Acquisition of Netafim
September 2017
Disclaimer

In addition to historical information, this presentation contains "forward-looking" statements that reflect management's expectations for the future. The words “anticipate,” “believe,” “expect,” “hope,” “have the intention of,” “might,” “plan,” “should” and similar expressions generally indicate comments on expectations. The final results may be materially different from current expectations due to several factors, which include, but are not limited to, global and local changes in politics, the economy, business, competition, market and regulatory factors, cyclical trends in relevant sectors; as well as other factors that are highlighted under the title “Risk Factors” on the annual report submitted by Mexichem to the Mexican National Banking and Securities Commission (CNBV).

The forward-looking statements included herein represent Mexichem’s views as of the date of this press release. Mexichem undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.”

Mexichem has implemented a Code of Ethics that rules its relationships with its employees, clients, suppliers and general groups. Mexichem’s Code of Ethics is available for consulting in the following link: http://www.mexichem.com/Codigo_de_etica.html.

Additionally, Mexichem Audit Committee established a mechanism of contact, which allows that any person that knows the un-fulfilment of operational and accounting records guidelines and lack of internal controls of the Code of Ethics, from the Company itself or from the subsidiaries that this controls, file a complaint which is anonymously guaranteed. The whistleblower program is facilitated by a third party. The telephone number in Mexico is 01-800-062-12-03.

The website is: http://www.ethic-line.com/mexichem and contact e-mail is: mpooldem@ethic-line.com.

Mexichem’s Audit Committee will be notified of all complaints for immediate investigation.
Introducing a **transformational acquisition** that advances Mexichem’s drive into specialty products and solutions and establishes us as a leader in the high-growth irrigation market.
Addressing increasing challenges in global food and water security (1/2)

BY 2050

Growing demand for food

+2.4 bn people (+32%)

Increasing calorie consumption per capita from 2,950 to 3,130

Food production will need to increase by >50%

Limited resources

20% less arable land per person

40% water deficit \(^1\) (demand-supply gap)

4bn people will live under severe water stress

Source: Company filings, FAO – How to feed the world 2050, FAO stat; 2030 Water Resources Group, OECD outlook, ICID dat. 1: By 2030 (Unesco)
Increasing challenges in global food and water security (2/2)

Inefficient use of water

~70% of the world's water is used to irrigate only ~20% of the land

Irrigation is mostly inefficient

Micro Irrigation

<table>
<thead>
<tr>
<th>Water</th>
<th>Land</th>
<th>Irrigated Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Irrigated</td>
<td>5%</td>
</tr>
<tr>
<td>69%</td>
<td>~20%</td>
<td>Flood</td>
</tr>
<tr>
<td>Industrial</td>
<td>Non-irrigated</td>
<td>18%</td>
</tr>
<tr>
<td>19%</td>
<td>~80%</td>
<td></td>
</tr>
<tr>
<td>Municipal</td>
<td>Flood</td>
<td>77%</td>
</tr>
<tr>
<td>12%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company filings, FAO – How to feed the world 2050, FAO stat; 2030 Water Resources Group, OECD outlook, ICID data
Netafim platform enables Mexichem to address important long-term global trends that support our growth strategy and our commitment to sustainability.

**WATER SHORTAGE**
Most efficient method for using water in agriculture

**INCREASED FOOD DEMAND**
Most efficient method to increase crop yields

**ENVIRONMENTAL RESTRICTIONS ON FERTILIZERS**
Most efficient method for delivering fertilizers and nutrients to plants

**“SMART” DIGITAL SOLUTIONS FOR OUR DAILY LIFE**
Netafim already has a platform that Mexichem can use across the rest of the business
Strategically Netafim provides a platform to advance Mexichem's operations from a traditional pipe supplier to a leader in providing industrial solutions with specific expertise in water.
A Closer Look at Netafim
Business Snapshot: **Netafim**

**Business overview**

- **Global leader** of technologically advanced irrigation solutions

- **Product offering includes:**
  - ✓ drippers and driplines,
  - ✓ sprinklers and micro sprinklers,
  - ✓ system components,
  - ✓ digital farming and automation technology
  - ✓ and large scale project capabilities providing turnkey solutions

- **Worldwide network of 29 subsidiaries**
- **17 manufacturing plants**
- **~4,300 employees**
- **selling to over 110 countries**

**2016 revenue by segment**

- **Irrigation solutions** 100%
- **Driplines** 57%
- **Other irrigation products** 21%
- **Other components** 19%
- **Digital Farming and Automation** 3%

**Revenue:** $855mm

Source: Company filings and information

1 Breakdown corresponds to indirect revenues (which represent ~80% of the total revenues);
## Comparison of major irrigation methods

### IRRIGATION METHODS

<table>
<thead>
<tr>
<th></th>
<th>Flood</th>
<th>Pivot</th>
<th>Micro-irrigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crops</td>
<td>All crops</td>
<td>Mainly for large-scale commodity crops (focus on US)</td>
<td>All crops</td>
</tr>
<tr>
<td>Crop yield</td>
<td>Low</td>
<td>Avg 22% improvement over flood irrigation</td>
<td>Approximate 20%–100%+ improvement over flood irrigation</td>
</tr>
<tr>
<td>Water application efficiency¹</td>
<td>60%</td>
<td>60–75%</td>
<td>90%</td>
</tr>
<tr>
<td>Field size/characteristics</td>
<td>Flat topography</td>
<td>Large and flat fields</td>
<td>All sizes and topographies</td>
</tr>
<tr>
<td>Life span</td>
<td>N/A</td>
<td>20–25 years</td>
<td>System: ~20 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Driplines:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• TW – up to 3 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• MW – up to 10 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• HW – up to 20 years</td>
</tr>
</tbody>
</table>

### DRIP ADVANTAGES FOR FARMERS

- Generates much higher and better quality yields
- Saves significant water vs. traditional flood irrigation
- Reduces cost of other inputs: crop protection, fertilizers, manpower requirements
- High ROI and long system life-time
- Stability and better yield control – lower dependency on weather
- Supports environmental and land sustainability
- Greater peace of mind

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Source: Netafim CIM, Idaho Department of Water Resources, Kansas Stare University, Lindsay Corporation, Valmont Industries, and William Blair and Company, L.L.C. estimates

¹Water application efficiency refers to the percentage of water applied by the irrigation system that is stored in the crop root zone. The remainder of the water is lost to evaporation, runoff, non-uniformity, or wind drift
Key drivers of increasing Micro-Irrigation demand

### Key Market Drivers

1. **Accelerating conversion from flood to drip irrigation**
   - $3.8bn market (of which Netafim’s market share is ~25%)

2. **Increased area equipped for irrigation**
   - Near-term market potential
   - 10%+ CAGR

3. **Growing replacement market**

### Micro-Irrigation Market Size in Context

- **77% Flood (249mm Ha)**
- **5% Micro irrigation (16mm Ha)**
- **(58mm Ha) 18% Pivot**

- Micro-irrigation is the fastest growing segment globally

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Source: Netafim CIM, Irrigation type: ICID data; pivot marker size: Lindsay and Volmont financial report; drip market: Netafim estimates
Note: Building blocks size for illustrative purpose only

September 2017, Acquisition of Netafim
Conversion from flood to drip irrigation
Strong market potential to increase the share of the irrigation market

**Area equipped for irrigation (Total of 324mm Ha)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Flood</th>
<th>Micro Irrigation</th>
<th>Pivot</th>
<th>Advanced irrigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>62.4</td>
<td>61.9</td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td>India</td>
<td>27.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>16.7</td>
<td>5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>8.3</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td>4.7</td>
<td>5.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>4.6</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.3</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>3.8</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>4.0</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>4.0</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>3.4</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>3.3</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>3.1</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>2.8</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoW</td>
<td>80.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Early stage of advanced irrigation adoption**

- **Advanced irrigation (% out of irrigated area)**
  - Israel 100% (95% micro-irrigation)
  - South Africa 80% (~40% micro-irrigation)
  - US 64% (8% micro-irrigation)
  - Australia 41% (16% micro-irrigation)
  - Turkey 30% (25% micro-irrigation)
  - India 13% (13% micro-irrigation)
  - Mexico 15–20% (10–15% micro-irrigation)
  - China 13% (7% micro-irrigation)

High potential to convert flood to drip both in emerging and developed markets
Key markets for irrigation are at very early stages of adoption

Source: Netafim CIM, Area equipped for irrigation: FAO STAT
¹ Based on company estimates; ² Assuming $2,000/Ha illustrative revenue
Netafim offers a complete irrigation solution…

Netafim has an end-to-end irrigation offering

Source: Company filings

September 2017, Acquisition of Netafim
with a leading digital farming and automation platform (CMT)

Netafim’s CMT platform offers the only fully-integrated irrigation management solution combining monitoring, control and yield optimization

Next generation to be launched Q4 2017

Source: Company

September 2017, Acquisition of Netafim
### Deeply experienced Management team with Additional Capabilities

**NETAFIM’S MANAGEMENT TEAM**

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ran Maidan - CEO</strong></td>
<td></td>
<td>Joined Netafim in 2014&lt;br&gt;~ 20 years of senior managerial experience. Previously CEO Asia-Pacific, Africa &amp; ME at ADAMA, SVP &amp; CFO at Koor Industries, CFO at Elisa defense Group</td>
</tr>
<tr>
<td><strong>Yoav Zeif - Head of Americas &amp; Head of Product offering and marketing</strong></td>
<td></td>
<td>Joined Netafim in 2012&lt;br&gt;Previously SVP at ADAMA, Head of Product &amp; Marketing, Head of Product Development, Associate Principal at McKinsey &amp; Company</td>
</tr>
<tr>
<td><strong>Gabriel Miodownik - Head of EMEA &amp; Head of Projects and Agronomy</strong></td>
<td></td>
<td>Joined Netafim in 2003&lt;br&gt;Held several positions at Netafim, including Head of Americas, CFO of Americas and Managing Director of Mexico and CenAm</td>
</tr>
<tr>
<td><strong>Stephan Titze - Head of APAC</strong></td>
<td></td>
<td>Joined Netafim in 2014&lt;br&gt;Previously Head of NE Asia in Syngenta, General Manager of China &amp; Indonesia in Syngenta, several managerial positions at ICI Australia and at Zeneca Agrochemicals</td>
</tr>
<tr>
<td><strong>Randhir Chauhan - Head of India</strong></td>
<td></td>
<td>Joined Netafim in 1998&lt;br&gt;Over 20 years of experience in Sales, Marketing and Operations at Netafim India&lt;br&gt;Served for 3 years as President of the Irrigation Association of India.</td>
</tr>
<tr>
<td><strong>Lauri Hanover - CFO</strong></td>
<td></td>
<td>Joined Netafim in 2013&lt;br&gt;Previously EVP and CFO of Tnuva Group, SVP and CFO of Lumenis, CFO of Nice Systems, EVP and CFO of Sapiens&lt;br&gt;Lauri is a Director at Soda Stream</td>
</tr>
<tr>
<td><strong>Avi Schweitzer - CTO</strong></td>
<td></td>
<td>Joined Netafim in 1974&lt;br&gt;Held several managerial positions including VP Product Offerings, VP R&amp;D, and Head of Research&lt;br&gt;Avi is member of the IEEE</td>
</tr>
<tr>
<td><strong>Guy Sagie - VP Global Operations</strong></td>
<td></td>
<td>Joined Netafim in 2013&lt;br&gt;Previously a Director of Integrated Supply Chain &amp; Logistics at Honeywell Safety Products (BU Honeywell International), Director of Operations at Combustion Controls Group at UTC</td>
</tr>
<tr>
<td><strong>Hila Mukevisius - VP Global HR</strong></td>
<td></td>
<td>Joined Netafim in 2015&lt;br&gt;Previously VP of HR at Nova Measuring Instruments, HR director of several large-scale global groups at Amdocs</td>
</tr>
<tr>
<td><strong>Vivian Goldstein Richter - VP General Counsel</strong></td>
<td></td>
<td>Joined Netafim in 2015&lt;br&gt;Extensive global experience in China, India, South America and North America. Previously a Senior Legal Counsel for ADAMA, head of Costumer Contacts Department of the LAHAV Division at Israel Aerospace Industries</td>
</tr>
</tbody>
</table>

Source: Netafim website
The Netafim Acquisition Strengthens Mexichem’s Investment Thesis

- Double digit **growth markets**
- Expected **growth from replacement market**
- Significantly **increases our portfolio** of specialty products
- **Diversifies and expands end markets** — in high-growth worldwide agricultural market
- **Expands global footprint** by strengthening Mexichem’s presence in key growth markets: US, India and Latam and opens new regions: Middle East, Africa and Australia
- Brings **strong R&D and technically-advanced** capabilities and solutions that can be leveraged across the Mexichem organization

September 2017, Acquisition of Netafim
More diversified and expanded product portfolio

Source: Company fillings, Markets as % of pro forma 2016 revenues of combined entity
Note: Netafim’s agricultural contribution includes Landscape (c.1%) and Mining (c.1%)

September 2017, Acquisition of Netafim
Expanded global footprint and complementary product portfolio to drive revenue synergies

**Pro-forma geographical footprint**

**Business segment sales split ($mm)**

<table>
<thead>
<tr>
<th></th>
<th>Mexichem today</th>
<th>Netafim today</th>
<th>Pro-forma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fluor</strong></td>
<td>11%</td>
<td>24%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Vinyl</strong></td>
<td>37%</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Fluent</strong></td>
<td>53%</td>
<td>44%</td>
<td>59%</td>
</tr>
<tr>
<td><strong>Fluor</strong></td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vinyl</strong></td>
<td>32%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fluent</strong></td>
<td>59%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fluor</strong></td>
<td>29%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**2016 Revenue:**
- Mexichem: $5,350mm
- Netafim: $855mm
- Pro-forma: $6,205mm

**2016 EBITDA:**
- Mexichem: $926mm
- Netafim: $115mm
- Pro-forma: $1,041mm

Source: Company filings and website
Note: Breakdowns for Mexichem based on figures before eliminations. Total figures correspond to reported figures after eliminations, does not include Ingleside
### Significant potential for operating synergies

#### Opportunity: Economies of Scale
- Raw material packaging procurement & savings in PE resins
- Freight costs & Other logistics
- Netafim to get access to Mexichem’s production footprint (+120 plants)

#### Opportunity: SG&A savings
- Consolidation of warehouses and distribution centers
- Administrative cost savings

#### Opportunity: Sharing of best practices and technological capabilities
- Leverage Netafim’s best-in-class design and development capabilities to improve existing products and processes
- Collaboration between technology/R&D departments for product development
- Improved knowledge sharing and innovation, leading to better customer

#### Opportunity: Sales increase
- Leverage sales of Mexichem PVC products to Netafim clients
- Replacement market
- Market growth
Transaction Overview

Enterprise Value:
$1.895 Bn

Funding:
**Cash and Debt**

Structure:
- Mexichem 80%
- Kibbutz Hatzerim 20%

Transaction expected to close by:
**4Q17**

Pending authorizations:
- Corporate: Shareholders’ Meeting
- Governmental: Regulatory Authorities
…and irrigation solutions
Thank you