

A dynamic splash of water against a blue background, with many droplets and bubbles captured in mid-air, creating a sense of movement and freshness.

Rotoplas. Intelligent investment

ECONOMIC PERFORMANCE

Economic performance

Relevant financial data

In Grupo Rotoplas, we have been focused on a realignment of our portfolio in order to enhance solutions with increased profitability and growth, as well as lower vulnerability segments, making a balance between our different distribution channels.

In addition, we have made strategic acquisitions, with own funds. Through the incorporation of Talsar and Sytesa, we reinforced our portfolio with solutions which have accelerated growth potential, and our commitment to innovation through the AIC.

With all this, we have been able to minimize the complex economic situation in some of the markets in which we operate, such as Brazil and Mexico, with particularly successful results through the year. Thus, the reduction of **sales** has been only of 6.1% compared to 2015, especially due to the lower demand of integrated solutions.

On the other hand, the growth of our **gross profit margin** by 180 basis points stands out this year; due to best prices of our portfolio and a composition of sales by higher-margin solutions.

The **operating profit margin** decreased by 80 basis points, as a result of the decrease in sales among which fixed expenses are divided.

In this context, despite the expense related to the growth of our operations in the U.S.A. and manufacturing costs in Brazil and Argentina, the **EBITDA margin** only decreased by 30 basis points, thanks to the addition of sales in Talsar in Argentina and Sytesa in Mexico.

As a result of our optimal expenditure guidelines, especially with regard to non-operational resources, we were able to increase our net profit by 11.6%, to 449 million pesos, and its margin by 130 basis points.

Main Economic Figures

(in millions of Mexican pesos)

	2014	2015	2016	Δ 16-15 (%)
Net sales	6,552	5,700	5,353	-6.1
Cost	4,037	3,397	3,097	-8.8
Gross profit	2,514	2,304	2,257	2.0
Gross Profit Margin (%)	38.4%	40.4%	42.2%	180 pb
Expenses	1,816	1,641	1,677	2.2
Operating Profit	698	662	580	-12.4
Operating Profit Margin	10.7%	11.6%	10.8%	-80 pb
EBITDA	860	771	738	-4.3
EBITDA Margin (%)	13.1%	13.5%	13.8%	30 pb
Net Profit	417	402	449	11.6
Net Profit Margin (%)	6.4%	7.1%	8.4%	130 pb
Profit Per Share (in Mexican pesos)	0.86	0.83	0.92	11.6
Number of Outstanding shares (in millions)	486	486	486	0.0

Capitalization

(in millions of Mexican pesos)

	2015	2016	Δ 16-15 (%)
Total Debt	1,217	1,243	2.1
Total of Stockholders' Equity	6,053	7,221	19.3
Total Capitalization	7,270	8,464	16.4

Economic value distribution (201-1, 201-4)

In Grupo Rotoplas we generate economic income through the design, distribution of water solutions and the provision of related services, which we transform into economic value for our different stakeholders.

This occurs through items as employees' wages and other benefits, the purchase of products in the supply chain, paying taxes to public administrations and the delivery of dividends to shareholders, among others. The entirety corresponds to the distributed economic value which, after being deducted from income, reflects the amount that the company keeps as cash flow year after year.

Generated and distributed economic value (GEV & DEV)

(millions of Mexican pesos)

	2015	2016	Δ 16-15 (%)
Income (Generated Economic Value, GEV)	5,700	5,353	-6.1
Expenses (Distributed Economic Value, DEV)	5,038	4,775	-5.2
Operating expenses (includes spending on suppliers)	1,281	1,236	-3.5
Salaries and benefits (to employees)	795	770	-3.1
Payment to capital providers	282	405	43.3
Governmental taxes	174	196	13.0
Investment in Research & Development (R&D)	74	78	5.1
Acquisitions (Sytesa, Talsar, AIC)	-	2,205	-
Investment in Infrastructure (new plants)	328	371	13.0
Donations (communities)	3.6	3.8	5.7
Retained (GEV-DEV)	662	578	-12.7



Within the socio-economic context of the Latin American region, our income decreased by 6.1% compared to 2015, whereas the amount we distributed among our stakeholders decreased slightly below, by 5.2%. Despite this scenario, **we remain firmly committed to innovation**, with an increase of 5.1% in the budget for Research and Development (R&D), reaching \$77.7 million pesos. Regarding **investment in operating infrastructure**, the increase was 13.0%, constituting an item of \$370.8 million Mexican pesos. This is consistent with our goal of further increasing sales and, accordingly, the ability to produce a wider portfolio.

In Grupo Rotoplas we are committed to the development of solutions, combined with the incorporation of technologies and products that we think can add value to our portfolio, customers and users. This year, we had an especial **inorganic growth** from the acquisition of Talsar in Argentina, AIC in Chile and Sytesa in Mexico, for which we altogether invested \$2,205 million Mexican pesos.

To comply with the obligations incurred for the financing of our operations, we delivered this year \$404.5 million Mexican pesos, with a remarkable increase of 43.3% compared to 2015. It is worth mentioning that we received a \$6.3 million pesos grant from the National Council on Science and Technology (CONACYT) as support to innovation.

In addition, we contributed to enable the availability of our solutions in underserved rural communities through joint investment schemes with Non-Governmental Organizations (NGOs), to double the impact of their efforts and social work. Furthermore, specific donations were provided to address other social initiatives. Together, we donated a total of \$3.8 million Mexican pesos in 2016, a 5.7% more than in the previous year.