

Orbia Announces Second Quarter 2020 Financial Results

Mexico City, July 28, 2020 – Orbia Advance Corporation, S.A.B. de C.V. (BMV: ORBIA*) (“the Company” or “Orbia”) today released unaudited results for the second quarter of 2020.

Q2 2020 Financial Highlights

(All metrics are compared to Q2 2019 unless otherwise noted)

- Net revenue of \$1,412 million decreased 23%, driven by lower sales in the Vestolit (Polymer Solutions), Wavin (Building & Infrastructure) and Netafim (Precision Agriculture) businesses
- EBITDA of \$263 million decreased 29%, mainly due to lower business activity in Wavin and Vestolit; and EBITDA margin of 18.7% declined 157 basis points, supported by the resiliency of Orbia’s diversified businesses and strong cost containment programs
- Consolidated net income of \$42 million decreased 63%
- Cash generation of \$100 million with positive free cash flow of \$19 million
- Strong balance sheet and ample liquidity with a cash balance of \$1.2 billion

“Despite the challenging global economic conditions due to the COVID-19 pandemic, Orbia demonstrated a resilient performance and maintained a healthy EBITDA margin, as the teams across our diversified businesses mobilized quickly, focusing on operational excellence, profitability preservation, cash flow generation and expense management. We saw sequential top-line sales improvement during May and June across all businesses but continue to remain cautiously optimistic until we have more conviction in a sustainable recovery,” said Daniel Martinez-Valle, CEO of Orbia.

“We continue to prioritize the health and safety of our employees, customers and communities, while executing with increased agility to deliver our leading products and services to customers around the world,” added Martinez-Valle.

COVID-19 Business Update

Orbia has taken comprehensive measures to protect employees, customers and the communities in which it operates from risks associated with the COVID-19 pandemic. In the second quarter, the Company continued to safeguard its employees’ health and well-being and sustain its operations by:

- Maintaining strict health and safety measures in all operating locations;
- Introducing phased return-to-work protocols where applicable for essential sites and facilities;
- Continuing restrictions on all non-essential business travel while encouraging employees across geographies to work remotely, where possible; and
- Utilizing digital tools to efficiently collaborate, deliver to customers and drive innovation while enhancing digital infrastructure to accommodate volume increases and expanded stakeholder needs.

As an extension of its human-centered approach, the Company undertook additional measures to support its people, including:

- Expanding remote learning and training while offering remote health support and physician access to all employees;

- Implementing an employee assistance program in Latin America, which will continue after the COVID-19 pandemic; and
- Continuing to support innovation and internal crowdsourcing efforts.

Almost all Orbia's facilities have remained operational and the Company has not experienced any meaningful supply chain disruptions. The Company also has adapted its manufacturing processes and streamlined prototyping timelines to produce and deliver essential medical equipment and materials, including tens of thousands of inhalers that use Orbia's medical propellants, flexible critical care infrastructure, rapid COVID-19 testing devices, sanitation tents and intelligent health assessments and medical-grade personal protective equipment made from its plastics.

Q2 2020 Financial Overview¹

mm US\$	Second Quarter		
	2020	2019	%Var.
Financial Highlights			
Net sales	1,412	1,839	-23%
Operating income	126	237	-47%
EBITDA	263	372	-29%
EBITDA margin	18.7%	20.2%	-157 bps
EBT	63	160	-61%
Income (loss) from continuing operations	48	113	-58%
Consolidated net income (loss)	42	113	-63%
Net income to majority shareholders	10	84	-88%
Cash generation	100	173	-42%
CapEx	(54)	(61)	-11%
Free cash flow	19	87	-78%
Cash balance	1,238	591	109%
Net Debt	2,970	2,991	-1%

¹ Unless noted otherwise, all figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of June 30, 2020 and are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" of the International Financial Reporting Standards (IFRS), which have been published in the Bolsa Mexicana de Valores (BMV). See Notes and Definitions at the end of this release for further explanation of terms used herein.

Q2 2020 Consolidated Financial Information

(All metrics are compared to Q2 2019 unless otherwise noted)

Second Quarter 2020			
Region	Revenues	% Var. YoY	% of revenues
Europe	528	-21%	37%
North America	485	-16%	34%
South America	198	-44%	14%
Asia	148	-19%	11%
Africa and others	53	-7%	4%
Total	1,412	-23%	100%

Revenues totaled \$1.4 billion, down \$427 million, or 23%, mainly driven by lower sales in the Vestolit (Polymer Solutions), Wavin (Building & Infrastructure) and Netafim (Precision Agriculture) businesses.

EBITDA was \$263 million, down 29%. This decline was mainly due to lower business activity in Wavin and Vestolit from COVID-19-related effects on the economy. EBITDA margin of 18.7% reflects effective expense management across business groups, despite \$7.5 million in non-recurring items from Wavin.

Financial costs were \$64 million, down by \$15 million or 19%. This decrease was mainly due to lower net interest expenses and commissions as a result of the lower interest rates environment.

Net Income to majority shareholders (Loss) decreased 88% to \$10 million. Earnings per share³ (EPS) was \$0.005.

² Earnings per share is calculated excluding the shares that Orbia has in its share buyback program. As of June 30, 2020, we had 2,016,795,733 shares outstanding.

Financial Performance by Business Group

(All metrics are compared to Q2 2019 unless otherwise noted)

Netafim (Precision Agriculture, 17% of Revenues)

The Precision Agriculture group helps the world grow more with less. It enables farmers to get higher and better-quality yields while using less water, fertilizer and other inputs. With a focus on irrigation systems, services and digital farming technologies, farmers worldwide are feeding the planet more efficiently.

mm US\$	Second Quarter		
	2020	2019	%Var.
Netafim			
Net Revenue	247	295	-16%
Operating income	29	37	-22%
EBITDA	52	58	-10%

Netafim posted revenues of \$247 million, down 16%. The decline was mainly due to the impact of COVID-19-related factors across many of Orbia's markets, primarily in Latin America and India, combined with a negative FX impact. However, the decline was partly offset by growth in China, Africa and Israel.

EBITDA for Netafim was \$52 million, down 10%. EBITDA margin improved 19.6% to 21.0% due to improved gross margins from a better sales mix, lower raw material costs and lower operating expenses.

Dura-Line (Data Communications, 14% of Revenues)

The Data Communications group believes that every organization, every community and every person around the world deserves a chance to make the most of modern technology. It produces more than 400 million meters of cable conduit yearly to create the physical pathways for fiber and other network technologies that connect cities, homes and citizens.

mm US\$	Second Quarter		
	2020	2019	%Var.
Dura-Line			
Net Revenue	193	208	-7%
Operating income	47	37	27%
EBITDA	55	45	22%

Dura-Line posted revenues of \$193 million, down 7%. The decline was primarily attributable to strict lockdown measures in many countries outside the U.S. during April and May, as well as the end of a large smart cities project in India in 2019. To a lesser extent, volumes in Europe were lower due to the continued impact of COVID-19-related disruptions. However, the decline was partially offset by high-single-digit sales volume growth in North America as network construction continued to ramp up, especially in the U.S.

EBITDA was \$55 million, up 22%. EBITDA margin was 28.7%, an increase of 704 basis points, primarily driven by a favorable mix shift towards higher value-added products and lower raw material costs.

Wavin (Building & Infrastructure, 29% of Revenues)

The Building and Infrastructure group is redefining today's pipes and fittings industry by creating innovative, durable solutions that last longer and require less labor to install. Serving customers in five continents, this group is also developing sustainable technologies around water management and heating and cooling systems.

mm US\$	Second Quarter		
	2020	2019	%Var.
Wavin			
Net Revenue	409	596	-31%
Operating income	(3)	48	N/A
EBITDA	27	81	-67%

Wavin posted revenues of \$409 million, down 31%. The decline was mainly due to COVID-19-related disruptions, reflecting sluggish demand in Latin America (LatAm) particularly as a result of lower sales volume in the Andean region (including Colombia, Ecuador and Perú), Central America and to a lesser extent in Europe, with the U.K. being the most affected market in that region. The decline in sales was mainly driven by regional lockdown measures during the months of April and May and the corresponding economic activity slowdowns during the quarter.

In Q2 2020, reported EBITDA was \$27 million, down 67% from \$81 million in Q2 2019. The decline was due to softer demand in LatAm and Europe, partially offset by lower operating expenses. EBITDA for the quarter includes one-time charge of \$7.5 million associated with restructuring activities in Wavin. Reported EBITDA margin was 6.7% versus 13.5% in Q2 2019, reflecting disruptions associated with countries that implemented stringent lockdown measures.

Koura (Fluor, 12% of Revenues)

The Fluor group provides fluorine-based products, technologies and other material applications that support modern living in a vast number of ways. With two operational fluorine mines and a robust material science expertise, this group produces value-added chemicals and propellants that serve a wide array of industries including health and medicine, construction, transportation and more.

mm US\$	Second Quarter		
	2020	2019	%Var.
Koura			
Net Revenue	167	204	-18%
Operating income	52	62	-16%
EBITDA	66	75	-12%

Koura posted revenues of \$167 million, down 18%. The COVID-19 pandemic impacted the majority of the fluorine value chain, with demand weakness seen across end markets with the exception of medical propellants. In addition, the illegal import of refrigerants continued to negatively impact market conditions in Europe.

EBITDA was \$66 million, down 12% driven by lower sales. EBITDA margin was 39.3%, an increase of 237 basis points, driven primarily by better mix across product lines and a significant reduction in operating expenses.

Vestolit (Polymer Solutions, 30% of Revenues)

The Polymer Solutions group is as adaptable and dynamic as the materials it produces. It focuses largely on PVC and other vinyl polymers with a wide variety of applications in solutions that undergird everyday life, including pipes, cables, flooring, auto parts, household appliances, clothing, packaging and medical devices.

mm US\$	Second Quarter		
	2020	2019	%Var.
Vestolit			
Volume (K tons)	571	635	-10%
Total Revenues	427	588	-27%
Operating income	3	53	-94%
EBITDA	64	112	-43%

*Intercompany sales were \$20 million and \$39 million in 2Q20 and 2Q19, respectively. And as of June 2020 and 2019 were \$63 million and \$74 million, respectively.

Vestolit revenues were \$427 million, down 27%. The decline was primarily due to a significant reduction in both volumes and pricing for PVC products driven by COVID-19-related disruptions. In addition, significantly lower oil prices led to higher global competitive pressures contributing to the weaker PVC pricing environment.

EBITDA for Vestolit was \$64 million, down 43%. The weakness in the PVC business was partially offset by higher operating rates in the second half of the quarter and strength in the caustic soda business. Consequently, EBITDA margin was 14.9% as compared to 19.0%, reflecting a margin decrease of 407 basis points.

Balance Sheet, Liquidity and Capital Allocation

Orbia continues to maintain a strong balance sheet with operating cash and free cash flow of \$100 million and \$19 million, respectively. Included in the cash result this quarter is higher tax payments primarily related to regular annual tax expenses payable in April with respect to the 2019 calendar year. As mentioned in the previous quarter release, Orbia withdrew \$1 billion from its revolving line of credit as a precautionary measure to strengthen its liquidity and financial flexibility.

The Company continues to prioritize critical maintenance projects as well as maintain its focus on key long-term strategic projects that will position the business for sustained growth in the future. The reduction in CAPEX during the quarter was 11% compared to the same period last year.

Working capital needs improved as compared to Q2 2019, due to proactive management of inventory and collections and payment terms.

As of June 30, 2020, Orbia's Net Debt totaled \$3.0 billion, from a total debt of \$4.2 billion less cash and cash equivalents of \$1.2 billion. Orbia's Net Debt-to-EBITDA was 2.38x, while the Company's interest coverage ratio was 5.73x. The Company's target is to reach a leverage ratio target Net Debt-to-EBITDA at approximately 2x, consistent with its historic average. The Company has no significant maturities until June 2022.

2020 Business Outlook

Orbia remains confident in its long-term strategy and ability to adapt to market conditions. Given continued uncertainty around the pace and cadence of a COVID-19 recovery, the Company will not be reinstating annual guidance. As a global provider of products and services that support essential sectors, Orbia is working diligently with a focus on protecting its employees' health to continuously provide customers with the products, services and solutions they need.

Conference Call Details

Orbia will host a conference call to discuss Q2 2020 results on July 29, 2020 at 10:00 am Central Time (CT; Mexico City)/11:00 am Eastern Time (ET; New York). To access the call, please dial 001-855-817-7630 (Mexico), 1-888-339-0721 (United States) or 1-412-317-5247 (International).

Participants may pre-register for the conference call [here](#).

The live webcast can be accessed [here](#).

A recording of the webcast will be posted several hours after the call is completed on Orbia's [website](#). For all company news, please visit [Orbia's newsroom](#).

Consolidated Income Statement

USD in millions	Second Quarter			January - June		
	2020	2019	%	2020	2019	%
Income Statement						
Net sales	1,412	1,839	-23%	3,039	3,605	-16%
Cost of sales	1,043	1,324	-21%	2,221	2,621	-15%
Gross profit	369	514	-28%	818	983	-17%
Operating expenses	243	278	-13%	520	560	-7%
Operating income (loss)	126	237	-47%	298	423	-30%
Financial Costs	64	79	-19%	149	150	-1%
Equity in income of associated entity	(1)	(2)	-50%	(1)	(3)	-67%
Income (loss) from continuing operations before income tax	63	160	-61%	150	276	-46%
Income tax	15	47	-68%	25	85	-71%
Income (loss) from continuing operations	48	113	-58%	125	190	-34%
Discontinued operations	(5)	-		(5)	(1)	400%
Consolidated net income (loss)	42	113	-63%	119	190	-37%
Minority stockholders	32	29	10%	65	58	12%
Net income to majority shareholders (loss)	10	84	-88%	55	132	-58%
EBITDA	263	372	-29%	573	690	-17%

Business Group First Half 2020

mm US\$	Sales			EBITDA			EBITDA Margin		
	1H20	1H19	%Var.	1H20	1H19	%Var.	1H20	1H19	bps
Vestolit	1,010	1,183	-15%	185	214	-14%	18.3%	18.1%	27
Wavin	921	1,154	-20%	78	144	-46%	8.4%	12.5%	(401)
Dura-Line	363	391	-7%	84	73	15%	23.2%	18.6%	468
Netafim	479	568	-16%	89	99	-10%	18.5%	17.4%	108
Koura	349	408	-14%	133	161	-17%	38.2%	39.5%	(128)
Eliminations/ Holding	(83)	(100)	-17%	4	-	N/A	N/A	N/A	N/A
Orbia Consolidated	3,039	3,605	-16%	573	690	-17%	18.9%	19.1%	(28)

Consolidated Balance Sheet

Balance sheet	USD in millions	
	Jun 2020	Dec 2019
Total assets	10,421	10,057
Current assets	3,360	2,852
Cash and temporary investments	1,238	586
Receivables	1,130	1,158
Inventories	773	834
Others current assets	219	274
Non current assets	7,061	7,205
Property, plant and equipment, Net	3,540	3,686
Intangible assets and Goodwill	3,200	3,257
Long term assets	321	262
Total liabilities	7,413	6,963
Current liabilities	2,075	2,577
Current portion of long-term debt	81	322
Suppliers	1,197	1,279
Other current liabilities	797	976
Non current liabilities	5,338	4,385
Long-term debt	4,127	3,129
Long-Term deferred tax liabilities	319	335
Other long-term liabilities	892	921
Consolidated shareholders' equity	3,008	3,094
Minority shareholders' equity	704	719
Majority shareholders' equity	2,304	2,375
Total liabilities & shareholders' equity	10,421	10,057

Operating Cash Flow

mm US\$	Second Quarter			January - June		
	2020	2019	%Var.	2020	2019	% Var.
EBITDA	263	372	-29%	573	690	-17%
Taxes paid, net	(78)	(52)	50%	(108)	(106)	2%
Net interest / Bank commissions	(15)	(36)	-58%	(104)	(125)	-17%
Change in trade working capital	(0)	(64)	-100%	7	(279)	N/A
Others (Other assets - provisions, Net)	(69)	(39)	77%	(22)	38	N/A
CTA and FX	(1)	(8)	-88%	(58)	(2)	2800%
Cash generation	100	173	-42%	288	216	33%
CapEx	(54)	(61)	-11%	(115)	(121)	-5%
Leasing payments	(27)	(25)	8%	(51)	(53)	-4%
Free cash flow	19	87	-78%	123	43	186%
<i>FCF conversion (%)</i>	<i>7.0%</i>	<i>23.4%</i>		<i>21.4%</i>	<i>6.2%</i>	
Dividends to Shareholders	(45)	(59)	-24%	(140)	(101)	39%
Buy-back shares program	(8)	(1)	700%	(42)	2	N/A
New debt (paid)	(124)	(1)	12300%	805	8	9963%
Minority interest payments	(39)	(31)	26%	(78)	(69)	13%
Swaps, net	(16)	8	N/A	(16)	8	N/A
Net change in cash	(214)	3	N/A	652	(109)	N/A
Initial cash balance	1,452	589	147%	586	700	-16%
Cash balance	1,238	591	109%	1,238	591	109%

Notes and Definitions

The results contained in this release have been prepared in accordance with International Financial Reporting Standards (“NIIF” or “IFRS”) having U.S. Dollars as the functional and reporting currency. Figures are presented in millions, unless specified otherwise.

Since Q1 2019, Business Group EBITDAs are being reported inclusive of corporate charges; comparable prior year figures have been adjusted accordingly.

Reflective of Orbia’s continuous efforts to better inform the market and become a more customer-centric organization, beginning in Q1 2020, the Company is presenting the revenues, operating incomes and EBITDAs of each of its five businesses: Wavin (Building & Infrastructure), Dura-Line (Data Communications), Netafim (Precision Agriculture)—all of which previously were presented as Fluent (for reporting purposes only)—Vestolit (Polymer Solutions) and Koura (Fluor).

Figures and percentages have been rounded and may not add up.

About Orbia

Orbia is a community of companies united by a shared purpose: to advance life around the world. The Orbia companies have a collective focus on ensuring food security, reducing water scarcity, reinventing the future of cities and homes, connecting communities to data infrastructure and expanding access to health and wellness with advanced materials. Orbia operates in the Precision Agriculture, Building and Infrastructure, Fluor, Polymer Solutions and Data Communications sectors. The company has commercial activities in more than 110 countries and operations in over 50, with global headquarters in Mexico City, Boston, Amsterdam and Tel Aviv. To learn more, please visit orbia.com.

Prospective Information

In addition to historical information, this press release contains “forward-looking” statements that reflect management’s expectations for the future. The words “anticipate,” “believe,” “expect,” “hope,” “have the intention of,” “might,” “plan,” “should” and similar expressions generally indicate comments on expectations. The final results may be materially different from current expectations due to several factors, which include, but are not limited to, global and local changes in politics, the economy, business, competition, market and regulatory factors, cyclical trends in relevant sectors as well as other factors that are highlighted under the title “Risk Factors” in the annual report submitted by Orbia to the Mexican National Banking and Securities Commission (CNBV). The forward-looking statements included herein represent Orbia’s views as of the date of this press release. Orbia undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.”

Orbia has implemented a Code of Ethics that helps define our obligations to and relationships with our employees, clients, suppliers and others. Orbia’s Code of Ethics is available for consulting in the following link: http://www.Orbia.com/Codigo_de_etica.html. Additionally, according to the terms contained in the Mexican Securities Exchange Act No 42, the Orbia Audit Committee has established a “hotline” system permitting any person who is aware of a failure to adhere to applicable operational and accounting records guidelines, internal controls or the Code of Ethics, whether by the Company itself or any of its controlled subsidiaries, to file a complaint (including anonymously). This system is operated by an independent third-party service provider. The system may be accessed via telephone in Mexico, at <http://www.ethic-line.com/Orbia> or via e-mailing Orbia@ethic-line.com. Orbia’s Audit Committee has oversight responsibility for ensuring that all such complaints are appropriately investigated and resolved.