

**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, 2025 and 2024 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.

**New standards adopted by the Company**

The Company has applied the following standards and amendments for the first time for its annual reporting period beginning on January 1, 2025:

- Amendments to IAS 21 – Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025).  
As a result of adopting this amendment to IAS 21, the Company did not have any material impact on the amounts recognized or disclosures in prior periods or the current period, and it is not expected to significantly affect future periods.
- Agenda decision related to IFRS 8. In July 2024, the IASB issued an IFRIC agenda decision that clarified the disclosure requirements of IFRS 8 regarding operating segments.  
The Company's Management implemented this agenda decision in these consolidated financial statements.

### **New standards and interpretations not yet adopted**

Certain new accounting standards and amendments to accounting standards have been published, which are not effective for reporting periods as of December 31, 2025, and have not been early adopted by the Company. The following presents the Company's assessment of the impact of these new standards and amendments.

#### **Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7**

(effective for annual periods beginning on or after January 1, 2026).

On May 30, 2024, the IASB issued specific amendments to IFRS 9 and IFRS 7 to respond to recent questions that arose in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

Clarify and add more guidance to assess whether a financial asset meets the criterion of solely payments of principal and interest (SPPI);

Add new disclosures for certain instruments with contractual terms that may change cash flows, such as some financial instruments with features linked to the achievement of environmental, social and governance objectives; and

Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

#### **Amendment to IFRS 9 and IFRS 7 for contracts referenced to nature-dependent electricity** (effective for annual periods beginning on or after January 1, 2026).

On December 18, 2024, the IASB issued specific amendments to IFRS 9 and IFRS 7 for contracts referenced to nature-dependent electricity, where the own-use exception in this type of contracts is clarified, criteria for the consideration of own use are defined, hedge accounting over variable volumes is permitted if the applicable criteria are met, and greater transparency in the information to be disclosed is required.

#### **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

(effective for annual periods beginning on or after January 1, 2027).

Issued in May 2024, IFRS 19 allows certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements.

#### **IFRS 18 Presentation and Disclosure in Financial Statements**

(effective for annual periods beginning on or after January 1, 2027).

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help achieve comparability of the financial performance of similar entities and will provide more relevant and transparent information to users. Although IFRS 18 will not affect the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be widespread, particularly those related to the statement of profit or loss and the inclusion of management-defined performance measures within the financial statements.

Although the adoption of IFRS 18 will have no impact on the Company's net income, the Company expects that the grouping of income and expense items in the statement of profit or loss into the new categories will affect the way operating profit is calculated and reported. From the high-level impact assessment performed by the Company, the following items could potentially affect operating profit:

Foreign currency exchange differences that are currently aggregated in operating profit may have to be disaggregated, with some foreign currency exchange gains or losses presented below operating profit.

IFRS 18 has specific requirements regarding the category in which derivative gains or losses are recognized, which is the same category as the income and expenses affected by the risk being managed with the derivative. Although the Company currently recognizes some gains or losses in operating profit and others in finance costs, there could be a change in where these gains or losses are recognized, and the Company is currently assessing the need for a change.

The items presented in the primary financial statements could change as a result of the application of the concept of "useful structured summary" and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be presented separately in the statement of financial position, the Company will disaggregate goodwill and other intangible assets and present them separately in the statement of financial position.

The Company does not expect there to be a significant change in the information currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped could change as a result of the aggregation/disaggregation principles. In addition, significant new disclosures will be required for:

Management-defined performance measures;

A breakdown of the nature of expenses for items presented by function in the operating category of the statement of profit or loss: this breakdown is only required for certain natures of expenses; and

For the first annual period of application of IFRS 18, a reconciliation of each item of the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.

From the perspective of the statement of cash flows, there will be changes in the way interest received and interest paid are presented. Interest paid will be presented in its operating category, which represents a change from the current presentation as part of financing or investing cash flows.

These standards or amendments are not expected to have a material impact for the Company in future reporting periods and foreseeable future transactions, except for IFRS 18; the Company is in the process of

analyzing the impact of applying the new standard as from its mandatory effective date of January 1, 2027. Retrospective application is required, therefore the comparative information for the year ending December 31, 2026 will be restated in accordance with IFRS 18.

## **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 in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

The Company uses the purchase method to recognize business acquisitions. 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.

The identifiable assets acquired and contingent liabilities assumed in a business combination are generally initially recognized at their fair values at the acquisition date. The Company recognizes the non-controlling interest in the acquired entity either at its fair value at the acquisition date or at the proportional value of the identifiable net assets of the acquired entity.

Acquisition-related costs are recorded as an expense as incurred.

If the business combination is achieved in stages, the carrying amount of the acquirer's previous interest in the acquiree 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 its 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 the non-controlling interest that do not result in a loss of control are accounted for as equity transactions, that is, as transactions with shareholders in their capacity as such. The difference between the fair value of the consideration paid and the interest acquired in the carrying amount of the net assets of subsidiaries is recorded in equity. Gains or losses on the sale of the non-controlling interest are also recorded in equity. As of December 31, 2025 and 2024, there were no changes in the interest in subsidiaries without loss of control.

When the Company loses control or significant influence over an entity, any retained interest in such entity is measured at its fair value, recognizing the effect in profit or loss. Subsequently, such fair value is the initial carrying amount for purposes of recognizing the retained interest as an associate, joint venture or financial asset, as applicable. Likewise, amounts previously recognized in OCI in relation to that entity are cancelled as if the Company had directly disposed of the related assets or liabilities. This implies that amounts previously

recognized in OCI are reclassified to profit or loss in certain cases. As of December 31, 2025 and 2024, there was no disposal of subsidiaries.

### **Associates**

Associates are all entities over which the Company exercises significant influence but not control. Generally, in these entities the Company maintains an interest of between 20% and 50% of the voting rights. Investments in associates are measured using the equity method and are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee, after the acquisition date. The Group's investment in associates includes the goodwill identified 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 proportional part of OCI corresponding to the interest sold is reclassified to profit or loss if required. As of December 31, 2025 and 2024, there was no reduction in the interest of any associate.

The Company's share in the net profits or losses of associates, after acquisition, is recognized in the statement of profit or loss, and the share in OCI of associates is recognized as OCI; as of December 31, 2025 and 2024, there was no share in OCI of associates. These post-acquisition movements are accumulated and adjust the carrying amount of the investment. When the Company's share in the losses of an associate exceeds the carrying amount of its investment, including any receivable recorded by the Company with the unsecured associate, the Company does not recognize such excess losses, unless it has a legal or constructive obligation to make payments on behalf of the associate.

The Company assesses at the end of each year whether there is objective evidence of impairment in the investment in associates. If so, the amount of impairment is calculated by default of the recoverable amount of the associate over its carrying amount and recognizes the related loss in "Share in the result of the associate" in the statement of profit or loss. As of December 31, 2025 and 2024, there was no impairment in associates.

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 when the transaction provides evidence that the transferred asset is impaired. The accounting policies applied by the associate have been modified to ensure consistency with the accounting policies adopted by the Company, where necessary.

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

### **c) Segment financial information**

Financial information by operating segments is presented consistently with the information included in the internal reports provided to the Company's General Management for operating decision-making of the Company. The Company's General 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 comprising the Group are measured in the currency of the primary economic environment in which each entity operates, that is, its “functional currency.” The consolidated financial statements are presented in Mexican pesos, which is the Group’s functional and presentation currency.

### **Transactions and balances**

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

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

### **Group companies**

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 closing date of such statement of financial position.
- Income and expenses recognized in the statement of profit or loss are translated at the average exchange rate for each year, except when this average is not a reasonable approximation of the effect derived from translating the results at the exchange rates in effect on the dates of the transactions, in which case those exchange rates were used.
- The resulting translation differences are recognized as part of comprehensive income.

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

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 translated at the exchange rate at the closing date. Translation 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 shown at fair value, based on valuations by independent external experts, less subsequent depreciation of

buildings. Valuations are performed 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 updated to the revalued amount of the asset. In cases where a country's annual accumulated inflation exceeds 20% or when there is evidence that the carrying amount differs materially from fair value at the date of the financial statements, land and buildings are revalued with a frequency of less than five years.

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

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

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

Depreciation of property, plant and equipment is calculated based on the straight-line method, which is applied over the cost of the asset excluding its residual value and considering its estimated useful lives, which are:

Years

Buildings 20

Machinery and tools 4-10

Furniture, fixtures and computer equipment 3

Transportation equipment 4

Molds 10

Leasehold improvements 10-12

Treatment plant 15

Purification Systems 4

Residual values and useful lives of assets are reviewed and adjusted, if necessary, at the closing date 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 retained earnings.

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 cost of sales according to 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 these are derecognized. Transfers from revaluation surplus to retained earnings are not made through the statement of profit or loss.

#### **Leasehold improvements**

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

#### **Investment properties**

Investment properties are real estate properties, land and buildings, that are held to obtain economic benefits through the collection of rents or to obtain an increase in their value and are initially measured at cost, including transaction costs. After initial recognition, investment properties continue to be measured at cost less depreciation and accumulated impairment losses, if any. The Company owns land leased to third parties. In these cases, only the portion leased to third parties is considered Investment Properties in the consolidated statement of financial position.

Depreciation is calculated based on the straight-line method to distribute its cost to its residual value over its estimated economic useful lives as shown below:

Buildings: 10 years

#### **f) Intangible assets**

##### **Goodwill**

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value at the acquisition date of any previous interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, the non-controlling interest recognized and the 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 testing impairment, goodwill acquired in a business combination is allocated to each of the Cash-Generating Units (“CGU”) or groups of CGUs that are 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.

Impairment reviews of goodwill are carried out annually or more frequently if events or changes in circumstances indicate possible impairment. The carrying amount of the CGU to which goodwill relates is compared with the recoverable amount, which is the higher of value in use and fair value less costs of sale. Any impairment is recognized immediately as an expense and is not subsequently reversed.

## **Brands and licenses**

Brands and licenses acquired individually are recognized at historical cost. Brands and licenses acquired through a business acquisition are recognized at fair value at the acquisition date. Licenses that have a defined useful life are recorded 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. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the related software into use. These costs are amortized based on their estimated useful lives of between three and five years.

Brands have an indefinite useful life because they are expected to contribute to net cash flows indefinitely; they are recorded at cost less accumulated impairment losses. As of December 31, 2025 and 2024, there are no accumulated impairment losses on brands.

## **Software**

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

It is technically feasible to complete the development of the software so that it will be available for use.

- There is the intention to complete the development of the software for use or sale.
- There is the ability to use or sell the software.
- It is feasible to demonstrate how the software will generate future economic benefits.
- Adequate technical, financial or other resources are available to complete the development of the software to allow its use or sale.
- Expenditures attributable to the development can be measured reliably.

Direct costs capitalized as part of software include the compensation of employees who develop the software and the corresponding proportion of related indirect costs.

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

Capitalized software 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 operations for an uninterrupted number of years and that are expected to continue having operations in the foreseeable future and contribute to the generation of estimable future revenues; acquired through a business acquisition, they are recognized at 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 in expense in subsequent periods.

### **Non-Compete Agreement**

The Company has a Non-Compete agreement signed with the former shareholders of the Argentine company IPS, currently Rotoplas Argentina, S.A., and corresponds to the legal capacity that Grupo Rotoplas has to limit the involvement of the former shareholders of IPS as competitors. Such agreement arises through the business acquisition and its fair value is recognized at the acquisition date. Amortization is calculated using the straight-line method based on its useful life of 10 years, which corresponds to the term of such agreement, and is recognized in expense in subsequent periods.

### **Impairment of non-financial assets**

Intangible assets that have an indefinite useful life, for example, goodwill or brands, are not subject to amortization and are tested annually for impairment. Assets subject to amortization are tested for impairment when events or circumstances occur that indicate that they may not recover their carrying amount. Impairment losses correspond to the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of assets is the higher of the asset's fair value less costs incurred for its sale and its value in use. For purposes of impairment assessment, assets are grouped at the smallest levels at which they generate identifiable cash flows, CGU. Non-financial assets other than goodwill that have been impaired are assessed at each reporting date to identify possible reversals of such impairment. As of December 31, 2025 and 2024, there is no impairment loss.

### **g) Financial assets**

#### **Classification**

The Group classifies its financial assets in the following categories:

- Those that are subsequently measured at fair value, whether through other comprehensive income or through profit or loss, and
- Those that are 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 will be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made the irrevocable decision at the time of initial recognition to record 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 flow at the instrument's original effective interest rate. Interest income on an impaired loan or receivable is recognized using the original effective interest rate.

For purchased or originated financial assets other than credit-impaired financial assets, 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 become credit-impaired, 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 credit-impaired financial instrument improves, so that the financial asset is no longer credit-impaired, 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 on which 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 the risks and rewards derived from ownership.

Financial assets are initially recognized at fair value plus transaction costs, except when they are 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 the statement of profit or loss.

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

**Amortized cost:** Assets held for the 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 gain or loss arising from derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

**FV-OCI:** Assets held for the collection of contractual cash flows and for the 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 foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the accumulated gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as a separate item in the statement of profit or loss.

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

The Company uses factoring programs, transferring all rights over certain customer invoices, without retaining the risks of payment delays and credit. Therefore, the Group derecognizes the transferred assets in full in its statement of financial position.

### **h) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the right to offset the recognized amounts is legally enforceable and there is an intention to settle them 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 enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. As of December 31, 2025 and 2024, no offsetting of financial instruments was made.

#### **i) Impairment of financial assets**

##### **Assets measured at amortized cost**

The Company applies the simplified approach of IFRS 9 to measure expected credit losses using a provision for expected losses over the life of the instrument for all accounts receivable and contract assets.

To measure expected credit losses, accounts receivable and contract assets have been grouped based on shared credit risk characteristics and days past due. Contract assets refer to unbilled work in progress and have substantially the same risk characteristics as accounts receivable for the same types of contracts. Therefore, the Company has concluded that the expected loss rates for accounts receivable are a reasonable approximation of the loss rates for contract assets.

#### **j) Derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognized at fair value on the date on which the derivative financial instrument contract is entered into and are subsequently remeasured at fair value. The classification of the gain or loss derived from changes in the fair values of these instruments, in the result for the year or other comprehensive income, depends on whether they are designated as hedging instruments or not, as well as on the nature of the hedged item, if applicable.

At the inception of the hedging relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for carrying out 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 hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item, "aligned forward element," is recognized in OCI in the costs of the hedge reserve 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, losses or gains corresponding to the effective portion of the change in the fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity.

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

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

Derivatives are used only for economic hedging purposes and not as speculative investments. However, when derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss, affecting finance income or costs. They are presented as current assets or liabilities to the extent 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 that there is an economic relationship between the hedged item and the hedging instrument.

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

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Mexico or of the derivative counterparty.

The fair value of financial instruments that are not traded in an active market, for example, hedging instruments, is determined using valuation techniques that maximize the use of observable information and place as little reliance as possible on entity-specific estimates. If all relevant variables to establish 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, under the standard costing technique, which is periodically adjusted at the end of each month to bring it to weighted average cost. The cost of finished goods and work in process includes raw material costs, direct labor, other direct costs and manufacturing overhead based on the normal operating capacity of the plant. Net realizable value is the estimated selling price in the normal course of the Company's operations 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 bank deposits and other highly liquid short-term investments with maturities of three months or less and with an insignificant risk of changes in value. Demand investments with maturity not exceeding three months are invested in bank debt and government instruments.

#### **m) Restricted cash**

Cash whose restrictions result in it not meeting the definition of cash and cash equivalents described above is presented in a separate line item 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 of the acquisition of IPS; in order 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 its fair value based on its 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 funds beyond 12 months are recorded as non-current.

#### **n) Equity**

##### **Share capital**

The Company's ordinary shares are classified as share capital within equity and are expressed 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 capital includes the inflation effect recognized up to December 31, 1997.

##### **Premium on share subscription**

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

##### **Legal reserve**

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

##### **Retained earnings**

They correspond to the accumulated net results of prior years and include the inflation effects recognized up to December 31, 1997.

##### **Comprehensive income (loss)**

Comprehensive income (loss) is composed of net income plus other capital reserves, net of taxes, which are made up of the translation effects of foreign entities, as well as other items that, by specific provision, are reflected in equity and do not constitute contributions, reductions or distributions of capital.

#### **Treasury shares**

The Shareholders' Meeting may eventually authorize and disburse a maximum amount for the acquisition of own shares. When a repurchase of own shares occurs, they become treasury shares. 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 cancelled 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 gain and loss are not recognized in profit or loss and form part of the balance of the own share repurchase fund.

#### **ñ) Accounts payable**

Accounts payable are obligations with suppliers for purchases of goods or services acquired in the normal 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 the aforementioned is not met, 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.

The Company uses factoring programs for some of its suppliers, under which a financial institution acquires the rights over the supplier's selected accounts receivable. After this acquisition, the Company cannot make direct payments to the supplier or offset any of the acquired accounts payable with credit notes received from the supplier. The terms of the accounts payable do not change substantially; therefore, the amounts are presented within suppliers in its statement of financial position. For purposes of the statement of cash flows, when the rights over the accounts selected by the supplier are settled, these payments are presented as operating cash outflows.

#### **o) Derecognition of financial liabilities**

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

When the Entity exchanges with the existing lender one debt instrument for another with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity considers the substantial modification of the terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. The terms are assumed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees 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 the cash flows after the modification must be recognized in profit or loss as the modification gain or loss within operating expenses.

**p) Loans**

Loans are initially recognized at 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 statement of profit or loss over the term of the loan using the effective interest rate method.

Fees incurred to obtain loans are recognized as transaction costs to the extent that it is probable that part 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 the unconditional right to defer payment of a liability for at least 12 months after the reporting period.

**q) Current and deferred income taxes**

Income tax expense for the period comprises current and deferred income tax. Income tax for the period is recognized in the statement of profit or loss, except when it relates wholly or partly 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 evaluates the criteria applied in tax returns when there are matters in which the applicable law is subject to interpretation. Subsequently, the Company recognizes the necessary provisions based on the amounts it expects will be paid to the tax authorities.

Deferred income tax is determined in each subsidiary using the asset and liability method on temporary differences arising from comparing the accounting and tax values of all assets and liabilities of the Company. However, deferred income tax arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor 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 year-end and are expected to apply when the deferred income tax asset is realized or the liability is settled.

A deferred income tax asset is recognized only to the extent that it is probable that future tax benefits will be obtained against which deductible temporary differences can be used.

The deferred tax liability arises from temporary tax differences derived from investments in subsidiaries, associates and joint ventures, except for the deferred tax liability at the time when 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 in a position to control the reversal of temporary differences for associate companies. Only when there is an agreement that gives the Company the ability to control the reversal are temporary differences not recognized. As of December 31, 2025 and 2024, there was no impact on the assets and liabilities of a new transaction.

## **r) Employee benefits**

### **Pension plan and seniority premium**

The Company operates pension and seniority premium plans 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 at retirement, which usually depends 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 in respect of 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 net defined benefit liability and past service costs, which are recognized directly in the statement of profit or loss.

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

Remeasurements of the net defined benefit liability arising from experience adjustments 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 lower than such rate, this will create a deficit in the plan.

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

**Longevity risk:** The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants. 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 the expected salary of participants will increase the plan liability.

Termination benefits are paid when the employment relationship is terminated 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) when the Company recognizes the costs for a restructuring that is within the scope of IAS 37 "Provisions, Contingent Liabilities

and Contingent Assets” and involves the payment of termination benefits. If there is an offer that promotes voluntary termination of the employment relationship by employees, termination benefits are measured based on the expected number of employees estimated to accept such offer. Benefits to be paid in the long term are discounted to present value.

#### **Other executive benefits**

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

#### **Referenced value units**

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

- Including any market performance condition, for example, the share price of an entity;
- Excluding the impact of any service and conditions that grant the right that do not correspond to market performance, for example, profitability, sales growth objectives and remaining as an employee for a determined period; and
- Including the impact of any service or performance conditions that do not correspond to the market that grant the right, for example, the requirement that employees save or hold shares for a specific period.

At the end of each reporting period, the Company revises the estimates of the number of RVUs it expects to grant based on non-market vesting conditions and service conditions. The impact of the revision of the original estimate, if any, is recognized in the statement of profit or loss.

Additionally, in some circumstances, employees may provide services before the grant date and, therefore, the market value at the grant date is estimated for purposes of recognizing the expense during the period between the beginning 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 RVU; likewise, the charge is recognized as a cash-settled share-based payment.

#### **Employees’ Profit Sharing (PTU) and bonuses**

The Company recognizes a liability and an expense for bonuses and PTU based on a calculation that takes into account profit attributable to the Company’s shareholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a practice-based obligation that creates a constructive 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 similar obligations exist, the probability that cash outflows will be required for payment is determined by considering the class of obligation as a whole. The provision is recognized even when the probability of cash outflow in respect of any specific item included in the same class of obligations is very small.

Provisions are recognized at the present value of the disbursements expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market conditions with respect to the time value of money and the specific risks of such obligation. The increase in the provision due to the passage of time is recognized as 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 normal course of the Company's operations. Revenue is shown net of returns and discounts granted to customers.

For the recognition of revenue from contracts with customers, an integral model for accounting for revenue 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; management evaluates the transfer of control of the good or service to the customer in order to determine the timing for recognizing the revenue corresponding to each performance obligation.

When the Company identifies separable performance obligations, it allocates the transaction price to each of them in order 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, thermo tanks, 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 latter has the ability to decide the channel and sale price of the products in the retail market, and when there is no pending obligation to be fulfilled by the Company that could result in the return or rejection of the products.

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

These goods are generally sold with a volume discount. Likewise, customers have the right to return defective products. Sales are recognized based on the prices agreed 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. It is not considered that financing is being granted to customers as a separate component in the sales transaction because the credit term is from 7 to 60 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered, since this is the point in time at which the consideration is unconditional, as only the passage of time is required before payment is made.

The Group determines its estimates based on accumulated experience, taking into account the type of customer, the type of transaction and the particular terms of each contract. The Company grants a lifetime warranty to its customers and/or final consumers for the sale of its “Beige Water Tank” product; historically, there have been few events in which the customer has exercised its right to the lifetime warranty for such product and no estimate is generated.

#### **Revenue 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 pending performance obligation to be fulfilled by the Company that could result in the return or rejection of the products.

Retail consideration payments are generally in cash or by credit card. The Company grants these customers the right of return for a period of 30 days and does not have loyalty programs.

#### **Revenue from installation of drinking fountains**

The Company performs school drinking fountain installation services. Revenue is recognized upon completion of the installation of the drinking fountains and when the customer is fully satisfied with the installation. At the beginning of the contract, a 10% advance payment is requested, which is considered a contract liability. As part of the assessment, a single performance obligation was identified.

#### **Revenue from provision of services related to maintenance of installations**

The Company provides maintenance services on installations of individual and/or comprehensive solutions. In this regard, revenue is recognized in the accounting period in which the services are provided, by 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.

#### **Revenue from leasing of treatment plants**

The Company leases water treatment plants, which are agreed 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 service to customers of the investment properties. Therefore, lease payments relate entirely to rent and are recognized as lease income. It was not necessary to separate the consideration between lease components.

#### **E-commerce revenue**

The Company has developed an electronic platform for the sale of the product in the United States of America over the internet. Revenue is recognized at the time of delivering the good to the customer with the characteristics requested at the place defined at the time of the online purchase.

#### **u) Leases**

The Company leases various properties and automobiles. Lease contracts are usually made 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 agreements do not impose any covenants, but leased assets cannot be used as collateral for borrowing purposes. Leases are recognized as a right-of-use asset and a corresponding liability at the date on which 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 period, in order to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term under 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 in substance fixed;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Lease payments are discounted using the interest rate implicit in the lease contract, if it can be determined, 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 payment made on or before the commencement date less any lease incentive received;
- Any initial direct cost; and

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

#### **Extension and termination option**

Extension and termination options are included in a number 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 by the lessor.

The Group does not provide residual value guarantees in relation to equipment leases. Of the lease contracts in force as of December 31, 2024 and 2023, there are no restrictions or covenants to be met.

#### **v) Income and distribution of dividends**

Dividend income is recognized when the right to receive payment is established.

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 purposes of dividend payment, which are deducted from retained earnings from prior years, the Company uses the individual financial statements that are prepared under IFRS for statutory purposes.

**w) Basic and diluted net earnings per share**

Basic net earnings per share result from dividing the net income for the year attributable to the controlling interest by the weighted average number of shares outstanding during the year.

Diluted net earnings per share result from dividing the net income for the year by the weighted average number of shares outstanding during 2025 and 2024, decreased by the potentially dilutive shares.

**x) Restatement of financial statements**

In recent years, inflation in Argentina has increased significantly and local inflation data have not been reported consistently. 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, taking into account the country's performance, including the devaluation of the currency, Argentina was considered a hyperinflationary economy for accounting periods ending after July 1, 2018.

As a result, the subsidiary 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 income and expenses from the beginning of the period in which the economy was considered hyperinflationary. It also requires the indexation of non-monetary items from the date on which 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, since they are considered to be expressed in pesos of purchasing power at the reporting date. Losses and gains on the monetary position are recognized in finance expenses or income.

The general price index was selected based on resolution JP 549/118 issued by the Argentine Federation of Professional Councils of Economic Sciences, FACPCE. Through this resolution, the indices that entities with a functional currency of the Argentine peso must use for the application of restatement procedures are prescribed. The detailed table of indices will be published monthly by FACPCE.

Subsidiaries located in Argentina perform the restatement of the financial statements in the manner presented.

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

The amounts corresponding to monetary items of the statement of financial position are not restated;

The capital elements of 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 change in a general price index from the date on which the items originated to the date of restatement. Restated retained earnings are derived from the remaining balances in the statement of financial position;
- ii. At the end of the first period of application and in subsequent periods, all capital elements are restated by applying a general price index from the beginning of the period, or from the date of contribution, if later.

Income and expenses are restated by applying the change in the general price index from the date on which the expenses and income were recognized to the reporting date.

Gains or losses arising from the net monetary position are recognized in the consolidated statement of comprehensive income.

In the local financial statements, inflation effects are recognized as if they had always existed, while at the consolidated level they are recognized without restating comparatives; for that reason, the initial cumulative effect was presented in retained earnings.

For purposes of the 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 translated into the presentation currency using the following procedures:

all amounts, that is, assets, liabilities, equity items, expenses and income, shall be translated at the closing exchange rate corresponding to the closing date of the most recent statement of financial position,

comparative figures shall be those that were presented as in the previous year within the financial statements of the preceding period, that is, these amounts are not adjusted for subsequent changes that have occurred in the price level or in exchange rates.

On March 3, 2020, the IFRS Interpretations Committee ratified its agenda decision regarding the translation of a hyperinflationary foreign operation, IAS 21 and IAS 29, and the Company has chosen to present the effects of hyperinflation and translation to the presentation currency in the translation effect of foreign entities because the entity considers that the combination of both effects meets the definition of exchange difference in accordance with IAS 21.

#### **y) Service concession agreement in accordance with IFRIC 12**

The scope of application of IFRIC 12 “Service Concession Arrangements” refers to public service concession contracts with a private operator.

Public service concession arrangements are applicable to a private operator if:

The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price, and

The grantor controls through ownership, right of use or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

This interpretation applies both to: (a) infrastructures that the operator builds or acquires from a third party to be used for the service provision arrangement; and (b) existing infrastructures to which the operator has access, in order to provide the services established in the concession, by agreement of the grantor entity.

According to the terms of the arrangements that constitute the scope of the interpretation, the operator acts as a service provider. The operator builds or improves the infrastructure, construction or improvement services, used to provide a public service, and operates and maintains it, operation services, for a specific period of time.

The Company accounts for operation services in accordance with IFRS 15 “Revenue from Contracts with Customers.” If the Company provides construction or improvement services, the consideration received or receivable by such operator shall be recognized at its fair value in accordance with IFRS 15. The consideration may consist of rights over:

**a financial asset**

The Company will recognize a financial asset to the extent that it has an unconditional contractual right to receive from the grantor, or from an entity under its supervision, cash or another financial asset for the construction services; the grantor has little or no ability to avoid payment, normally because the agreement is legally enforceable. The Company has an unconditional right to receive cash when the grantor guarantees payment to the operator of: (a) specified or determinable amounts or (b) the shortfall, if any, between the amounts received from users of the public service and the specified or determinable amounts, even when payment is conditional on the operator ensuring that the infrastructure meets the specified quality or efficiency requirements.

**an intangible asset**

The Company will recognize an intangible asset to the extent that it receives a right, a license, to charge users of the public service. The right to charge them is not an unconditional right to receive cash, because the amounts are conditional on the degree of use of the service by the public.

If the operator is paid for construction services partly by a financial asset and partly by an intangible asset, it is necessary for each component of the operator’s consideration to be accounted for separately. The consideration received or receivable for both components must be initially recognized in accordance with IFRS 15.

The nature of the consideration given by the grantor to the operator shall be determined by reference to the conditions of the contract and, where applicable, the relevant contract law. The nature of the consideration determines the subsequent accounting, financial asset or intangible asset. However, both types of consideration are classified as a contract asset during the construction or improvement period, in accordance with IFRS 15.

In accordance with IAS 23, borrowing costs attributable to these arrangements shall be recognized as an expense in the period in which they are incurred, unless the Company has a contractual right to receive an intangible asset, a right to charge users of the public service. In this case, borrowing costs attributable to these arrangements shall be capitalized during the construction phase of the arrangement.



The concession described has been considered within the scope of IFRIC 12 and is recognized for accounting purposes as a financial asset because the corresponding contract establishes a right to receive cash flows from the grantor, regardless of the use of the public service by users.

This financial asset is recognized in the statement of financial position for the amount of the fair value of the initially constructed infrastructure and subsequently at amortized cost in accordance with IFRS 9 using the effective interest rate method. Such financial asset is decreased by payments received from the grantor or by impairment of the financial asset. Finance income calculated using the effective interest rate method, equivalent to the Internal Rate of Return, IRR, of the project, is recognized in operating profit.

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