correspond to the net results of previous periods accumulated and include the effects of inflation recognized up to December 31, 1997.

- Comprehensive Income

Comprehensive income comprises net income plus other capital reserves, net of taxes, which are integrated by the effects of conversion of foreign entities, as well as by other items that, by specific provision, are reflected in equity and do not constitute contributions, reductions, and distribution of capital.

- Treasury Stock

The Shareholders' Assembly may eventually authorize and disburse a maximum amount for the acquisition of own shares. When a repurchase of own shares occurs, they become treasury stock. The consideration paid, including costs directly attributable to such acquisition (net of taxes), is recognized as a decrease in the Group's equity until the shares are canceled or reissued. When such shares are reissued, the consideration received, including incremental costs directly attributable to the transaction (net of taxes), is recognized in the Group's equity. The premium and discount are not recognized in income and form part of the balance of the own share repurchase fund.

ñ) Accounts Payable

Accounts payable are obligations to suppliers for purchases of goods or services acquired in the ordinary course of the Company's operations. When they are expected to be paid within a period of one year or less from the closing date, they are presented in current liabilities. If they are not expected to be met as mentioned, they are presented in non-current liabilities.

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

o) Derecognition of Financial Liabilities

The Company derecognizes financial liabilities if, and only if, the Company's obligations are settled, canceled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income.

When the Entity exchanges an existing debt instrument with the lender for another with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. Similarly, the Entity considers the substantial modification of existing liability terms or part thereof as an extinguishment of the original financial liability and recognition of a new liability. It is assumed

that the terms are substantially different if the discounted present value of cash flows under the new terms, including any net fee paid net of any fee received and discounted using the original effective rate is at least 10% different from the current discounted value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of cash flows after the modification should be recognized in income as a gain or loss on modification within other gains and losses.

p) Bank Loans

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

Fees incurred to obtain the loans are recognized as transaction costs to the extent that it is probable that a portion or all of the loan will be received. In this case, the fees are deferred until the loan is received.

Loans are classified as current liabilities unless the Company has an unconditional right to defer payment of a liability for at least 12 months after the reporting period.

q) Current and Deferred Income Taxes

The current period income tax expense includes current and deferred income tax. The current period income tax is recognized in the income statement, except when it relates wholly or partially to items recognized directly as part of OCI or in equity. In this case, the tax is presented in the same line item as the item to which it relates.

The charge for current income taxes is calculated based on tax laws enacted or substantively enacted at the date of the statement of financial position in the countries in which the Company and its subsidiaries operate. Management periodically assesses the criteria applied in tax returns when there are aspects where the applicable law is subject to interpretation. Subsequently, the Company recognizes the necessary provisions based on the amounts expected to be paid to the tax authorities.

Deferred income tax is determined at each subsidiary using the asset and liability method on temporary differences arising from comparing the book and tax values of all Company assets and liabilities. However, deferred income tax arising from the initial recognition of an asset or liability in a transaction that is not a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss is not recorded. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of the year and are expected to be applied when the deferred income tax asset is realized or the liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized.

The deferred tax liability arises from tax temporary differences derived from investments in subsidiaries, associates, and joint ventures, except for the deferred tax liability at the time the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the near future. In general, the Company is not able to control the reversal of temporary differences for associated

companies. Only when there is an agreement that gives the Company the possibility of controlling the reversal, temporary differences are not recognized.

r) Employee Benefits

- Pension Plan and Length of Service Bonus

The Company operates pension plans and length of service bonuses that are generally funded through payments to funds managed by trusts, based on annual actuarial calculations. The Company has a defined benefit pension plan, which is a plan that defines the amount of pension benefits an employee will receive upon retirement, usually dependent on one or more factors such as the employee's age, years of service, and compensation.

The liability or asset recognized in the consolidated statement of financial position regarding defined benefit pension plans is the present value of the defined benefit obligation at the date of the consolidated statement of financial position, together with adjustments for unrecognized remeasurements of the defined benefit liability (net) and past service costs, which are recognized directly in the income statement.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated cash flows using high-quality corporate bond interest rates in absolute terms in a deep market, and, failing that, it should reference the market rate of government bonds denominated in the same currency in which the benefits will be paid and which have maturities approximating those of the pension obligation.

Remeasurements of the net defined benefit liability arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Plans in Mexico generally expose the Company to actuarial risks, such as investment risk, interest rate risk, longevity risk, and salary risk, as follows:

Investment risk: The expected rate of return for investment funds is equivalent to the discount rate, which is calculated using a discount rate determined by reference to long-term government bonds; if the return on assets is less than that rate, this will create a deficit in the plan.

Interest rate risk: A decrease in the interest rate will increase the plan's liability; the volatility in rates depends solely on the economic environment.

Longevity risk: The present value of the defined benefit obligation is calculated by reference to the best estimate of plan participant mortality. An increase in the life expectancy of plan participants will increase the liability.

Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of participants. Therefore, an increase in participants' salary expectations will increase the plan's liability.

Termination benefits are paid when the employment relationship is concluded by the Company before the normal retirement date or when an employee voluntarily accepts termination of the employment relationship in exchange for these benefits. The Company recognizes termination benefits on the earlier of the following dates: a) when the Company can no longer withdraw the offer of those benefits, and b) at the time the Company recognizes the costs for a restructuring that is within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and involves payment of termination benefits. In the event that there is an offer that promotes voluntary termination of employment by employees, termination benefits are valued based on the expected number of employees estimated to accept such offer. Benefits to be paid in the long term are discounted to their present value.

- Other Executive Benefits

The Company provides its executives, as a retention plan, support for the acquisition of Company shares. Eligible employees according to certain factors, primarily years of service, may choose to accept a loan for future purchase of shares, which is deducted from their salary periodically and accrues interest at market value.

- Units of Referenced Value

The Company operates a compensation plan where the entity receives services from its officers in exchange for the payment of Units of Referenced Value ("URVs"). The fair value of the services received related to the plan is recognized as an expense. The total amount of expense to be charged to results is determined with reference to the value of the options granted:

- Including any market performance condition (for example, the entity's stock price);
- Excluding the impact of any service and conditions that grant rights not corresponding to market performance (for example, profitability, sales growth targets, and tenure as an employee for a specific period); and
- Including the impact of any service or performance conditions not corresponding to the market that grant the right (for example, employees' requirement to save or hold shares for a specific period).

At the end of each reporting period, the Company reviews the estimates of the number of URVs it expects to grant based on conditions other than market grant and service conditions. The impact of the revision of the original estimate, if any, is recognized in the income statement.

Additionally, in some circumstances, employees may provide services before the grant date, and therefore, the market value at the grant date is estimated for the purposes of recognizing the expense during the period between the start of the service period and the grant date.

Social security contributions paid in relation to the granting of equity options are considered an integral part of the URV; likewise, the charge is recognized as a cash-settled share-based payment.

- Workers' Profit-Sharing (PTU) and Bonuses

The Company recognizes a liability and expense for bonuses and PTU based on a calculation that takes into account the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is an established practice that creates an assumed obligation.

s) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reasonably estimated. Provisions for future operating losses are not recognized.

When there are similar obligations, the probability of cash outflows being required for payment is determined considering the class of obligation as a whole. The provision is recognized even if the probability of cash outflows for any specific item included in the same class of obligations is very small.

Provisions are recognized at the present value of the outflows expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market conditions regarding the time value of money and specific risks for that obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

t) Revenue Recognition

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for the sale of goods or provision of services transferred in the ordinary course of business. Revenue is presented net of returns and discounts granted to customers.

For revenue recognition from contracts with customers, an integrated model for revenue accounting is used, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the performance obligation is satisfied.

The existence of separable performance obligations in a contract with customers is determined by evaluating the transfer of control of the good or service to the customer to determine the timing of recognizing revenue for each performance obligation.

When the Company identifies separable performance obligations, it allocates the transaction price to each of them to recognize the corresponding revenue, either at a point in time or over time.

The Company considers the following concepts as performance obligations:

- Revenue from sale of goods (containers, plastic accessories, water heaters, etc.) (wholesale)

The Company manufactures and sells a wide variety of goods in the wholesale market. Sales of these products are recognized when the Company has delivered them to the customer, the customer has the ability to



determine the channel and price of sale of the products in the retail market, and when there is no longer a pending obligation for the Company that could result in the return or rejection of the products.

The performance obligation is considered fulfilled when the products have been delivered to the customer at the specified location in the contract and the customer has accepted the products according to the agreement made, or the Company has objective evidence that it has fulfilled all requirements for the customer to accept the products.

These goods are usually sold with a volume discount. Additionally, customers have the right to return defective products. Sales are recognized based on the prices agreed upon in the agreements entered into, net of an estimate for volume discounts and returns. Estimates for volume discounts and returns are determined based on accumulated experience. Providing financing to customers as a separate component in the sales transaction is not considered because the credit term is 7 to 60 days, which is consistent with market practice.

An accounts receivable is recognized when the goods are delivered, as this is the point in time when consideration is unconditional, requiring only the passage of time before payment is made.

The Group makes its estimates based on accumulated experience, considering the type of customer, the type of operation, and the particular terms of each contract. The Company provides a lifetime warranty to its customers and end consumers for the sale of its "Beige Tank" product. Historically, there have been few instances where the customer has exercised their right to the lifetime warranty of said product, and no estimation is generated

- Income from Sale of Goods (Containers, Plastic Accessories, and Other Accessories) (Retail)

Sales of these goods are recognized when the Company has delivered them to the customer, and when there is no longer a pending performance obligation for the Company that could result in the return or rejection of the products.

Payments for retail transactions are generally made in cash or via credit card. The Company grants these customers the right to return the products for a period of 30 days and does not have loyalty programs.

- Income from Installation of Water Coolers

The Company provides installation services for school water coolers. Revenue is recognized upon completion of the installation of the water coolers and the customer's full satisfaction with the installation. At the start of the contract, a 10% advance payment is requested, which is considered a contract liability.

- Income from Provision of Maintenance Services for Installations

The Company provides maintenance services for installations of individual and/or integrated solutions. In this regard, revenue is recognized in the accounting period in which the services are provided, with reference to the stage of completion of the specific transaction, and is assessed based on the actual service provided as a percentage of the total services to be provided.

- Income from Lease of Water Treatment Plants

The Company leases water treatment plants, which are agreed upon for fixed periods of 10 years. The terms agreed with the customer stipulate possession by the Company at the end of the lease; likewise, the Company retains ownership rights and therefore they have been classified as operating leases.

The Group does not provide any auxiliary services to investment property customers. Therefore, lease payments are entirely related to rent and recognized as lease income. It was not necessary to separate consideration between lease components.

- Income from E-commerce

The Company has developed an electronic platform for selling products in the United States of America online. Revenue is recognized upon delivery of the goods to the customer with the requested characteristics at the location defined at the time of online purchase.

u) Leases

The Company leases several properties and automobiles. Lease contracts are usually for fixed periods of 2 to 6 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease contracts do not impose any covenants, but the leased assets cannot be used as collateral for loan purposes. Leases are recognized as a right-of-use asset and a corresponding liability on the date the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss during the lease term to produce a constant periodic interest rate on the remaining liability balance for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term using the straight-line method.

Assets and liabilities arising from a lease contract are initially measured at present value.

Lease liabilities include the net present value of the following payments:

- Fixed payments including those that are effectively fixed;
- Amounts expected to be payable by the lessee for residual value guarantees;
- Lease payments are discounted using the interest rate implicit in the lease contract, if determinable, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost, including the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment, telecommunications.

Extension and Termination Option

Extension and termination options are included in a series of property and equipment leases throughout the Group. These terms are used to maximize operational flexibility in terms of contract management. Most extension and termination options are held by the Group and not the lessor. The Group does not provide residual value guarantees in relation to equipment leases. As of December 31, 2021, and 2020, there are no restrictions or covenants to comply with from the current lease contracts.

v) Dividend Distribution

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders and their right to receive such payment has been established. For dividend payments (which are deducted from retained earnings), the Company uses individual financial statements prepared in accordance with IFRS for statutory purposes.

w) Basic and Diluted Earnings per Share

Basic earnings per share result from dividing the net profit for the year attributable to the controlling interest by the weighted average of shares in circulation during the year.

Diluted earnings per share result from dividing the net profit for the year by the weighted average of shares in circulation during 2021 and 2020, adjusted for the average of potentially dilutive shares.

x) Restatement of Financial Statements

In recent years, inflation in Argentina has increased significantly, and local inflation data has not been consistently reported. The three-year cumulative inflation rate, using different combinations of retail price indices, exceeded 100% during the first half of 2018. The three-year cumulative inflation using the wholesale price index also exceeded 100%. For this reason, considering the country's performance, including currency devaluation, Argentina was considered a hyperinflationary economy for reporting periods ending after July 1, 2018.

As a result, subsidiaries such as Rotoplas Argentina S.A., whose functional currency is the Argentine peso, applied IAS 29 "Financial Reporting in Hyperinflationary Economies" as if the economy had always been hyperinflationary. IAS 29 requires the recognition of inflation of revenues and expenses from the beginning of the period in which the economy is considered hyperinflationary. It also requires the indexation of non-monetary items from the date they were initially recognized or from the date of the last revaluation in the case of those recognized at fair value until the end of the reporting period. Monetary items are not restated, as they are considered to be expressed in purchasing power pesos at the reporting date. Gains and losses on monetary position are recognized in financial income or expenses.

The general price index was selected based on resolution JP 549/118 issued by the Argentine Federation of Professional Councils of Sciences (FACPCE). This resolution prescribes the indices that entities with a functional currency of the Argentine peso must use for restatement procedures. The detailed table of indices will be published monthly by FACPCE.

Subsidiaries located in Argentina restate financial statements as presented.

The amounts corresponding to non-monetary items in each statement of financial position, which are not measured at the date of the statement of financial position at fair value or at net realizable value, as applicable, are restated by applying to their historical cost the variation of a general price index, from the date of acquisition or the date of their last measurement at fair value until the date of the statement of financial position.

- Monetary items in the statement of financial position are not restated;
- Equity items in each statement of financial position are restated:
 - i. At the beginning of the first period of application of IAS 29, except for retained earnings, by applying the variation of a general price index from the date the items originated until the date of restatement. Restated retained earnings are derived from the rest of the balances in the statement of financial position;
 - ii. At the end of the first application period and in subsequent periods, all equity items are restated by applying a general price index from the beginning of the period or the contribution date, if later.
- Revenues and expenses are restated by applying the variation in the general price index from the date the expenses and revenues were recognized until the reporting date.
- Gains or losses derived from the net monetary position are recognized in the consolidated statement of comprehensive income.

In local financial statements, inflation effects are recognized as if they had always been present, while at the consolidated level, comparatives are recognized without restatement. Therefore, the initial cumulative effect is presented in accumulated earnings.

For consolidated financial statements, the Company operates in a non-hyperinflationary economy. The results and financial position of entities whose functional currency corresponds to a hyperinflationary economy are converted to the presentation currency using the following procedures:

- a. All amounts (i.e., assets, liabilities, equity items, expenses, and revenues) will be converted at the closing exchange rate as of the closing date of the most recent statement of financial position,
- b. Comparative figures will be those presented in the previous year's financial statements within the financial statements of the preceding period (i.e., these amounts are not adjusted for subsequent variations that may have occurred in the price level or exchange rates).

On March 3, 2020, the IFRS Interpretations Committee ratified its agenda decision regarding the conversion of a hyperinflationary foreign operation (IAS 21 and IAS 29), and the Company has chosen to present the effects of hyperinflation and conversion to presentation currency in the foreign entity translation effect because the



entity considers that the combination of both effects meets the definition of exchange differences in accordance with IAS 21.

Carlos Roberto Rojas Mota Velasco
President of the Board of Directors
Grupo Rotoplas, S.A.B. de C.V.