



CEO Letter to Shareholders | April 2021

2020 was a challenging year where our ability to adapt and reinvent ourselves were put to the test. However, we had the advantage of having designed in 2019 a detailed organizational transformation program called *Flow*, with well-defined initiatives and objectives to be executed during 2020.

The pandemic impacted the development of some initiatives, but also accelerated trends that worked in Rotoplas' favor. We were able to capitalize on those trends through internal team alignment and disciplined execution. The pandemic also gave us an opportunity to fulfill our purpose and support the population at a very vulnerable time.

During the year we maintained our focus on the health and well-being of our employees and stakeholders, with the responsibility of delivering decentralized water solutions which became even more relevant to combat the spread of the disease.

In 2020, we achieved record figures for sales, adjusted EBITDA and net income. Additionally, as a result of the efforts of every member of the Rotoplas' team, we achieved our annual growth and profitability goals with a double-digit increase in sales, a 260 bp increase in ROIC and the creation of economic, social and environmental value (360° value).

In addition, we launched 23 new solutions to the market as a part of *Flow*, including the dual tank and ultra-flexible pipe in Mexico, septic solutions in the United States and solutions from different ranges in several countries to give the largest possible number of people access to our products and services.

To adapt to new consumer habits, we ventured into new sales channels such as e-commerce platforms, supermarkets, appliance stores and increased our presence in hardware stores and convenience stores as they are close to the consumer.

Within services, we launched *rieggo*, a company focused on the agricultural sector in Mexico, seeking to use water more efficiently and improve crop yields. In addition, we began operations in Brazil with water treatment and recycling plants.

During the year we prioritized the balance sheet and cash flow strength, improving our financial position with the successful reopening of the AGUA 17-2X Sustainable bond in February and an improvement in the cash conversion cycle through negotiations with our business partners.

Flow, rather than a transformation program, has become a new way of operating. For this reason, we have embedded the evolution of our philosophy in the New Rotoplas Way. We will seek to operate as market shapers, moving forward agilely through a portfolio of



innovative solutions and business models that respond to the future of consumption and the growing environmental awareness of our societies and businesses.

We will continue to pursue sustainable growth through our 2021-2025 business plan, in which we plan to double sales, improve profitability with an expansion of at least 200 bps in EBITDA margin, and increase the ROIC to reach levels close to 20%.

In line with this business plan, at the end of the year we updated our materiality analysis under the standards of both GRI¹ and SASB² frameworks. This will enable us to gain a more complete understanding and design the evolution of the Sustainability Strategy, which also has a new target date of 2025. Further details will be released in the first half of 2021.

We continue to make progress on energy efficiency and resource use. We started using a new manufacturing process in some plants that requires 80% less water and replaces gas with electricity, to reduce GHG³ emissions. In addition, for continuous improvement in the assessment of risks and opportunities, and as part of our Climate Change Strategy, we responded to the CDP⁴ questionnaire for the first time and included the TCFD⁵ recommendations in this Annual Report.

We are committed to the CEO Water Mandate and are an active participant in the UN Global Compact community, contributing to the implementation of its 10 Principles. We also participate in the achievement of the Sustainable Development Goals (SDGs), with particular focus on this decade as it marks the countdown to 2030 to solve global challenges together.

The year 2020 confirmed that we are in the right industry, have the right talent and a clear roadmap. If we continue to execute with discipline and stay focused on our purpose, we can continue to create 360° shared value and leave a better planet for future generations.

Sincerely,

Carlos Rojas Aboumrad
Chief Executive Officer

¹ GRI, Global Reporting Initiative

² SASB, Sustainability Accounting Standards Board

³ GHG, Greenhouse Gases

⁴ CDP, Carbon Disclosure Project

⁵ TCFD, Task Force on Climate-related Financial Disclosures