



GRUPO POCHTECA REPORTS ITS RESULTS FOR THE SECOND QUARTER OF 2017

Mexico City, July 25, 2017 – Grupo Pochteca, S.A.B. de C.V. (“Pochteca” or “the Company”) (BMV: POCHTEC) announced today its unaudited results for the quarter ended June 30, 2017 (“2Q17”).

2Q17 Highlights

- **Sales -2%** year on year to Ps 1.51 billion
- **Gross margin 18.1%**, +100 bp compared to 2Q16
- **Operating profit +119%** to Ps 51 million
- **Consolidated EBITDA +46%** to Ps 81 million
- **Consolidated EBITDA margin 5.4%**, **+180 bp** compared to 2Q16
- **Net loss of Ps 3 million** due to greater financial expenses than in 2Q16 and foreign exchange losses abroad
- **Net Debt to EBITDA of 2.4 times**, outside our internal policy of not surpassing 2 times

The 2Q17 confirmed a trend change in Grupo Pochteca’s profitability that began in 1Q17. It also highlights the second 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 the second time in 15 months 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. This negative impact was further magnified by the extension of the weakness in the industrial sector seen in Brazil in recent years, which weighed heavily on Coremal, our Brazilian based subsidiary. This led to a sharp reduction in demand for our products given that the industrial sector is the main sales driver of our business in that country.”

	Year-on-Year change							2Q17
	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	
Sales	1%	2%	1%	3%	-1%	2%	8%	-2%
Operating Profit	39%	-27%	-13%	-61%	-49%	-73%	6%	119%
EBITDA	23%	-8%	-5%	-36%	-27%	-41%	9%	46%

SELECTED FINANCIAL INFORMATION (MILLIONS OF PESOS)

	2Q17	2Q16	(%) 2Q17 vs 2Q16	YTD 17	YTD 16	(%) YTD 17 vs YTD 16
Sales	1,511	1,543	-2%	3,115	3,026	3%
Gross Profit	273	265	3%	557	536	4%
Gross Margin (%)	18.1%	17.1%	100pb	17.9%	17.7%	20pb
Operating Profit	51	23	119%	100	70	43%
Operating Margin (%)	3.4%	1.5%	190pb	3.2%	2.3%	90pb
Depreciation	30	32	-7%	65	63	3%
EBITDA	81	56	46%	165	133	24%
EBITDA Margin (%)	5.4%	3.6%	180pb	5.3%	4.4%	90pb
Interest Expense	34	19	77%	63	37	70%
Foreign Exchange Loss	(11)	(10)	16%	11	3	332%
Income Before Tax	6	(6)	NC	48	35	36%
Net Income / (Loss)	(3)	5	NC	13	35	-63%
Net Debt / EBITDA 12 M	2.4x	2.1x		2.4x	2.1x	
Interest Coverage	2.4x	3.0x		2.4x	3.0x	

“The 5% drop in oil prices between 2Q16 and 2Q17, from USD48.33 to USD46.04 per barrel, was another development that weighed against us in the complicated environment that Pochteca faced in 2017. As we noted in our 4Q16 earnings press release, we had begun to see a recovery in the prices of oil and some petroleum derivatives, but unfortunately those gains were not sustained.”

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



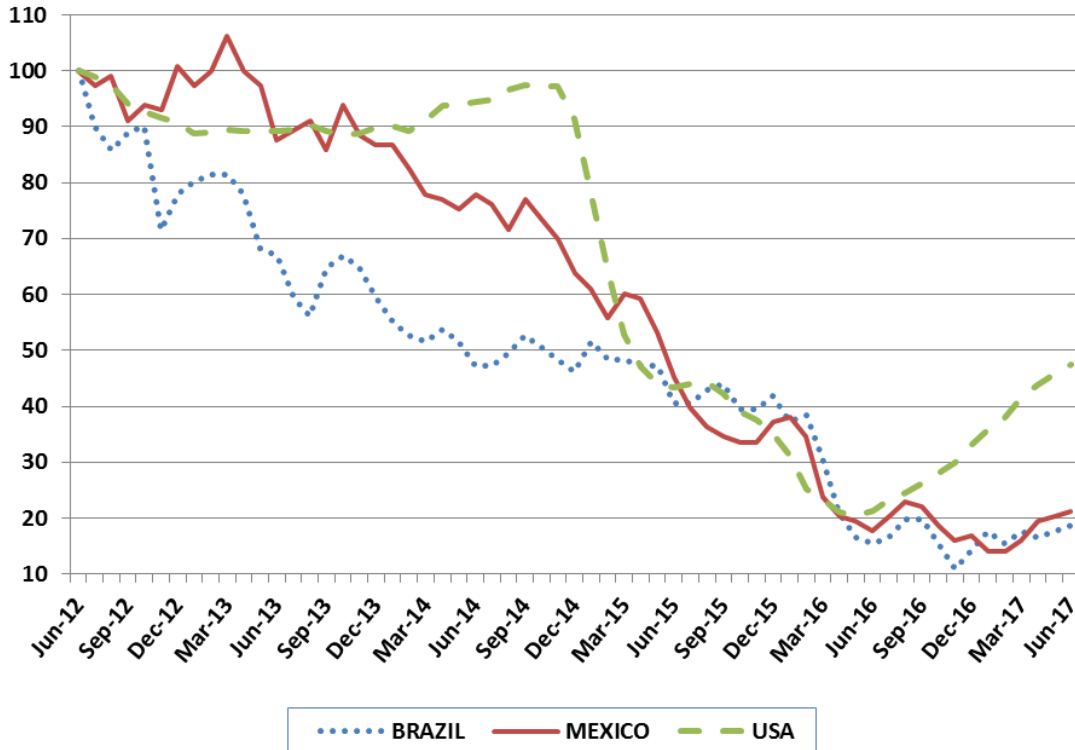
Highlights from the most recent quarter

- **As we reported on June 5, 2017, through the Mexico Stock Exchange (BMV), in June 2, 2017, Grupo Pochteca concluded the acquisition of Conjunto LAR de México, S.A. de C.V., a company specialized in the sale of home care and personal care products, with more than 30 years in the market.**

In 2016, the company recorded Ps 221 million in sales, attending to more than 2,500 customers through its 3 stores and 2 warehouses in Mexico City.

- **2Q17 marked the second consecutive quarter of annual growth in EBITDA and operating income, thereby reinforcing the positive trend change of 1Q17.**
 - After five consecutive quarters of sharp declines year on year in operating income (of between -13% and -73%) and EBITDA (between -5% and -41%), in 2Q17 we returned to the path of growth in both items.
 - In Mexico, we have yet to see signs of recovery in key sectors for Pochteca such as mining, oil exploration and drilling. As we have mentioned in previous earnings releases, industrial activity in Brazil continues to experience a severe contraction and we do not anticipate a significant recovery in the short term.
 - We remain focused on 3 strategies for strengthening our earnings margins, improve our competitiveness and expanding our cash position.
 - Corporate restructuring in order to reduce our operating expenses. Since 1Q17 we have begun to capture the benefits of the implemented expense reductions.
 - Increased diversification toward higher-margin products such as blends and greater value added products.
 - Reduced working capital days in order to expand liquidity and achieve growth with fewer resources.
- **Still no evidence of recovery in the oil industry in Mexico or Brazil**
 - The number of active rigs in Mexico was below levels of December 2016.
 - 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 123% between 2Q16 and 2Q17.
 - In Mexico and Brazil the number of rigs increased 20% and 13%, respectively (see graph below), but this growth is against a rig number that was less than 20% of the number of rigs that were in operation at the peak level.
 - There has been an 80% contraction in the number of active rigs in Mexico since the peak number of 120 in the beginning of 2013; only 24 were reported at the close of 2Q17. During that same period there have been declines in the number of active rigs of 77% in Brazil and 47% in the United States. Exploration and drilling is a key sector for Pochteca and we do not foresee a recovery in either the short or mid terms.

Active Oil Rigs (June 2012 = 100)



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

- Sales below reported in 2Q16.** Consolidated sales decreased 2%. The Mexican peso's 13% revaluation during the first half of 2017 led to a reduction in the unit prices of products we sell in dollars (more than 70% of our portfolio), and, to a lesser (but significant) extent, on the prices of Mexican products that, while sell in pesos, are tied to international prices. The sales of our Brazilian operation shows a contraction trend. During 2Q17, the sales of our Coremal subsidiary declined by 3% in pesos, and by more than 12% in reais. The positive impact reflects the Mexican currency's 12.0% depreciation against the Brazilian real since 2Q16, from 5.16 pesos to 5.78 pesos (2Q average) per reais. As we have noted in previous quarterly reports, the weakness of the industrial sector in Brazil has severely affected sales, as the industrial sector is the main driver for our Brazilian business.
- Gross income increased 3%,** increasing from Ps 265 million in 2Q16 to Ps 273 million in the most recent quarter due to a **100 basis point expansion of our gross margin to 18.1%**. A constant effort to prioritize sales of higher-margin and higher unit value products and those with higher service and quality components has allowed us to partially reduce the margin erosion generated by peso revaluation. The revaluation of the peso leads to a decrease in the value of the dollar denominated inventories that were purchased at higher exchange rates, generating margin pressures that will continue as long as the peso revaluates against the U.S. dollar.

2Q16		2Q17
17.1%	Gross Margin	18.1%

- **Operating income increased 119%, from Ps 23 million in 2Q16 to Ps 51 million.** Operating margin of 3.4%, 190bp greater than in 2Q16.
- **EBITDA grew 46% compared to 2Q16** and the EBITDA margin improved 180bp to 5.4%.
- **Operating expenses (excluding depreciation) were 8.1% lower than in 2Q16.** Operating expenses as a percentage of sales declined from 13.5% in 2Q16 to 12.7% in 2Q17. We consider these as positive results that reflect our efforts to control operating expenses. It is important to mention that the 8.1% annual decrease was achieved despite the fact that in Brazil a considerable part of our expenses are indexed and, as a result, are driven higher by inflation. Additionally, the 1% year on year revaluation of the real against the peso from 5.45 to 5.50 per real, impacts expenses in Brazil in that same percentage when are converted to pesos.

2Q16		2Q17
13.5%	Expenses / Sales	12.7%

- **Net interest expense increased 77% year on year during 2Q17** due to the higher interest rate paid by company:
 - In 2Q16, Pochteca paid an effective interest rate of 5.60%: a 3.85% TIIE plus a 175bp spread.
 - In 2Q17, effective interest rate was 9.75%: a 6.52% TIIE plus a 325bp spread, which increased due to a rise in our Net Debt/EBITDA ratio. The EBITDA growth trend suggests that the spread will decline over the course of the year.
- **2Q17 net loss of Ps 3 million, compared with net profit of Ps 5 million in 2Q16.** The increase in financial expenses, a higher tax rate and forex losses abroad erased the favorable effects of higher operating income in 2Q17 compared to 2Q16.
- **Net debt ended 2Q17 at Ps 679 million, Ps 50 million (or 8%) more than in 2Q16.** Increased debt at Coremal and a 1% revaluation year-on-year of the Brazilian real relative to the Mexican peso led to the increase in net debt, which we report in pesos.

- Between 2Q16 and 2Q17, Coremal's net debt increased 29% in reals, from 52.2 million to 67.4 million.
 - The peso/real exchange rate appreciated 1% during the same 12 month period, from 5.45 to 5.50 pesos per real.
 - Therefore, Coremal's net debt increased 22% in pesos, rising from Ps 301 million to Ps 368 million.
- **As we reported to the investing public at the time, we concluded the 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 increased from 2.1 times in 2Q16 to 2.4 times in 2Q17.** 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, as well as the increased debt of our Brazilian subsidiary as expressed in both reals and pesos. We are confident that the reduction in expenses achieved through the corporate restructuring in 2016, Brazil's gradual recovery and the absence of 2016's non recurring expenses, will enable EBITDA to be above 2015. Our 1Q17 and 2Q17 results confirm the above mentioned statement, as our Net Debt / EBITDA fell from 2.96 times to 2.42 times.

	2Q17	2Q16
Gross Debt (Ps millions)	973	912
Net Debt (Ps millions)	679	629
Net Debt / EBITDA 12 M	2.4x	2.1x
Interest Coverage	2.4x	3.0x
Outstanding Shares	130,522,049	130,522,049



- **In 2Q17 interest coverage (EBITDA / interest) was 2.4 times.** This indicator is lower than the level of 3.0 times reported for 2Q16.
- **We will remain focused on cashflow generation** through 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 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 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.

Note: For comparison purposes, we are presenting our consolidated results both with and without those of Conjunto LAR México, S.A. de C.V.

WITH LAR

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

Information in thousands of Mexican Pesos

	2Q17	1Q16	2Q16	(%) 2Q17 vs		YTD 17	YTD 16	(%) YTD 17 vs. YTD 16
				1Q16	2Q16			
Sales	1,511,084	1,604,090	1,542,506	(5.8)	(2.0)	3,115,174	3,025,652	3.0
Cost of Sales	(1,237,984)	(1,320,001)	(1,277,972)	(6.2)	(3.1)	(2,557,985)	(2,489,530)	2.7
Gross profit	273,100	284,089	264,534	(3.9)	3.2	557,189	536,123	3.9
	18.1%	17.7%	17.1%			17.9%	17.7%	
Operating expenses	(191,912)	(199,777)	(208,826)	(3.9)	(8.1)	(391,690)	(403,018)	(2.8)
	-12.7%	-12.5%	-13.5%			-12.6%	-13.3%	
Depreciation	(30,110)	(34,930)	(32,403)	(13.8)	(7.1)	(65,040)	(63,018)	3.2
Operating profit	51,077	49,382	23,305	3.4	119.2	100,459	70,087	43.3
	3.4%	3.1%	1.5%			3.2%	2.3%	
Depreciation	30,110	34,930	32,403	(13.8)	(7.1)	65,040	63,018	3.2
EBITDA	81,187	84,312	55,708	(3.7)	45.7	165,499	133,104	24.3
	5.4%	5.3%	3.6%			5.3%	4.4%	
Interest expense	(33,935)	(29,310)	(19,191)	15.8	76.8	(63,245)	(37,147)	70.3
Foreign exchange gain (loss)	(11,264)	22,132	(9,716)	NC	15.9	10,868	2,514	332.2
Financing costs	(45,198)	(7,179)	(28,906)	529.6	56.4	(52,377)	(34,632)	51.2
	-3.0%	-0.4%	-1.9%			-1.7%	-1.1%	
Income before tax	5,879	42,204	(5,601)	(86.1)	NC	48,083	35,454	35.6
Income taxes	(9,038)	(16,753)	3,474	(46.1)	NC	(25,791)	(8,281)	211.4
Deferred taxes	(178)	(9,075)	7,119	(98.0)	NC	(9,253)	8,111	NC
NET INCOME (LOSS)	(3,337)	16,376	4,992	NC	NC	13,039	35,283	(63.0)
	-0.2%	1.0%	0.3%			0.4%	1.2%	

NC= not comparable

WITHOUT LAR

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

Information in thousands of Mexican Pesos

	Without LAR			(%) 2Q17 vs		YTD 17	YTD 16	(%) YTD 17 vs. YTD 16
	2Q17	1Q16	2Q16	1Q16	2Q16			
Sales	1,494,579	1,604,090	1,542,506	(6.8)	(3.1)	3,098,669	3,025,652	2.4
Cost of Sales	(1,224,765)	(1,320,001)	(1,277,972)	(7.2)	(4.2)	(2,544,766)	(2,489,530)	2.2
Gross profit	269,814	284,089	264,534	(5.0)	2.0	553,903	536,123	3.3
	18.1%	17.7%	17.1%			17.9%	17.7%	
Operating expenses	(190,152)	(199,777)	(208,826)	(4.8)	(8.9)	(389,929)	(403,018)	(3.2)
	-12.7%	-12.5%	-13.5%			-12.6%	-13.3%	
Depreciation	(29,977)	(34,930)	(32,403)	(14.2)	(7.5)	(64,907)	(63,018)	3.0
Operating profit	49,684	49,382	23,305	0.6	113.2	99,066	70,087	41.3
	3.3%	3.1%	1.5%			3.2%	2.3%	
Depreciation	29,977	34,930	32,403	(14.2)	(7.5)	64,907	63,018	3.0
EBITDA	79,661	84,312	55,708	(5.5)	43.0	163,974	133,104	23.2
	5.3%	5.3%	3.6%			5.3%	4.4%	
Interest expense	(33,935)	(29,310)	(19,191)	15.8	76.8	(63,245)	(37,147)	70.3
Foreign exchange gain (loss)	(11,184)	22,132	(9,716)	NC	15.1	10,948	2,514	335.4
Financing costs	(45,118)	(7,179)	(28,906)	528.5	56.1	(52,297)	(34,632)	51.0
	-3.0%	-0.4%	-1.9%			-1.7%	-1.1%	
Income before tax	4,566	42,204	(5,601)	(89.2)	NC	46,770	35,454	31.9
Income taxes	(9,038)	(16,753)	3,474	(46.1)	NC	(25,791)	(8,281)	211.4
Deferred taxes	(178)	(9,075)	7,119	(98.0)	NC	(9,253)	8,111	NC
NET INCOME (LOSS)	(4,650)	16,376	4,992	NC	NC	11,726	35,283	(66.8)
	-0.3%	1.0%	0.3%			0.4%	1.2%	

NC= not comparable

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

Information in thousands of Mexican Pesos

	Jun-17	Mar-17	Jun-16	(% Jun-17 vs. Mar-17 Jun-16)	
ASSETS					
CASH AND CASH EQUIVALENTS	293,626	212,961	282,866	37.9	3.8
TRADE ACCOUNTS RECEIVABLE	902,111	916,381	1,009,277	(1.6)	(10.6)
OTHER ACCOUNTS RECEIVABLE	212,696	212,033	268,081	0.3	(20.7)
INVENTORIES	902,545	929,861	854,388	(2.9)	5.6
TOTAL CURRENT ASSETS	2,310,978	2,271,236	2,414,612	1.7	(4.3)
PROPERTY, PLANT & EQUIPMENT, NET	763,724	768,285	834,491	(0.6)	(8.5)
DEFERRED ASSETS	698,524	559,428	560,533	24.9	24.6
TOTAL ASSETS	3,773,226	3,598,950	3,809,636	4.8	(1.0)
LIABILITIES AND STOCKHOLDERS' EQUITY					
TRADE ACCOUNTS PAYABLE	1,132,964	1,090,301	1,286,317	3.9	(11.9)
BANK LOANS	101,267	262,459	366,404	(61.4)	(72.4)
OTHER ACCOUNTS PAYABLE	312,349	150,163	177,289	108.0	76.2
TOTAL CURRENT LIABILITIES	1,546,579	1,502,923	1,830,011	2.9	(15.5)
OTHER LONG-TERM ACCOUNTS PAYABLE	150,127	160,753	186,819	(6.6)	(19.6)
LONG-TERM DEBT	871,697	704,184	545,401	23.8	59.8
TOTAL LONG-TERM LIABILITIES	1,021,824	864,937	732,220	18.1	39.6
TOTAL LIABILITIES	2,568,404	2,367,860	2,562,231	8.5	0.2
CONTRIBUTED CAPITAL	1,177,502	1,177,502	1,178,638	0.0	(0.1)
PROFIT (LOSS) FOR THE PERIOD	13,039	16,376	35,283	NC	(63.0)
ACCUMULATED PROFIT	68,297	65,806	74,113	3.8	(7.8)
TRANSLATION EFFECT OF FOREIGN OPERATIONS	(54,015)	(28,595)	(40,629)	88.9	32.9
TOTAL EQUITY	1,204,822	1,231,089	1,247,405	(2.1)	(3.4)
TOTAL LIABILITIES AND EQUITY	3,773,226	3,598,950	3,809,636	4.8	(1.0)

NC= not comparable



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.