

Dear shareholders,

I am pleased to share Mexichem's financial, operating and sustainability results for 2016, review key highlights of the year, and discuss our outlook for continued progress in 2017.

I would like to begin this message by thanking the great team of people we have at Mexichem for their excellent performance in 2016. I am especially grateful to the group of people who came together at the time of the PMV incident last April to assist with both the human and business aspects of the accident. They gave us the confidence to assure our stakeholders and rating agencies that Mexichem was financially resilient. As it turned out, our 2016 performance came in ahead of the estimates we provided right after the accident, with adjusted EBITDA reaching \$926 million, exceeding our guidance of \$900 million and showing positive year-over-year comparisons across key financial metrics

During 2016, we demonstrated operating discipline by reducing our capital expenditures and achieving a significant increase in cash flow generation. At the same time, we continued to prioritize margin expansion over volume growth, which translated into a significant improvement in profitability.

With respect to our most important project –the ethylene plant in Ingleside, Texas– I am proud to report that, as of the end of 2016 the project was on time and on budget, and commercial operations began in the first quarter of 2017. By producing ethylene in North America from shale gas, Mexichem will become one of the most cost efficient PVC producers in the world.

In 2017, all three of our business units are well positioned to achieve organic growth in their markets and to benefit from the repositioning we have carried out during the last few years.

In addition to the contribution of the new ethylene cracker, we expect our Vinyl Group to benefit from an improved pricing environment, which began to materialize at the end of 2016. In Fluor, we expect to see a further volume pick-up from cement industry customers in 2017 and improved margins in refrigerant gases now that the International Trade Commission has ratified dumping duties on Chinese exports to the US.

Our Fluent Business Unit is now consolidated under a single organization, and we expect to see continued progress in their ability to cross sell specialty products globally and to implement manufacturing and operating efficiencies across all regions.

Also, setting the stage for future organic growth are the two bolt acquisitions we completed late in 2016 as part of our strategy to build our portfolio of specialty products and expand our geographic presence.

Over the last 18 months, we have implemented structural and organizational changes that have streamlined Mexichem's operations and have unified the Company around a shared vision. Also, over the last few years we have instituted substantial operational and financial discipline, which I am sure will drive sustainable growth and value for the company

In terms of sustainability, we concluded the materiality study and established Mexichem's objectives for the next five years. Our past initiatives have advanced Mexichem's position on the Mexican Stock Exchange Sustainability Index, and we were recently selected for inclusion in the FTSE4Good Emerging Index. This demonstrates the substantial progress we have made in creating a culture committed to the highest standards of environmental, social and governance practices.

There is much work to be done in continuing to drive this new culture in the company, to increase our return on investment, to manage our new cost structure with the benefit of the cracker, to diversify our products and to drive organic growth. These will be our priorities in 2017. We are aware of the uncertainty and potential headwinds that will prevail this year, with the imminent exit of the UK from the EU and global protectionist trends. However, with Mexichem's clear set of values, the significant flexibility built into its operating structures, and the fantastic team we have, I am confident that we will be able to successfully navigate these turbulent times and take this great company to the next level.

Sincerely,

Antonio Carrillo Rule
CEO

To the Shareholders meeting of Mexichem, S.A.B. de C.V.:

Report of the Board of Directors in accordance with Article 172, subsection b) of the General Corporations and Partnership Law (Ley General de Sociedades Mercantiles)

In terms of and for the purposes of Article 28, section IV, subsection d) of the Securities Market Law (Ley del Mercado de Valores), the Board of Directors of Mexichem, S.A.B. de C.V., after examining the pertinent information and documentation, has resolved to inform the Annual General Shareholders Meeting of the Company to be held in the month of April 2017 the following:

That in the opinion of the Board of Directors, the accounting and financial policies followed by the Company and considered by the administration to prepare the financial information to be presented before the Shareholders meeting, are adequate and sufficient, and have been applied consistently with the previous year; therefore such financial information reflects in a fair, reasonable and sufficient way, the financial status of Mexichem, S.A.B. de C.V. (and subsidiaries) as of December 31, 2016, as well as the results of the operation, changes in its stockholders' equity and changes in its financial situation for the year ended on such date, in accordance with the applicable financial reporting standards.

The previous report is presented in compliance with the Article 172, subsection b) of the General Corporations and Partnership Law (Ley General de Sociedades Mercantiles).

Mexico City, February 23, 2017

Juan Pablo del Valle Perochena
Chairman of the Board of Directors
Mexichem, S.A.B. de C.V.



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

To the Shareholders meeting:

Report of the activities and resolutions in which the Board of Directors of Mexichem, S.A.B. de C.V. was involved during the fiscal year ended December 31, 2016.

The Board of Directors of Mexichem, S.A.B. de C.V. held quarterly meetings during the fiscal year that started on January 1st and ended on December 31, 2016. Such meetings were held on February 23, April 26, June 9, July 26 and October 25 of 2016. Herein below is a summary of the main resolutions adopted by the Board of Directors during such period.

The report of results for the fiscal year ended December 31, 2015, which consisted of the Consolidated Financial Statements and the Consolidated Balance Sheets (status of Financial Position) to that date, was approved.

The annual report rendered by the Chief Executive Officer (CEO) for the year ended December 31, 2015 as well as its presentation to the Company Shareholders meeting held on April 28, 2016, was approved. Likewise, the Audited Financial Statements of the Company as of December 31, 2015 were approved for their presentations to the mentioned Shareholders meeting.

The annual report of the Audit and Corporate Practices Committees of the Company, on the activities conducted by this Committee during the period 2015- 2016, was approved.

During this period, the Board of Directors evaluated several projects related to growth and expansion through acquisitions or partnerships.

Likewise, the Board of Directors approved the budget for 2016 and the preliminar budget for 2017.

Additionally, the Board of Directors approved the creation of a Finance Committee which main responsibility is to formulate and recommend for the authorization of the Board of Directors the financial policies of the Company, including the management of financial affairs.

This Board of Directors gave appropriate follow up to all topics related to Petroquímica Mexicana de Vinilo, S.A. de C.V. incident, occurred on April 20th 2016, in the Pajaritos' Petrochemical Complex, which are associated to the investigations. The investigations concluded that it was an "unexpected and sudden" accident not attributable to the lack of maintenance neither operative responsibilities.

The Board of Directors received the annual report of the Secretary of the Board of Directors, in relation to the obligations, responsibilities and recommendations applicable to the Company in its character as issuer of securities listed on the Mexican Stock Market, in accordance with the laws and applicable regulation and the level of compliance with such laws and regulations.

In each of the Board of Directors meetings, it was analyzed and resolved with respect to the periodic report of operations of Mexichem, S.A.B. de C.V.

For each quarter, it was analyzed and resolved in respect to the Results Report of Mexichem, S.A.B. de C.V., which considered in every occasion, the Income Statement, Balance Sheet, Statement of Changes in the Financial Position and Cash Flow, in each case approving the presentation of such financial Statements to the Commission Nacional Bancaria y de Valores and its distribution through the Mexican Stock Market (Bolsa Mexicana de Valores).

In a consisting way, the Board of Director reviewed the investments, expansion and diversifications projects of the Company, resolving accordingly.

In each of the Board of Directors meetings, the report of the Audit and Corporate Practices Committees (since October 2016 as the Audit Committee and the Corporate Practices Committee) was analyzed.

Regularly the Board of Directors knew, reviewed and resolved in respect to the achievements, objectives and goals of the Company and its subsidiaries, for the short, medium and long term.

The Board of Directors followed the behavior of the quotation for the price of the shares of the Company in the Mexican Stock Market (Bolsa Mexicana de Valores).

Mexico City, February 21, 2017

Sincerely,

Juan Pablo del Valle Perochena
Chairman of the Board of Directors
Mexichem, S.A.B. de C.V.

To the Shareholders meeting of Mexichem, S.A.B. de C.V.

Opinion of the Board of Directors as to the Annual Chief Executive Officer's Report

In terms of and for the purposes of Article 28, section IV, subsection c) of the Securities Market Law (Ley del Mercado de Valores), the Board of Directors of Mexichem, S.A.B. de C.V. renders the following opinion on the Annual Chief Executive Officer's Report to be submitted the Annual General Shareholders Meeting of the Company to be held in the month of April of 2017.

The Board of Directors has evaluated and approved the opinion rendered on the Annual Chief Executive Officer's Report by the Audit Committee in terms of article 42, section II, subsection e) of the Securities Market Law, having also considered the External Auditors Report.

The opinion of the Audit Committee, which has been backed up by the Board of Directors, which in terms submits it to the Shareholders Meeting, the Annual Chief Executive Officer's Report for the year ended on December 31, 2016:

a) Complies with the applicable requirements to which article 172, sections a), c), d), e), f) and g) of the General Law on Commercial Entities refers, since it contains: (i) a report on the ongoing business of the Company during such year as well as of the policies followed by the administration and the principal projects; (ii) the financial statements of the Company as of December 31, 2016; and (iii) the notes necessary for complementing or clarifying the information contained in such financial statements;

b) It is based on accounting policies and criteria adequate and sufficient, taking into account the current circumstances of the Company, and have been applied consistently in the information rendered by the Chief Executive Officer; and

c) Reflects in a reasonable manner the financial situation and the results of the Company as of December 31, 2016.

Mexico City, February 21, 2017

Sincerely,

*Juan Pablo del Valle Perochena
Chairman of the Board of Directors
Mexichem, S.A.B. de C.V.*