



April 24th, 2020

## Letter from the CEO

Dear Shareholders,

I'm very pleased to present the balance of an intense year of work, thanks to a firm commitment from the entire team at Grupo Rotoplas. In May, I took over as CEO, deeply honored and driven to continue contributing to the purpose of this great company, which I have been a part of for over 15 years.

After an extensive diagnosis of the Group in 2019, we launched **Flow, the organizational transformation program** that creates a roadmap for the coming years that allows us to strengthen our business model. Flow sets the primary goal of growing profitability, focused on optimizing ROIC and maintaining the guiding principles of sustainability, organizational health, innovation, customer/user experience, and digital technology.

Flow develops a work culture that fosters innovation and continuous improvement at every level of the company. Together with stakeholders, we coordinated technology skills to collaboratively explore and meet needs related to water in a decentralized and sustainable manner.

Within the analysis of our operations, we **mapped asset performance** by business unit and geography, developing action plans to trigger growth or consider possible divestments. In the United States, we closed a deal with a strategic ally for the sale of manufacturing assets, while maintaining an appealing supply agreement for both parties. This divestment helped us strengthen our balance sheet and reduce our net debt position.

In 2019, despite a challenging environment in Latin America, we increased our EBITDA margin, improved ROIC, and optimized working capital. These results confirm the resilience of our business model, and I believe we are at a turning point with the company's financial performance.

Continuing with a disruptive growth strategy, we have outlined three key income sources for the coming years: the optimization of our current product portfolio, services in Mexico, and our e-commerce platform in the United States.

Throughout the year, we focused on our product line with a business model that provided stability despite a lack of economic growth in the region. Demand for these products is relatively inelastic since they provide solutions to basic needs, such as access to water and sanitation.

With our services platform, our main motivation is to offer quality water solutions for companies and families that also decrease environmental impacts. During 2019, Bebbia – a subscription-based drinking water service – doubled the number of clients to over 18,000 points of purification.

Likewise, in our water treatment and recycling plants, we have diversified our client base, expanding our product supply to new industries and complementing our value proposition with rainwater harvesting and desalination.

As part of the relevant milestones and within the framework of our Sustainability Strategy, we have identified the company's principal risks and opportunities related to **climate change**, proposing a comprehensive strategy that contributes to the fight against global warming.

Given our knowledge of efficient use of energy and materials based on the principles of the **circular economy**, we have made particular progress in the use of recycled resins to manufacture our storage products.

The strong commitment to sustainability has enabled us to enter the Mexican Stock Exchange's **IPC Sustainable Index** and be part of the **Dow Jones Sustainability MILA Pacific Alliance Index** for the third consecutive year.

Likewise, this year, we ratified our adhesion to the **CEO Water Mandate**, continued to progress in the implementation of The Ten Principles of the United Nations Global Compact, and sought to maximize our contribution to the Sustainable Development Goals (SDG).

Looking forward, we envision that the key to bolster our leadership in the countries where we operate is a deep understanding of clients, the expertise to develop decentralized solutions, innovation of our products and services, digital technology, and sustainability.

Finally, I believe we have all the tools and talent to capitalize on the global trends in the water industry to propel a financially sustainable business model that will lead to a positive effect on society and the environment.

Regards,

Carlos Rojas Aboumrad

CEO Grupo Rotoplas S.A.B. de C.V.