

## GRUPO POCHTECA REPORTS ITS RESULTS FOR THE FIRST QUARTER OF 2016

Mexico City, April 28, 2016 – Grupo Pochteca, S.A.B. de C.V. (“Pochteca” or “the Company”) (BMV: POCHTEC) announced today its unaudited results for the quarter ended March 31, 2016 (“1Q16”).

### Report Highlights

- **Sales +1%** year on year to Ps 1.48 billion
- **Gross margin 18.3%**, +10 bp compared to 1Q15
- **Operating profit -13%** to Ps 47 million
- **Consolidated EBITDA -5%** to Ps 77 million
- **Consolidated EBITDA margin 5.2%**, -30 bp below that of 1Q15
- **Net income of Ps 30 million**, more than four times greater than the level reported for 1Q15
- **Net Debt to EBITDA decreased to 1.98 times**, in line with our internal policy of not surpassing 2 times.

1Q16 results came in weaker than expected due to a combination of internal and external factors. In that regard, Armando Santacruz, Grupo Pochteca’s Chief Executive Officer commented that, “During the first quarter of 2016 we continued to encounter a highly complicated business environment. Economic activity, especially that of the industrial sector, continues to deteriorate in Brazil, adversely affecting our ability to meet our own targets. There has been no easing of the deflationary and recessionary environment affecting a number of industries that are of key importance to the products we distribute, and we are yet to see any sign of improvement to come. Between 1Q15 and 1Q16, the price of oil fell 20%, from USD47.60 to USD38.34 per barrel. We should note that the decline registered over the last 12 month period was in relation to already depressed prices as the USD47.60 per barrel price at the end of 1Q15 marked a 12 month reduction of 53% compared to the close of 1Q14.

### Lower prices for the products we distribute

Although the drop in dollar prices was partially offset by the weakening of the Mexican currency relative to the US dollar, the peso prices of the oil derivatives that Grupo Pochteca distributes fell by between 10% and 35% over the course of the past 12 months.

### Fallout from Pemex delaying payments to suppliers

The lack of liquidity resulting from the delays in Pemex payments to its suppliers has significantly reduced the ability of such firms to make payments on time to Pochteca. As a result, we have had to restrict sales to a significant number of customers in that sector due to their current inability to settle accounts on the goods they acquire.

## Oil industry slowdown

"We believe it is useful to point out, as we have done in previous statements, the significant contraction in the number of active oilrigs has continued unabated in a sign of the profoundly recessive environment enveloping the oil industry. According to data published on line by Baker Hughes, the number of active rigs in the United States, Mexico and Brazil continued to fall significantly in the past 12 months with declines of 59%, 46% and 28%, respectively (see graph on page 3). Those reductions in activity came on top of the collapse experienced during 2015, when the number of active rigs fell by 61% in the United States, 42% in Mexico, and 10% in Brazil."

### SELECTED FINANCIAL INFORMATION (MILLIONS OF PESOS)

	1Q16	1Q15	(%) 1Q16 vs 1Q15
Sales	1,483	1,472	1%
Gross Profit	272	268	1%
Gross Margin (%)	18.3%	18.2%	10pb
Operating Profit	47	54	-13%
Operating Margin (%)	3.2%	3.7%	-50pb
Depreciation	31	27	12%
EBITDA	77	81	-5%
EBITDA Margin (%)	5.2%	5.5%	-30pb
Interest Expense	18	28	-36%
Foreign Exchange Loss	12	(15)	NC
Income Before Tax	41	11	269%
Net Income / (Loss)	30	7	346%
Net Debt / EBITDA 12 M	2.0x	1.9x	
Interest Coverage	3.6x	2.8x	

*EBITDA = operating income before depreciation and amortization; NC = non comparable*

## Declines of 13% in operating income and 5% in EBITDA during 1Q16

The highly adverse context we are experiencing in Mexico and Brazil negatively affected our results for 1Q16. For a second consecutive quarter we experienced contractions in operating profit (-13%) and EBITDA (-5%). Some of the factors that undercut our 1Q16 results were the extent to which results in Brazil proved to be much weaker than anticipated, as well as some non recurring expenses we incurred including those related to an accident that occurred in our San Luis Potosí plant on January 30. Fortunately, security protocols were properly activated on time and there was no need to hospitalize any employee as only minor injuries were experienced.

## Broad diversification: touchstone of our strategy

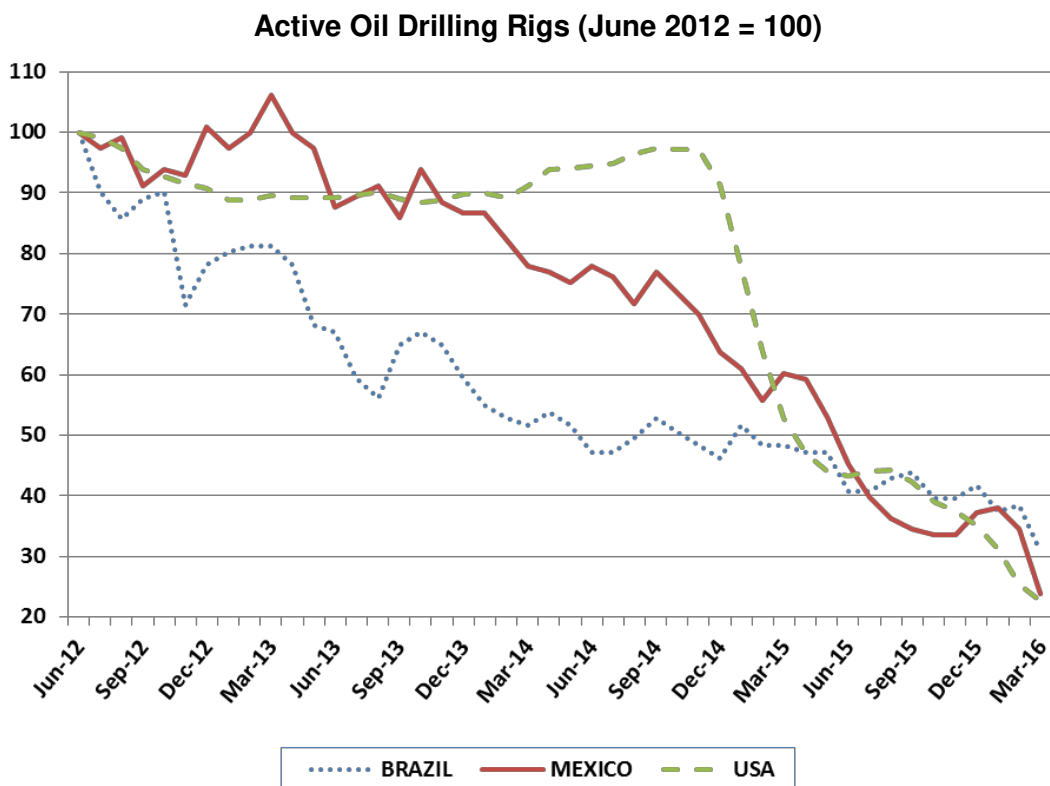
Client and product diversification (our top five customers account for less than 6.5% of revenues and no single product or client represents as much as 2% of sales) have been very valuable in a business environment marked by double digit price deflation on several key products. In addition, some of our

clients have seen a double-digit contraction in demand for their products that in some cases has exceeded 50% such as in the case of oil and gas. This diversification has allowed us to defend margins and sales by recomposing the mix of products and clients in order to keep growing our operating profit in the new environment.

We continue to strengthen our one-stop-shop proposal and to maintain the company management model based on a broad diversification of products and clients, sales with strong technical support, as well as a growing emphasis on value added blends.

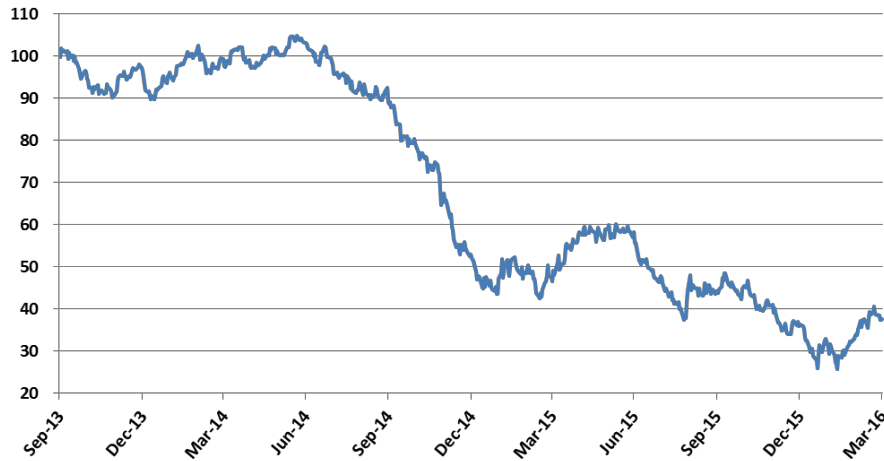
### **Graphs that show the deflationary and recessive environment**

As in previous quarters, we include some charts that illustrate the sharp decline in the prices of oil, steel and other important metals such as gold, silver, copper, iron and aluminum. We also include one graph that illustrates the sharp decrease over the past four years in the number active oilrigs including offshore platforms in Brazil, Mexico and the United States. Lastly, the contraction in Brazil's GDP has emerged as another headwind; after having been flat in 2014, that country's economy contracted 3.8% in 2015. Consensus estimates currently anticipate another 3.9% contraction for 2016.



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

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



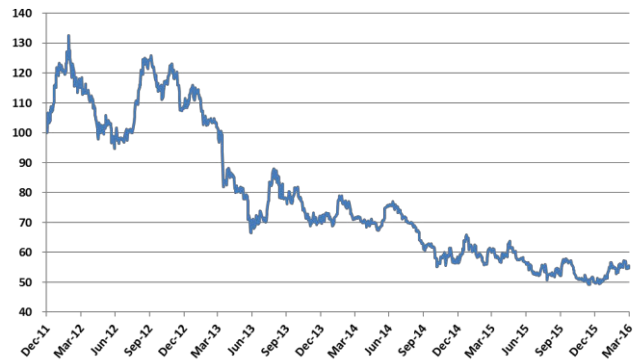
Source: Bloomberg

### Gold Prices (September 2012 = 100)



Source: Bloomberg.

### Silver Prices (December 2011 = 100)

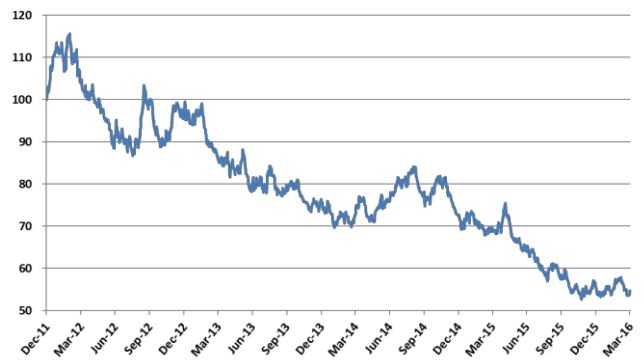


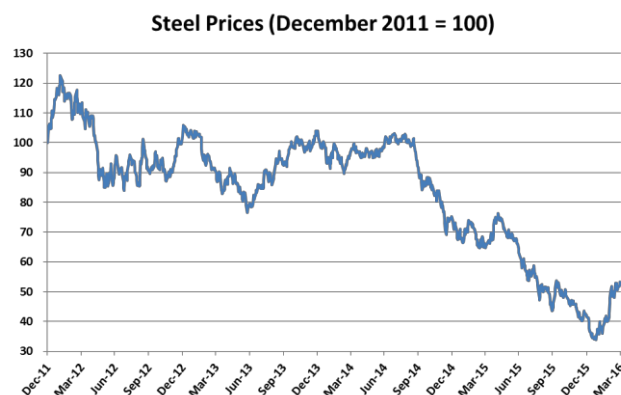
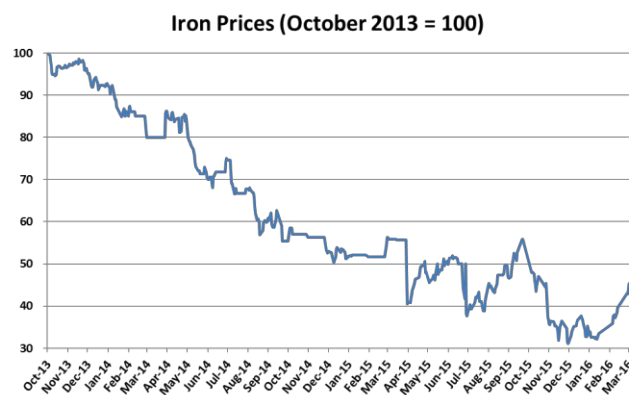
### Copper Prices (December 2011 = 100)



Source: Bloomberg

### Aluminum Prices (December 2011 = 100)





Source: Bloomberg

### Highlights from the most recent quarter

- **The adverse environment negatively impacted our profitability**
  - Primarily as a result of the greatly reduced prices for oil and related products as well as the severe deceleration of activity experienced in the oil and gas industry, we experienced declines in our operating income and EBITDA. It is important to note that more than 25% of our sales in Mexico consist of petroleum based solvents, coatings and blends.
  - Some of our major products experienced significant price deflation year on year during 1Q16. The reductions we mention below are in relation to the prices of 1Q15. Cases in point are those of:
    - dairy derivatives, whose prices fell between 26% and 43% and,
    - corn derivatives, with price declines of between 11% and 24%.
      - Current prices for these two product lines are the lowest seen in the past four years.
  - Oil and gas exploration and drilling activity, a key sector for Pochteca, remains significantly depressed. We do not foresee any recovery in the short or intermediate terms.
  - The lack of liquidity prevailing in the oil and gas industry has greatly reduced the ability of participants in that sector to meet payments as they encounter major obstacles and long delays for collecting their accounts receivable.
    - This problem has obliged us to reduce our exposure to that sector, a decision that reduced our sales to oil and gas companies by a greater degree than what was already implied by the contraction in demand.
  - We remain convinced that export oriented manufacturing and energy reform will continue to serve as growth drivers in Mexico. We see our exposure to export manufacturing as a continuing point of strength for Pochteca.

- We believe that the growth of Mexican manufacturing will continue to benefit from the country's energy reform although possibly at a slower pace than what we anticipated when the reform was passed in 2013.
  - We reiterate our confidence that the competitive gap with China will continue to open in Mexico's favor, thereby luring more companies to set up operations in Mexico from which to supply the US market.
  - The business climate in Brazil has grown much more complicated than previously expected and new obstacles arise from day to day.
  - One positive factor that has allowed us to partially mitigate the problems we face in Brazil is the extent to which we have been able to successfully penetrate sectors in which Coremal had lacked any participation prior to the arrival of Pochteca, such as oil exploration and drilling.
- **Sales slightly above 1Q15.** Consolidated sales increased 1%. The negative effect of falling prices on the products we sell was greater than the positive impact of a weaker peso. The peso averaged 14.94 to the dollar in 1Q15, and 18.06 to the dollar in 1Q16, a 12 month depreciation of 21%.
  - **Gross income grew 1%, from Ps 268 million in 1Q15 to Ps 272 million in the most recent quarter,** despite reductions in prices for key products such as solvents, dairy derivatives, corn derivatives and mining inputs.
  - **Our gross margin expanded 10 basis points to 18.3%** thanks to our effective cost controls and increasing focus on higher margin products such as blends and chemicals for the food industry. The 21% weakening of the peso in relation to the US dollar (USD) between 1Q15 and 1Q16 partially cancelled out the effect of the contraction in raw material prices.

1Q15		1Q16
18.2%	Gross margin	18.3%

- **Operating income decreased by 13% in 1Q16, falling from Ps 54 million in 1Q15 to Ps 47 million.** A 3.2% operating margin was 50 basis points lower than in 1Q15. The adverse effect of lower prices on the products we sell neutralized the favorable effects of our growing emphasis on sales of value added products. Moreover, operating income was also limited by the extraordinary expenses we incurred during the quarter.
- **EBITDA decreased 5% compared to 1Q15** at the same time as the EBITDA margin narrowed 30 basis points to 5.2%.

- **Operating expenses (excluding depreciation) increased 4% compared to 1Q15.** Expenses as a percentage of sales increased from 12.7% in 1Q15 to 13.1% in 1Q16.

1Q15		1Q16
12.7%	Expenses / Sales	13.1%

- **Net interest expense decreased 36% year on year during 1Q16** in an extension of the downtrend in financial expenses from quarter to quarter that we have experienced for quite some time. This allowed us to reduce during 1Q16 consolidated net interest expense by more than a third compared to 1Q15.
- **The company recorded a Ps 30 million net profit for 1Q16, more than four times greater than what we registered for 1Q15.** This strengthening of the bottom line reflected the extent of foreign exchange gains during the most recent quarter in contrast to the forex losses of 1Q15.
- **Net debt at the end of 1Q16 was Ps667 million, Ps 69 million or 12% more than at the end of 1Q15.** It is important to mention that, as we informed the public at the time, we concluded our refinancing of a Ps610 million, syndicated credit with HSBC México, S.A., Institución de Banca Múltiple, and Grupo Financiero Inbursa, S.A. on December 4, 2014. The original credit had been scheduled to come due in June 2016. The new loan is for four years with a one-year grace period.
- **Net Debt to EBITDA increased slightly from 1.9 times in 1Q15 to 2.0 times in 1Q16, a level in line with our internal policy of not surpassing 2 times.** It is important to point out that this indicator had risen from 1.8 times in 3Q13, prior to the Coremal acquisition, which concluded December 31, 2013, to a more than two year high of 2.8 times at the end of 2Q14.
- **In 1Q16 interest coverage (EBITDA / interest) was 3.6 times.** This indicator is higher than the level of 2.8 times reported for 1Q15.

	1Q16	1Q15
Net Debt (Ps millions)	667	598
Net Debt / EBITDA 12 M	2.0x	1.9x
Interest Coverage	3.6x	2.8x
Outstanding Shares	130,522,049	130,522,049

### **Stock buyback fund**

The managers of Grupo Pochteca's fund for repurchasing shares are:

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

On October 7, 2015 we informed market participants that as of that date we began to manage our share repurchase fund with GBM. This share repurchase fund had been managed by Punto Casa de Bolsa, S.A. de C.V., which will continue managing it jointly with GBM. With this initiative, Pochteca aims to increase the liquidity of its shares in the stock market with the support of these two financial institutions.

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

Grupo Pochteca, S.A.B. de C.V., registered with the independent analysis 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 Vector Casa de Bolsa 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 5,500 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 33 distribution centers in Mexico, three in Central America, and seven in Brazil, we serve over 19,000 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. BALANCE SHEET

Information in thousands of Mexican Pesos

	Mar-16	Dec-15	Mar-15	(%) Mar-16 vs. Dec-15   Mar-15	
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	186,509	385,672	321,881	(51.6)	(42.1)
TRADE ACCOUNTS RECEIVABLE	958,233	883,703	951,872	8.4	0.7
OTHER ACCOUNTS RECEIVABLE	116,373	105,032	71,738	10.8	62.2
INVENTORIES	852,500	830,616	997,730	2.6	(14.6)
ASSETS HELD FOR SALE	12,727	12,727	12,727	0.0	0.0
<b>TOTAL CURRENT ASSETS</b>	<b>2,126,342</b>	<b>2,217,750</b>	<b>2,355,948</b>	<b>(4.1)</b>	<b>(9.7)</b>
PROPERTY, PLANT & EQUIPMENT, NET	841,540	846,237	873,297	(0.6)	(3.6)
DEFERRED ASSETS	582,028	595,623	589,981	(2.3)	(1.3)
<b>TOTAL ASSETS</b>	<b>3,549,910</b>	<b>3,659,610</b>	<b>3,819,227</b>	<b>(3.0)</b>	<b>(7.1)</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
TRADE ACCOUNTS PAYABLE	993,218	1,100,830	1,411,384	(9.8)	(29.6)
BANK LOANS	276,331	149,953	117,056	84.3	136.1
OTHER ACCOUNTS PAYABLE	163,512	127,732	104,131	28.0	57.0
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,433,061</b>	<b>1,378,515</b>	<b>1,632,571</b>	<b>4.0</b>	<b>(12.2)</b>
OTHER LONG-TERM ACCOUNTS PAYABLE	301,878	348,368	248,360	(13.3)	21.5
LONG-TERM DEBT	577,341	753,967	802,541	(23.4)	(28.1)
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>879,220</b>	<b>1,102,335</b>	<b>1,050,901</b>	<b>(20.2)</b>	<b>(16.3)</b>
<b>TOTAL LIABILITIES</b>	<b>2,312,280</b>	<b>2,480,850</b>	<b>2,683,472</b>	<b>(6.8)</b>	<b>(13.8)</b>
CONTRIBUTED CAPITAL	1,207,468	1,190,485	1,156,255	1.4	4.4
PROFIT (LOSS) FOR THE PERIOD	30,291	33,542	6,793	(9.7)	345.9
ACCUMULATED PROFIT	44,806	11,264	44,650	297.8	0.3
TRANSLATION EFFECT OF FOREIGN OPERATIONS	(44,935)	(56,531)	(71,943)	(20.5)	(37.5)
<b>TOTAL EQUITY</b>	<b>1,237,630</b>	<b>1,178,760</b>	<b>1,135,754</b>	<b>5.0</b>	<b>9.0</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,549,910</b>	<b>3,659,610</b>	<b>3,819,227</b>	<b>(3.0)</b>	<b>(7.1)</b>

NC= not comparable

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

Information in thousands of Mexican Pesos

	1Q16	4Q15	1Q15	<div>(%) 1Q16 vs 4Q15    1Q15</div>	
Sales	1,483,146	1,534,852	1,472,148	(3.4)	0.7
Cost of Sales	(1,211,558)	(1,254,730)	(1,204,106)	(3.4)	0.6
<b>Gross profit</b>	<b>271,588</b>	<b>280,122</b>	<b>268,041</b>	(3.0)	1.3
	18.3%	18.3%	18.2%		
Operating expenses	(194,192)	(202,529)	(186,716)	(4.1)	4.0
	-13.1%	-13.2%	-12.7%		
Depreciation	(30,615)	(27,737)	(27,311)	10.4	12.1
Operating profit	46,781	49,856	54,014	(6.2)	(13.4)
	3.2%	3.2%	3.7%		
Depreciation	30,615	27,737	27,311	10.4	12.1
<b>EBITDA</b>	<b>77,396</b>	<b>77,593</b>	<b>81,325</b>	(0.3)	(4.8)
	5.2%	5.1%	5.5%		
Interest expense	(17,956)	(18,110)	(28,131)	(0.9)	(36.2)
Foreign exchange gain (loss)	12,230	(5,077)	(14,752)	(340.9)	NC
Financing costs	(5,726)	(23,187)	(42,883)	(75.3)	(86.6)
	-0.4%	-1.5%	-2.9%		
<b>Income before tax</b>	<b>41,055</b>	<b>26,669</b>	<b>11,131</b>	53.9	268.8
Income taxes	(11,756)	2,003	(10,414)	NC	12.9
Deferred taxes	992	(3,882)	6,076	NC	(83.7)
<b>NET INCOME (LOSS)</b>	<b>30,291</b>	<b>24,790</b>	<b>6,793</b>	22.2	345.9
<b>NC= not comparable</b>	2.0%	1.6%	0.5%		



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*Note: This report may contain forward-looking statements regarding the Company's performance. They should be regarded as good-faith estimates 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 in compliance with the recognition, measurement, presentation and disclosure requirements set out in IFRS.*

*All comparisons for 2016 contained in this report have been made against the figures for the comparable period of 2015 except where indicated.*