Second Quarter 2020 Earnings Release

Mexico City, July 22nd. Grupo Rotoplas S.A.B. de C.V. (BMV: AGUA) ("Rotoplas" or "the Company" or "the Group"), the leading provider of water solutions, products and services, in the Americas, announced today its unaudited financial results for the second quarter of 2020 ending June 30th. The information within has been prepared based on International Financial Reporting Standards (IFRS).

Relevant Event:

During the quarter, Rotoplas agreed to divest its water storage product business in Brazil given its lower than required financial performance. This transaction has been recorded as a discontinued operation. For comparative purposes, the figures for 1Q20 and 2019 were adjusted to recognize the operations in Brazil as discontinued.

The financial information from previous quarters and its recognition of discontinued operations in Brazil is available in https://rotoplas.com/inversionistas/rtp_resources/eng/2Q20/comparativo-20-19.xlsx

Financial Highlights

(Figures in million Mexican pesos)

	2Q20	2Q19 [1]	Δ %	6M20 [1]	6M19 [1]	Δ %
Income Statement						
Net Sales	1,904	1,891	*0.7%*	3,829	3,752	*2.1%*
Gross Margin	*39.7%*	*42.4%*	*(270) bps*	*41.8%*	*42.9%*	*(110) bps*
Operating Income	178	263	*(32.3%)*	456	549	*(17.0%)*
Operating Margin	*9.3%*	*13.9%*	*(460) bps*	*11.9%*	*14.6%*	*(270) bps*
EBITDA	267	337	*(20.6%)*	627	707	*(11.3%)*
Adjusted EBITDA[2]	294	337	*(12.8%)*	654	708	*(7.7%)*
Adj. EBITDA Margin	*15.4%*	*17.8%*	*(240) bps*	*17.1%*	*18.9%*	*(180) bps*
Net income before discontinued operations	(59)	112	*NM*	462	246	*87.4%*
Net income margin	*(3.1%)*	*5.9%*	*(900) bps*	*12.1%*	*6.6%*	*550 bps*
Net Profit / Loss after discontinued operations	(156)	69	*NM*	306	152	*NM*
Balance Sheet and Key Financial Metrics						
Cash and cash equivalents	3,193	752	*NM*			
Total Debt	4,075	2,925	*39.3%*			
Net Debt / EBITDA LTM	0.6 x	1.6 x	*(1.0 x)*			
ROIC	8.8%	7.9%	*90 bps*			

[1] For comparison purposes, these figures vary from those previously reported in 2019. These now exclude the manufacturing operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment reduces net sales by Ps. 56 million in 6M20, Ps. 72 million in 2Q19, and Ps. 150 million in 6M19. Additionally, it increases Adjusted EBITDA by Ps. 13 million in 6M20, Ps. 24 million in 2Q19 and Ps. 48 million in 6M19.

[2] Adjusted EBITDA considers: operating profit + depreciation and amortization + non-recurring expenses (donations and implementation costs for Flow). In 2Q20, it considers Ps. 21 million in Flow expenses and Ps. 5 million in donations, and in 2Q19 it considers Ps. 0.4 million in donations. Cumulatively, it considers Ps. 21 million for Flow expenses and Ps. 5 million for donations in 2020 and Ps. 1 million for donations in 2019.

Quarterly Results 2Q20 vs 2Q19

(Figures in million Mexican pesos)

- During the COVID-19 pandemic we have prioritized taking due care of our collaborators, customers, and suppliers, while strengthening the Company's financial position.

- Net sales grew by 0.7% to reach Ps. 1,904 million, driven by double-digit growth in the United States and Central America, and a 3.2% increase in Mexico. This was due to the change in consumer habits, with water demand up in the face of the confinement caused by the pandemic.

  These increases offset the lost sales of Ps. 275 million in Argentina, Peru, El Salvador, and Honduras, markets all affected by operating restrictions that impacted up to 72% of business days, as was the case in Peru.

  - Product sales amounted to Ps. 1,752 million, showing a highly resilient business model. The water storage category partially offset lower water flow and water improvement sales.

  - Services sales grew by 21.8%, as a result of a double-digit increase in the three business lines: water treatment plants, *bebbia*, and drinking water fountains.

- Gross profit reached Ps. 757 million and the margin contracted 270 bp due to the fixed costs incurred by the temporary closure of the plants and distribution centers.

- Operating income reached Ps. 178 million with an operating margin of 9.3%. Figure lower than 2Q19 due to operating restrictions that impacted by Ps. 74 million the absorption of fixed costs and expenses, as well as expenses related to the implementation of health care measures. Additionally, commercial expenses to drive the service platform and expenses related to the execution of *Flow* transformation affected earnings.

- Adjusted EBITDA[1] reached Ps. 294 million, a decrease vs 2Q19 mainly impacted by production interruptions and mobility restrictions that it is estimated affected the result by Ps. 83 million.

- The net result before discontinued operations was negative, amounting to Ps. 59 million, as a result of an exchange loss due to a long position in dollars and due to revaluation of foreign currency receivables, in addition to the explained shortfall in operating results.

- ROIC closed at 8.8%, an improvement of 90 bp against that registered in June 2019, consistent with the company's primary objective of improving returns on capital.

- The leverage ratio stood at 0.6x Net Debt / Adjusted EBITDA.

- The cash conversion cycle was optimized by 16 days due to more efficient working capital management.

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[1] Adjusted EBITDA considers operating profit + depreciation & amortization + non-recurring expenses (donations and implementation costs for *Flow*). In 2Q20, it considers Ps. 21 million in *Flow* expenses and Ps. 5 million in donations, and in 2Q19 it considers Ps. 0.4 million in donations. Cumulatively, it considers Ps. 21 million for *Flow* expenses and Ps. 5 million for donations in 2020 and Ps. 1 million for donations in 2019.

- Rotoplas was included in the sample for the "S&P/BMV Total Mexico ESG Index", launched by the Mexican Stock Exchange (BMV).
- On May 20th, a capital reimbursement to shareholders of $0.80 per share was paid in two equal payments, one in cash and one in Company shares.
- The Sustainability Management System Platform through which the Company's key ESG indicators can be monitored regularly was launched and can be consulted here: https://rotoplas.com/sustentabilidad/home-eng/

Accumulated Results from January to June 2020 vs 2019

(Figures in million Mexican pesos)

- Net sales increased by 2.1% to reach Ps. 3,829 million. Growth in the United States, Central America, and Mexico stood out, offsetting lower income in Argentina and Peru.
  - Product sales grew 1.0% to reach Ps. 3,537 million, driven by the storage category, a defensive business line in the face of the crisis caused by the pandemic that has triggered greater water consumption.
  - Service sales grew 17.0% to reach Ps. 292 million, driven by the three business lines. *Bebbia* registered record installations, finding a consumer more willing to try innovative services.
- Gross margin contracted 110 bps due to lower capacity for absorbing fixed costs related to production and mobility restrictions in some countries.

Operating income of Ps. 456 million was affected by the interruption in operations, which had an estimated negative impact of Ps. 79 million related to fixed costs and expenses.

- Adjusted EBITDA[2] in the period was Ps. 654 million and the EBITDA margin stood at 17.1%.
- Net income before discontinued operations was 87.4% higher than the same half of last year due to stronger operating performance, gains on derivative financial instruments and foreign exchange gains in the first quarter that compensated for foreign exchange losses and operating weakness in the second quarter.

[2] Adjusted EBITDA considers operating profit + depreciation & amortization + non-recurring expenses (donations and implementation costs for *Flow*). In 2Q20, it considers Ps. 21 million in *Flow* expenses and Ps. 5 million in donations, and in 2Q19 it considers Ps. 0.4 million in donations. Cumulatively, it considers Ps. 21 million for *Flow* expenses and Ps. 5 million for donations in 2020 and Ps. 1 million for donations in 2019.

Message from the CEO

In the face of the pandemic, we have prioritized the health, safety, and well-being of our employees, customers, distributors, suppliers and plumbers. For many years they have supported us as we have supported them, a symbiotic formula which has enabled us to develop long term relationships.

Likewise, as part of our efforts to support the affected people in the communities where we operate, we have facilitated access to more than 1 million liters of water through various donations, designed and aligned with the UN's Sustainable Development Goals.

Following several months of the implementation of *Flow* (our organizational transformation program), Rotoplas is better positioned than ever to respond to new opportunities in a global economy, such as the expected 2x increase in water demand over the next 20 years.

The company has made important strides in creating additional value in the mid-term to ensuring sustainable and profitable growth over the long term. At the end of June Rotoplas reached a ROIC of 8.8%, improving 90 bp against the same period of the previous year.

During the quarter, the pandemic and the fight against COVID-19 have underlined the opportunities in providing solutions that improve the quality and quantity of water for health and hygiene. As an example, the United States and Central America operations increased sales by double-digits, as did the water as a service business in Mexico.

During the quarter, we transformed our presence in Brazil with the divestment of the product unit which had a lower than expected financial performance. We continue developing services through water treatment and recycling plants in one of the largest economies in Latin America.

Aware that the second half of the year will present significant challenges, we will continue to develop initiatives to create value and fulfill our mission, as we are convinced that water scarcity is a significant opportunity for the global population.

Carlos Rojas

Carlos Rojas Aboumrad
CEO

Rotoplas Against COVID-19

Rotoplas has implemented different initiatives to support the fight against the spread of COVID-19 in the countries in which it operates.

Operating Level

Since March, and in response to the global health crisis, the company underpinned its process-based technology platform to implement remote work and the highest health and hygiene standards in factories and distribution centers to ensure business continuity. However, some plants and distribution centers operated intermittently as they had to be closed by official mandate to contain the virus.

Country or region	Current situation in the manufacturing plant/distribution centers
Mexico	Continuous operations
Argentina	Continuous operations in the water storage and water flow plants and limited operation in the water improvement plant. • Closure or operative limitations for 33 days of the semester
USA	Continuous operations
Peru	Continuous operations • Closure of operations in 81 days of the semester
Central America	The plant in Guatemala and distribution centers in El Salvador and Honduras are open. Costa Rica and Nicaragua have continuous operations • Closure or operative limitations for 15 days of the semester

Financial Level

In view of the uncertainty and volatility, the following actions have been taken:

- The cash flow control committee, which meets weekly, continues to monitor the liquidity position, income and expenses, negotiation with clients and suppliers, and evaluation of government incentives in order to maintain financial flexibility and agile response capacity.

- During the first quarter, we closed favorable hedging positions (interest rate swap related to the AGUA 17-X Sustainable Bond that was prepaid in February and a surplus in exchange rate hedge MXN:USD), increasing our cash position by Ps. 372 million.

- Strict discipline continues in capital allocation decisions, in both maintenance and growth capex.

With these measures, the Company is focused on maintaining a strong balance sheet to address the impact and opportunities on the economies of the countries in which it operates.

Commitment to Stakeholders

As in the first quarter, support for the community and the value chain have been included in "PAZA C-19" , Water Programme for Areas Affected by COVID-19.

The contribution during the health contingency has been designed according to the UN Sustainable Development Goals number 6, clean water and sanitation, and the SDG 9 industry, innovation and infrastructure.

Products and services have been donated to purify more than 3 million liters annually in hospitals, capacity has been provided to store more than 1 million liters in vulnerable communities, and more than 1,000 hand washing stations have been located at strategic points due to the influx of population in different countries in Latin America.

Purification and sanitation:

Donation	Capacity
Bebbia service in hospitals for one year	2,701,000 L
Water purifiers for hospitals	480,000 L

Storage:

Donation	Capacity
450 L water tanks	12,150 L
600 L water tanks	71,000 L
750 L water tanks	148,500 L
1,100 L water tanks	73,700 L
5,000 L cisterns	459,000 L
Other capacities	291,550 L

Integrated solutions:

Donation	Capacity
1,139 hand washing stations[3]	528,150 L
IoT sensors for level measurement	-

Rotoplas released the prototype and user manuals for the hand washing stations to turn them into a collaborative innovation project in which anyone interested can access these documents and thus promote hygiene in public spaces.

In the following video - Rotoplas support during COVID-19 pandemic - you will find the efforts mentioned above (Only available in Spanish)
https://rotoplas.com/inversionistas/rtp_resources/eventosrelevantes/2020/2T20/apoyorotoplas-durante-pandemia-COVID-19.mp4

Analysis of the Income Statement

Sales and Adjusted EBITDA by Country and Solution

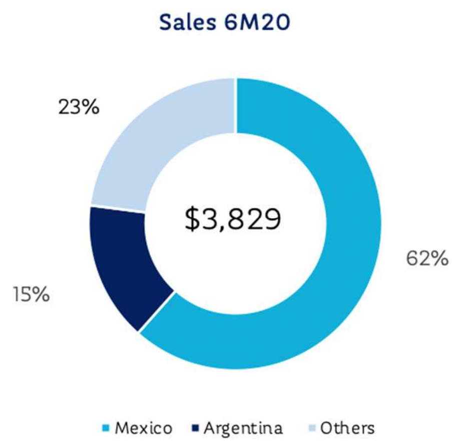
(Figures in million Mexican pesos)

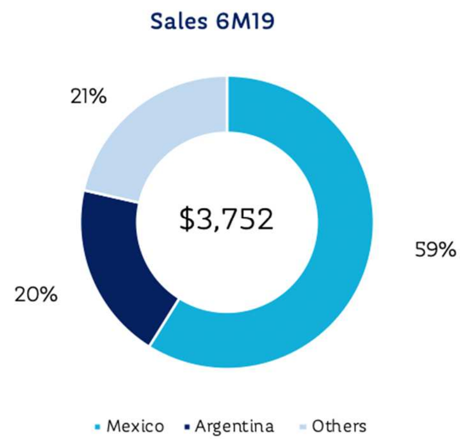
	2Q20	2Q19 [1]	Δ %	6M20 [1]	6M19 [1]	Δ %
Sales						
Mexico	1,126	1,090	*3.2%*	2,358	2,210	*6.7%*
% of total	*59%*	*58%*	*140 bps*	*62%*	*59%*	*270 bps*
Argentina	322	404	*(20.5%)*	592	737	*(19.6%)*
% of total	*17%*	*21%*	*(450) bps*	*15%*	*20%*	*(410) bps*
Others	456	396	*15.2%*	879	805	*9.2%*
% of total	*24%*	*21%*	*310 bps*	*23%*	*21%*	*150 bps*
Total	1,904	1,891	*0.7%*	3,829	3,752	*2.1%*
Products	1,752	1,767	*(0.8%)*	3,537	3,502	*1.0%*
% of total	*92%*	*93%*	*(140) bps*	*92%*	*93%*	*(90) bps*
Services	152	124	*21.8%*	292	250	*17.0%*
% of total	*8%*	*7%*	*140 bps*	*8%*	*7%*	*90 bps*
Total	1,904	1,891	*0.7%*	3,829	3,752	*2.1%*

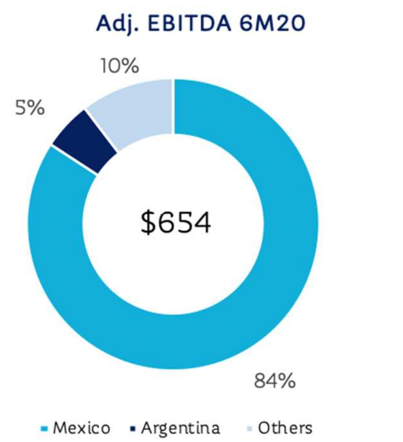
	2Q20	2Q19 [1]	Δ %	6M20 [1]	6M19 [1]	Δ %
Adjusted EBITDA [2]						
Mexico	235	252	*(6.6%)*	551	544	*1.3%*
Adj. EBITDA Margin	*20.9%*	*23.1%*	*(220) bps*	*23.4%*	*24.6%*	*(120) bps*
Argentina	31	33	*(3.7%)*	36	58	*(38.5%)*
Adj. EBITDA Margin	*9.8%*	*8.1%*	*170 bps*	*6.0%*	*7.8%*	*(180) bps*
Others	27	53	*(48.2%)*	68	107	*(36.7%)*
Adj. EBITDA Margin	*6.0%*	*13.3%*	*(730) bps*	*7.7%*	*13.3%*	*(560) bps*
Products	294	335	*(12.3%)*	659	689	*(4.3%)*
Adj. EBITDA Margin	*16.8%*	*19.0%*	*(220) bps*	*18.6%*	*19.7%*	*(110) bps*
Services	-	2	*NM*	(5)	20	*NM*
Adj. EBITDA Margin	*0.0%*	*1.4%*	*(140) bps*	*(1.8%)*	*7.9%*	*(970) bps*
Total	294	337	*(12.8%)*	654	708	*(7.7%)*

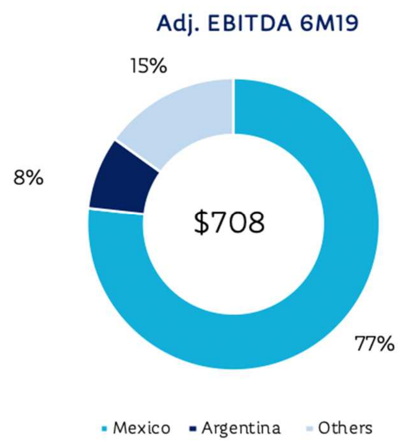
[1] *For comparison purposes, these figures vary from those previously reported in 2019. These now exclude the manufacturing operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment reduces net sales by Ps. 56 million in 6M20 Ps. 72 million in 2Q19 and Ps. 150 million in 6M19. Additionally, it increases Adjusted EBITDA by Ps. 13 million in 6M20, Ps. 24 million in 2Q19 and Ps. 48 million in 6M19.*

[2] *Adjusted EBITDA considers: operating profit + depreciation & amortization + non-recurring expenses (donations and implementation costs for Flow). In 2Q20, it considers Ps. 21 million in Flow expenses and Ps. 5 million in donations, and in 2Q19 it considers Ps. 0.4 million in donations. Cumulatively, it considers Ps. 21 million for Flow expenses and Ps. 5 million for donations in 2020 and Ps. 1 million for donations in 2019.*









Adjusted EBITDA

	2Q20	2Q19	6M20	6M19
EBITDA	267	337	627	707
Flow implementation expenses	21	-	21	-
Donations	5	0.4	5	1
Adjusted EBITDA	294	337	654	708

Beginning in the second quarter, "one-timer" expenses are recognized for the implementation of the *Flow* organizational transformation program. They are non-recurring expenses that have current and future benefits in income, expense, working capital, and additionally improve the organizational culture to ensure positive permanent change.

During the semester, Rotoplas also made donations through the "PAZA C-19" program to increase access to clean and purified water of the most disadvantaged communities in which the company operates.

- Mexico

Net sales for the quarter amounted to Ps. 1,126 million a 3.2% growth vs. 2Q19, driven by services and high resilience in the product portfolio.

In Mexico, given that the water industry is classified as an essential activity, manufacturing plants and distribution centers continued to operate with the necessary hygiene measures.

Within products, growth in the water improvement and water storage categories offset weakness in the water flow category during the quarter.

Services sales grew driven by a double-digit increase in drinking water fountains, water treatment and recycling plants, and *bebbia*. The residential purification service has experienced an increase in demand due to the sanitary contingency, driving record sales in *bebbia* during the quarter.

Accumulated net sales increased by 6.7% to Ps. 2,358 million, driven by the three service platform businesses; drinking fountains, water treatment plants and *bebbia*, which together achieved 16.9% growth. Additionally, product sales increased by 5.4%.

Flow's initiatives, including product launches, the plumber loyalty program, and the new CRM have strengthened the business model by making it more proactive and boosting sales.

Adjusted EBITDA for the quarter was Ps. 235 million, 6.6% lower than the same period of last year. This decrease is due to the higher expenses derived from the execution of *Flow* and the reconditioning of spaces and processes to guarantee the health of employees and clients. Additionally, we continue to spend in the growth of the service platform through digital marketing strategies and training for sales and installation teams. The adjusted EBITDA margin amounted to 20.9%.

Adjusted cumulative EBITDA reached Ps. 551 million with a 23.4% margin.

- Argentina

Net sales in Argentina reached Ps. 322 million. Operations were strongly affected by the strict containment measures implemented by the federal government in April and May to fight the pandemic. We estimate that the sales impact was Ps. 125 million.

In June sales show a recovery reaching a historical maximum in water flow sales and an increase of 81% in exports.

Accumulated net sales reached Ps. 592 million. During the second quarter, we observed a sequential increase in sales and an improvement in the EBITDA margin compared to 1Q20.

Revenues increased by 19% and the margin increased 8 percentage points compared to the first three months of the year.

In line with *Flow's* strategy, priority has been given to cash flow management, strengthening the export platform, and completing the product portfolio meeting the needs of the loss in purchasing power.

The adjusted EBITDA margin for the quarter was 9.8%, a 170 bp expansion explained by the strict cost control regardless of limited operations.

Adjusted EBITDA for the first six months reached Ps. 36 million and a margin of 6.0%, a decrease of 180 bp due to the interruption of operations of the different businesses for 30% of semester's days. Additionally, there was an increase in expenses due to the implementation of *Flow* and the exposure to costs and expenses in foreign currency.

NOTE: Adoption of IAS 29, Financial Reporting in Hyperinflationary Economies.

Due to the Argentine accumulation of inflation higher than 100% in the last three years, it is considered a hyperinflationary economy. In accordance with IAS 29, an adjustment for inflation has been made to the Financial Statements to consider changes in purchasing power.

International Accounting Standard (IAS) 29, Financial Information in Hyperinflationary Economies establishes that the results of operations in Argentina should be reported as if they were hyperinflationary as of January 1st, 2018. Moreover, an adjustment for inflation in the Financial Statements should be made to account for the change in the purchasing power of the local currency.

Due to the aforementioned, in 2Q20 and 6M20, the impact of the above resulted in an increase of Ps. 16 and 32 million respectively in financial expenses, negatively impacting the Comprehensive Financing Result. After accounting for taxes, it negatively affected net income by Ps. 11 and 33 million respectively.

- Other Countries

Net sales in other countries (United States, Peru, Guatemala, El Salvador, Costa Rica, Honduras, Nicaragua, and Brazil) reached Ps. 456 million in the quarter, an increase of 15.2% compared to 2Q19. Cumulatively, net sales in other countries increased by 9.2% to Ps. 879 million.

In the United States, sales grew in the double digits mainly as a result of the strengthening of the sales team, improvements made to websites, as well as the increase in demand due to the health contingency.

During the quarter, the number of transactions carried out on the three websites and calls received at the call center increased. New customer registrations were also on the rise. In addition, strategies were put in place to accelerate the migration of the traditional market to e-commerce.

During the three-month period, the record in sales was broken, reaching a new high in June and representing 16% of the Group's sales in the quarter, slightly below the 17% represented by Argentina, the second most relevant geography.

In Central America, even with the operational and mobility limitations in the region, sales increased in the double digits as a result of the implementation of operational processes that optimized the productivity of the sales force and the integration of new solutions to the product portfolio, advances in accordance with *Flow*'s approach.

To contain the spread of COVID-19, distribution centers in Honduras and El Salvador were closed on and off for several weeks during the quarter. It is estimated that the sales impact was Ps. 11 million. Guatemala, Costa Rica, and Nicaragua operated regularly.

In Peru, quarterly sales decreased in the double digits given that the country maintained strict mobility restrictions affecting consumption and plant operations. Plants remained closed since the second half of March until the first week of June. Estimated sales impact amounted to Ps. 139 million.

During the second quarter, special emphasis has been placed on cash flow generation by negotiating with lessors, evaluating the use of government incentives, and providing concessions to customers to maintain the long-term relationship.

In June revenues increased in the double digits driven by an estimated 20% increase in household water consumption, coupled with an emphasis on *Flow*'s initiative to develop new channels.

During the quarter, we redefined our presence in Brazil with the divestment of the product unit as it had a lower than expected financial performance. We continued developing services through water treatment and recycling plants in one of Latin America's main markets.

The sale transaction was effective as of May 1st and contemplated the transfer of the entire business unit, including the manufacturing plant, the transfer of the Acqualimp brand, the workforce, and working capital.

The adjusted EBITDA margin reached 6.0% in the quarter and 7.7% in the first half of the year. The decrease in margins is due to the closure of operations in Peru for 45% of the semester's days, and the intermittent nature of the activities in Central America that impacted in 8% of business days.

Summary by Products and Services – Sales and EBITDA

Transactions with the government accounted for 2.8% of sales during the quarter and 2.8% on an accumulated basis. This percentage is less than the internal guideline of maintaining the exposure below 10% of the Group's income.

- Products

Net product sales reached Ps. 1,752 million, in line with the previous quarter, demonstrating the resilience of the business despite the limitation or closure of operations in Argentina, Peru, and Central America.

Accumulated net sales grew 1.0% in the first half of 2020, reaching Ps. 3,537 million driven by the water storage category that compensated for lower sales in water flow and water improvement.

The adjusted EBITDA margin was 16.8% in 2Q20 and 18.6% in 6M20, a decrease compared to the previous year due to the pressure on costs and fixed expenses caused by the interruption of operations.

- Services

Sales of services increased 21.8% in the quarter and 17.0% in the first half of the year, driven by changes in water consumption habits and growth in three business lines: drinking water fountains, water treatment and recycling plants and *bebbia*. The scope of *bebbia* extends to more than 120 municipalities in Mexico with 31,807 units installed.

Adjusted EBITDA for the quarter was flat while the first half of the year was negative by Ps. 5 million, affected by an increase in commercial expense consisting of digital marketing campaigns, a more active social medial strategy, and an increase of the sales team and installations, mainly in *bebbia*.

Gross Profit

The gross margin contracted 270 bps, from 42.4% in 2Q19 to 39.7% in 2Q20, as a result of the low absorption of fixed costs due to the drop in sales volumes resulting from the temporary closure of plants and distribution centers.

Cumulatively, the gross margin reached 41.8%, a figure higher than the quarterly margin as it considers the benefit in the price of raw materials in the first 3 months of the year. Nonetheless, is lower than previous years' as it was affected by production restrictions in Peru, Argentina and Central America 45%, 18% and 8% of the semester's days respectively.

Operating Income

Operating income amounted to Ps. 178 million in the quarter and Ps. 456 million in the first half of 2020, a decrease of 32.3% and 17.0%, respectively. This resulted from the global health crisis that has impacted consumption and restricted production, affecting cost and expense absorption. The estimated impact of the closure or limitation of operations in Peru, Argentina and Central America amounted to Ps. 67 million in the quarter and Ps. 79 million in the half year.

In addition, expenses to ensure safety, hygiene, and space adaptation were incurred for Ps. 7 million, as well as non-recurring expenses for Ps. 21 million related to the implementation of *Flow* and finally, expenses to enhance the growth of the service platform, especially commercial campaigns focused on *bebbia*.

Comprehensive Financing Result

Comprehensive Financing Result in 2Q20 was a financial expense of Ps. 213 million, compared to an expense of Ps. 114 million in the same period of last year. The increase is due to a Ps. 99 million foreign exchange loss related to a long position in dollars and the revaluation of accounts receivable in local currency outside of Mexico, as well as higher interest payments and a Ps. 16 million impact from monetary position in Argentina.

The accumulated integral result of financing in 6M20 was an income of Ps. 218 million, compared to an expense of Ps. 230 million in the same period of last year. This increase was driven by gains on derivative instruments for Ps. 372 million from the first quarter and foreign exchange gains of Ps. 54 million in the semester. The foreign exchange gain registered during the first quarter offset the losses of the second quarter.

Income Tax

Income tax for the second quarter amounted to Ps. 24 million vs. Ps. 36 million in 2Q19. On a cumulative basis, income tax was Ps. 212 million versus Ps. 72 million in the same period of 2019. This increase is related to the tax generated by gains on derivative financial instruments in 1Q20.

Net Result

Net result before discontinued operations was a loss of Ps. 59 million due to the impact on operating income derived from mobility and production restrictions and a foreign exchange loss from a long position in dollars and from the revaluation of foreign currency accounts receivable of Ps. 99 million.

Accumulated net income before discontinued operations is 87.4% higher than the previous semester due to financial income from gains on derivative financial instruments and foreign exchange gains of Ps. 372 million and Ps. 54 million respectively.

Additionally, in May, a Ps. 97 million loss from discontinued operations was recognized as a result of the sale of the product unit in Brazil and the recognition of deferred taxes for losses from previous years.

CapEx

(In million Mexican pesos)

	Jun-20	%	Jun-19	%	Δ %
Mexico	65	*49%*	102	*72%*	(36.1%)
Argentina	35	*27%*	26	*18%*	37.0%
Others	32	*24%*	15	*10%*	118.1%
Total	133	*100%*	143	*100%*	(6.8%)

Capital investments made as of June 2020 represented 7% of sales, with Mexico being the country with the most resources allocated. Investments include:

- Ps. 19 million and Ps. 27 million for the construction of water treatment plants in Mexico and Brazil, respectively.
- Investments in Argentina includes Ps. 26 million for productive improvements in the water flow business and Ps. 4 million for the water improvement business.
- An amount of Ps. 69 million for the execution of *Flow* initiatives.

Balance Sheet

Debt

(In million Mexican pesos)

	Jun-20	Jun-19	Δ %
Total Debt	4,075	2,925	39.3%
Short-term Debt	7	4	NM
Long-term Debt	4,068	2,922	39.2%
Cash and Cash Equivalents	3,193	752	NM
Net Debt	881	2,173	(59.5%)

Debt Maturity Profile

Debt corresponds to the AGUA 17-2x Sustainable Bond in the amount of Ps. 4,000 million Mexican pesos, with a fixed rate of 8.67% and maturity in June 2027.

During the second quarter, a government loan in Peru for Ps. 65 million or $10 million soles with a 12-month grace period, 1.46% annual interest rate and repayable in 36 months was obtained.

As of June 30, 2020, interest coverage (Adjusted EBITDA LTM/interest expense LTM) amounts to 4.5x.

Debt Maturity Profile

Fixed rate: 8.67%

Working Capital

(Days)

	6M20	6M19	Δ days
Days of Inventory	74	76	(2)
Days of Portfolio	57	74	(17)
Days of Payable Outstanding	59	64	(5)
Cash Conversion Cycle	71	87	(16)

The 16 day decrease in the cash conversion cycle is attributed to an improvement in accounts receivable and a decrease in inventories. The above as a result of negotiating better terms with clients, an action that originated within the *Flow* program.

As an additional measure in the face of the pandemic, different schemes have been proposed to customers and suppliers to keep cash flow stable and thus seek mutual support among participants of the value chain.

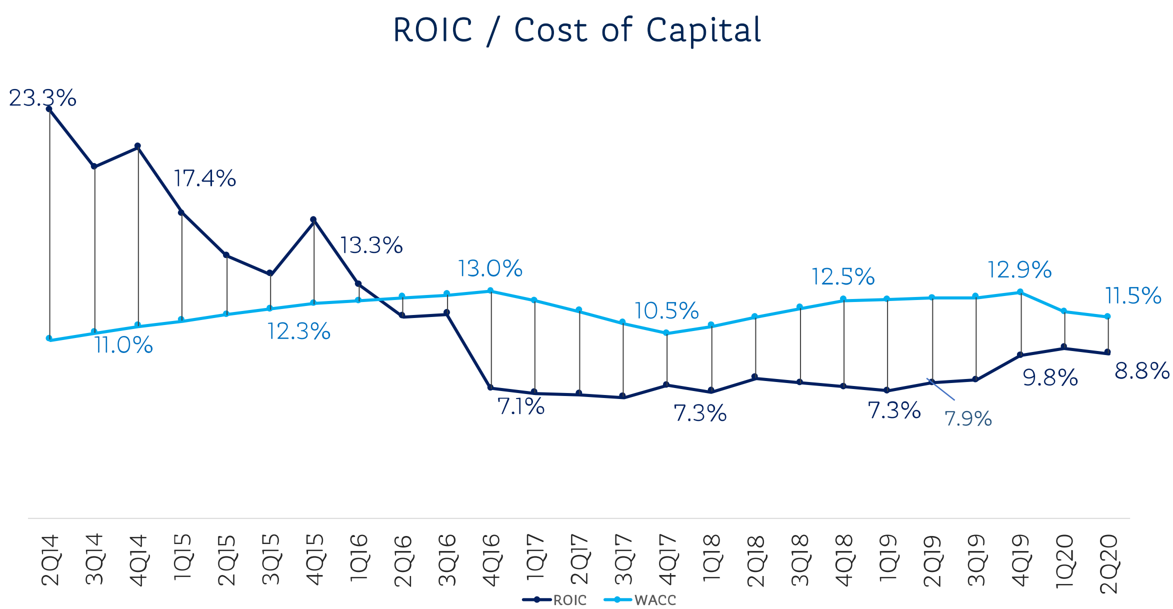
Financial Ratios

(EPS in MXN)

	6M20	6M19	Δ
Net Debt / Adjusted EBITDA	0.6 x	1.6 x	(1.0 x)
Total Liabilities / Total Stockholder's Equity	0.9 x	0.8 x	0.1 x
Total Earnings per Share*	0.95	0.51	87.4%

* Net Income before discontinued operations for the period divided by 486.2 million shares, in MXN.

Leverage as of the first quarter of 2020 is within the 2.0x Net Debt/Adjusted EBITDA guidelines established by the Company. The interest coverage (Adjusted EBITDA LTM/interest payments LTM) amounted to 4.5x.



ROIC: NOPAT LTM/Average Invested Capital t, t-1.
Invested Capital: Total Assets – Cash and Cash Equivalents – Short Term Liabilities

During the second half of 2019, the Company began a long-term transformational program identified as *Flow*, with the aim to improve the return on invested capital (ROIC).

Through the strategic alignment this program's initiatives, highlighting discipline in capital allocation, divestment of unprofitable assets and optimization of working capital, ROIC increased by 90 bps, from 7.9% in 2Q19 to 8.8% at the end of June 2020.

The ROIC shows a decrease compared to the immediate previous quarters due to the impact on the generation of operating income from the closure of operations because of the pandemic, the recognition of expenses for the implementation of *Flow* and the readjustment of work spaces to comply with health guidelines.

Stock Repurchase Program

As of June 30, 2020, the repurchase fund held 40.67 million shares equivalent to an investment amount of Ps. 834 million.
As of the end of the quarter, the Company had not cancelled any shares.

Employees

As of June 30, 2020, the total number of employees was 3,246 a 4% decrease when compared to 2Q19. This decrease is explained by the sale of the product business unit in Brazil.

Environmental, Social and Governance (ESG)

The following initiatives were implemented during the quarter:

- Start of operations of the Sustainability Management System Platform with which Rotoplas will be able to continue measuring and improving its ESG performance. Likewise, it reiterates its commitment to transparency and accountability. The evolution of the key indicators is made public in the following link: https://rotoplas.com/sustentabilidad/home-eng/

- Launch of INNWAI-Water Innovation Hub, a work and collaboration space to fight problems of access to water, sanitation and hygiene, in Mexico, Latin America and the world, through innovation.
  With this platform, Rotoplas seeks to get closer to various NGOs, entrepreneurs, startups, research centers, universities, among others, to develop and promote innovative projects and solutions to improve the quality of life of people and the environment. https://rotoplas.com/innwai-water-innovation-hub/

- The “Water Programme for Affected Areas" continued, redirecting its purpose to the new sanitary emergency under the name "PAZA C-19".

Analyst Coverage

As of June 30th, 2020, analyst coverage was provided by:

Institution	Analyst	Contact	Recommendation	TP*
Actinver	José Cebeira	jcebeira@actinver.com.mx	Buy	$26.00
Bank of America	Eric Neguelouart	eric.neguelouart@baml.com	Sell	$26.00**
GBM	Liliana de León	ldeleon@gbm.com	Buy	$32.00
Signum Research	Alain Jaimes	alain.jaimes@signumresearch.com	-	-

*Target Price.
**Not updated.

Income Statement

(Non-audited figures, in million Mexican pesos)

	2Q20	2Q19 [1]	Δ %	6M20	6M19 [1]	Δ %
Net Sales	1,904	1,891	0.7%	3,829	3,752	2.1%
Cost of Sales	1,147	1,088	5.4%	2,230	2,141	4.1%
Gross Profit	**757**	**803**	(5.7%)	**1,599**	**1,610**	(0.7%)
Gross Profit Margin	*39.7%*	*42.4%*	*(270) bps*	*41.8%*	*42.9%*	*(110) bps*
Operating Expenses	579	540	7.2%	1,144	1,061	7.8%
Operating Income	**178**	**263**	(32.3%)	**456**	**549**	(17.0%)
Operating Income Margin	*9.3%*	*13.9%*	*(460) bps*	*11.9%*	*14.6%*	*(270) bps*
Comprehensive Financing Cost	**(213)**	**(114)**	86.1%	**218**	**(230)**	NM
Financial Income	29	27	5.4%	438	37	NM
Financial Cost	(241)	(142)	70.5%	(220)	(267)	(17.7%)
Earnings Before Taxes	**(35)**	**149**	NM	**674**	**318**	NM
Taxes	24	36	(34.0%)	212	72	NM
Net Income Before Discontinued Operations	**(59)**	**112**	NM	**462**	**246**	87.4%
Net Income Margin	*(3.1%)*	*5.9%*	*(900) bps*	*12.1%*	*6.6%*	*550 bps*
Adjusted EBITDA [2]	**294**	**337**	(12.8%)	**654**	**708**	(7.7%)
Adjusted EBITDA Margin	*15.4%*	*17.8%*	*(240) bps*	*17.1%*	*18.9%*	*(180) bps*
Profit/Loss from Discontinued Operations	(97)	(43)	NM	(155)	(95)	64.1%
Net Profit/Loss after Discontinued Operations	(156)	69	NM	306	152	NM

[1] *For comparison purposes, these figures vary from those previously reported in 2019. These now exclude the manufacturing operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment reduces net sales by Ps. 56 million in 6M20, Ps. 72 million in 2Q19 and Ps. 150 million in 6M19. Additionally, it increases Adjusted EBITDA by Ps. 13 million in 6M20, Ps. 24 million in 2Q19 and Ps. 48 million in 6M19.*

[2] *Adjusted EBITDA considers: operating profit + depreciation & amortization + non-recurring expenses (donations and implementation costs for Flow). In 2Q20, it considers Ps. 21 million in Flow expenses and Ps. 5 million in donations, and in 2Q19 it considers Ps. 0.4 million in donations. Cumulatively, it considers Ps. 21 million for Flow expenses and Ps. 5 million for donations in 2020 and Ps. 1 million for donations in 2019.*

Balance Sheet

(Non-audited figures, in million Mexican pesos)

	Jun-20	Jun-19	Δ %
Cash and Cash Equivalents	3,193	752	NM
Accounts Receivable	1,502	1,936	(22.4%)
Inventory	906	1,043	(13.2%)
Other Current Assets	683	851	(19.7%)
Current Assets	**6,284**	**4,582**	**37.1%**
Property, Plant and Equipment – Net	2,326	2,726	(14.7%)
Other Long-term Assets	3,942	4,354	(9.5%)
Total Assets	**12,553**	**11,663**	**7.6%**
Short-term Debt	7	4	87.3%
Suppliers	483	402	20.1%
Other Accounts Payable	919	1,155	(20.4%)
Short-term Liabilities	**1,409**	**1,561**	**(9.7%)**
Long-term Debt	4,068	2,922	39.2%
Other long-term Liabilities	590	576	*2.4%*
Total Liabilities	**6,066**	**5,058**	**19.9%**
Total Stockholders' Equity	**6,486**	**6,604**	***(1.8%)***
Total Liabilities + Stockholders' Equity	**12,553**	**11,663**	**7.6%**

Cash Flow Statement

(Non-audited figures, in million Mexican pesos)

	6M20	6M19	Δ %
EBIT	**456**	**549**	**(17.0%)**
Depreciation	171	158	8.3%
Tax	(100)	(94)	**5.7%**
Net Interest	(164)	(153)	7.1%
Working Capital	191	(243)	NM
Other Current	56	(57)	NM
Operating Free Cash Flow	**611**	**160**	**NM**
Operating Free Cash Flow Conversion (%)	*134%*	*29.1%*	*NM*
Dividends	(173)	(174)	(0.2%)
CapEx	(133)	(143)	(6.8%)
Repurchase Fund	(477)	(122)	NM
Mergers and Acquisitions	130	46	NM
Short- and Long-Term Debt	1,130	3	NM
Loans	(25)	(29)	(12.7%)
Other	283	(40)	NM
Net Change in Cash	**1,346**	**(298)**	**NM**
Initial Cash Balance	**1,848**	**1,050**	**75.9%**
Final Cash Balance	**3,193**	**752**	**NM**

[1] For comparison purposes, these figures vary from those previously reported in 2019. These now exclude the manufacturing operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment reduces net sales by Ps. 56 million in 6M20, Ps. 72 million in 2Q19 and Ps. 150 million in 6M19. Additionally, it increases Adjusted EBITDA by Ps. 13 million in 6M20, Ps. 24 million in 2Q19 and Ps. 48 million in 6M19.

Conference Call

Grupo Rotoplas

(BMV: AGUA*)

Cordially invites you to its Second Quarter 2020 Conference Call.

Thursday, July 23rd

10:00am Mexico City Time (11:00am, EST)

The leadership team will comment on the first quarter results, followed by a question and answer session.

- Carlos Rojas Aboumrad – CEO
- Mario Romero Orozco – CFO

Webcast:

https://rotoplas.zoom.us/webinar/register/WN_JBTMv47tRuunDH5ku8NUkQ

Password: 518329

The conference recording will be available afterwards at:

https://rotoplas.com/investors/

Press Releases

- Inclusion of AGUA* in the "S&P/BMV Total Mexico ESG Index" sample – On June 22th,

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/SP-BMV-ESG-MEX-eng.pdf

- Rotoplas operations status update – On June 12th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/COVID-19_june_12_english_VF.pdf

- Rotoplas provides access to over 1 million liters of water. during the pandemic – On June 5th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/COVID-19-4jun-eng.pdf

- Rotoplas Updates on response to COVID-19 – On May 21st

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/AGUA-Covid-21_05_2020.pdf

- Payment of capital reimbursement to shareholders – On May 20th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/Reimbursement-payment-2020.pdf

- Approved Proposals to the General Ordinary and Extraordinary Shareholders' Meeting 2020 – On May 12th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/Approved-Proposals-GSM-2020.pdf

- Divestment of product unit in Brazil "Acqualimp" – On April 30th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/Divestment-of-product-unit-in-Brazil-Acqualimp-VM.pdf

- Rotoplas Updates on Response to COVID-19 – On April 29th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/2Q20/Rotoplas-Update-on-COVID19.pdf

- Proposals to the General Ordinary and Extraordinary Shareholders' Meeting 2020 – On April 13th
  https://rotoplas.com/investors/rtp_resources/eng/shareholders/2020/2.Proposals-GSM-2020.pdf

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Forward Looking Statements

This press release may include certain forward-looking statements relating to Grupo Rotoplas S.A.B. de C.V. It relies on considerations of the Grupo Rotoplas S.A.B. de C.V. management which are based on current and known information; however, the forward-looking statements could vary due to facts, circumstances and events beyond the control of Grupo Rotoplas, S.A.B. de C.V.

About the Company

Grupo Rotoplas S.A.B. de C.V. is America's leading provider of water solutions, including products and services for storing, piping, improving, treating and recycling water. With 40 years' experience in the industry and 18 plants throughout the Americas, Rotoplas is present in 14 countries and has a portfolio that includes water services and 27 product lines. Grupo Rotoplas has been listed on the Mexican Stock Exchange (BMV) under the ticker "AGUA" since December 10, 2014.

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