

## GRUPO POCHTECA REPORTS ITS RESULTS FOR THE THIRD QUARTER OF 2014

**Mexico City, October 27, 2014 – Grupo Pochteca, S.A.B. de C.V. (“Pochteca” or “the Company”)** (BMV: **POCHTEC**) published its unaudited results for the quarter ended September 30, 2014 ("3Q14"). Sales grew 35% year on year to Ps 1,566 million, while EBITDA increased 68% to Ps 77.6 million.

Commenting on these 3Q14 results, Mr. Armando Santacruz, Pochteca’s Chief Executive Officer said, “We are proud to report a strong increase in EBITDA in such a highly complicated environment in which activity remains depressed in sectors that are of key importance to Pochteca such as mining and construction. Looking ahead, we believe our company is well positioned to benefit from the growth that Mexico’s energy reform can bring to petroleum exploration and drilling, sectors that directly account for close to 8% of our sales. Over the medium term, all of our operations will benefit once we begin to see an end to the gas shortages (known as “alertas de gas”) that currently affect a significant percentage of our clients and as the supply of electric energy becomes more constant and electric power rates gradually fall.”

### SELECTED FINANCIAL INFORMATION (MILLIONS OF PESOS)

	3Q14	3Q13	(%) 3Q14 vs 3Q13	YTD 14	YTD 13	(%) YTD 14 vs YTD 13
Sales	1,556	1,151	35%	4,533	3,345	36%
Gross Profit	266	181	47%	774	563	37%
Gross Margin (%)	17.1%	15.7%		17.1%	16.8%	
Operating Profit	49	30	67%	140	126	11%
Operating Margin (%)	3.2%	2.6%		3.1%	3.8%	
Depreciation	28	16	71%	79	43	82%
EBITDA	78	46	68%	218	169	29%
EBITDA Margin (%)	5.0%	4.0%		4.8%	5.1%	
Interest Expense	28	15	88%	85	43	98%
Foreign Exchange Loss	25	10	146%	23	25	-8%
Income Before Tax	(3)	5	NC	32	58	-45%
Net Income / (Loss)	(5)	4	NC	18	32	-45%

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

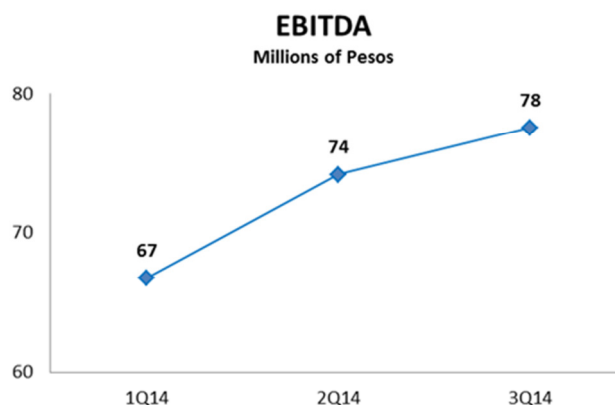
### Highlights from the most recent quarter

- **The environment remains complicated.** As we noted in our 2013 annual report and in our statement on 2Q14 results, demand generally remains weak. The mining and construction industries, to which we supply raw materials, have yet to show signs of recovery. The price environment remains erratic and those of petroleum derivatives have begun to experience downward pressures as a result of falling crude prices. We also continue to see limited liquidity among companies engaged in oil exploration and drilling activities, which has delayed recovery of accounts receivable.

- **Sales increased 35% compared to 2Q14.** Despite the adverse environment we are facing, in 3Q14 consolidated sales grew 35% thanks to the incorporation of Coremal in Brazil, which we acquired on December 31, 2013.
- **The consolidated gross margin widened 140 basis points.** Despite the lack of recovery experienced by most of the sectors in which we participate, we managed to grow the gross margin by 140 basis points from 15.7% to 17.1% thanks to effective cost controls and greater sales of higher margin products such as solvents, blends and chemicals for the food industry.

3Q13		3Q14
15.7%	Gross Margin	17.1%

- **Gross profit increased 47% in 3Q14, rising from Ps 181 million in 3Q13 to Ps 266 million.** Gross profit and margins might increase if the Mexican peso remains at the weak levels relative to the US dollar that we have seen recently, thereby appreciating the value of inventories and strengthening the gross margins of our products.
- **Operating income grew 67% in 3Q14, from Ps 30 million in 3Q13 to Ps 49 million.** Operating margin expanded by 60 basis points to 3.2%. Both increases were achieved largely thanks to a robust 47% rise in gross income. Excluding the incorporation of Coremal, operating income grew 23% in 3Q14.
- **EBITDA increased 68% compared to 2Q14 and the EBITDA margin widened 100 basis points to 5%.** This improvement largely reflects the incorporation of Coremal as well as organic growth. The combination of a higher gross margin and effective expense controls allowed EBITDA to grow 29% excluding Coremal.
- **Brazil showed a recovery in 3Q14.** Brazil's EBITDA (Coremal operation) recovered a robust 55% in 3Q14 compared to a weak 2Q14, a period when activity slowed sharply due to the soccer World Cup; EBITDA fell 29% between 1Q14 and 2Q14.
- **Consolidated EBITDA including Coremal has trended favorably in 2014.** During 2014 we have strengthened EBITDA both in Mexico and Brazil as the following figure shows. Compared to the immediately preceding quarter, consolidated EBITDA increased 10% in 2Q14 and 5% in 3Q14.



- **Operating expenses as a percentage of sales increased from 11.7% in 3Q13 to 12.1% in 3Q14 due to the addition of Coremal.** Our Brazilian subsidiary is operating at a 12.8% expense ratio, almost 100 basis points above that of Pochteca in Mexico. This percentage excludes depreciation.

3Q13		3Q14
11.7%	Operating Expenses / Sales	12.1%

- **We remain focused on our strategy for reducing operating expenses.** Our goal is to lower operating expenses to 11% of sales in order to achieve higher operating and EBITDA margins.
- **The company recorded a Ps 3 million pre tax loss and a Ps 5 million net loss for 3Q14 due to the following factors.**
  - **Depreciation increased 71% on unusually high investments in 2013 (Ps 208 million)** for the company's warehousing, transport and information technology needs. Investment during 2014 is not expected to surpass Ps 85 million. We expect the growth trend in depreciation will be close to zero.
  - **Greater financial expenses (+88%) resulting from** a) Consolidation of Coremal's debt in Brazil, on which it was, until recently, paying interest rates more than double those Pochteca pays in Mexico. b) Incremental debt to finance the acquisition of Coremal. Total debt increased 118% compared to 2Q14. Moreover, we experienced greater foreign exchange losses in 3Q14 than in 3Q13 owing to the depreciation of the Mexican peso and the Brazilian real against the US dollar.
  - **Financial expenses should be lower going forward** as we have managed to refinance the debt of Coremal in Brazil at a rate 295 basis points lower than before. We are also confident we will be able to generate higher cash levels through a) increased

EBITDA, b) reduced inventories and c) improved terms of payment to suppliers, especially in Coremal.

- **Improved working capital.** At the end of 3Q14 our working capital was equivalent to 34 days of sales, 8 fewer days compared to 4Q13 and 3 fewer days than in 2Q14. Our main challenge is to continue scaling back inventories and reducing accounts receivable in order to lower our leverage.
- **Net debt at the end of 3Q14 stood at Ps 736 million, Ps 361 million (or 97%) greater than in 3Q13.** The increase was largely due to Coremal debt worth Ps 245 million, which had not yet been acquired in 3Q13. In addition, we took out Ps 170mdp in new debt with which to fund the acquisition of Coremal. It is important to note that while we report Ps 696 million in short-term bank loans at the end of 3Q14, we are currently working to roll over a Ps 610 million credit that is due in the second quarter of 2015, which will be refinanced at a four-year term. We expect to conclude that transaction during the first weeks of November.
- **Net debt / EBITDA was 2.6 times at 3Q14.** This is for the moment above our internal target of no more than 2.0 times. We will remain focused on generating cash flows through a strict management of working capital and both cost and expense controls with which to increase EBITDA.
- **In 3Q14 interest coverage (EBITDA / interest) was 2.3 times.** This indicator is below the 3.4x ratio of 3Q13.

	3Q14	3Q13
Net Debt (Ps millions)	736	374
Net Debt / EBITDA 12 M	2.6x	1.9x
Interest Coverage	2.3x	3.4x
Outstanding Shares	130,522,049	130,522,049

### Strengthening our Management Team

During 3Q14 Pochteca bolstered its leadership team by incorporating two executives with vast experience.

#### **Chief Operating Officer**

Rafael Dávalos Sandoval, who previously served as CEO of Mexichem and CEO of a joint venture between Mexichem and Pemex (PMV Petroquímica Mexicana de Vinilo), was hired as Chief Operating Officer. Mr. Dávalos was actively engaged in the acquisition and consolidation of all of the companies that led in the past decade to the accelerated growth of Mexichem. His vast experience in operating departments will be especially valuable for Grupo Pochteca, given the company's high volume of transactions as well as its logistical and operational complexity.



### **Chief Financial Officer**

Juan Carlos Mateos, with almost 30 years of experience in the corporate and financial sectors, joined the company as its Chief Financial Officer. He worked in Finance at Procter & Gamble and Grupo Gigante, where he set up and led departments that handled the company's listing on the Bolsa Mexicana de Valores. In the financial sector, he worked in corporate banking at The Chase Manhattan Bank and has served as head of equity research at Merrill Lynch Mexico, BBVA Bancomer and HSBC. His more than 18 years of experience in equity analysis will help him contribute to closer relations with local and international investors, which we trust will lead to the stock achieving greater liquidity in the medium-term.

### **Market maker**

In order to increase the stock's liquidity and complement the steps the company is taking to better attend to the investing public, as of October 22 UBS Casa de Bolsa, S.A. de C.V. began working as the designated market maker for Grupo Pochteca, S.A.B. de C.V. We are confident that this decision as well as other measures the company has taken will make for a greater depth of trading in our shares.

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

Grupo Pochteca, S.A.B. de C.V., registered in 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 Actinver Casa de Bolsa, Vector Casa de Bolsa and BBVA Bancomer have Pochteca under coverage.

### **About Grupo Pochteca**

Grupo Pochteca is a Mexican group with international scope, which specializes in the sale and distribution of a great array of industrial raw materials. Our product portfolio includes paper and board, chemicals and lubricants, as well as integrated solutions. We have become the preferred partner of our customers by covering their specific needs in a timely and reliable manner.

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

Information in thousands of Mexican Pesos

	sep-14	jun-14	dec-13	(%) Sep 14 vs. jun-14 dec-13	
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	211,181	161,467	181,371	30.8	16.4
TRADE ACCOUNTS RECEIVABLE	1,047,003	1,056,850	974,226	(0.9)	7.5
OTHER ACCOUNTS RECEIVABLE	125,615	132,871	50,945	(5.5)	146.6
INVENTORIES	982,232	982,760	889,876	(0.1)	10.4
<b>TOTAL CURRENT ASSETS</b>	<b>2,366,031</b>	<b>2,333,948</b>	<b>2,096,418</b>	1.4	12.9
PROPERTY, PLANT & EQUIPMENT, NET	905,550	916,728	921,839	(1.2)	(1.8)
DEFERRED ASSETS	679,289	669,934	615,011	1.4	10.5
<b>TOTAL ASSETS</b>	<b>3,950,870</b>	<b>3,920,610</b>	<b>3,633,268</b>	0.8	8.7
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
TRADE ACCOUNTS PAYABLE	1,296,558	1,271,569	1,052,839	2.0	23.1
BANK LOANS	696,071	174,749	186,306	298.3	NC
OTHER ACCOUNTS PAYABLE	273,271	280,538	281,103	(2.6)	(2.8)
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,265,900</b>	<b>1,726,856</b>	<b>1,520,248</b>	31.2	49.0
OTHER LONG-TERM ACCOUNTS PAYABLE	234,454	238,844	301,413	(1.8)	(22.2)
LONG-TERM DEBT	251,151	745,256	617,761	(66.3)	(59.3)
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>485,605</b>	<b>984,100</b>	<b>919,174</b>	(50.7)	(47.2)
<b>TOTAL LIABILITIES</b>	<b>2,751,505</b>	<b>2,710,956</b>	<b>2,439,422</b>	1.5	12.8
CONTRIBUTED CAPITAL	1,174,240	1,176,366	1,183,356	(0.2)	(0.8)
PROFIT (LOSS) FOR THE PERIOD	17,561	22,972	39,553	(23.6)	(55.6)
ACCUMULATED PROFIT	40,481	40,376	823	0.3	NC
TRANSLATION EFFECT OF FOREIGN OPERATIONS	(32,916)	(30,060)	(29,886)	9.5	10.1
<b>TOTAL EQUITY</b>	<b>1,199,365</b>	<b>1,209,654</b>	<b>1,193,846</b>	(0.9)	0.5
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,950,870</b>	<b>3,920,610</b>	<b>3,633,268</b>	0.8	8.7

NC = non comparable

Note: in 3Q14 short-term debt increases given that the company's main credit for Ps 610 million comes due in less than 12 months (second quarter of 2015). We expect to conclude the refinancing of this credit soon, with a new term of four years.



**GRUPO POCHTECA, S.A.B. DE C.V.**  
**PROFORMA BALANCE SHEET WITH REFINANCING OF PS610 MILLION**  
**Information in thousands of Mexican Pesos**

	sep-14	jun-14	dec-13	(% Sep 14 vs. jun-14 dec-13)	
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	211,181	161,467	181,371	30.8	16.4
TRADE ACCOUNTS RECEIVABLE	1,047,003	1,056,850	974,226	(0.9)	7.5
OTHER ACCOUNTS RECEIVABLE	125,615	132,871	50,945	(5.5)	146.6
INVENTORIES	982,232	982,760	889,876	(0.1)	10.4
<b>TOTAL CURRENT ASSETS</b>	<b>2,366,031</b>	<b>2,333,948</b>	<b>2,096,418</b>	1.4	12.9
PROPERTY, PLANT & EQUIPMENT, NET	905,550	916,728	921,839	(1.2)	(1.8)
DEFERRED ASSETS	679,289	669,934	615,011	1.4	10.5
<b>TOTAL ASSETS</b>	<b>3,950,870</b>	<b>3,920,610</b>	<b>3,633,268</b>	0.8	8.7
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
TRADE ACCOUNTS PAYABLE	1,296,558	1,271,569	1,052,839	2.0	23.1
BANK LOANS	86,071	174,749	186,306	(50.7)	NC
OTHER ACCOUNTS PAYABLE	273,271	280,538	281,103	(2.6)	(2.8)
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,655,900</b>	<b>1,726,856</b>	<b>1,520,248</b>	(4.1)	8.9
OTHER LONG-TERM ACCOUNTS PAYABLE	234,454	238,844	301,413	(1.8)	(22.2)
LONG-TERM DEBT	861,151	745,256	617,761	15.6	39.4
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,095,605</b>	<b>984,100</b>	<b>919,174</b>	11.3	19.2
<b>TOTAL LIABILITIES</b>	<b>2,751,505</b>	<b>2,710,956</b>	<b>2,439,422</b>	1.5	12.8
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ACCUMULATED PROFIT	40,481	40,376	823	0.3	NC
TRANSLATION EFFECT OF FOREIGN OPERATIONS	(32,916)	(30,060)	(29,886)	9.5	10.1
<b>TOTAL EQUITY</b>	<b>1,199,365</b>	<b>1,209,654</b>	<b>1,193,846</b>	(0.9)	0.5
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,950,870</b>	<b>3,920,610</b>	<b>3,633,268</b>	0.8	8.7

NC = non comparable

*Note: includes a Ps 610 million short-term loan reclassified as long-term, showing how our balance sheet would look once we conclude the refinancing for a four-year term of a Ps 610 million loan that comes due in the second quarter of 2015. We expect to conclude the refinancing of this credit during the first weeks of November.*

**GRUPO POCHTECA, S.A.B. DE C.V.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**Information in thousands of Mexican Pesos**

	3Q14	2Q14	3Q13	YTD 14	YTD 13	(% ) 3Q14 vs. 2Q14 3Q13		(%) YTD 14 vs. YTD 13
Sales	1,555,661	1,488,379	1,150,654	4,532,993	3,345,114	4.5	35.2	35.5
Cost of sales	(1,289,262)	(1,234,074)	(969,718)	(3,758,862)	(2,781,770)	4.5	33.0	35.1
<b>Gross profit</b>	<b>266,400</b>	<b>254,305</b>	<b>180,936</b>	<b>774,132</b>	<b>563,344</b>	4.8	47.2	37.4
Operating expenses	(188,833)	(180,143)	(134,881)	(555,666)	(394,296)	4.8	40.0	40.9
Depreciation	(28,088)	(26,505)	(16,396)	(78,868)	(43,222)	6.0	71.3	82.5
Operating profit	49,479	47,657	29,659	139,597	125,826	3.8	66.8	10.9
Depreciation	28,088	26,505	16,396	78,868	43,222	6.0	71.3	82.5
<b>EBITDA</b>	<b>77,567</b>	<b>74,162</b>	<b>46,055</b>	<b>218,466</b>	<b>169,049</b>	4.6	68.4	29.2
Interest expense	(27,859)	(29,553)	(14,819)	(84,678)	(42,670)	(5.7)	88.0	98.5
Foreign exchange gain (loss)	(24,992)	1,210	(10,165)	(23,302)	(25,323)	NC	145.9	(8.0)
Financing costs	(52,850)	(28,343)	(24,984)	(107,980)	(67,993)	86.5	111.5	58.8
<b>Income before tax</b>	<b>(3,371)</b>	<b>19,314</b>	<b>4,675</b>	<b>31,617</b>	<b>57,833</b>	(117.5)	NC	(45.3)
Income taxes	(4,071)	(4,190)	1,678	(10,724)	(4,413)	(2.8)	NC	143.0
Deferred taxes	2,032	(3,457)	(2,529)	(3,331)	(15,584)	(158.8)	NC	(78.6)
Discontinued operations	0	0	0	0	(5,641)			(100.0)
<b>NET INCOME (LOSS)</b>	<b>(5,411)</b>	<b>11,667</b>	<b>3,824</b>	<b>17,561</b>	<b>32,195</b>	NC	NC	(45.5)

NC = non comparable





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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 of 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 2014 contained in this report have been made against the figures for the comparable period of 2013 except where indicated.*