

## GRUPO POCHTECA REPORTS ITS RESULTS FOR THE THIRD QUARTER OF 2017

Mexico City, October 26, 2017 – Grupo Pochteca, S.A.B. de C.V. (“Pochteca” or “the Company”) (BMV: POCHTEC) announced today its unaudited results for the third quarter ended September 30, 2017 (“3Q17”).

### 3Q17 Highlights

- **Sales 0.1%** year on year to Ps 1.56 billion.
- **Gross margin 17.6%**, +10 bp compared to 3Q16.
- **Operating profit +23.9%** to Ps 43 million.
- **Consolidated EBITDA +5.9%** to Ps 73 million.
- **Consolidated EBITDA margin 4.7%**, +20 bp compared to 3Q16.
- **Net profit of Ps 1.5 million** mainly due higher operating profit and less foreign exchange losses than in 3Q16.
- **Net Debt to EBITDA ratio of 2.5 times**, over our internal policy of not surpassing 2 times.

3Q17 reinforced the trend change in Grupo Pochteca’s profitability that began in 1Q17. It also highlights the third consecutive quarter since 3Q15 in which we grew our operating income and EBITDA. Grupo Pochteca Chief Executive Officer Armando Santacruz observed: “It is encouraging to see that following several quarters in which we experienced sharp reductions in operating income and EBITDA, we began to reverse that trend in 1Q17 and have returned to the path of growing our profitability. For a third consecutive quarter we achieved growth year on year in operating income and EBITDA, as the following table shows. As we mentioned in our 4Q16 report, 2016 was the most complicated year we have had at Pochteca in a long time. The drop in oil prices, the shutdown of most existing oilrigs in Mexico and Brazil, and a weakening of both demand and prices in the mining sector had a major impact on demand for, and the prices of our portfolio during 2016. Continuing weakness in industrial activity in Brazil in recent years has further magnified this negative impact. The consensus among economic analysts forecasts a slight recovery in Brazil’s GDP by the end of 2017.”

	Year-on-Year change											
	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Sales	33%	-1%	0%	1%	2%	1%	3%	-1%	2%	8%	-2%	0%
Operating Profit	86%	27%	25%	39%	-27%	-13%	-61%	-49%	-73%	6%	119%	24%
EBITDA	80%	22%	17%	23%	-8%	-5%	-36%	-27%	-41%	9%	46%	6%

## SELECTED FINANCIAL INFORMATION (MILLIONS OF PESOS)

	3Q17	3Q16	(%) 3Q17 vs 3Q16	YTD 17	YTD 16	(%) YTD 17 vs YTD 16
Sales	1,556	1,555	0.1%	4,671	4,580	2.0%
Gross Profit	274	271	0.9%	831	807	2.9%
Gross Margin (%)	17.6%	17.5%	10pb	17.8%	17.6%	20pb
Operating Profit	43	35	23.9%	144	105	36.9%
Operating Margin (%)	2.8%	2.3%	50pb	3.1%	2.3%	80pb
Depreciation	30	34	-12.4%	95	97	-2.3%
EBITDA	73	69	5.9%	239	202	18.0%
EBITDA Margin (%)	4.7%	4.5%	20pb	5.1%	4.4%	70pb
Interest Expense	32	22	45.5%	96	59	61%
Foreign Exchange Loss	(8)	(25)	-67.1%	3	(22)	NC
Income Before Tax	3	(12)	NC	51	24	115.9%
Net Income / (Loss)	2	(12)	NC	15	24	-38.4%
Net Debt / EBITDA 12 M	2.5x	2.5x		2.5x	2.5x	
Interest Coverage	2.4x	3.2x		2.4x	3.2x	

EBITDA = Earnings before interest, taxes, depreciation, and amortization; NC = not comparable

“The 7% recovery in oil prices between 3Q16 and 3Q17, from USD48.24 to USD51.67 per barrel, was a positive development within the complicated environment that Pochteca has faced in 2017. As we noted in our 4Q16 earnings press release, we had begun to see a recovery in the oil prices and some petroleum derivatives in the 1Q17, but unfortunately those gains were not sustained by the end of 2Q17 impacting the sector’s performance.”

The expansion of gross margin, operating profit and EBITDA was achieved despite adverse factors that emerged over the course of the third quarter. Firstly, Hurricane Harvey significantly affected the supply of a large number of raw materials during August and September, as some of our suppliers are located in the Greater Houston area of Texas. Shell, Calumet and other major producers experienced plant shutdowns and disruptions in their logistics chains. In addition, the September 19 earthquake in central Mexico caused that Pochteca temporarily shut down some operations and affected various customers and employees, leading to sales shortfalls in the immediate days after the quake. Nevertheless, during the quarter it was possible to grow sales slightly, operating income 23.9% and EBITDA by 5.9%.

### West Texas Oil (WTI) Prices (September 2013 = 100)

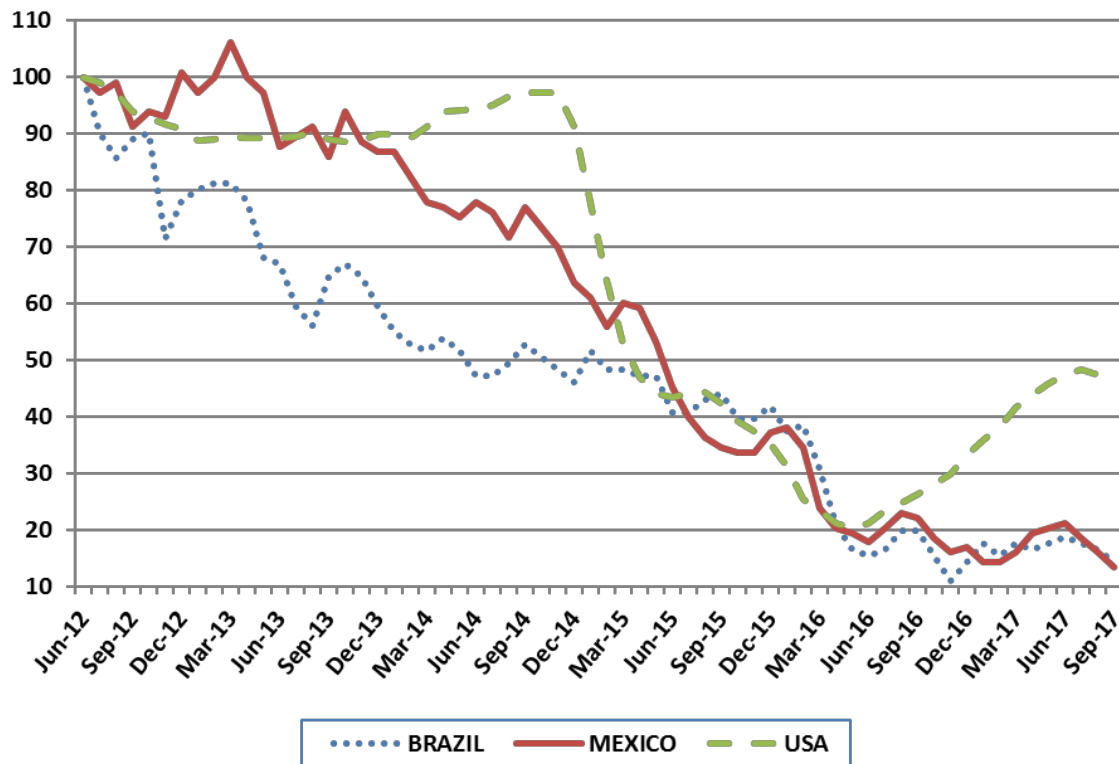


Source: Bloomberg

### Highlights from the most recent quarter

- **3Q17 marked the third consecutive quarter of annual growth in EBITDA and operating income, thereby reinforcing the positive trend change since 1Q17.**
  - After five consecutive quarters of strong declines year on year in operating income (of between -13% and -73%), and EBITDA (between -5% and -41%), we resumed growth in both indicators beginning in 1Q17.
  - In Mexico, we are seeing signs of recovery in key sectors for Pochteca such as mining, automotive vehicles and auto parts, chemicals, food and agriculture. We estimate a recovery in oil exploration and drilling over the long term, especially once activity gets underway in the 7 auctions of Rounds 1 and 2. Pochteca is well positioned to attend the demands of the wells that will result from those investments. Additionally, industrial activity contracted significantly in Brazil. A slight recovery in Brazil GDP is expected by the end of 2017 enabling a favorable change in the sales trend.
- **Still no evidence of recovery in the oil industry in Mexico or Brazil**
  - The number of active rigs in Mexico remains below December 2016 levels.
  - The oil industry has begun to recover in the United States, but in both Mexico and Brazil it remains locked in a deep recession, according to data published online by Baker Hughes.
  - This information shows that the number of rigs in the United States increased 80% between 3Q16 and 3Q17.
  - During that same period the number of rigs in Mexico and Brazil decreased 40% and 28%, respectively (see graph below), but this growth is against a rig number that was less than 15% of the number of rigs that were in operation at the peak level.
  - There has been an 88% contraction in the number of active rigs in Mexico since the peak number of 120 at the start of 2013; only 15 rigs were reported at the close of 3Q17. During that same period there have been declines of 82% in Brazil and 47% in the United States in the number of active rigs. Exploration and drilling is a key sector for Pochteca.

Active Oil Rigs (June 2012 = 100)



Source: Baker Hughes ([www.bakerhughes.com/rig-count](http://www.bakerhughes.com/rig-count))

- Sales in line with 3Q16.** Consolidated sales were steady compared with the same previous period. The Mexican peso's 12% revaluation up to September 2017 led to a reduction in the unit prices of products that we sell in dollars (more than 70% of our portfolio), and, to a lesser extent, in the prices of products of Mexican origin that are sold in pesos but are subject to international prices. The sales of our Brazilian operation trended lower during the first half of the year, but during 3Q17 sales increased slightly compared to 2Q17. During 3Q17, the sales of our Coremal subsidiary in that country declined 11% in pesos, and 8% in reals compared to 3Q16. The adverse impact in pesos was greater than 8% because the peso appreciated an annual 3% against the real compared to 3Q16, from 5.78 pesos to 5.63 pesos per real (quarterly average). As we have noted in previous quarterly reports, the weakness of the industrial sector in Brazil has severely affected our sales as the industrial sector is the main driver of our Brazilian business. However, activity gradually has begun to show a trend change.
- Gross income increased 1%,** from Ps 271 million in 3Q16 to Ps 274 million in the most recent quarter due to a **10 bp expansion of our gross margin to 17.6%.** Our constant efforts to prioritize sales of higher-margin and higher unit value products, and those with greater service and quality components, allowed us to partially reduce the margin erosion generated by peso revaluation. The revaluation of the peso in 2017 has generated a decrease in the value of the dollar denominated inventories that were purchased at higher exchange rates, resulting in margin pressures.

3Q16		3Q17
17.5%	Gross Margin	17.6%

- **Operating income increased 24%, from Ps 35 million in 3Q16 to Ps 43 million.** Operating margin of 2.8% was 50bp greater than in 3Q16.
- **EBITDA increased 6% compared to 3Q16** and the EBITDA margin improved 20bp to 4.7%.
- **Operating expenses (excluding depreciation) were 1% lower than in 3Q16.** Operating expenses as a percentage of sales declined from 13.0% in 3Q16 to 12.9% in 3Q17. These positive results reflect our efforts to control operating expenses. It is relevant to mention that the 1% annual decrease was achieved despite the fact that in Brazil a considerable part of our expenses are indexed and, are impelled by a higher inflation, and by federal mandated wage and salary increases. Additionally, the 3% year on year revaluation of the peso against the real from 5.78 to 5.63 per real (quarterly average), impacts Brazil's expenses at the same percentage when they are converted to pesos.

3Q16		3Q17
13.0%	Expenses / Sales	12.9%

- **Net interest expense increased 45% year on year during 3Q17** due to the higher interest rate paid by company:
  - In 3Q16, Pochteca paid an effective interest rate of 6.44%: a 4.69% TIIE plus a 175bp spread.
  - In 3Q17, the effective interest rate was 10.64%: 7.39% TIIE plus a 325bp spread, which increased due to a rise in Net Debt/EBITDA ratio. The EBITDA growth trend, and our increased cash generation, which will continue to grow our treasury position, may contribute to a reduction in the spread at the end of 2017.
- **A net profit of Ps 2 million in 3Q17 compared to a Ps 12 million net loss in 3Q16.** Despite the increase in financial expense and taxes, net profit improved supported by a greater operating income and a reduction in foreign exchange losses in 3Q17 compared to 3Q16.
- **Net debt ended 3Q17 at Ps 721 million, Ps 7 million (or 1%) more than in 3Q16.** A greater debt at Coremal and a 4% revaluation year-on-year of the Brazilian real relative to the Mexican peso, as well as the payment for Conjunto Lar acquisition, led to the increase in net debt, which we report in pesos.
  - Between 3Q16 and 3Q17, Coremal's net debt increased 52% in reals, from BRL 43.5 million to BRL 66.4 million.
  - The peso/real exchange rate appreciated 4% during the same period, from 5.91 to 5.69 pesos per real.
  - Therefore, Coremal's net debt increased 47% in pesos, from Ps 260 million to Ps 381 million.

- **As we reported to the investing public at the time, we concluded refinancing Pochteca's entire bank debt on March 30, 2017**, thereby improving our debt profile's maturity term. We signed a four-year syndicate loan of Ps 875 million with a one-year grace period. The interest rate is variable, based on the TIIE 91 day rate, with a spread ranging from 175 bp to 350 bp, depending on the level of consolidated leverage, recorded as Net Debt / EBITDA of between 1.5x and 3.0x.
- The following financial institutions participated in the "Club Deal":
  - HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC
  - Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa
  - Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat
  - BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer
- **Net Debt / EBITDA ratio of 2.5 times in 3Q17 was unchanged from that of 3Q16.** This level is above the limit of 2 times that we have set in our policy, and results from the shortfall in EBITDA relative to what we had projected in the past 12 months (particularly in 4Q16), as well as an increased debt. We are confident that, with margin improvements during 2017, slight sales growth, the reduction in expenses achieved through the corporate restructuring of 2016, the recovery expected in Brazil by year's end, and the absence of 2016's non recurring expenses, our EBITDA will climb back above 2015 levels, and allow the Net Debt / EBITDA ratio to conform, once again, to our target range.

	3Q17	3Q16
Gross Debt (Ps millions)	964	864
Net Debt (Ps millions)	721	714
Net Debt / EBITDA 12 M	2.53x	2.55x
Interest Coverage	2.42x	3.22x
Outstanding Shares	130,522,049	130,522,049

- **In 3Q17 interest coverage (EBITDA / interest) was 2.4 times.** This indicator is lower than the level of 3.2 times reported for 3Q16. As EBITDA increases, this indicator will improve both because of the reduction in the spread paid to banks resulting from the more favorable EBITDA / interest ratio, and the growth in EBITDA itself.
- **Working capital improved substantially compared to 3Q16, by falling from 29 days to 19 days.** Inventories and accounts receivables days was reduced, and suppliers also has improved. We have privileged liquidity and risk reduction over sales in light of a complicated economic environment in Brazil and the oil sector.
- **Cash flow generation.** During 2017, the company achieved an index of cash flow conversion from operating profit to EBITDA of 1.5 times, and of free cash flow (cash flows before taxes and CAPEX) of 1.2 times. This has allowed us to generate Ps 98 million in cash, which increased our cash position from Ps 145 million in December 2016 to Ps 243 million at the end of 3Q17, despite having acquired LAR with Ps 86 million of our own cash (not financed with debt). Net cash flow, excluding the LAR payment and incremental debt assumed during 2017, totaled Ps 184 million or 0.8 times EBITDA.

- **We will continue to focus on cash flow generation** with an energetic management of working capital, cost controls and expenses in order to achieve a higher level of EBITDA.

### **Stock buyback fund**

The managers of Grupo Pochteca's fund for repurchasing shares are the brokers listed below:

- 1) Punto Casa de Bolsa, S.A. de C.V.
- 2) GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa (GBM)

### **Independent analysis and brokerage coverage**

Grupo Pochteca, S.A.B. de C.V., registered with the independent analyst program and the Selection Subcommittee agreed to assign the company to the firm Consultora 414, S.A. de C.V., "CONSULTORA 414", to assume responsibility for providing analysis of POCHTECA stock. At present, Casa de Bolsa Interacciones and Signum Research have Pochteca under coverage.

### **About Grupo Pochteca**

Grupo Pochteca specializes in the sale and distribution of a broad array of industrial raw materials, catering to more than 40 industrial sectors including water treatment, mining, the food and automotive industries, oil exploration and drilling, personal care, cleaning and sanitation products, metalworking and dozens of other industries. In order to better attend to those industries, the company is organized into five major business segments:

1. Solvents and blends
2. Lubricants and greases
3. Chemicals for the food industry
4. Inorganic chemicals
5. Paper and board

The Company includes more than 6,500 products in its catalogue that consist of both generic and specialized products with which to cater to each segment of the industries it serves. Through our 30 distribution centers in Mexico, three in Central America, and eight in Brazil, we serve over 17,000 customers each year in more than 500 cities with support provided by specialists in each sector who in turn rely on seven quality control laboratories, and five specializing in research and application development. The company also enjoys the support of domestic and foreign suppliers that are internationally regarded as industry leaders.

## GRUPO POCHTECA, S.A.B. DE C.V. STATEMENT OF COMPREHENSIVE INCOME

Information in thousands of Mexican Pesos

	3Q17	2Q17	3Q16	(<strong>%) 3Q17 vs</strong> 2Q17 3Q16		YTD 17	YTD 16	(<strong>%) YTD 17 vs. YTD 16
Sales	1,556,305	1,511,084	1,554,647	3.0	0.1	4,671,479	4,580,299	2.0
Cost of Sales	(1,282,637)	(1,237,984)	(1,283,293)	3.6	(0.1)	(3,840,622)	(3,772,822)	1.8
<b>Gross profit</b>	<b>273,668</b>	<b>273,100</b>	<b>271,354</b>	0.2	0.9	<b>830,857</b>	<b>807,477</b>	2.9
	17.6%	18.1%	17.5%			17.8%	17.6%	
Operating expenses	(200,248)	(191,912)	(202,057)	4.3	(0.9)	(591,937)	(605,075)	(2.2)
	-12.9%	-12.7%	-13.0%			-12.7%	-13.2%	
Depreciation	(30,069)	(30,110)	(34,307)	(0.1)	(12.4)	(95,109)	(97,324)	(2.3)
Operating profit	43,351	51,077	34,991	(15.1)	23.9	143,811	105,078	36.9
	2.8%	3.4%	2.3%			3.1%	2.3%	
Depreciation	30,069	30,110	34,307	(0.1)	(12.4)	95,109	97,324	(2.3)
<b>EBITDA</b>	<b>73,420</b>	<b>81,187</b>	<b>69,298</b>	(9.6)	5.9	<b>238,920</b>	<b>202,402</b>	18.0
	4.7%	5.4%	4.5%			5.1%	4.4%	
Interest expense	(32,389)	(33,935)	(22,263)	(4.6)	45.5	(95,634)	(59,409)	61.0
Foreign exchange gain (loss)	(8,094)	(11,264)	(24,588)	(28.1)	(67.1)	2,774	(22,073)	NC
Financing costs	(40,483)	(45,198)	(46,850)	(10.4)	(13.6)	(92,860)	(81,483)	14.0
	-2.6%	-3.0%	-3.0%			-2.0%	-1.8%	
<b>Income before tax</b>	<b>2,868</b>	<b>5,879</b>	<b>(11,859)</b>	(51.2)	NC	<b>50,951</b>	<b>23,595</b>	115.9
Income taxes	(2,495)	(9,038)	4,221	(72.4)	NC	(28,285)	(4,060)	596.7
Deferred taxes	1,130	(178)	(4,021)	NC	NC	(8,123)	4,090	NC
<b>NET INCOME (LOSS)</b>	<b>1,504</b>	<b>(3,337)</b>	<b>(11,659)</b>	NC	NC	<b>14,542</b>	<b>23,625</b>	(38.4)
NC= not comparable	0.1%	-0.2%	-0.7%			0.3%	0.5%	



## GRUPO POCHTECA, S.A.B. DE C.V. BALANCE SHEET

Information in thousands of Mexican Pesos

	Sep-17	Jun-17	Sep-16	(% Sep-17 vs. Jun-17 Sep-16)	
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	243,026	293,626	149,264	(17.2)	62.8
TRADE ACCOUNTS RECEIVABLE	923,764	902,111	959,456	2.4	(3.7)
OTHER ACCOUNTS RECEIVABLE	233,887	212,696	266,484	10.0	(12.2)
INVENTORIES	871,452	902,545	899,815	(3.4)	(3.2)
TOTAL CURRENT ASSETS	2,272,129	2,310,978	2,275,018	(1.7)	(0.1)
PROPERTY, PLANT & EQUIPMENT, NET	758,114	763,724	821,337	(0.7)	(7.7)
DEFERRED ASSETS	697,293	698,524	560,676	(0.2)	24.4
TOTAL ASSETS	3,727,537	3,773,226	3,657,031	(1.2)	1.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
TRADE ACCOUNTS PAYABLE	1,228,124	1,132,964	1,173,116	8.4	4.7
BANK LOANS	233,967	101,267	402,553	131.0	(41.9)
OTHER ACCOUNTS PAYABLE	170,575	312,349	200,041	(45.4)	(14.7)
TOTAL CURRENT LIABILITIES	1,632,666	1,546,579	1,775,710	5.6	(8.1)
OTHER LONG-TERM ACCOUNTS PAYABLE	152,699	150,127	174,623	1.7	(12.6)
LONG-TERM DEBT	729,977	871,697	461,022	(16.3)	58.3
TOTAL LONG-TERM LIABILITIES	882,676	1,021,824	635,644	(13.6)	38.9
TOTAL LIABILITIES	2,515,342	2,568,404	2,411,354	(2.1)	4.3
CONTRIBUTED CAPITAL	1,177,502	1,177,502	1,174,289	0.0	0.3
PROFIT (LOSS) FOR THE PERIOD	14,542	13,039	23,625	11.5	(38.4)
ACCUMULATED PROFIT	68,297	68,297	73,250	(0.0)	(6.8)
TRANSLATION EFFECT OF FOREIGN OPERATIONS	(48,146)	(54,015)	(25,486)	(10.9)	88.9
TOTAL EQUITY	1,212,195	1,204,822	1,245,677	0.6	(2.7)
TOTAL LIABILITIES AND EQUITY	3,727,537	3,773,226	3,657,031	(1.2)	1.9



## INFORMATION FOR INVESTORS

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*Note: This report may contain forward-looking statements regarding the Company's performance. They must be seen as good faith estimations made by the Company. These forward-looking statements reflect management's point of view and expectations and are based on information that is currently available. They suppose risks and uncertainties, including economic conditions prevailing in Mexico and abroad, as well as fluctuations in the value of the Mexican peso against other currencies and the prices of our products and inputs.*

*All figures contained in this report are expressed in nominal Mexican pesos and the financial results are presented under IFRS.*

*All comparisons for 2017 contained in this report have been made against the figures for the comparable period of 2016 except where indicated.*