



April 2019

Dear shareholders,

During 2018, we continued to bolster our leadership in water solutions in the region. These efforts yielded double-digit growth in both revenues and EBITDA.

Together with Rotoplas' main hallmark features— Innovation, sustainability, and value creation— this year, we focused on expanding the drinking water platform in Mexico, continuing the integration of our recent acquisitions, and completing the product portfolio in various geographic regions, particularly Argentina, Peru, and the US.

Within the integrated solutions platform in Mexico, we have diversified the sectors that we serve with water treatment and recycling plants, and significantly increased the number of purification units in the residential and institutional segments. Moreover, we opened the offer of our line of drinking fountains, including installation and maintenance services, to the private sector.

As for individual solutions, we envisaged the optimization of the portfolio for each market where we operate.

In the case of Argentina, with the acquisition of IPS, a leading company in waterflow solutions, we complemented our value offer in the category, and opened the possibility of exporting to other countries in the region.

With the capacity to export pipes from Mexico and now Argentina, we have organically developed the waterflow segment in Peru. Thus, we currently have a full range to offer in that country, with storage, improvement, and recently, waterflow solutions.

In the US, we focused on the incorporation of the e-commerce platform, acquired in 2017, into our systems and processes. Likewise, we have developed synergies between that platform and the manufacturing business, as this channel has enabled us to improve the territorial scope of our storage products.

After being the first company in the region to issue a sustainable bond in 2017, in October we held another issuance for an additional \$1 billion, which had an oversubscription of 3.8 times.

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As for the financial results of the year, revenues grew 18.0%, reaching \$7.86 billion. Adjusted EBITDA totaled \$1.26 billion, which translates into a 25.4% increase in comparison to the previous year, and a 90-bp improvement in the margin, which settled at 16.0%.

Net profit was \$374 million; this figure was 29.9% lower than in the previous year, mainly due to a higher payment of interests related to the sustainable bond and the loss on monetary position in Argentina. During the second half of 2018, the latter country faced economic turbulence which resulted in a sharp currency depreciation and a high level of inflation. Even though these effects had an impact on the Group's consolidated result, we believe that there is a large potential market and various synergies to be developed in the medium term.

To maintain the growth dynamics, we destined \$52.7 million to innovation as we are convinced that it is a transformation factor for Grupo Rotoplas. Our innovation model is open and inclusive; we seek participation in the company's different areas and from external alliances. Ever watchful of the needs of both the population and the industry with regard to water and sanitation, we launched the first edition of the Agua Vita program to encourage entrepreneurs with innovative solutions for water.

As innovation and sustainability are transversal to the organization, we work on operating efficiency projects, such as the use of recycled materials in any products where it is possible and increase the use of renewable energy by setting up solar panels at some of our plants.

We are aware that understanding the users of our solutions is essential so that they will trust us with something as vital as water. Owing to this responsibility and its close relation to the strength of the business, we have bolstered our network of distributors, installers, and plumbers through training, monitoring, and incentives.

Our sustainability model has matured to become a Comprehensive Sustainability Strategy that permeates the whole organization ever more deeply. In acknowledgement of our environmental, social, and governance focus, Rotoplas maintained its position in the Dow Jones Sustainability MILA Pacific Alliance index.

Moreover, we are committed to the implementation of the United Nations' Global Compact Principles and we believe that companies are a key factor to achieving the Sustainable Development Goals and the 2030 Agenda.

We know that our solutions contribute to community development. In order to gauge and maximize the economic, social, and environmental impacts of our projects, we have developed a value creation model for our solutions, such as the outdoor toilet with biodigester, rainwater harvesting systems, and drinking fountains.

Our team continues to grow. By the end of the year, it comprised 3,322 collaborators, including 421 people who joined the Group after the acquisition of IPS.

The *Rotoplas Way* encompasses a unique organizational culture that identifies a staff committed to our mission and to customer satisfaction. Proof of this is their participation in the volunteer work and innovation initiatives carried out during this cycle.



With this report, we place at your disposal a compendium of the most relevant activities and initiatives from 2018. Given our commitment to transparency, the report has been submitted for external verification for the first time.

That said, I would like to mention that we have set the grounds to finish consolidating our operations in the various countries where we have presence, capitalize synergies throughout our value chain, and be the water solutions company that best understands its clients. The former, so we can fulfill our purpose of transforming people's life quality, enabling the best use of water.

To conclude, I would like to thank you for your trust and reiterate the commitment of the whole organization to this company's mission: for people to have more and better water.

Regards,

  
Carlos Rojas Mota Velasco  
Chief Executive Officer  
Grupo Rotoplas, S.A.B. de C.V.

