MEXICHEM, S.A.B. DE C.V.

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Quote Symbol "MEXCHEM*"

Information Disclosure for Corporate Restructure
August 15, 2017

In accordance with article 104, section IV, of the Mexican Securities Market Law (the "SML") and article 35, section I, and Exhibit P of the General Provisions Applicable to the Issuers of Securities and other Participants in the Stock Exchange, issued by the National Banking and Securities Commission (the "CNBV"), and initially published in the Federation's Official Gazette on March 19th, 2003 (the "Issuer Regulations"), Mexichem, S.A.B. de C.V. ("Mexichem" or the "Company") informs the investing public, that it has reached an agreement for the acquisition, through its subsidiary Mexichem Soluciones Integrales Holding, S.A. de C.V. ("MSIH"), of: i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, Ltd., ("Netafim"), a corporation organized in accordance with the laws of the State of Israel ("Israel"), and iii) certain loans made by some of the stockholders of Netafim, which are Bluedrip S.ar.l, and Netafim Hatzerim Holdings, Cooperative Association Limited, to Netafim (the "Acquisition" or "Operation").

Summary of the Transaction

On August 6th, 2017, MSIH as buyer, executed with Bluedrip S.ar.l, Netafim Hatzerim Holdings, Cooperative Association Limited, Megalron–Cooperative Association for Irrigation and Dripping, Ltd., Tamir Fishman Trusts 2004 Ltd., Tamir Fishman Employee Benefits Ltd., Tamir Fishman Asset Management Ltd., all of them as sellers (jointly, the "Sellers") and Mexichem as guarantor, a share purchase agreement (the "Share

Purchase Agreement"), in accordance with and subject to the conditions set forth in the same, MSIH has agreed to acquire (i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, and iii) certain loans made by some of the stockholders of Netafim which are Bluedrip S.ar.l, and Netafim Hatzerim Holdings, Cooperative Association Limited, to Netafim (the "Acquisition" or "Operation"), at a total enterprise value of US$1,895 million.

This is a transforming acquisition, which drives Mexichem's strategy in water conduction solutions and specialty products, placing it as an innovation leader in the high growth micro irrigation market. Netafim will position the Company so that it may become a leading developer of solutions that tackle food and water shortages, and respond to the needs of elevating the output of crops, and satisfy the highest standards of sustainability in respect to crop fertilization. Netafim has a long history of being at the forefront in the creation of intelligent solutions in the irrigation market. This acquisition will give Mexichem access to this intelligent technology, which eventually may be used in cooling and heating systems, water usage, datacom, and other sectors, offering a platform from which the Company may create intelligent industrial solutions that revolve around its existing production lines that attend the infrastructure, housing and datacom markets.

In compliance with the applicable provisions of the SML and the Issuer Regulations, the Acquisition will be submitted to the consideration and approval of Mexichem's stockholders meeting to be held on August 30th, 2017.

Characteristics of the Certificates.

The stock certificates representative of the corporate capital of Mexichem are registered in the National Securities Registry ("RNV") held by the CNBV and are traded in the Bolsa Mexicana de Valores, S.A.B. de C.V. ("BMV") (the Mexican Stock Exchange) with the ticker code "MEXCHEM*".

To the date of this information disclosure for corporate restructure (the "Information Memorandum"), Mexichem's share capital is represented by 2,100,000,000 ordinary shares, nominative, Single Series, without par value, with full voting rights, fully executed and paid.

The acquisition will not modify the characteristics of Mexichem's stock.

The Information Memorandum is not a securities sale offer in Mexico, it has been prepared and made available to the general public exclusively to comply with what is stated by the SML, the Issuer Regulations and all other applicable laws. The Acquisition will be submitted to the consideration and approval of Mexichem's stockholders meeting to be held on August 30th, 2017.

The registration in the National Securities Registry does not imply a certification in respect to the favorableness of the securities, Mexichem's solvency or the accuracy or authenticity of the information contained in this disclosure, nor does it validate the actions which, if applicable, would have been undertaken in contravention to the law.

Copies of this Information Memorandum are available to Mexichem's stockholders who request it, at the Investor's Relations area of Mexichem, of which their offices are located in Río San Javier No. 10, Viveros del Río, 54060, Tlalnepantla de Baz, Estado de México, Care of: Marcela Muñoz Moheno, telephone: +52 (55) 53664000 extension 4206, E-mail marcela.munoz@mexichem.com. The electronic version of this Information Memorandum is available at Mexichem's web page in the following address: www.mexichem.com as well as in the BMV webpage at the following address: www.bmv.com.mx.

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1. TERMS AND DEFINITIONS

Contained hereinafter, and for quick reference, we include some of the terms defined that will be used in this Information Memorandum and that we consider more relevant, which are used indistinctively in the single or plural form, as the context may require it:

"Acquisition" or "Operation"	Has the meaning ascribed to them in page 1 of this Information Memorandum.
"*BMV*"	Means Bolsa Mexicana de Valores, S.A.B. de C.V.
"Issuer Regulations"	Means the general provisions applicable to the issuers of securities and other participants in the Stock Exchange, issued by the CNBV.
"*CNBV*"	Means the National Banking and Securities Commission.
"COFECE"	Means the Mexican Federal Antitrust Commission.
"*Dollars*" or "US$"	Means Dollars, legal currency of the United Stated.
"Issuer or Mexichem or Company"	Means Mexichem, S.A.B. de C.V.
"*United Stated*" or "US*A*"	Means the United States of America
"IFRS" or "NIIF"	Means the International Financing Reporting Standards or *Normas Internacionales de Información Financiera* in Spanish.
"SML"	Means the Mexican Securities Market Law
"Mexico"	Means the United Mexican States
"MSIH"	Means Mexichem Soluciones Integrales Holding, S.A. de C.V.
"Netafim"	Means Netafim, Ltd.
"*Subsidiaries*"	Has the meaning attributed to them in the NIIFs.
"USGAAP"	Means the Generally Accepted Accounting Principles, used by companies based in the United States

2. EXECUTIVE SUMMARY

This summary contains a brief description of the most relevant aspects of the Acquisition and does not intend to contain all the information that could be relevant in respect to the same, consequently it is complemented with the more detailed information and the financial information included in other sections of this Information Memorandum, as well as in Mexichem's annual report concluding on December 31st, 2016 (the "Annual Report") and Mexichem's quarterly report concluding on June 30th, 2017 (the "Quarterly Report"), which may be consulted by accessing Mexichem's web page www.mexichem.com, or in the BMV's web page www.bmv.com.mx.

MEXICHEM

Mexichem is a Mexican corporation holder of the shares of a group of companies located in the American and European continent, as well as in some countries of the Asian and African continents. Mexichem is a leading supplier of products and solutions in multiple sectors, from petrochemical to construction, infrastructure, agricultural, health, transportation, telecommunications and energy, among others. It is one of the leading producers of plastic tubing and fittings worldwide and one of the leading chemical and petrochemical companies of the world. Mexichem's strategic position focuses mainly in the chemical sector, as well as in the production and sale of value added products to final clients through three business groups: Vinyl, Fluoride and Fluent.

Mexichem generates sales for more than US$5,350 million annually and employs more than 18,000 people in more than 37 countries where it holds 120 production plants, it holds concessions for the exploitation of 2 Fluoride mines in Mexico, 8 formation academies and 15 research and development laboratories.

With more than 50 years of history and more than 30 years of trading in the BMV, the Company additionally is a part of the Sustainability Index of the BMV, as well as the FTSE4 Good Sustainability Index of emerging markets. For a more detailed description of the business, operations and financial position of Mexichem, please refer to the Annual Report and the Quarterly Report.

NETAFIM

Netafim is a global leader in intelligent irrigation solutions for a sustainable future. It holds 29 subsidiaries, 17 production plants, and more than 4,300 employees worldwide. Netafim provides innovative solutions to farmers of all sizes, from small farmers to farmers of a grand scale, in more than 110 countries. Founded in 1965, Netafim has been a pioneer in the drop irrigation revolution, creating a paradigm shift towards low flow irrigation. Currently, Netafim supplies the most advanced irrigation solutions for agriculture, landscaping and for fluid conduction in mining operations. Specializing in irrigation integral solutions which conduct fluids from the source up to the roots zone. Netafim offers integral solutions for irrigation projects – including water supply, advanced irrigation systems, as well as the digital management of crops and automatization systems supported by engineering, agricultural, technical and financial services. Netafim's cutting edge solutions allow for an efficient irrigation helping the world to "grow more with less". In the fiscal year that concluded on December 31st, 2016, Netafim obtained sales for US$854.7 million and a consolidated net profit of US$40.6 million.

The advanced technological solutions in micro-irrigation offered by Netafim mainly consist in drip irrigation solutions, but it also commercializes sprinklers and micro-sprinklers. Netafim primarily serves the agricultural market (approximately 90% of its sales in 2016), while some of its products are used in landscaping and mining applications.

The vast portfolio of Netafim products includes, drippers, dripping lines, components for strategic systems (such as filters, valves, and air valves), intelligent solutions and advanced digital technology for agriculture, that offers among other things, solutions for irrigation and fertilization, cloud based systems and monitoring intelligent devises, analysis and crop control. Additionally, Netafim also supplies integral solutions, for high output water supply, and executes feasibility, design and implementation studies as well as post sale technical support, and therefore by being a pioneer in the irrigation market, Netafim has built the basis of an important knowledge in agriculture and it has helped to maximize its client's productivity through support and the use of Netafim's systems.

Netafim operates under the *"Netafim"* brand, which is positioned in key agricultural markets and symbolizes Netafim's development as a pioneer and an innovator in the advanced micro-irrigation market.

Ever since Netafim introduced the first drip irrigation system in the world in 1966, it has undertaken investigations in micro-irrigation systems to maximize the advantages of this technology. As a result of this investment in investigations, Netafim has obtained important technological goals in micro-irrigation, such as compensated pressure and low flow dripping. Netafim has become the global leader in advanced micro-irrigation since it has been able to obtain a greater performance of the crops by using a lesser amount of water, land, energy resources and inputs such as labor, fertilizers and crop protection *"grow more with less"*.

An important part of Netafim's sales (approximately 82% in 2016) correspond to the sale of irrigation products through distributors, which purchase and resale the products to new farmers or farmers with an existing commercial relation. The remaining sales correspond to customized irrigation solutions for major projects, where Netafim sells the integral system directly to the final consumer.

Netafim's sales are diversified geographically, being the United States its main market with close to 17% of its sales in 2016, followed by India, that represented approximately 14% of its sales during the same period.

Netafim develops and produces its main technology in Israel, and operates through 17 plants strategically located in relevant markets around the world and employs more than 4,300 people in 6 continents.

SUMMARY OF THE OPERATION

On August 6th, 2017, MSIH as purchaser, executed with the Sellers and Mexichem as guarantor, the Share Purchase Agreement, through which MSIH has agreed to execute the Acquisition, which consists in acquiring i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, iii) and certain loans made by some of the stockholders of Netafim which are Bluedrip S.ar.l, and Netafim Hatzerim Holdings, Cooperative Association Limited, to Netafim (the "Acquisition" or "Operation").

The Share Purchase Agreement establishes a series of provisions common for these types of operations, including among others: (i) purchase price and its determination and the post-closing adjustment mechanism; (ii) Seller's representations; (iii) MSIH's and Mexichem's representations; (iv) Seller's performance duties; and (v) conditions precedent for the final closing of the Acquisition.

The laws applicable to the Share Purchase Agreement are the laws of the State of Delaware, United States, and the applicable jurisdiction is the State and Federal Courts of New Castle County, Delaware.

In compliance with the applicable provisions of the SML, the Acquisition will be submitted to the consideration of Mexichem's stockholders meeting to be held on August 30th, 2017.

The Acquisition is part of Mexichem's growth strategy, to go from being only a piping supplier to becoming a leader in the supply of solutions for water management, datacom applications and access to smart technology, which eventually may be used in cooling and heating systems, water usage, datacom and other sectors, offering a platform from which the Company may create intelligent industrial solutions in respect to its existing production lines.

Simultaneously with the execution of the Share Purchase Agreement, MSIH and Netafim Hatzerim Holdings, Cooperative Association Limited, who will hold the remaining 20% of the representative voting shares of Netafim's share capital have executed a shareholders agreement among them, which effectiveness is subject to the Acquisition becoming effective, and which establishes certain rights, restrictions and duties to said corporations as shareholders of Netafim, including aspects such as ownership, retention and disposition of the representative shares of the share capital of said company.

The applicable laws to the shareholders agreement are the laws of Israel and any controversy or difference shall be finally settled by arbitration in Tel Aviv, Israel, in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce

3. DETAILED INFORMATION OF THE TRANSACTION

3.1 Detailed Description of the Acquisition.

In August 6th, 2017, MSIH as purchaser, and Mexichem as guarantor, executed with the Sellers the Share Purchase Agreement, through which MSIH has agreed to execute the Acquisition, which consists in acquiring i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, and iii) and certain loans made by some of the stockholders of Netafim which are Bluedrip S.ar.l, and Netafim Hatzerim Holdings, Cooperative Association Limited, to Netafim (the "Acquisition" or "Operation").

The Acquisition's closing, as provided in the Share Purchase Agreement, is subject to several conditions precedent, among which the following are included (i) the obtainment of all the authorizations, approvals and/or governmental consents required in several jurisdictions, including, the United States, Turkey, Germany, Ukraine, Russia, Ecuador, Brazil, Israel and Honduras and (ii) the obtainment of the authorization from Mexichem's stockholders meeting.

In accordance with the terms of the Share Purchase Agreement, the enterprise value of Netafim was agreed to be US$1,895 million, from which the price of the representative shares of the share capital will be calculated on the closing date of the Acquisition, by means of the procedure established in the Share Purchase Agreement, that contemplates adjustments in respect of: (i) the available working capital, (ii) the debt, (iii) the costs of the transaction, (iv) the available cash; and (v) the cost that the cancellation of a certain existing stock-option plan in favor of certain Netafim's employees will have, as said terms were duly defined in the Share Purchase Agreement. From said enterprise value, adjusted in accordance with what is established above, MSIH will pay the amount equivalent to the value of i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, and iii) and certain loans made by some of the stockholders of Netafim which are Bluedrip S.ar.l, and Netafim Hatzerim Holdings, Cooperative Association Limited, to Netafim (the "Acquisition" or "Operation"). As of this date, it is estimated that Mexichem will pay approximately US$1,500 million for the abovementioned shares and loans.

MSIH's obligation to consummate the Acquisition and pay the price for the same, is subject to the compliance or waiver by the Sellers and MSIH or by MSIH and the Sellers, as the case may be, of several conditions precedent which are common for these types of operations, including those stated above.

The Share Purchase Agreement also contemplates a series of representations granted by the Sellers, MSIH and Mexichem, which are common for these types of operations.

The representations made by the Sellers include, among others, representations which refer to the shares that represent Netafim's share capital, including those subject matter of the Acquisition, Netafim's and its subsidiaries business, their assets, their financial position, their compliance with applicable laws, their agreements, legal proceedings, intellectual property, taxes, labor status, environmental status, operations with related parties, among others.

Additionally, in accordance with the Share Purchase Agreement, the Sellers assume several common performance covenants and prohibitions which are common for these types of operations, between the execution date of the Share Purchase Agreement and the Acquisition's closing date.

The laws applicable to the Share Purchase Agreement, are the laws of the State of Delaware, United Stated, and the applicable jurisdiction is the State and Federal Courts of New Castle County, Delaware.

Simultaneously to the execution of the Share Purchase Agreement, MSIH and Netafim Hatzerim Holdings, Cooperative Association Limited, who will hold the remaining 20% of the representative voting shares of Netafim's share capital, have executed an shareholders agreement among them, which effectiveness is subjected to the Acquisition becoming effective, and which establishes certain rights, restrictions and duties of said corporations as shareholders of Netafim, including aspects such as Board representation, ownership, retention, put and call arrangements and disposition of the representative shares of the share capital of said company.

The applicable laws to the shareholders agreement are the laws of Israel and any controversy or difference shall be finally settled by arbitration in Tel Aviv, Israel, in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce.

On August 30th, 2017, Mexichem's stockholders meeting will be held, to which the consideration and approval of the negotiations pertaining to the Acquisition, will be submitted.

3.2. Purpose of the Transaction.

The Acquisition is part of Mexichem's growth strategy, to go from being only a tubing supplier to becoming a leader in the supply of solutions for water administration, datacom applications and access to intelligent technology, which eventually may be used in cooling and heating systems, water usage, datacom and other sectors, offering a platform from which the Company may create intelligent industrial solutions in respect to its existing production lines.

Additionally, the Acquisition will strengthen Mexichem's position in facing the global problems in respect to the shortage of water, fertilizer usage environmental restrictions, the increase in the demand of food and the development of intelligent digital solutions for the day to day living of people.

With the Acquisition, Mexichem will also diversify its products portfolio and will expand even more its global presence.

3.3. Financing Sources.

In accordance with the terms of the Share Purchase Agreement, the enterprise value of Netafim was agreed to be US$1,895 million, from which the value of the representative shares of the share capital will be calculated on the closing date of the Acquisition, by means of the procedure established in the Share Purchase Agreement, that contemplates adjustments in respect of: (i) the available working capital, (ii) the debt, (iii) the costs of the transaction, (iv) the available cash; and (v) the cost that the cancellation of a certain existing stock-option plan in favor of certain Netafim's employees will have, as said terms were duly defined in the Share Purchase Agreement.

From said enterprise value, adjusted in accordance with what is established above, MSIH will pay the amount equivalent to i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, and iii) and certain loans made by some of the stockholders of Netafim which are Bluedrip S.ar.l, and Netafim Hatzerim Holdings, Cooperative Association Limited, to Netafim (the "Acquisition" or "Operation"). On the closing date and after the same, MSIH and the Sellers must confirm that the values used for the calculation of the price on said closing date were effectively the correct ones and, in the event a variation exists, the Acquisition price paid on the closing date will be adjusted.

To finance the Acquisition, Mexichem is intending to (i) use cash on hand in an amount of approximately US$300 million, (ii) draw down on its revolving line of credit it has procured with 11 banks and executed since 2014 for a total amount of US$1,500 million which are readily available, in an amount of approximately US$200 million, and the remaining balance will be financed, on the first hand by a syndicated bridge loan (of up to 1 year) executed to this date by 4 banks, same which at a short term (after the closing of the Acquisition) the Company expects to refinance with long term debt securities.

Notwithstanding what has been stated in the preceding paragraph, and even if to the date of this Information Memorandum, the Company does not precisely know the exact value that the representative shares of the share capital of Netafim will have, for the proforma financial statements, it was considered that the debt that Mexichem will incur to finance the Acquisition will be for an amount of US$1,200 million on December 31st, 2016 and concluding on June 30th, 2017 (approximately US$200 million will come from the revolving line of credit referred to above, which will be paid in a term of 12 to 18 months after the Acquisition and US$1,000 million will come from the syndicated bridge loan referred to above which will be refinanced in the short term with long term debt securities).

The agreements which document said bank debt contain restrictions in respect to liens, fundamental changes such as mergers and the sale of certain assets and other limitations which result standard for this type of loans which are consistent with the clauses contained in other Mexichem's loans. Additionally, these agreements include the obligation to comply with a net maximum leverage index.

Mexichem has incurred and will continue to incur in certain expenses, including, among others, professional fees for attorneys, accountants and tax related consultants, which will be paid with a portion of the lines of credit to be obtained. Mexichem estimates that said expenses will be approximately US$23 million.

3.4. Acquisition's Approval Date.

In compliance with the applicable provisions of the SML, the Acquisition will be submitted to the consideration of Mexichem's stockholders meeting, to be held on August 30th, 2017.

Mexichem's Board of Directors, in session dated July 25th, 2017, approved the execution of the Acquisition, to summon the corresponding shareholders meeting and submit to it a recommendation for the Acquisition´s approval and publish the respective Information Memorandum

3.5. Accounting Treatment of the Acquisition.

The proforma financial statements concluding on December 31st, 2016 of Mexichem and Netafim, included in this Information Memorandum have been obtained from the audited consolidated financial statements of Mexichem issued on accordance with the IFRS and the consolidated financial statements of Netafim issued in accordance with USGAAP, which converges with the IFRS.

The proforma financial statements to June 30th, 2017 of Mexichem and Netafim, included in this Information Memorandum have been obtained from Mexichem's consolidated financial statements which were presented to the CNBV on July 26th,2017 and Netafim's financial statements obtained by Mexichem's management during the Acquisition process and issued in accordance with USGAAP, which converges with the IFRS.

For a better understanding of the basic figures, these must be read in conjunction with the above stated consolidated financial statements of Mexichem and Netafim.

For the purposes of this Information Memorandum and of comparability, within the condensed consolidated proforma financial position statements, as well as within the condensed consolidated proforma income statements, the financial figures of Netafim were considered as if the Acquisition would have occurred in January 1st, 2016 and in January 1st, 2017, this proforma information does not necessarily present the real figures which would have been obtained if the acquisition would have occurred as of such date.

The accounting treatment will be undertaken, when applicable, in accordance with IFRS 3 "Business Combination", which requires to acknowledge the business acquisitions by means of the purchase method, which in general terms includes the following procedures and evaluations: (i) determine if the operation qualifies as a business combination; (ii) identify the purchaser (determine the company which obtains control of another business); (iii) determine the acquisition date; (iv) measure and recognize the reasonable value, on the acquisition date, of the identifiable assets acquired, the liabilities assumed, as well as the non-controlling share capital in the acquired; (v) measure the consideration at its reasonable value; and (iv) recognize any difference between the consideration acquired and the net identifiable assets acquired, which is commonly known as goodwill (asset), or purchase gain (results).

This preliminary decision of the method has been used to prepare the aforementioned proforma adjustments. The final decision of the purchase method to be used will be determined by Mexichem once the valuations detailed and the necessary calculations are completed, and it may significantly differ to the one used for the proforma adjustments presented in this Information Memorandum. The purchase method to be used could finally include: (i) changes in the reasonable value of the properties, plant and equipment; (ii) changes in the designation of intangible assets such as trademarks, client relationships, intellectual property; and (iii) other changes in the acquired assets and liabilities, which will generate changes to the reasonable value of the goodwill.

3.6. Fiscal Consequences of the Acquisition.

Mexichem does not expect to have fiscal consequences exclusively as a result of the Acquisition. While it is possible that Mexichem be required to withhold income tax from the Sellers, there may not be such an obligation, if certain requirements established by the Israeli legislation are complied with, specifically, obtaining from the Sellers a certificate issued by the fiscal authorities of Israel stating that the withholding will not be applicable to this specific matter.

4. INFORMATION CONCERNING EACH OF THE PARTIES INVOLVED IN THE TRANSACTION

4.1 Mexichem

4.1.1. Name of the Issuer.

Mexichem, S.A.B. de C.V.

4.1.2. Business Description.

For information related with the description of Mexichem's and its subsidiaries business, refer to the Annual Report and the Quarterly Report, which are incorporated as reference to this Information Memorandum and may be consulted in Mexichem's web page in the following address: www.mexichem.com and BMV's web page in the following address: www.bmv.com.mx.

4.1.3. Evolution and Recent Developments.

The evolution and performance that Mexichem's businesses have shown during this past year and recently, are described in the Annual Report and the Quarterly Report, which are incorporated as reference to this Information Memorandum and may be consulted in Mexichem's web page in the following address: www.mexichem.com and BMV's web page in the following address: www.bmv.com.mx.

Independently from the events and recent developments that may be found in the Annual Report and the Quarterly Report, in February 23rd, 2017, Mexichem was chosen as a member of the sustainability Index of emerging markets "FTSE4Good" in its first edition, after having demonstrated good environmental, social and corporate governance practices (ESG practices).

In February 27th, 2017, the strategic alliance that Mexichem has, denominated Ingleside Ethylene, LLC, which is integrated 50/50 by Occidental Chemical Corporation (OxyChem), subsidiary of Occidental Petroleum Corporation and Mexichem, S.A.B. de C.V., announced that the ethylene cracker in OxyChem's complex located in Ingleside, Texas, initiated operations on time and within budget.

In March 23rd, 2017, Mexichem announced that the International Trade Center (ITC) voted in favor of imposing antidumping duties to the importing of the refrigerant gases R-134ª from China, which are causing material damages to the producing industry in the United Stated where Mexichem is a producer.

In February 23rd, 2017, April 26th, 2017 and July 26th, 2017, Mexichem reported its financial results corresponding to 4Q16, 1Q17 and 2Q17, respectively.

4.1.4. Capital Structure.

The executed and paid share capital of Mexichem is distributed as follows:

Portion	Shares	Amount
Fixed Minimum	308’178,735	$406’566,566.00
Variable	1,791’821,265	$2,363’864,560.00
T O T A L	**2,100´000,000**	**$2,770´431,126.00**

4.1.5. Significant Changes in the Financial Statements as from the last Annual Report.

a. Change of accounting policy used for property, plant and equipment

On February 20 and 21, 2017, respectively, Mexichem’s Audit Committee and Board of Directors authorized the change of accounting policy utilized for the valuation of property, plant and equipment, changing from the revaluation model to the historical cost model as of January 1, 2017. Mexichem performed an analysis which identified that its assets are primarily acquired to ensure their continued use throughout their useful lives. Accordingly, it is the practice of the industry to which Mexichem belongs to recognize property, plant and equipment based on the historical cost model. According to IAS 8, “*Accounting Policies, Changes in Accounting Estimates and Errors*”, this change essentially affected the Latin American subsidiaries without affecting Mexichem’s cash flows.

The effect generated by this change in accounting policy, in Mexichem´s assets, liabilities, capital and results is as follows:

Headings of consolidated statement of financial position	**December 31, 2016**	**Adjustments**	**December 31, 2016 restructured**
Property, plant and equipment, Net	$ 4,201,580	$ (451,987)	$ 3,749,593
Deferred taxes	$ 220,864	$ (136,039)	$ 84,825
Stockholders’ equity	$ 3,897,554	$ (315,948)	$ 3,581,606

	Year ended December 31, 2016	**Adjustments**	**Year ended December 31, 2016 restructured**

Headings of the consolidated statement of income and statement of other comprehensive income:			
Cost of sales	$ 4,143,473	$ (34,505)	$ 4,108,968
General expenses	$ 692,095	$ (4,184)	$ 687,911
Income tax	$ 121,921	$ 12,835	$ 134,756
Other comprehensive income:			
Gain from the revaluation of property, plant and equipment	$ 23,497	$ (3,895)	$ 19,602
Income tax	$ 5,687	$ 1,285	$ 6,972

4.2 Netafim

4.2.1. Name of the corporation.

Netafim Ltd.

4.2.2. Business Description.

Netafim is a global leader in the development, manufacturing and distribution of advanced irrigation solutions, with presence in more than 30 countries and sales in more than 110 countries worldwide. Netafim's advanced technology and its integral solutions help farmers around the world to reach a better and higher quality of their crops, reducing the use of water and other inputs such as labor, nutrients and crop protection. In the fiscal year that concluded on December 31st, 2016, Netafim obtained sales for US$854.7 million and a net profit of US$40.6 million.

The advanced technological solutions in micro-irrigation offered by Netafim consist mainly in drip irrigation solutions, but it also commercializes sprinklers and micro-sprinklers. Netafim primarily serves the agricultural market (approximately 90% of its sales in 2016), while some of its products are used in landscaping and mining applications.

Netafim's vast portfolio of products includes, drippers, dripping lines, components for strategic systems (such as filters, valves, and air valves) and advanced digital technology for agriculture, that offers among other things, solutions for irrigation and fertilization. Netafim offers intelligent systems for monitoring, analysis and control capabilities for crops through the cloud and intelligent devises. Netafim also supplies integral solutions, including post sale high output water supply, feasibility, design and implementation studies as well as post sale technical support.

By being a pioneer in the irrigation market, it has built the basis of an important knowledge in agriculture and it has helped to maximize its client's productivity through support and the use of Netafim's systems.

Netafim operates under the *"Netafim"* brand, which is positioned in key agricultural markets and symbolizes Netafim's development as a pioneer and an innovator in the advanced micro-irrigation market.

Ever since Netafim introduced the first drip irrigation system in the world in 1966, it has undertaken investigations in micro-irrigation systems to maximize the advantages of this technology. As a result of this investment in investigations, Netafim has obtained important technological goals in micro-irrigation, such as compensated pressure and low flow dripping. Netafim has become the global leader in advanced micro-irrigation, since it has been able to obtain a greater performance of the crops by using a lesser amount of water, land, energy resources and inputs such as labor, nutrients and crop protection *"grow more with less"*.

An important part of Netafim's sales (approximately 82% in 2016) correspond to the sale of irrigation products through distributors, who purchase and resell the products to new farmers or farmers with an existing commercial relation. The remaining sales correspond to customized irrigation solutions for major projects, where Netafim sells the integral system directly to the final consumer.

Netafim's sales are diversified geographically, being the United States its main market with close to 17% of its sales in 2016, followed by India, that represented approximately 14% of its sales during the same period.

Netafim develops and produces its main technology in Israel, and operates through a total of 17 plants strategically located in relevant markets around the world and employs more than 4,300 people in 6 continents.

4.2.3. Evolution and Recent Developments.

Netafim was incorporated in 1965 in accordance with the laws of Israel, originally under the corporate name Netafim Irrigation Company de Kibbutz Hatzerim. Years later in 1973, Netafim associated with Kibbutz Magal and in 1978 with Kibbutz Yiftah.

In 1981, Netafim established its first subsidiary outside of Israel, in the United States; in 1998 emerges Netafim (ASC) Ltd., a *Cooperative Association Limited* as a result of a merger of different companies; and in 2005 Netafim (ASC) Ltd. adopts the Limited Liability Company form under the current corporate name Netafim Ltd. from that point on, Netafim has continued its global expansion through strategic acquisitions and the establishment of subsidiaries in Israel as well as abroad.

In 2011 certain investment funds advised by Permira acquired a 61.11% participation in Netafim trough Bluedrip, S.ar.l, the remaining 38.89% is controlled by Netafim Hatzerim Holdings, *Cooperative Association Limited*, a corporation controlled by Kibbutz Hatzerim and Magalron-Cooperative Association for Irrigation and Dripping Ltd., a corporation controlled by Kibbutz Magal, with 32.89% and 6% respectively.

In March of 2016 Netafim, initiated the Wolkaite Project, a cane sugar irrigation project in Ethiopia, for the *Ethiopian Sugar Corporation*, for an approximate total amount of US$184 million. Netafim will supply the engineering, planning, water transportation pumping and infrastructure integral solution, intelligent irrigation and systems monitoring and control for agricultural accompanying and engineering services. This project will be concluded in 2018.

4.2.4. Capital Structure.

The executed and paid share capital of Netafim is distributed as follows:

Shareholder	Percentage
Bluedrip S.ar.l	61.11%
Netafim Hatzerim Holdings, Cooperative Association Limited	32.89%
Megalron–Cooperative Association for Irrigation and Dripping, Ltd.	6.00%
Total	**100%**

4.2.5. Significant Changes in the Financial Statements as from the last Annual Report.

Netafim has not had any significant changes on its financial statements as from its last Annual Report.

THE INFORMATION RELATIVE TO NETAFIM CONTAINED IN THIS INFORMATION STATEMENT, IS NOT THE RESPONSIBILITY OF MEXICHEM AND COMES EXCLUSIVELY FROM THE INFORMATION SUPPLIED BY NETAFIM FOR THE PURPOSES OF THE ACQUISITION.

5. RISK FACTORS

It is important to note that the risk factors described hereinafter, are those that Mexichem to this day considers could, if they occur, adversely affect Mexichem. It is possible that additional risks that have not been identified by Mexichem or that today are not considered as relevant and if, they occur, could affect the operations, financial position or operative results of Mexichem.

5.1 Risk Factors Related to Mexichem.

Section "1. General Information – C. Risk Factors" of the Annual Report contains the risk factors related with Mexichem's business. Said section is incorporated by reference to this Information Memorandum.

5.2 Risk Factors Related to the Acquisition.

In the event Netafim does not effectively integrate with Mexichem, the operation's result could be adversely affected.

The Acquisition involves risks, some of which are:

- That Netafim does not obtain the expected results.
- Difficulties in the integration of operations, technologies and control systems.
- Possible inability to hire or maintain key personnel of Netafim.
- Possible inability to reach the expected economies of scale.
- Unforeseen liabilities.

The Company may have difficulties in the integration of Netafim's operations and accounting systems.

If the Acquisition is unable to be integrated or managed successfully, there is a possibility that the increase in income and integration levels are unable to be obtained; which could result in a reduced profitability or losses in the operations derived from asset impairment trials.

Additionally, Mexichem expects to incur in significant expenses related to Netafim's accounting and systems integration. These expenses and impacts could generate a negative effect to the operation's results and financial position to the Company.

There is no certainty that the governmental authorities will approve the Acquisition in the terms agreed to in the Share Purchase Agreement.

The Sellers, MSIH and Mexichem will submit to the corresponding governmental authority's requests for the Acquisition's authorization. Even when Mexichem considers that the Acquisition may not affect the market, the industry, the antitrust and free market process in any way, it may not assure that the governmental authorities will approve the Acquisition and, if approved, the governmental authorities would approve it in accordance with the terms agreed to in the Share Purchase Agreement.

The closing of the Acquisition is subjected to the compliance of several conditions established in the* Share Purchase Agreement*.

The Acquisition is subjected to the compliance with the conditions to which the Share Purchase Agreement is subjected, which are common for these types of operations.

The loss of key executives from Netafim as a result of the Acquisition, could affect Mexichem's operations.

The integration of the management and operations of both companies, depends in great manner on certain key executives form Netafim who know in detail its management and operations, and have a vast experience within the micro-irrigation industry, consequently Mexichem considers that the Acquisition's projected results will depend to a certain extent on the efforts and integration into Mexichem of said individuals and, consequently, the loss of the services of any of them in the near future, for any reason, could affect Mexichem's operations and results.

Financial Risk.

The Acquisition involves risks, some of which are:

- That Netafim does not obtain the expected results.
- That the economic context with an expectancy of growth within the markets, where Netafim is present, changes.
- That the financial context in respect to the cost and financing availability deteriorate.
- That the costs and inputs and energy increases.

The Company could require additional financing. CAPEX Requirements.

For the Acquisition to reach the expected economic results, capital investments are required ("CAPEX") which entails risks, some of which are:

- That the investments made by Netafim do not generate the expected results.
- That the investments are made in a slower manner for a lack of equipment availability.
- That the flow generated is not sufficient to recuperate said investments.
- That the estimated costs in the CAPEX are greater as a result of changes in the commodities prices.

Limited Access to financing sources

During the last few years Mexichem has been able to finance the growth of its business through several financing sources with third parties as well as with related parties. The transaction with Netafim should strengthen Mexichem's capacity to access new financing sources. Nevertheless, it is not possible to ensure that the Acquisition may positively affect Mexichem and that would effectively strengthen Mexichem's capacity to access new or existing financing sources, affecting Netafim's results and the financial position and consolidated results of Mexichem.

The proforma financial information presented is not necessarily indicative of future results

The proforma financial information that is included is only for illustrative purposes and to show the balance after the Acquisition, consequently it does not represent the real operative results which would have been obtained in the event that the Acquisition would have been undertaken in the stated dates. Consequently, the proforma financial information could not be indicative of the financial position, nor of Mexichem's operative results.

Existing differences between the accounting policies of USGAAP in Netafim and the IFRS in Mexichem.

The Netafim financial statements as of June 30th, 2017 and December 31st, 2016 and for the six months periods and twelve months periods, concluded on such dates, have been prepared in accordance with USGAAP while Mexichem's financial statements as of those dates were prepared in accordance with IFRS The Management of Mexichem is in the process of identifying the existing differences between the USGAAP and the IFRS as well as the accounting policies used by Mexichem to prepare its financial statements. At the time of issuing this report, such evaluation has not been concluded and the effect they may have in the figures of Netafim, once converted and applied to the accounting policies of Mexichem, in the consolidated condensed proforma financial statements, is unknown. And then, consolidated condensed financial information proforma included in this Information Memorandum could deferred from the one when the evaluation concludes.

Differences in the reasonable value of the net assets being acquired.

The Company registered the acquisition of Netafim in the consolidated condensed proforma financial statements, using the purchase method, however, as of the date of the consolidated condensed proforma financial position report and the consolidated condensed proforma income statements, and other attached integral results, the Company is in the process of determining the reasonable values of the net assets being acquired for this transaction, which are deemed to be competed in a year as of the acquisition date, in accordance with IFRS 3, "*Business combinations*"

The Acquisition could affect the Price of Mexichem's shares.

The investors could perceive in a negative manner the Acquisition, which could bring repercussions on the market price of the representative shares of Mexichem's share capital.

Not achieving to maintain updated with the technological advances in our industry or looking for technologies not commercially accepted could affect our business, the financial position of the same or the operative results.

The technology is a very important concept for our business as well as for our growth strategy. Our success depends significantly in new designs and improvements in irrigation products, are developed, implemented and are accepted by the market. Our capacity to rapidly adapt and be able to develop new products and technologies to be able to be updated with the industry's evolution, offering reasonable prices to our clients is something that will determine our competitiveness within the markets where we operate. Our competitors may develop new products or technologies superior to ours, they may develop more efficient or effective methods to supply products and services or they may adapt faster to new products. If our products and technologies are not able to obtain the market's acceptance because we fail in the innovation of the same or if our competitors offer more attractive products, could affect adversely our business, financial position and operative result.

Net sales and earnings could be adversely affected by economic conditions and outlook in countries in which we operate.

Adverse economic conditions and outlook in countries in which we conduct business can impact demand for our products and, ultimately, our net sales and earnings. These conditions include, but are not limited to, recessionary conditions; slow or negative economic growth rates; the impact of decisions made by the U.S. federal reserve with respect to interest rate increases in the regions in which we operate, austerity measures in countries in which Netafim operates, such as, Israel, Brazil, Colombia, Mexico, Ecuador, India and China in which governmental subsidies are reduced as well as financial incentives to the agriculture industry may inhibit demand for Netafim products and growth in the sector it serves. In the past, some of these factors have caused Netafim´s distributors, dealers, and end-user customers to reduce spending and delay or forego purchases of products, which could generate an adverse effect on the net sales and results of the Company.

Certain changes in agriculture and other policies of governments and international organizations may prove unfavorable in the industry.

Changes in governmental policies may impact the agriculture industry and may inhibit the growth of markets for Netafim products. However, it is difficult to predict accurately whether, and if so when, such changes will occur. Reductions in allowances, restrictions in policies of governments and international organizations may affect the income available to growers to purchase products used in agriculture and, accordingly, the operating results of the agribusiness industry, which could affect adversely the buy interest on our products and negatively affect our business, its financial position and operative result.

Fluctuations in foreign currency exchange rates with respect to Dollar have in the past affected our operating results and could continue to result in declines in our reported net sales and net earnings.

Because the functional currency of most of Netafim operations is the applicable local currency, and because Netafim financial reporting currency is the Dollar, preparation of Netafim consolidated financial statements requires Netafim to translate the assets, liabilities, expenses, and revenues of its operations out from Israel into U.S. Dollars at applicable exchange rates. Accordingly, Netafim is exposed to foreign currency exchange rate risk into Dollar from in the countries it operates arising from transactions in the normal course of business, such as sales and loans to wholly owned subsidiaries, as well as sales to third party customers, purchases from suppliers, and bank lines of credit with creditors denominated in foreign currencies different to Dollars. The net sales and net earnings of Netafim are subject to fluctuations in foreign currency exchange rates that have in the past affected its operating results and could continue to result in declines in its reported net sales and net earnings.

Conditions in Israel could affect the business' operations.

Netafim is incorporated under the laws of Israel, its main offices and three of its production plants, including all of its sprinklers plants are located in Israel. Netafim's operations in Israel depend on imported materials and they also export a significant amount of its products from Israel. Additionally, all of its information and data is located in Israel. Since the establishment of the State of Israel in 1948, several military conflicts have taken place in Israel and its neighboring countries, and Islamic military movements, as well as terrorist activities incidents and other hostilities (including the Second Lebanon War during the summer of 2006 and the Israeli military campaigns in Gaza during December 2008, November 2012 and the summer of 2014).

Political, economic and safety conditions in Israel, may directly affect Netafim's operations. Netafim could be adversely affected by the hostilities that involve Israel, including terrorist attacks or any other hostility or threat to Israel, the interruption or reduction of treaties between Israel and its commercial allies, a significant increase in the inflation or a significand reduction of the economic and financial conditions in Israel. Any conflict, terrorist attack, or present of future tension within Israel's borders or political instability in the region may interrupt the international commercial activities, adversely affecting Netafim's business and it could damage its financial conditions and operative results. Additionally, these military conflicts could damage the production plants in Israel, which would not be easy to replace. Even though Israeli legislation obliges the Israeli government to pay for the reinstallation value for damages caused from terrorist attack or acts of war, we are unable to ensure that the government policy will be maintained, or sufficient to compensate Netafim for all expenses that it could incur in. Additionally, indirect damages could not be covered. Any loss or damage incurred by Netafim, and not paid by the Israeli government could have an adverse effect in its business. Certain countries, as well as certain companies and organizations continue or intend to participate in boycotting Israeli companies, companies with important operations in Israel and others. The current boycotts and future strikes or embargos, restrictive laws, policies or practices that involve Israel or Israeli businesses or citizens or directly against Israel, could adversely affect Mexichem's business, financial conditions or future operative results.

Netafim's operations could be interrupted as a result of the duty of its key management team established in Israel, to comply with military service.

Some of the employees in Israel are obliged to report to the military reserves for their service, depending on the age and rank within the armed forces. Additionally, they may be called to the active reserves service at any time, under emergency circumstances for extended periods of time. Netafim's operations could be interrupted by the absence, for a significant period of time, of one or more of its employees as a result of the military service, and any interruption in operation could affect Mexichem's business, financial conditions or operative results.

A greater monetary compensation to the employees could be required to be paid as a result of their invention services.

Under the Israeli patents law, 5727-1967, inventions conceived by any employee during their employment period with a company will be considered "invention service" which is owned by the employer. Nevertheless, the employee who invents an invention service has a right to royalties from the earnings generated by the employer as a result of the commercialization of said invention service, unless said employee waive his/her right to receive royalties. Even when Netafim's employees generally agree to waive said claims, Netafim could face claims in respect to royalties or other compensation in respect to the invention service, in respect to employees who rejected said waiver. As a result of said claims, Netafim would have to pay an additional compensation or royalties to its employees, or be forced to litigate said claims, which could adversely affect its business and operative results and those of Mexichem.

Information in respect to estimations and associated risks.

The information included in this Information Memorandum reflects Mexichem's perspective in respect to future events, and it could contain information in respect to financial results, economic situations, tendencies and uncertain facts. The expressions "believes", "expects", "estimates", "considers", "anticipates", "plans" and other similar expressions, identify said projections or estimates. When evaluating said projections and estimates, their stockholders must consider the factors described in this section and other warnings contained herein or in any other document divulged to the general public in respect to the Acquisition. Said risk factors and projections describe the circumstances which could cause that the real results significantly differ from those expected.

6. SELECTED FINANCIAL INFORMATION

Below are the non-audited condensed consolidated proforma financial position statements for the acquisition of Netafim to June 30th, 2017 and December 31, 2016, and the non-audited condensed consolidated proforma income statements and other integral results for the six months concluded on June 30 2017 and the twelve months concluded on December 31, 2016, prepared as of the non-audited quarterly reports and the corresponding audited financial statements of Mexichen and Netafim. The attached notes form an integral part of such proforma financial statements. Below, we include a general balance and position statements of Mexichem on the indicated dates taking into account the Acquisition.

Mexichem, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Pro forma consolidated condensed statements of financial position (unaudited)

As of June 30, 2017 and December 31, 2016
(In thousands of US dollars)

	June 30, 2017					December 31, 2016						
	Mexichem (1) (Note 3a)	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim pro forma	Mexichem (1) (Note 3a)	Adoption of change in accounting policy for property, plant and equipment (Note 3b)	Mexichem restructured	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma
Current assets:												
Cash and cash equivalents	$ 735,443	$ 32,940	$ (300,000)	(i)	$ 468,383	$ 713,607	$ -	$ 713,607	$ 59,698	$ (300,000)	(i)	$ 473,305
Accounts and notes receivable	1,525,911	257,067	-		1,782,978	1,180,581	-	1,180,581	205,257	-		1,385,838
Inventories	713,315	147,485	-		860,800	606,389	-	606,389	144,728	-		751,117
Other current assets	48,723	57,804	-		106,527	38,576	-	38,576	41,696	-		80,272
Assets available-for-sale	22,439	-	-		22,439	21,050	-	21,050	-	-		21,050
Total current assets	3,045,831	495,296	(300,000)		3,241,127	2,560,203	-	2,560,203	451,379	(300,000)		2,711,582
Non-current assets:												
Property, plant and equipment, Net	3,774,444	126,204	-		3,900,648	4,201,580	(451,987)	3,749,593	125,714	-		3,875,307
Investment in the shares of associated entities	31,518	4,662	-		36,180	30,909	-	30,909	3,202	-		34,111
Other assets, Net	74,108	17,579	-		91,687	64,294	-	64,294	17,067	-		81,361
Deferred taxes	-	12,519	-		12,519	66,025	-	66,025	11,587	-		77,612
Intangible assets, Net	1,215,149	2,687	-		1,217,836	1,192,808	-	1,192,808	2,069	-		1,194,877
Goodwill	695,964	6,245	1,231,700	(ii)	1,933,909	690,183	-	690,183	6,245	1,272,405	(ii)	1,968,833
Total non-current assets	5,791,183	169,896	1,231,700		7,192,779	6,245,799	(451,987)	5,793,812	165,884	1,272,405		7,232,101
Total	$ 8,837,014	$ 665,192	$ 931,700		$ 10,433,906	$ 8,806,002	$ (451,987)	$ 8,354,015	$ 617,263	$ 972,405		$ 9,943,683

(Continued)

The accompanying notes are part of the pro forma consolidated condensed statements of financial position (unaudited).

Mexichem, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Pro forma consolidated condensed statements of financial position (unaudited)

As of June 30, 2017 and December 31, 2016
(In thousands of US dollars)

	June 30, 2017					December 31, 2016						
	Mexichem (1) (Note 3a)	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma	Mexichem (1) (Note 3a)	Adoption of change in accounting policy on property, plant and equipment (Note 3b)	Mexichem restructured	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma
Current liabilities :												
Bank loans and the current portion of the long-term debt	$ 52,479	$ 30,852	$ 169,148	(i)	$ 252,479	$ 57,693	$ -	$ 57,693	$ 23,232	$ 176,768	(i)	$ 257,693
Suppliers	801,648	152,400	-		954,048	653,076	-	653,076	123,455	-		776,531
Suppliers' letters of credit	677,715	-	-		677,715	616,628	-	616,628	-	-		616,628
Other short-term liabilities	591,047	102,820	9,831	(i)	703,698	592,554	-	592,554	101,592	26,686	(i)	576,846
Short-term capital leases	44,864	-	-		44,864	51,839	-	51,839	-	-		51,839
Liabilities associated with assets held for sale	10,983	-	-		10,983	13,207	-	13,207	-	-		13,207
Total current liabilities	2,178,736	286,072	178,979		2,643,787	1,984,997	-	1,984,997	248,279	203,454		2,436,730
Non-current liabilities:												
Bank loans and long-term debt	2,269,683	88,629	1,000,892	(i)	3,359,204	2,241,370	-	2,241,370	126,175	1,000,892	(i)	3,368,437
Employee benefits	187,276	7,196	-		194,472	170,973	-	170,973	6,446	-		177,419
Other long-term liabilities	95,064	51,108	(34,400)	(iv)	111,772	55,544	-	55,544	45,673	(34,400)	(iv)	66,817
Derivative financial instruments	115,843	-	-		115,843	99,162	-	99,162	-	-		99,162
Deferred taxes	123,539	3,948	-		127,487	286,889	(136,039)	150,850	4,393	-		155,243
Long-term capital leases	52,346	-	-		52,346	69,513	-	69,513	-	-		69,513
Redeemable non-controlling interest	-	-	220,259	(iii)	220,259	-	-	-	-	220,259	(iii)	220,259
Total non-current liabilities	2,843,751	150,881	1,186,751		4,181,383	2,923,451	(136,039)	2,787,412	182,687	1,186,751		4,156,850
Total liabilities	5,022,487	436,953	1,365,730		6,825,170	4,908,448	(136,039)	4,772,409	430,966	1,390,205		6,593,580
Stockholders' equity:												
Contributed capital -												
Common stock	256,482	176,944	(176,944)		256,482	256,482	-	256,482	176,944	(176,944)		256,482
Share issuance premium	1,474,827	-	-		1,474,827	1,474,827	-	1,474,827	-	-		1,474,827
Restatement of common stock	23,948	-	-		23,948	23,948	-	23,948	-	-		23,948
	1,755,257	176,944	(176,944)	i	1,755,257	1,755,257	-	1,755,257	176,944	(176,944)		1,755,257
Earned capital -												
Retained earnings	974,456	76,901	(329,991)		721,366	574,442	280,903	855,345	37,170	(307,115)		585,400
Reserve for the acquisition of the Company's own shares	546,381	-	-		546,381	551,579	-	551,579	-	-		551,579
Other comprehensive income	(435,595)	(27,670)	27,670		(435,595)	97,829	(582,217)	(484,388)	(29,295)	29,295		(484,388)
	1,085,242	49,231	(302,321)		832,152	1,223,850	(301,314)	922,536	7,875	(277,820)		652,591
Total controlling interest	2,840,499	226,175	(479,265)		2,587,409	2,979,107	(301,314)	2,677,793	184,819	(454,764)		2,407,848
Total non-controlling interest	974,028	2,064	45,235		1,021,327	918,447	(14,634)	903,813	1,478	36,964		942,255
Total capital	3,814,527	228,239	(434,030)	(v)	3,608,736	3,897,554	(315,948)	3,581,606	186,297	(417,800)	(v)	3,350,103
Total	$ 8,837,014	$ 665,192	$ 931,700		$ 10,433,906	$ 8,806,002	$ (451,987)	$ 8,354,015	$ 617,263	$ 972,405		$ 9,943,683

The accompanying notes are part of the pro forma consolidated condensed statements of financial position (unaudited).

Mexichem, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Pro forma consolidated condensed statements of income and statements of other comprehensive income (unaudited)

For the six-month period ended June 30, 2017 and for the year ended December 31, 2016
(In thousands of US dollars)

	June 30, 2017					December 31, 2016						
	Mexichem (1) (Note 3a)	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma	Mexichem (1) (Note 3a)	Adoption of change in accounting policy for property, plant and equipment (Note 3b)	Mexichem restructured	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma
Continuing operations:												
Net sales	$ 2,858,790	$ 502,777	$ -		$ 3,361,567	$ 5,349,807	$ -	$ 5,349,807	$ 854,715	$ -		$ 6,204,522
Cost of sales	2,179,475	342,032	-		2,521,507	4,143,473	(34,505)	4,108,968	585,399	-		4,694,367
Gross profit	679,315	160,745	-		840,060	1,206,334	(34,505)	1,240,839	269,316	-		1,510,155
General expenses	327,296	99,993	23,000	(i)	450,289	692,095	(4,184)	687,911	191,769	23,000	(i)	902,680
Financial expenses	133,585	7,659	24,375	(vi)	165,619	192,372	-	192,372	22,818	48,749	(iv)	263,939
Financial income	(12,295)	-	-		(12,295)	(11,963)	-	(11,963)	-	-		(11,963)
Monetary position gain	(2,096)	-	-		(2,096)	(17,478)	-	(17,478)	-	-		(17,478)
Equity in profits of associated companies	(728)	-	-		(728)	(2,873)	-	(2,873)	-	-		(2,873)
Profit before income taxes	233,553	53,093	(47,375)		239,271	354,181	(4,184)	392,870	54,729	(71,749)		375,850
Income taxes	88,116	13,015	(14,544)	(vi)	86,587	121,921	12,835	134,756	14,121	(22,063)	(iv)	126,814
Profit from continuing operations	145,437	40,078	(32,831)		152,684	232,260	25,854	258,114	40,608	(49,686)		249,036
Loss from discontinued operations , Net	(154)	-	-		(154)	(10,780)	-	(10,780)	-	-		(10,780)
Net consolidated profit for the period and year	145,283	40,078	(32,831)		152,530	221,480	25,854	247,334	40,608	(49,686)		238,256
Items that will not be subsequently reclassified to results	1,846	-	-		1,846	(13,270)	-	(13,270)	-	-		(13,270)
Items that will be subsequently reclassified to results	46,946	1,864	-		48,810	(53,753)	-	(53,753)	1,911	-		(51,842)
Other comprehensive income entries	48,792	1,864	-		50,656	(67,023)	-	(67,023)	1,911	-		(65,112)
Consolidated comprehensive income for the period and year	$ 194,075	$ 41,942	$ (32,831)		$ 203,186	$ 154,457	$ 25,854	$ 180,311	$ 42,519	$ (49,686)		$ 173,144
Net consolidated profit (loss) for the period and year:												
Controlling interest	$ 119,111	$ 39,731	$ (40,777)		$ 118,065	$ 238,399	$ 25,827	$ 264,226	$ 40,256	$ (57,737)		$ 246,745
Non-controlling interest	26,172	347	7,946		34,465	(16,919)	27	(16,892)	352	8,051		(8,489)
	$ 145,283	$ 40,078	$ (32,831)		$ 152,530	$ 221,480	$ 25,854	$ 247,334	$ 40,608	$ (49,686)		$ 238,256
Comprehensive income for the period and year:												
Controlling interest	$ 162,359	$ 41,356	$ (41,102)		$ 162,613	$ 172,429	$ 25,827	$ 198,256	$ 41,925	$ (58,071)		$ 182,110
Non-controlling interest	31,716	586	8,271		40,573	(17,972)	27	(17,945)	594	8,385		(8,966)
	$ 194,075	$ 41,942	$ (32,831)		$ 203,186	$ 154,457	$ 25,854	$ 180,311	$ 42,519	$ (49,686)		$ 173,144

The accompanying notes are part of the pro forma consolidated condensed statements of income and statements of other comprehensive income (unaudited).

Notes to the pro forma consolidated condensed statements of income and statements of other comprehensive income (unaudited)

For the six-month period ended June 30, 2017 and for the year ended December 31, 2016
(In thousands of US dollars)

1. Objective of the pro forma consolidated condensed statements of changes in financial position and statements of comprehensive income (unaudited)

The objective of the pro forma consolidated condensed statements of financial position as of June 30, 2017 and December 31, 2016, and of the pro forma consolidated condensed statements of income and statements of other comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, is to present the consolidated financial information of Mexichem, S.A.B. de C.V. (the "Company or Mexichem"), as if the acquisition of the new business mentioned in the following Note 2, had occurred at those dates. The net assets of the new business have already been included in the historical consolidated condensed statements of financial position as of June 30, 2017 and as of December 31, 2016, as identified in the "Mexichem and Netafim Pro forma" column.

The pro forma consolidated condensed statement of financial position as of June 30, 2017 and as of December 31, 2016, and the pro forma consolidated condensed statements of income and statements of other comprehensive income for the six-month period ended June 30, 2017, and for the year ended December 31, 2016 have not been audited. Accordingly, they are only presented to facilitate the comparison of the historical consolidated statements of income and statements comprehensive income of the Company, which they do not pretend to present statement of income and statement of other comprehensive income that they had obtained, if the aforementioned acquisition had taken place on January 1, 2016. Likewise, they should not be considered to be indicative of the future consolidated statements of income and statements of other comprehensive income of the Company.

Furthermore, as described below, the Company is in the process of determining the fair values of the net assets acquired through the abovementioned acquisition. Consequently, all the pro forma adjustments are based on preliminary estimates and assumptions, but do not include the adjustments made to the depreciation and amortization of the tangible and intangible acquired net assets.

2. Business combination

a. ***New business acquisition****-*

In August 2017, Mexichem, Soluciones Integrales Holding, S.A. de C.V. ("MSIH"), a subsidiary of Mexichem, reached an agreement for the acquisition of i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, and iii) certain credits granted by some of the stockholders of Netafim Bluedrip S.ar.l, y Netafim Hatzerim Holdings, Cooperative Association Limited, in favor of Netafim (the "Acquisition" or "Operation"). Netafim is a company with its headquarters in Israel, a presence in 10 countries, 17 plants and which holds a 30% global market share in the area of irrigation solutions for agriculture, greenhouses, landscaping and mining, with demand for its products in 110 countries. As this acquisition is subject to regulatory approval, the transaction is expected to be concluded during the fourth quarter of 2017.

According to the terms of the Share Purchase Agreement, the value of Netafim was agreed at US$1,895 million, which will be utilized to calculate the value of the shares representing common stock at the closing transaction date based on the process established in the Share Purchase Agreement, which considers the following adjustments: (i) available working capital; (ii) debt; (iii) transaction costs; (iv) available cash; and (v) the cost of canceling a share plan granted to certain employees of Netafim according to the terms defined in the Share Purchase Agreement. MSIH will pay at the conclusion date an amount equal to approximately the value of: i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, iii) and certain credits granted by some of the stockholders of Netafim Bluedrip S.ar.l, y Netafim Hatzerim Holdings, Cooperative Association Limited, in favor of Netafim (the "Acquisition" or "Operation").It is currently estimated that MSIH will pay the approximate amount of US$1,500 million included in the abovementioned concepts. This amount will be financed with the cash and cash equivalents of Mexichem for the amount of up to US$300 million.

The financial statements of Netafim for the six-month ended June 30, 2017 and for the year ended December 31, 2016, and for the six and 12-month periods then ended have been prepared according to US GAAP. The Management of Mexichem is in the process of identifying the differences between US GAAP and IFRS, together with the accounting policies used by Mexichem to prepare its financial statements. At the date of issuance of this report, this evaluation has not been concluded, meaning that the possible effect for the figures of Netafim, once converted and adapted to the accounting policies of Mexichem on the accompanying pro forma consolidated condensed financial statements, is still unknown.

The Company recorded the acquisition of Netafim in the pro forma consolidated condensed financial statements by utilizing the purchase method. However, since the date of the accompanying pro forma consolidated condensed statements of financial position and the pro forma consolidated condensed statements of other comprehensive income, the Company is in the process of determining the fair values of the net assets acquired through this transaction, a process it expects to complete in one year as of the acquisition date, according to IFRS 3, "*Business combinations"*.

Consequently, the figure shown in the Company's interim consolidated condensed financial statements (unaudited) for the year ended December 31, 2016 and for the six-month period ended June 30, 2017 regarding this acquisition reflect the historical cost of the acquired net assets, together with the goodwill exclusively determined based on the difference at each of these dates. These amounts are therefore provisional and are subject to the determination of the fair value of the acquired net assets. The pro forma adjustments to the historical consolidated financial information does not include adjustments to the depreciation and amortization of acquired tangible and intangible assets.

b. ***Transferred payment***

2017 and 2016	**Payment to be transferred in cash**	**Assumed net liabilities**	**Value of the purchase of Netafim**
Netafim	$ 1,500,000	$ (87,360)	$ 1,412,640

c. Acquisition goodwill

2017	**Payment to be transferred in cash**	**Assumed net liabilities**	**Value of acquired net assets**	**Goodwill**
Netafim	$ 1,500,000	$ (87,360)	$ (180,940)	$ 1,231,700

2016	Payment to be transferred in cash	Assumed net liabilities	Value of acquired net assets	Goodwill
Netafim	$ 1,500,000	$ (79,740)	$ (147,855)	$ 1,272,405

3. Basis for presentation

a. Basis for presentation of the unaudited pro forma consolidated condensed financial statements –

The accompanying unaudited pro forma condensed statements of financial position, the unaudited pro forma condensed statements of income and statements of comprehensive income have been prepared by Management according to the Company's accounting policies. The pro forma adjustments for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, included in the pro forma consolidated condensed statements of financial position and the pro forma adjustments included in the consolidated condensed statements of income and statements of comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, as described below, represent adjustments to the Company's historical financial position and results.

The pro forma adjustments include the transactions related to the Netafim acquisition transaction.

This financial information is not intended to represent the operating results or financial position of the Company as though the transaction had been presented at the specified dates. Similarly, this information is not intended to project the results of operations and financial position of the Company in future periods or at a future date. All the pro forma adjustments are based on interim estimates and assumptions which will be reviewed when the transaction is concluded based on the determination of the fair value of the acquired net assets.

Mexichem Column (1) - The historical information reflected in the Mexichem column is taken from the consolidated condensed statements of financial position as of June 30, 2017 (unaudited) and at December 31, 2016 (audited), the statements of income and statements of other comprehensive income of the Company for the six-month period ended June 30, 2017 (unaudited), the audited consolidated statements of income and statements of other comprehensive income for the year ended December 31, 2016 (audited).

Netafim Column (2) - The historical information reflected in the Netafim column is taken from the consolidated statement of changes position as of June 30, 2017 (unaudited) and as of December 31, 2016 (audited), the statements of income and statements of other comprehensive income for the period from January 1, through June 30, 2017 (unaudited), the consolidated statements of income and statements of other comprehensive income of the year ended December 31, 2016 (audited).

b. Change of accounting policy used for property, plant and equipment .

On February 20 and 21, 2017, respectively, the Company's Audit Committee and Board of Directors authorized the change of accounting policy utilized for the valuation of property, plant and equipment, changing from the revaluation model to the historical cost model as of January 1, 2017. The Company performed an analysis which identified that its assets are primarily acquired to ensure their continued use throughout their useful lives. Accordingly, it is the practice of the industry to which the Company belongs to recognize property, plant and equipment based on the historical cost model. According to IAS 8, "*Accounting Policies,* *Changes in Accounting Estimates and Errors*", this change essentially affected the Latin American subsidiaries without affecting the Company's cash flows.

The effect generated by this change in accounting policy, in the Company's assets, liabilities, capital and results is as follows:

	December 31, 2016	Adjustments	December 31, 2016 restructured
Headings of consolidated statement of financial position			
Property, plant and equipment, Net	$ 4,201,580	$ (451,987)	$ 3,749,593
Deferred taxes	$ 220,864	$ (136,039)	$ 84,825
Stockholders' equity	$ 3,897,554	$ (315,948)	$ 3,581,606

	Year ended December 31, 2016	Adjustments	Year ended December 31, 2016 restructured
Headings of the consolidated statement of income and statement of other comprehensive income:			
Cost of sales	$ 4,143,473	$ (34,505)	$ 4,108,968
General expenses	$ 692,095	$ (4,184)	$ 687,911
Income tax	$ 121,921	$ 12,835	$ 134,756
Other comprehensive income:			
Gain from the revaluation of property, plant and equipment	$ 23,497	$ (3,895)	$ 19,602
Income tax	$ 5,687	$ 1,285	$ 6,972

4. Pro forma adjustments

Adjustments to the pro forma consolidated condensed statements of financial position as of June 30, 2017 and at December 31, 2016:

The amounts reflected in the adjustments column represent:

i) Financing for the acquisition of Netafim - Considers the effect of the disposal of cash for the amount of $300,000 directly from the Company's cash and cash equivalents, together with an additional bank financing that will be utilized for the acquisition of Netafim through a new long-term Bond issuance for the amount of $1,000,000, a revolving credit line for the amount of $200,000, with a 4% interest rate and an interest rate equal to the three-month LIBOR rate plus a spread of 1.15%, respectively. The Bond interest rate has been estimated by the Company.

Similarly, the Company recognizes a liability for payable interest, which is recorded under the heading of short-term liabilities, net of income tax. This interest was accrued during the period from January 1, through June 30, 2017 and for the period from December 31, 2016, for the amount of $16,904 and $33,759, respectively.

As of June 30, 2017 and December 31, 2017, the short-term liabilities heading contains income tax reduction related to acquisition expenses of $7,073.

ii) Goodwill of $1,231,700 (which includes comprehensive income for the period from January 1, through June 30, 2017 of Netafim for the amount of $41,942) and $1,272,405, which the Company recorded for the acquisition of Netafim in the pro forma consolidated condensed financial statements for the six-month period ended 30, 2017 and for the year ended December 31, 2016 by utilizing the purchase method. However, the Company is in the process of determining the fair value of the net assets acquired through this transaction, which it expects to be completed in one year as of the acquisition date. This amount represents the payment that will be transferred in cash for the amount of $1,500,000, compared with the net value of the assets as of June 30, 2017, for the amount of $180,940, and as of December 31, 2017, for the amount of $147,855, in the proportion acquired by the Company. The goodwill valuation has been calculated based on historical stockholders' equity of Netafim, thus, it does not contain the valuation at market value of the controlling and non-controlling interest.

iii) According to the stockholders' agreement dated August 6, 2017 with the minority stockholders (redeemable non-controlling interest) of Netafim, the latter have been granted a "Put" option which allows them a sales option. Consequently, the Company has acquired a purchase obligation as of the fifth anniversary of the transaction and for the 10 following years. The option value will depend on the market value of the Netafim and certain conditions linked to multiples of the share value. The Company recognized the future value based on estimated scenarios, while considering the current value of the assumed obligation. The accounting record is composed by a debit to stockholders' equity, together with a credit applied on a long-term basis to the redeemable non-controlling interest heading, for the amount of $220,259. This effect was recorded in June 30, 2017 and in December 31, 2016. No interest has been recorded in the statements of income and statements of comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, because they are only intended for illustrative purposes.

iv) Effect of assumed liabilities that were included in the enterprise value for the amount of $87,360.

v) Elimination entry for the stockholders' equity of Netafim and recognition of the non-controlling interest.

Adjustments to the pro forma consolidated condensed statements of income and statements of comprehensive income for the period from January 1, through June 30, 2017, and for the period from January 1, through December 31, 2016:

vi) Effect of the interest generated by the bank financing mentioned in numeral (i) for the period from January 1, through June 30, 2017 and for the period from January 1, through December 31, 2016, for the amount of $24,375 and $48,749 respectively, as well as a business profit for taxes of $7,471 and $14,990, respectively.

vii) Effect of expenses incurred for the acquisition of Netafim, which are directly attributable to the transaction for an estimated amount of $23,000, net of income taxes, for the amount of $7,073, which are directly presented in the consolidated condensed statement of income and statement of other comprehensive income of both periods.

* * * * * *

7. COMMENTS AND ANALYSIS FROM MANAGEMENT IN RESPECT TO THE OPERATION'S RESULTS AND FINANCIAL POSITION OF THE ISSUER

The information and comments included in this section have the purpose of facilitating the analysis and comprehension of Mexichem's proforma consolidated financial information, as if Netafim's results were included for the periods presented hereinafter.

The proforma consolidated financial information that is included in this Information Memorandum is only for illustrative purposes and does not represent the real operative results which would have been obtained in the event that the Acquisition would have been undertaken in the stated dates, nor it is the intention for it to project the operation results or future financial position of Mexichem. The Proforma consolidated financial information of Mexichem included in this Information Memorandum, must be read jointly with Mexichem's financial statements, the note to the same and the consolidated proforma financial information included in this Information Memorandum.

The proforma consolidated financial information has been compiled by Mexichem's management to illustrate the effects that the Acquisition would have had on Mexichem's consolidated financial position statements for the six months which concluded on June 30th, 2017 and for the year concluded on December 31st, 2016, assuming that the Acquisition would have occurred on January 1st, 2017 and January 1st, 2016, respectively.

Mexichem's financial information for the six months which concluded on June 30th, 2017 and for the twelve months ended on December 31st, 2016 have been prepared in accordance with the IFRS, being the Dollar the functional and reporting currency. All the comparisons are undertaken against the same period of the previous year. Unless specified differently, the figures are reported in millions. In some cases the percentages and numbers have been rounded up.

i) Operative Results

Statement of Earnings

Net sales

With the incorporation of US$855 million generated by Netafim during 2016, Mexichem's total earnings would have increased 16% during the year, in the same manner, during the first six months which concluded on June 30th, 2017, Netafim's operation would have contributed total earnings of $503 million, representing an increase of 18% in respect to Mexichem's base result.

As such, the total earnings generated by Netafim would have represented a 13.8% and 15% of the consolidated total during 2016 and the six months which concluded on June 30th, 2017, respectively.

Gross Profit

Mexichem's proforma consolidated gross profit increased by US$269 million during 2016 and US$161 million during the six months which concluded on June 30th, 2017, representing an increase of 21.7% and 24% in respect to Mexichem's base result, respectively.

Operating Profit

Mexichem's proforma consolidated operating profit increased by US$77 million during 2016 and US$61 million during the six months which concluded on June 30th, 2017, representing an increase of 14% and 17% in respect to Mexichem's base result, respectively. The incorporation of Netafim's operating profit represents 13% of the proforma result for 2016, and 16% of the proforma result for the six months which concluded on June

30th, 2017, while Mexichem's operating margin at the closing of 2016 would be 10% and during the first six months of 2017, it would be 12%.

Financing integral cost

The financing integral cost at the closing of 2016 increases US$71.5 million, in other words, the equivalent to 31%, while during the first six months of 2017 increases US$32 million which would represents an increase of 21%.

Income Taxes

The proforma income taxes as percentage to profit before taxes is 34% in 2016 and 36% on the six months concluded on June 30th, 2017.

Net Majority Income

Incorporating Netafim's results, the net majority income of the proforma statements to December 2016, would have been US$247 million. The net margin would have been 4%.

For the fiscal year which concluded on June 30th, 2017, the proforma net majority profit would have been US$118 million. The net majority margin would have been 5%.

Balance Sheet

For the proforma balance sheet of 2016 and the six months which concluded on June 30th, 2017, the variations presented in the proforma financial statements are explained due to the incorporation of Netafim's figures related with its regular operation.

Accounts receivable

On June 30th, 2017, and December 31st, 2016, the accounts receivable are increased in 17%, in both years as a consequence of the business operation and the consolidation of operations of Netafim.

Inventories

The proforma inventories at the closing of the first semester of 2017 would be US$861 million, and on December 31st, 2016 in US$751 million, evidencing an increase of 21% and 24% as an effect of the integration of Netafim's operations.

Fixed Assets

The proforma fixed asset at the closing of the first semester of 2017 would be US$3,901 million, and on December 31st, 2016 in US$3,875 million, evidencing an increase of 3.34% and 3.35% respectively as an effect of the integration of Netafim's operations.

ii) Financial Situation, Liquidity and Capital Resources

Cash and cash equivalents

The proforma consolidated cash and cash equivalents item to June 30th, 2017 and December 31st, 2016, would have resulted in US$468 million and US$473 million, respectively, considering the use of cash to fund the Acquisition.

Liquidity

On June 30th, 2017, and December 31st, 2016 the liquidity ratio considering Netafim´s operation would have been 1.22 and 1.11, respectively. Such liquidity ratio is an indication of the ability of Mexichem to meet its short term commitments.

Total Assets

The proforma total assets item considering Netafim's operations to June 30, 2017, would come to a figure of US$10,434 million. Said amount is greater than $8,860 million corresponding to the total assets of Mexichem's base figures. The difference is mainly explained by the recognition of the goodwill generated by Netafim's acquisition of US$1,232 million and for its total assets.

The proforma total assets item considering Netafim's operations to December 31st, 2016, would come to a figure of US$9,944 million. Said amount is greater than $8,354 million corresponding to the total assets of Mexichem's base figures. The difference is mainly explained by the recognition of the goodwill generated by Netafim's acquisition of US$1,272 million and for its total assets.

Debt

Mexichem's proforma debt with cost item when considering the Acquisition on June 30, 2017 would come to US$3,612 million, in comparison to the debt of US$2,322 million, registered in Mexichem´s base figures.

Mexichem's proforma debt with cost item when considering the Acquisition on December 31st, 2016 would come to US$3,626 million, in comparison to the debt of US$2,299 million, registered in Mexichem´s base figures.

For more information in respect to Mexichem's financial information, please refer to the Annual Report, same which is available in the following web pages: www.bmv.com.mx y www.mexichem.com

8. RESPONSIBLE INDIVIDUALS

The signatories state under oath that, within the scope of our respective capacities, we have prepared the information relative to Mexichem contained in this Information Memorandum, which to our knowledge, reasonably reflects its situation. Additionally, we state that we do not have knowledge of any relevant information which would have been omitted or misrepresented in this Information Memorandum, or that the same contains information which could mislead investors.

By: Antonio Carrillo Rule
Position: CEO

By: Rodrigo Guzmán Perera
Position: Corporate Finance Vice-President

By: Francisco Hernández Castillo
Position: Corporate Legal Vice-President

9. EXHIBITS

Opinion of the external auditor which refers to basis for the preparation of the included proforma financial information and the quantification of the Acquisition.

Mexichem, S.A.B. de C.V. and Subsidiaries

Pro forma consolidated condensed statements of financial position as of June 30, 2017 and as of December 31, 2016, and pro forma consolidated condensed statements of income and pro forma statements of other comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, and independent auditors’ report of August 11, 2017

Deloitte.

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Independent auditors' assurance report to the Management of Mexichem, S.A.B. de C.V. regarding the compilation of pro forma consolidated condensed financial statements in the prospectus

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Mexichem, S.A.B. de C.V. (the "Company", a subsidiary of Kaluz, S.A. de C.V.). The pro forma financial information consists of the pro forma statements of financial position as of June 30, 2017 and as of December 31, 2016, the pro forma consolidated condensed statements of income and statements of other comprehensive income for the six-month period ended June 30, 2017, and for the year ended December 31, 2016, together with the notes to these financial statements (collectively referred to as the "pro forma consolidated condensed financial statements"). The applicable criteria utilized by the Company's Management to compile the pro forma condensed financial statements are described in Note 3a ("Bases for presentation of the unaudited pro forma condensed financial statements").

The pro forma financial information has been compiled by Management to illustrate the effect on the Company's financial position and financial performance as a result of the transactions described in Note 2 to the Company's pro forma consolidated condensed financial statements, as though these transactions had taken place as of June 30, 2017 and at December 31, 2016, as regards the pro forma consolidated condensed statements of financial position as of those dates and in relation to the pro forma consolidated condensed statements of income and statements of other comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, respectively.

Responsibility of Management for the pro forma consolidated condensed financial information

Management is responsible for compiling of the pro forma financial information on the basis described in Note 3a. This responsibility includes the design, implementation and maintenance of relevant internal controls to permit the preparation of pro forma financial information free of material misstatement due to fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion about whether the accompanying pro forma financial information have been compiled, in all material respects, by the Management of the Company on the basis of the criteria described in Note 3a to these financial statements.

We have conduct our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus", issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether the Company's Management has compiled, in all material respects, the accompanying pro forma financial information on the basis described in Note 3a.

For the purposes of this engagement, we are not responsible for updating or issuing any report or opinion on any historical consolidated financial information used in compiling the accompanying pro forma consolidated condensed financial statements. Similarly, during the course of this work, we have not performed an audit of or reviewed the financial information utilized to compile these pro forma financial information.

The purpose of the pro forma financial information included in the information leaflet is to illustrate the impact of significant event or a significant transaction on the Company's unadjusted financial information, as if the event had occurred or the transaction had been undertaken at an earlier date selected for illustration purposes. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the indicated dates and periods would have been as presented in the pro forma consolidated condensed financial statements.

A reasonable engagement to report on whether pro forma consolidated condensed financial information has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by the Company's Management in the compilation of the pro forma consolidated condensed financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence as to whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of the adjustments made to the unadjusted consolidated condensed financial information.

The selected procedures depend on the judgment of the independent auditor, having regard to the auditor´s understanding of the nature of the Company, the event or transaction in respect to the pro forma financial information that has been compiled, together with other relevant engagement circumstances.

This engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Qualified opinion

In our opinion, except for the effects, if arising, that could exist according to the description contained in the paragraph entitled *Basis for the qualified opinion,* the accompanying pro forma consolidated condensed financial statements have been compiled, in all material respects, according to the preparation bases described in Note 3a to these pro forma condensed financial statements.

Basis for the qualified opinion

As discussed in Note 2a, the financial statements of Netafim, L.T.D. ("Netafim") for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, and for the six-month and 12-month periods then ended, have been prepared according to the accounting principles generally accepted in the United States (US GAAP). The Company's Management is in the process of identifying the differences between US GAAP and International Financial Reporting Standards (IFRS), as well as the accounting policies utilized by the Company to prepare its financial statements. At the date of issuance of this report, this evaluation has not been concluded, meaning that the possible effect for the figures of Netafim, once converted and adapted to the accounting policies of Mexichem, S.A.B. de C.V., in the accompanying pro forma consolidated condensed financial statements, is still unknown.

Deloitte.

Emphasis of certain issues

a) As discussed in Note 2a, the Company recorded the acquisition of Netafim in the pro forma consolidated condensed financial statements by utilizing the purchase method. However, since the date of the accompanying pro forma consolidated condensed statements of financial position and the pro forma consolidated condensed statements of other comprehensive income, the Company has been in the process of determining the fair values of the net assets acquired through this transaction, a process it expects to complete in one year as of the acquisition date, according to IFRS 3, *Business combination*.

b) The consolidated condensed financial statements of Netafim as of December 31, 2016 and for the years then ended have been audited by other independent auditors, who issued an unqualified opinion in their report dated April 15, 2017, in conformity with the auditing standards generally accepted in the United States.

c) The interim financial statements of the Company and Netafim as of June 30, 2017 and for the six-month period then ended, have not been audited.

d) As mentioned in Note 3b, the Company's Management has decided to modify the accounting policy related to the valuation of property, plant and equipment as of January 1, 2017. The Company has adopted the historical cost model to replace the revaluation methodology. According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the retroactive effects of these changes must be presented at the start of the earliest year presented. Management considers that this requirement is irrelevant considering the fact that the accompanying pro forma consolidated condensed financial statements are only presented for illustration purposes.

Other Matter

The accompanying consolidated pro forma unaudited financial statements have been translated from Spanish into English for the convenience of users In connection with the prospectus published on the Mexican Stock Exchange, which will be used to convene the Meeting of Shareholders of the Company close to the issuance of this report.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.A. Carlos [illegible] Pantoja Flores

August 11, 2017

Mexichem, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Pro forma consolidated condensed statements of financial position (unaudited)

As of June 30, 2017 and December 31, 2016
(In thousands of US dollars)

	June 30, 2017					December 31, 2016						
	Mexichem (1) (Note 3a)	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim pro forma	Mexichem (1) (Note 3a)	Adoption of change in accounting policy for property, plant and equipment (Note 3b)	Mexichem restructured	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma
Current assets:												
Cash and cash equivalents	$ 735,443	$ 32,940	$ (300,000)	(i)	$ 468,383	$ 713,607	$ -	$ 713,607	$ 59,698	$ (300,000)	(i)	$ 473,305
Accounts and notes receivable	1,525,911	257,067	-		1,782,978	1,180,581	-	1,180,581	205,257	-		1,385,838
Inventories	713,315	147,485	-		860,800	606,389	-	606,389	144,728	-		751,117
Other current assets	48,723	57,804	-		106,527	38,576	-	38,576	41,696	-		80,272
Assets available-for-sale	22,439	-	-		22,439	21,050	-	21,050	-	-		21,050
Total current assets	3,045,831	495,296	(300,000)		3,241,127	2,560,203	-	2,560,203	451,379	(300,000)		2,711,582
Non-current assets:												
Property, plant and equipment, Net	3,774,444	126,204	-		3,900,648	4,201,580	(451,987)	3,749,593	125,714	-		3,875,307
Investment in the shares of associated entities	31,518	4,662	-		36,180	30,909	-	30,909	3,202	-		34,111
Other assets, Net	74,108	17,579	-		91,687	64,294	-	64,294	17,067	-		81,361
Deferred taxes	-	12,519	-		12,519	66,025	-	66,025	11,587	-		77,612
Intangible assets, Net	1,215,149	2,687	-		1,217,836	1,192,808	-	1,192,808	2,069	-		1,194,877
Goodwill	695,964	6,245	1,231,700	(ii)	1,933,909	690,183	-	690,183	6,245	1,272,405	(ii)	1,968,833
Total non-current assets	5,791,183	169,896	1,231,700		7,192,779	6,245,799	(451,987)	5,793,812	165,884	1,272,405		7,232,101
Total	$ 8,837,014	$ 665,192	$ 931,700		$ 10,433,906	$ 8,806,002	$ (451,987)	$ 8,354,015	$ 617,263	$ 972,405		$ 9,943,683

(Continued)

The accompanying notes are part of the pro forma consolidated condensed statements of financial position (unaudited).

Mexichem, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Pro forma consolidated condensed statements of financial position (unaudited)

As of June 30, 2017 and December 31, 2016
(In thousands of US dollars)

	June 30, 2017					December 31, 2016						
	Mexichem (1) (Note 3a)	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma	Mexichem (1) (Note 3a)	Adoption of change in accounting policy on property, plant and equipment (Note 3b)	Mexichem restructured	Netafim (2) (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma
Current liabilities :												
Bank loans and the current portion of the long-term debt	$ 52,479	$ 30,852	$ 169,148	(i)	$ 252,479	$ 57,693	$ -	$ 57,693	$ 23,232	$ 176,768	(i)	$ 257,693
Suppliers	801,648	152,400	-		954,048	653,076	-	653,076	123,455	-		776,531
Suppliers' letters of credit	677,715	-	-		677,715	616,628	-	616,628	-	-		616,628
Other short-term liabilities	591,047	102,820	9,831	(i)	703,698	592,554	-	592,554	101,592	26,686	(i)	576,846
Short-term capital leases	44,864	-	-		44,864	51,839	-	51,839	-	-		51,839
Liabilities associated with assets held for sale	10,983	-	-		10,983	13,207	-	13,207	-	-		13,207
Total current liabilities	2,178,736	286,072	178,979		2,643,787	1,984,997	-	1,984,997	248,279	203,454		2,436,730
Non-current liabilities:												
Bank loans and long-term debt	2,269,683	88,629	1,000,892	(i)	3,359,204	2,241,370	-	2,241,370	126,175	1,000,892	(i)	3,368,437
Employee benefits	187,276	7,196	-		194,472	170,973	-	170,973	6,446	-		177,419
Other long-term liabilities	95,064	51,108	(34,400)	(iv)	111,772	55,544	-	55,544	45,673	(34,400)	(iv)	66,817
Derivative financial instruments	115,843	-	-		115,843	99,162	-	99,162	-	-		99,162
Deferred taxes	123,539	3,948	-		127,487	286,889	(136,039)	150,850	4,393	-		155,243
Long-term capital leases	52,346	-	-		52,346	69,513	-	69,513	-	-		69,513
Redeemable non-controlling interest	-	-	220,259	(iii)	220,259	-	-	-	-	220,259	(iii)	220,259
Total non-current liabilities	2,843,751	150,881	1,186,751		4,181,383	2,923,451	(136,039)	2,787,412	182,687	1,186,751		4,156,850
Total liabilities	5,022,487	436,953	1,365,730		6,825,170	4,908,448	(136,039)	4,772,409	430,966	1,390,205		6,593,580
Stockholders' equity:												
Contributed capital -												
Common stock	256,482	176,944	(176,944)		256,482	256,482	-	256,482	176,944	(176,944)		256,482
Share issuance premium	1,474,827	-	-		1,474,827	1,474,827	-	1,474,827	-	-		1,474,827
Restatement of common stock	23,948	-	-		23,948	23,948	-	23,948	-	-		23,948
	1,755,257	176,944	(176,944)	i	1,755,257	1,755,257	-	1,755,257	176,944	(176,944)		1,755,257
Earned capital -												
Retained earnings	974,456	76,901	(329,991)		721,366	574,442	280,903	855,345	37,170	(307,115)		585,400
Reserve for the acquisition of the Company's own shares	546,381	-	-		546,381	551,579	-	551,579	-	-		551,579
Other comprehensive income	(435,595)	(27,670)	27,670		(435,595)	97,829	(582,217)	(484,388)	(29,295)	29,295		(484,388)
	1,085,242	49,231	(302,321)		832,152	1,223,850	(301,314)	922,536	7,875	(277,820)		652,591
Total controlling interest	2,840,499	226,175	(479,265)		2,587,409	2,979,107	(301,314)	2,677,793	184,819	(454,764)		2,407,848
Total non-controlling interest	974,028	2,064	45,235		1,021,327	918,447	(14,634)	903,813	1,478	36,964		942,255
Total capital	3,814,527	228,239	(434,030)	(v)	3,608,736	3,897,554	(315,948)	3,581,606	186,297	(417,800)	(v)	3,350,103
Total	$ 8,837,014	$ 665,192	$ 931,700		$ 10,433,906	$ 8,806,002	$ (451,987)	$ 8,354,015	$ 617,263	$ 972,405		$ 9,943,683

The accompanying notes are part of the pro forma consolidated condensed statements of financial position (unaudited).

Mexichem, S.A.B. de C.V. and Subsidiaries
(Subsidiary of Kaluz, S.A. de C.V.)

Pro forma consolidated condensed statements of income and statements of other comprehensive income (unaudited)

For the six-month period ended June 30, 2017 and for the year ended December 31, 2016
(In thousands of US dollars)

	June 30, 2017					December 31, 2016						
	(1) Mexichem (Note 3a)	(2) Netafim (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma	(1) Mexichem (Note 3a)	Adoption of change in accounting policy for property, plant and equipment (Note 3b)	Mexichem restructured	(2) Netafim (Note 3a)	Pro forma adjustments (Note 4)	Reference (Note 4)	Mexichem and Netafim Pro forma
Continuing operations:												
Net sales	$ 2,858,790	$ 502,777	$ -		$ 3,361,567	$ 5,349,807	$ -	$ 5,349,807	$ 854,715	$ -		$ 6,204,522
Cost of sales	2,179,475	342,032	-		2,521,507	4,143,473	(34,505)	4,108,968	585,399	-		4,694,367
Gross profit	679,315	160,745	-		840,060	1,206,334	(34,505)	1,240,839	269,316	-		1,510,155
General expenses	327,296	99,993	23,000	(i)	450,289	692,095	(4,184)	687,911	191,769	23,000	(i)	902,680
Financial expenses	133,585	7,659	24,375	(vi)	165,619	192,372	-	192,372	22,818	48,749	(iv)	263,939
Financial income	(12,295)	-	-		(12,295)	(11,963)	-	(11,963)	-	-		(11,963)
Monetary position gain	(2,096)	-	-		(2,096)	(17,478)	-	(17,478)	-	-		(17,478)
Equity in profits of associated companies	(728)	-	-		(728)	(2,873)	-	(2,873)	-	-		(2,873)
Profit before income taxes	233,553	53,093	(47,375)		239,271	354,181	(4,184)	392,870	54,729	(71,749)		375,850
Income taxes	88,116	13,015	(14,544)	(vi)	86,587	121,921	12,835	134,756	14,121	(22,063)	(iv)	126,814
Profit from continuing operations	145,437	40,078	(32,831)		152,684	232,260	25,854	258,114	40,608	(49,686)		249,036
Loss from discontinued operations , Net	(154)	-	-		(154)	(10,780)	-	(10,780)	-	-		(10,780)
Net consolidated profit for the period and year	145,283	40,078	(32,831)		152,530	221,480	25,854	247,334	40,608	(49,686)		238,256
Items that will not be subsequently reclassified to results	1,846	-	-		1,846	(13,270)	-	(13,270)	-	-		(13,270)
Items that will be subsequently reclassified to results	46,946	1,864	-		48,810	(53,753)	-	(53,753)	1,911	-		(51,842)
Other comprehensive income entries	48,792	1,864	-		50,656	(67,023)	-	(67,023)	1,911	-		(65,112)
Consolidated comprehensive income for the period and year	$ 194,075	$ 41,942	$ (32,831)		$ 203,186	$ 154,457	$ 25,854	$ 180,311	$ 42,519	$ (49,686)		$ 173,144
Net consolidated profit (loss) for the period and year:												
Controlling interest	$ 119,111	$ 39,731	$ (40,777)		$ 118,065	$ 238,399	$ 25,827	$ 264,226	$ 40,256	$ (57,737)		$ 246,745
Non-controlling interest	26,172	347	7,946		34,465	(16,919)	27	(16,892)	352	8,051		(8,489)
	$ 145,283	$ 40,078	$ (32,831)		$ 152,530	$ 221,480	$ 25,854	$ 247,334	$ 40,608	$ (49,686)		$ 238,256
Comprehensive income for the period and year:												
Controlling interest	$ 162,359	$ 41,356	$ (41,102)		$ 162,613	$ 172,429	$ 25,827	$ 198,256	$ 41,925	$ (58,071)		$ 182,110
Non-controlling interest	31,716	586	8,271		40,573	(17,972)	27	(17,945)	594	8,385		(8,966)
	$ 194,075	$ 41,942	$ (32,831)		$ 203,186	$ 154,457	$ 25,854	$ 180,311	$ 42,519	$ (49,686)		$ 173,144

The accompanying notes are part of the pro forma consolidated condensed statements of income and statements of other comprehensive income (unaudited).

Notes to the pro forma consolidated condensed statements of income and statements of other comprehensive income (unaudited)

For the six-month period ended June 30, 2017 and for the year ended December 31, 2016
(In thousands of US dollars)

1. Objective of the pro forma consolidated condensed statements of financial position and statements of comprehensive income (unaudited)

The objective of the pro forma consolidated condensed statements of financial position as of June 30, 2017 and December 31, 2016, and of the pro forma consolidated condensed statements of income and statements of other comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, is to present the consolidated financial information of Mexichem, S.A.B. de C.V. (the “Company or Mexichem”), as if the acquisition of the new business mentioned in the following Note 2, had occurred at those dates. The net assets of the new business have already been included in the historical consolidated condensed statements of financial position as of June 30, 2017 and as of December 31, 2016, as identified in the “Mexichem and Netafim Pro forma” column.

The pro forma consolidated condensed statement of financial position as of June 30, 2017 and as of December 31, 2016, and the pro forma consolidated condensed statements of income and statements of other comprehensive income for the six-month period ended June 30, 2017, and for the year ended December 31, 2016 have not been audited. Accordingly, they are only presented to facilitate the comparison of the historical consolidated statements of income and statements comprehensive income of the Company, which they do not pretend to present statement of income and statement of other comprehensive income that they had obtained, if the aforementioned acquisition had taken place on January 1, 2016. Likewise, they should not be considered to be indicative of the future consolidated statements of income and statements of other comprehensive income of the Company.

Furthermore, as described below, the Company is in the process of determining the fair values of the net assets acquired through the abovementioned acquisition. Consequently, all the pro forma adjustments are based on preliminary estimates and assumptions, but do not include the adjustments made to the depreciation and amortization of the tangible and intangible acquired net assets.

2. Business combination

a. ***New business acquisition***-

In August 2017, Mexichem Soluciones Integrales Holding, S.A. de C.V. (“MSIH”), a subsidiary of Mexichem, reached an agreement for the acquisition of i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, and iii) certain credits granted by some of the stockholders of Netafim Bluedrip S.ar.l, y Netafim Hatzerim Holdings, Cooperative Association Limited, in favor of Netafim (the “Acquisition” or “Operation”). Netafim is a company with its headquarters in Israel, a presence in 10 countries, 17 plants and which holds a 30% global market share in the area of irrigation solutions for agriculture, greenhouses, landscaping and mining, with demand for its products in 110 countries. As this acquisition is subject to regulatory approval, the transaction is expected to be concluded during the fourth quarter of 2017.

According to the terms of the Share Purchase Agreement, the enterprise value of Netafim was agreed at US$1,895 million, which will be utilized to calculate the value of the shares representing common stock at closing of the transaction date based on the process established in the Share Purchase Agreement, which considers the following adjustments: (i) available working capital; (ii) debt; (iii) transaction costs; (iv) available cash; and (v) the cost of canceling certain share plan granted to certain employees of Netafim according to the terms defined in the Share Purchase Agreement. MSIH will pay at the conclusion date an amount equal to approximately the value of: i) the stock representing 80% of the voting shares of capital stock, ii) all non-voting shares representing approximately 0.4% of the capital stock, both of Netafim, iii) and certain credits granted by some of the stockholders of Netafim Bluedrip S.ar.l, y Netafim Hatzerim Holdings, Cooperative Association Limited, in favor of Netafim (the "Acquisition" or "Operation").It is currently estimated that MSIH will pay the approximate amount of US$1,500 million included in the abovementioned concepts. This amount will be financed with the cash and cash equivalents of Mexichem for the amount of up to US$300 million.

The financial statements of Netafim for the six-month ended June 30, 2017 and for the year ended December 31, 2016, and for the six and 12-month periods then ended have been prepared according to US GAAP. The Management of Mexichem is in the process of identifying the differences between US GAAP and IFRS, together with the accounting policies used by Mexichem to prepare its financial statements. At the date of issuance of this report, this evaluation has not been concluded, meaning that the possible effect for the figures of Netafim, once converted and adapted to the accounting policies of Mexichem on the accompanying pro forma consolidated condensed financial statements, is still unknown.

The Company recorded the acquisition of Netafim in the pro forma consolidated condensed financial statements by utilizing the purchase method. However, since the date of the accompanying pro forma consolidated condensed statements of financial position and the pro forma consolidated condensed statements of other comprehensive income, the Company is in the process of determining the fair values of the net assets acquired through this transaction, a process it expects to complete in one year as of the acquisition date, according to IFRS 3, "*Business combinations*".

Consequently, the figure shown in the Company's interim consolidated condensed financial statements (unaudited) for the year ended December 31, 2016 and for the six-month period ended June 30, 2017 regarding this acquisition reflect the historical cost of the acquired net assets, together with the goodwill exclusively determined based on the difference at each of these dates. These amounts are therefore provisional and are subject to the determination of the fair value of the acquired net assets. The pro forma adjustments to the historical consolidated financial information does not include adjustments to the depreciation and amortization of acquired tangible and intangible assets.

b. ***Transferred payment***

2017 and 2016	Payment to be transferred in cash	Assumed net liabilities	Value of the purchase of Netafim
Netafim	$ 1,500,000	$ (87,360)	$ 1,412,640

c. ***Acquisition goodwill***

2017	Payment to be transferred in cash	Assumed net liabilities	Value of acquired net assets	Goodwill
Netafim	$ 1,500,000	$ (87,360)	$ (180,940)	$ 1,231,700

2016	Payment to be transferred in cash	Assumed net liabilities	Value of acquired net assets	Goodwill
Netafim	$ 1,500,000	$ (79,740)	$ (147,855)	$ 1,272,405

3. Basis for presentation

a. ***Basis for presentation of the unaudited pro forma consolidated condensed financial statements –*** The accompanying unaudited pro forma condensed statements of financial position, the unaudited pro forma condensed statements of income and statements of comprehensive income have been prepared by Management according to the Company's accounting policies. The pro forma adjustments for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, included in the pro forma consolidated condensed statements of financial position and the pro forma adjustments included in the consolidated condensed statements of income and statements of comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, as described below, represent adjustments to the Company's historical financial position and results.

The pro forma adjustments include the transactions related to the Netafim acquisition transaction.

This financial information is not intended to represent the operating results or financial position of the Company as though the transaction had been presented at the specified dates. Similarly, this information is not intended to project the results of operations and financial position of the Company in future periods or at a future date. All the pro forma adjustments are based on interim estimates and assumptions which will be reviewed when the transaction is concluded based on the determination of the fair value of the acquired net assets.

Mexichem Column (1) - The historical information reflected in the Mexichem column is taken from the consolidated condensed statements of financial position as of June 30, 2017 (unaudited) and at December 31, 2016 (audited), the statements of income and statements of other comprehensive income of the Company for the six-month period ended June 30, 2017 (unaudited), the audited consolidated statements of income and statements of other comprehensive income for the year ended December 31, 2016 (audited).

Netafim Column (2) - The historical information reflected in the Netafim column is taken from the consolidated statement of changes position as of June 30, 2017 (unaudited) and as of December 31, 2016 (audited), the statements of income and statements of other comprehensive income for the period from January 1, through June 30, 2017 (unaudited), the consolidated statements of income and statements of other comprehensive income of the year ended December 31, 2016 (audited).

b. ***Change o of accounting policy used for property, plant and equipment –*** On February 20 and 21, 2017, respectively, the Company's Audit Committee and Board of Directors authorized the change of accounting policy utilized for the valuation of property, plant and equipment, changing from the revaluation model to the historical cost model as of January 1, 2017. The Company performed an analysis which identified that its assets are primarily acquired to ensure their continued use throughout their useful lives. Accordingly, it is the practice of the industry to which the Company belongs to recognize property, plant and equipment based on the historical cost model. According to IAS 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*", this change essentially affected the Latin American subsidiaries without affecting the Company's cash flows.

The effect generated by this change in accounting policy, in the Company's assets, liabilities, capital and results is as follows:

	December 31, 2016	Adjustments	December 31, 2016 restructured
Headings of consolidated statement of financial position			
Property, plant and equipment, Net	$ 4,201,580	$ (451,987)	$ 3,749,593
Deferred taxes	$ 220,864	$ (136,039)	$ 84,825
Stockholders' equity	$ 3,897,554	$ (315,948)	$ 3,581,606

	Year ended December 31, 2016	Adjustments	Year ended December 31, 2016 restructured
Headings of the consolidated statement of income and statement of other comprehensive income:			
Cost of sales	$ 4,143,473	$ (34,505)	$ 4,108,968
General expenses	$ 692,095	$ (4,184)	$ 687,911
Income tax	$ 121,921	$ 12,835	$ 134,756
Other comprehensive income:			
Gain from the revaluation of property, plant and equipment	$ 23,497	$ (3,895)	$ 19,602
Income tax	$ 5,687	$ 1,285	$ 6,972

4. Pro forma adjustments

Adjustments to the pro forma consolidated condensed statements of financial position as of June 30, 2017 and at December 31, 2016:

The amounts reflected in the adjustments column represent:

i) Financing for the acquisition of Netafim - Considers the effect of the disposal of cash for the amount of $300,000 directly from the Company's cash and cash equivalents, together with an additional bank financing that will be utilized for the acquisition of Netafim through a new long term Bond issuance for the amount of $1,000,000, a revolving credit line for the amount of $200,000, with a 4% interest rate and an interest rate equal to the three-month LIBOR rate plus a spread of 1.15%, respectively. The Bond interest rate has been estimated by the Company.

Similarly, the Company recognizes a liability for payable interest, which is recorded under the heading of short-term liabilities, net of income tax. This interest was accrued during the period from January 1, through June 30, 2017 and for the period from December 31, 2016, for the amount of $16,904 and $33,759, respectively.

As of June 30, 2017 and December 31, 2017, the short-term liabilities heading contains income tax reduction related to acquisition expenses of $7,073.

ii) Goodwill of $1,231,700 (which includes comprehensive income for the period from January 1, through June 30, 2017 of Netafim for the amount of $41,942) and $1,272,405, which the Company recorded for the acquisition of Netafim in the pro forma consolidated condensed financial statements for the six-month period ended 30, 2017 and for the year ended December 31, 2016 by utilizing the purchase method. However, the Company is in the process of determining the fair value of the net assets acquired through this transaction, which it expects to be completed in one year as of the acquisition date.
This amount represents the payment that will be transferred in cash for the amount of $1,500,000, compared with the net value of the assets as of June 30, 2017, for the amount of $180,940, and as of December 31, 2017, for the amount of $147,855, in the proportion acquired by the Company. The goodwill valuation has been calculated based on historical stockholders' equity of Netafim, thus, it does not contain the valuation at market value of the controlling and non-controlling interest.

iii) According to the stockholders' agreement dated August 6, 2017 with the minority stockholders (redeemable non-controlling interest) of Netafim, the latter have been granted a "Put" option which allows them a sales option. Consequently, the Company has acquired a purchase obligation as of the fifth anniversary of the transaction and for the 10 following years. The option value will depend on the market value of Netafim and certain conditions linked to multiples of the share value. The Company recognized the future value based on estimated scenarios, while considering the current value of the assumed obligation. The accounting record is composed by a debit to stockholders' equity, together with a credit applied on a long-term basis to the redeemable non-controlling interest heading, for the amount of $220,259. This effect was recorded in June 30, 2017 and in December 31, 2016. No interest has been recorded in the statements of income and statements of comprehensive income for the six-month period ended June 30, 2017 and for the year ended December 31, 2016, because they are only intended for illustrative purposes.

iv) Effect of assumed liabilities that were included in the enterprise value for the amount of $87,360.

v) Elimination entry for the stockholders' equity of Netafim and recognition of the non-controlling interest.

Adjustments to the pro forma consolidated condensed statements of income and statements of comprehensive income for the period from January 1, through June 30, 2017, and for the period from January 1, through December 31, 2016:

vi) Effect of the interest generated by the bank financing mentioned in numeral (i) for the period from January 1, through June 30, 2017 and for the period from January 1, through December 31, 2016, for the amount of $24,375 and $48,749 respectively, as well as a business profit of $7,471 and $14,990, respectively.

vii) Effect of expenses incurred for the acquisition of Netafim, which are directly attributable to the transaction for an estimated amount of $23,000, net of income taxes, for the amount of $7,073, which are directly presented in the consolidated condensed statement of income and statement of other comprehensive income of both periods.

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