



Forward-looking Statements

In addition to historical information, this press release 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, according to the terms contained in the Securities Exchange Act No 42, Mexichem Audit Committee established a mechanism of contact, which allows that any person that knows the fulfillment 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 mexichem@ethic-line.com. Mexichem's Audit Committee will be notified of all complaints for immediate investigation.

Operator

Good morning, everyone, and welcome to the Mexichem Third Quarter 2016 Results conference call. Following today's presentation, there will be a question and answer session. During this conference call, management will make forward-looking statements to assist you in understanding its expectations for future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially. Please refer to the company's filings with the Mexican Stock Exchange for full details of those risks.

In addition, statements during this call, including statements relating to the market conditions and future performance, are based on management's view as of today, and it is anticipated that future developments may cause these views to change. Please consider the information presented in this light. The company may, at some point, elect to update the forward-looking statements made today, but specifically disclaims any obligation to do so.

Please note that today's call cannot be reproduced in whole or in part without the explicit consent of Mexichem. Please note also that this conference is being recorded.

I will now turn the call over to Ms. Berenice Muñoz, Director of Investor Relations. Please go ahead.

Berenice Munoz

Thank you, operator. Good morning, and welcome to our conference call. We are pleased to be here today to present our third quarter 2016 results. We appreciate your time and participation in this conference call. Our speakers today will be Mr. Antonio Carrillo Rule, CEO, and Mr. Rodrigo Guzman, CFO, and I will now turn the call over to Antonio for opening comments.

Antonio Carrillo Rule

Thank you Berenice and good morning everyone. Thank you for joining us today to review our 2016 third quarter results and discuss our business outlook.

This was another period of steady progress for Mexichem in which we demonstrated significant resilience in the face of difficult market conditions, expanded EBITDA margins across our key business units and continued to build a strong foundation for future growth. As we further integrate and streamline our businesses around product lines and geographies, we are able to more effectively implement efficiencies across our organization. This has improved our visibility and reduced the time it takes us to respond to market conditions.

Based on our third quarter results, I am pleased to report that Mexichem is on track to achieve the adjusted EBITDA guidance we provided for 2016 when we reported first quarter results, back in late April. Additionally, PMV has gathered sufficient elements to recognize a non cash account receivable related to the insurance coverage on the VCM plant. Rodrigo will provide additional details on this during his comments. I would also add here that I continue to admire how well our organization responded to this accident, coming together on a human level to help, reacting quickly on a business level to compensate for the loss of VCM production, and overseeing the PMV investigation.

Our ability to achieve steady performance and higher profitability levels in the third quarter, during a period of slow global growth and difficult currency comparisons, goes back to the strategic plan we outlined three years ago, which prioritized increasing our portfolio of specialty products, diversifying our end markets and geographies and moving forward with our vertical integration. For example, we succeeded in expanding the EBITDA margin of our Resins, Compounds & Derivatives business by 100 basis points thanks in large part to the strong European demand for specialty products that we added to our portfolio when we acquired Vestolit, at the end of 2014.

And, our Fluent Group's EBITDA margin increased by 43 basis points on a reported basis, or 60 basis points at constant currency basis, despite lower sales, benefitting from a more favorable mix of higher margin Datacom products, which is the product line we gained when we acquired Dura-Line two years ago. In addition to expanding our product offerings, both of these transactions significantly strengthened our presence in the U.S. and Europe and extended our geographic reach in developing markets.

And, the major positive impact from our vertical integration plan is just on the horizon. At the end of the third quarter, we completed 87% of our equity investment in the ethylene cracker joint venture we have with OxyChem. The Texas-based cracker will start commercial activities in the first quarter of 2017, and we expect it to ramp up during the year and reach 100% capacity during the second half of 2017.

The near completion of the cracker has significantly reduced our capital expenditures, which declined 60% in the third quarter, enabling us to report free cash flow for the period of \$70 million.

A word on Fluor--- we continue making progress in diversifying our customer base and increasing our presence in the cement market, which enabled us to expand margins despite reduced demand from our traditional steel industry customers. Also, let me provide an update on how we view the recent amendment to the Montreal Protocol relating to HFC gases. First, Mexichem has been very involved in working with regulators on this issue, so this proposal is not news to us. In summary the conclusions reached at the meeting in Rwanda do not affect Mexichem's views on the short and medium term perspectives for our main product which is 134a. The agreements reached at that meeting, which have to be ratified by several countries, established a phase down period that is longer than what we have been working on in Europe and in the US. So our view is that the phase down period will take a long time to implement and that as production slows down our vertical integration will play a key role in allowing us to continue producing in a profitable way. What will be important is the way each country and region implements those phase out periods

the benefit recognized this quarter. I want to clarify that in the last quarter we mentioned there is a time line related to the financial impacts or benefits in these kind of cases which are in line with IFRS, and the time line is comprised of three phases. The first two phases are gone, and are related to the write down of the asset affected and the recognition of the account receivable when it becomes receivable the accounting IFRS rules. The third phase is where we are, and is related to the insurance companies' investigations and their response about the claim and for how much they accept it. Due to this the one-time benefit PMV recognized is non- cash until this final phase is concluded.

PMV's shareholders, Mexichem and Pemex, are evaluating several strategic options for the future operation of this business, and when the business plan is finalized, the exact amount of the account receivable will be determined.

For purposes of an apples to apples comparison, I will review our third quarter results on an adjusted basis, the same way I did last quarter.

Moving to our consolidated results for this quarter, reported sales for the quarter were down slightly to \$1.4 billion. I would like to point out that \$24 million, or half of the sales decline, was the result of the appreciation of the U.S. dollar against most other currencies. In addition, we experienced weaker than expected demand in the U.S. for oil and gas pressure piping in our Fluent Business Group and slightly lower volumes in our Fluor Business Group.

Despite this decline in sales and excluding the one-time benefit from PMV, we were able to achieve higher EBITDA and higher EBITDA margins in the third quarter and year-to-date. Our adjusted EBITDA for the third quarter increased by 3% to \$242 million, and EBITDA margin expanded by 111 basis points to 17.3%. Year-to-date, our adjusted EBITDA increased to roughly \$700 million, and adjusted EBITDA margin expanded by 125 basis points to 17.1%. The key drivers of these improvements were higher sales on specialty PVC resins with higher margins in

our Vinyl Business Group, a more favorable product mix in our Fluent Business Group, specifically, in Latin America, and the absence of the hedging loss that impacted last year's third quarter.

This improved profitability carried down to our bottom line, where we saw adjusted net majority Income increase by 25% to \$68 million in the third quarter, and by 49% to \$204 million year-to-date.

Our reported effective tax rates for the third quarter and first nine months of 2016 were 29% and 35%, respectively while the adjusted rates, excluding the one-time benefit from PMV were 26% and 29%, respectively. Cash taxes decreased 21% in the third quarter, primarily due to a 10% reduction in our fluorspar volume which lowered the mining tax.

Before I move onto performance in our business groups, I would like to mention that our year-to-date geographical sales mix has changed slightly from 2015. North America now accounts for 37% of sales, compared to 39% in 2015, Europe accounts for 37%, representing an increase of 200bps and South America sales total 22%, down from 23% last year. On a country by country basis, U.S. represented 17%, Germany accounted for 13%, U.K. for 8% and Brazil for 6%, of total Mexichem sales.

I will now detail our financial performance by business group.

Our Vinyl Business Group revenues totaled \$537 million in the third quarter, up slightly from \$535 million in the third quarter of 2015. Year to date revenues were flat, totaling \$1.9 billion. The Vinyl Business Group EBITDA and Operating Income were impacted by PMV, so at these levels the actual operating review is more about Resins, Compounds and Derivatives, which accounted for 97% of the Vinyl Business sales in third quarter.

Resins, Compounds and Derivatives performance was very strong this quarter. Volumes both in third quarter and in a year-to-date increased by 5%. Reported sales increased by 2% to \$523

million for the quarter, but were down slightly to \$1.5 billion for the first nine-months of 2016. By contrast, EBITDA increased 10% in the third quarter and 3% for the first nine months, representing strong demand trends in a difficult market environment and a favorable product mix that drove EBITDA margin improvements in both the third quarter and nine month periods.

In Fluor, weaker volumes, down 10% year-on-year, resulted in a total sales decline of only 4%, or \$6 million, in the third quarter, thanks to some improvement in prices in our upstream business. The Fluor business group has succeeded in diversifying its end-markets to address the slowdown in the global steel industry. In the third quarter, sales to the cement industry accounted for roughly 30% of our metspar volumes.

The main story in Fluor is around profitability. We managed to maintain stable EBITDA of \$59 million for the third quarter, despite lower sales, and EBITDA margin expanded 120 basis points to 41%. Year-to-date, Fluor's EBITDA margin expanded by 171 basis points, despite a revenue decline of 9%, to \$449 million, as a result of weaker fluorspar prices and lower volumes.

In our Fluent business, revenues were \$756 million for the third quarter and \$2.2 billion for the first nine months of 2016, declines of 5% and 8%, respectively. Of this \$37 million decline in third quarter sales, \$20 million, or 54% was the result of the strength of the U.S. dollar versus almost all other global currencies. The majority of the negative currency impact in Fluent came from our business in Europe, where this caused a \$13 million reduction in sales. On a constant currency basis, the Fluent Group's sales decline was only 2%. For the first nine months of 2016, revenues were virtually flat on a constant currency basis.

Reported EBITDA for the third quarter was slightly lower at \$117 million, down from \$119 million a year ago, however, our EBITDA margin expanded by 45 basis points to 15.5% year-on-year, due to the strength of our LatAm operations and a more favorable product mix in the U.S. It is worth mentioning that after the tough restructuring program we went through in Brazil during the

third and fourth quarter on 2015, our business in that country is performing extremely well and showing significant improvements. On a constant currency basis, our third quarter EBITDA increased 2%, implying an EBITDA margin expansion of 60 bps to 15.6%.

Year-to-date, our reported EBITDA was up marginally, to \$322 million from \$321 million, despite the negative currency impact that significantly reduced results. On a constant currency basis, EBITDA increased 15% with an EBITDA margin expansion of 204 basis points, to 15.3%, benefitting from lower raw material costs and higher margin datacom products.

Before I turn the call over to Antonio for closing comments, I will provide some additional comments on our operating cash flow, capital expenditures and financial debt.

In the third quarter, we again proved our ability to grow our operations while maintaining significantly reduced working capital requirements through effective financial discipline. We achieved a \$10 million reduction in our working capital requirements for the third quarter; working capital need was up \$74 million for the first nine months reflecting the seasonality of our business, particularly Fluent whose requirements are higher in the first half of the year compared to the second half of the year.

Operating cash flow before CapEx totaled \$170 million for the third quarter and \$308 million year-to-date. We reported free cash flow of \$70 million in the third quarter, as our investments in the ethylene cracker wind down. Capital expenditures totaled \$320 million year-to-date and \$87 million for the third quarter, representing declines of 32% and 60%, respectively. The breakdown of our third quarter CapEx is as follows: \$32 million invested in the Texas Ethylene cracker, \$6 million carried over from PMV and the remaining allocated for organic projects. As of September 30, 2016 Mexichem's total equity investment in the ethylene cracker totaled \$657 million, representing 87% of the total investment Mexichem agreed upon with JV partner OxyChem.

Total Financial debt as of September 30, 2016 was \$2.3 billion, with an additional \$1.8 million in letters of credit with maturities of more than 180 days, and cash or cash equivalents reached \$651 million yielding net financial debt of \$1.66 billion. Our trailing twelve-month Net Debt to Adjusted EBITDA ratio decreased to 1.8x, slightly improved from last quarter and from year end 2015.

I will now turn the call back over to Antonio for his closing remarks. Thank you.

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Antonio Carrillo Rule:

Thank you Rodrigo

Our third quarter results were in line with our expectations for solid performance in the second half of 2016 highlighted by steady margin improvements within a more stable pricing environment. We continue to believe that the PVC cycle has bottomed out, but it is difficult to predict when the up turn in the short term. Currency comparisons improved in the third quarter and should improve in the fourth quarter as well—and of course our free cash flow should continue to grow as we exit 2016, now that the Texas cracker investment is subsiding. In short, we remain on track to produce approximately \$900 million in EBITDA for full year 2016.

Looking ahead, we expect 2017 to be a year significant revenue and Ebitda gains resulting from a combination of organic growth and tuck-on acquisitions. The largest organic contributor in 2017 will be the ethylene cracker. Also, we are moving ahead with an initiative to significantly expand our Compounds business and have brought on a leader based in Boston to spearhead this effort, which we believe can drive meaningful growth. Additionally, we have Fluor pilot programs in progress at customer locations and in Fluent, we are streamlining our operating structure in order to achieve cross selling objectives by being close to our customers and centralizing our R&D activities.

The name of the game for 2017 and beyond is to improve our returns on invested capital and equity, and a very disciplined approach to capital allocation now that we are concluding a very high capital expenditure cycle.

Operator, I would now like to open the call to questions.

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Antonio Carrillo Rule: Thank you for participating in our call today. We look forward to keeping you up to date on our progress.