Stock Information
Mexican Stock Exchange
Ticker: MEXCHEM*

Mexichem

Mexichem Continues Strong Momentum, Reporting Double-Digit Net Income Growth in Third Quarter 2018 and Maintains Its Full-Year EBITDA Guidance

- **Consecutive, quarterly double-digit growth in Sales, Operating Income (EBIT), EBITDA and Consolidated Net Income**
- **Company posts 25% year-over-year increase in EBITDA**
- **Mexichem´s results boosted by Netafim's consolidation, along with continuous market dynamics in Fluor and Vinyl**
- **During the quarter, ROE and ROIC increased 80 bps to 15.2% and 9.5%, respectively, and reduced net debt to EBITDA at 1.91x**

Tlalnepantla de Baz, Estado de Mexico, October 24, 2018 - Mexichem, S.A.B. de C.V. (BMV: MEXCHEM*) ("the Company" or "Mexichem") announced its unaudited results for the third quarter of 2018. The figures have been prepared in accordance with International Financial Reporting Standards ("NIIF" or "IFRS"), having U.S. dollars as the functional and reporting currency. All comparisons are made against the same period of the prior year except for Netafim´s 1Q17 P&L figures, which are not included in the comparisons, but proforma financials are included in this report in Appendix I. Unless specified to the contrary, all figures are in millions. In the comments in this report, we will refer to the term "Organic Basis" or "Organically" which means that it will exclude: i) Netafim´s results for the quarter, ii) CADE and Netafim Ltd. Acquisition related expenses and iii) Brazil Tax legal settlement benefit. The "FX translation effect" numbers, and numbers in a "constant currency" basis or "without the FX translation effects" do not consider any positive or negative effect from Venezuela due to the uncertainties of the economic fundamentals of its FX market and due that any effect is not material for the whole Company´s results. In some cases, numbers and percentages have been rounded and may not add up.

During the third quarter of 2018, Mexichem posted a 25% year-over-year increase in EBITDA to $375 million, on a 19% year-over-year increase in revenue to $1.79 billion. Mexichem also reported EBITDA margin of 21%, while EBIT increased 34% to $270 million, compared to the same period a year earlier. Consolidated net income of $120 million was up by 32%, compared to the $91 million reported during last year's third quarter. Free cash flow increased 17% YOY to $83 million.

"This has been another exciting quarter of significant success that validates the Mexichem strategy," said Daniel Martínez-Valle, Mexichem CEO. "During this journey, Mexichem is pioneering new ways for the company to be the best in the world, offering innovations that are best for the world. We will continue doing this by working closely with our partners and customers to identify challenges across our business groups and then relying on our ingenuity to solve them. Our back-to-back earnings success proves we are on the right track."

9M18 financial and operating highlights include:

- Revenues increased 26% to $5.5 billion

- EBITDA grew 36% to $1.13 billion and EBITDA margin increased 147 bps to 20.5%. EBIT increased 49% to $813 million
- Consolidated net income totaled $437 million, an increase of 85%

FINANCIAL HIGHLIGHTS:

MANAGEMENT COMMENTARY

mm US$	Third Quarter			January - September		
Financial Highlights	**2018**	**2017**	**%Var.**	**2018**	**2017**	**% Var.**
Net sales	1,785	1,503	19%	5,509	4,360	26%
Operating income	270	201	34%	813	546	49%
EBITDA	375	299	25%	1,128	829	36%
EBITDA margin	21.0%	19.9%	107 bps	20.5%	19.0%	147 bps
EBT	183	157	17%	607	385	58%
Income (loss) from continuing operations	120	95	26%	417	234	78%
Consolidated net income (loss)	120	91	32%	437	236	85%
Net majority income	82	61	34%	323	180	79%
Operating cash flow before capex	220	217	1%	431	372	16%
Total CAPEX (organic & JV)	(63)	(66)	-5%	(199)	(208)	-4%
Cash Flow before dividends	157	151	4%	232	164	41%
Free cash flow	83	71	17%	22	32	-31%

STRATEGY, PERFORMANCE AND BUSINESS GROUP HIGHLIGHTS, AND OUTLOOK

The first nine months of 2018 confirms that Mexichem's balanced strategy of organic and acquisition growth is yielding exceptional results. Mexichem's strategic approach to its businesses and the markets that it serves is demonstrating significantly positive financial performance.

As part of the company's strategy to become more purpose-driven, Mexichem is evolving from a production-oriented company to one that is focused on customer needs by creating global synergies and deepening customer relationships. This will better serve the company's growing, global customer base and bring innovations to market more quickly. For example, Mexichem's Netafim business is piloting "Irrigation-as-a-Service", which provides farmers with the most advanced precision irrigation and digital farming solutions for a monthly service fee, with minimal upfront investment. In this new business model, Netafim installs, maintains and operates its own precision irrigation system at the customer's farm, enabling the customer to enjoy higher and better-quality yields, save water and other resources, with lower risk.

Also, in September, Mexichem's Fluent Europe business debuted the world's first PlasticRoad. The new bicycle path in Zwolle, Netherlands, is the first to be made of recycled plastic, up to 70 percent. It's filled with sensors that will monitor the pathway's temperature, durability, and how many cyclists use the path.

In North America, Mexichem's Fluent U.S./Canada business joined the City *Innovate's Technology Advisory Board* to help governments address over 80 civic challenges which include building smart cities with using new and innovative technologies. Mexichem joins business and technology leaders Microsoft, Visa, Oracle, Google Cloud for Startups, Panasonic and others, who are committed to creating positive change. The program launched in San Francisco in 2014 and has expanded to nearly 30 cities.

Mexichem remains strongly committed to its investment grade rating, and through its continued effort to strengthen its balance sheet, has been executing its deleveraging strategy, reaching 1.91x net debt to EBITDA ratio at the end of this third quarter.

As an overview, we continue seeing better fundamentals and conditions in the markets we serve than those observed during 2017. In Fluent, Europe and U.S./Canada have been exceeding expectations and, although we continue facing market challenges in LatAm – mainly in Colombia, Brazil and Mexico – we have been seeing signs of recovery in Brazil and Mexico, while we continue our path to successfully integrate Netafim. Our Vinyl business is and will continue working in a supply constrained environment, which has been creating better market prices in PVC and caustic soda during 2018. However, we will face challenging ethane and caustic soda market price conditions in the following 12 to 18 months given the tightness of the ethane distribution capacity in the U.S. and the stabilization in the caustic soda market. These are a result of existing international trade dynamics and the shutdown of some Chlor-Alkali plants in Europe and Asia due to environmental restrictions. Finally, for Fluor, as we anticipated in Q2, we expect continuity in the stabilization in our growth path after an extraordinary first 9M18, given tougher YOY comparables and the stabilization on the refrigerant markets in Europe associated with the supply-demand dynamics of the F-gas quota system.

THIRD QUARTER FINANCIAL RESULTS

REVENUES

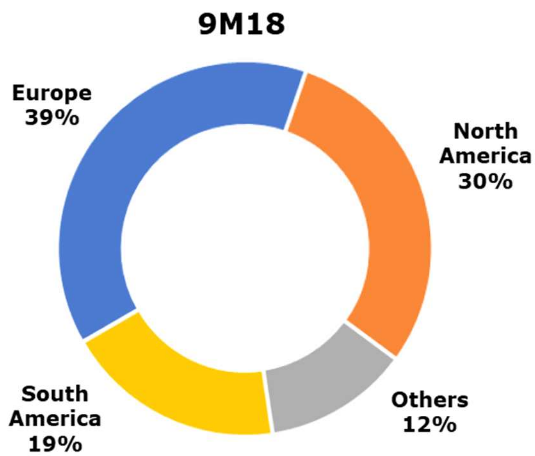
For Q3 2018, revenues totaled $1.79 billion, up $282 million, or 19% from Q3 2017, led by higher sales in all our business groups. Organically, revenue increased 5% YOY or $76 million. Sales for our Fluent, Fluor and Vinyl Business Groups increased by 28% (7% organic), 18% and 7%, respectively.

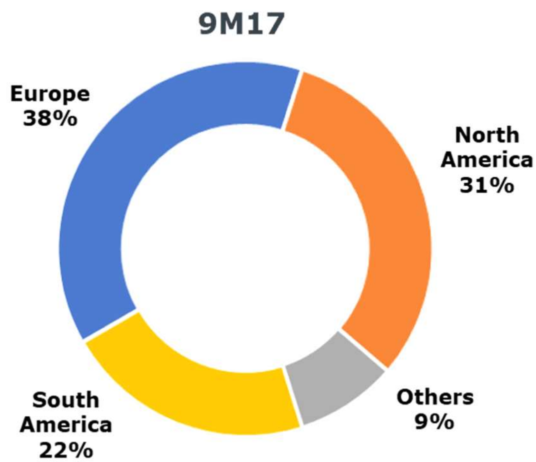
The Fluent Business Group net sales growth was driven mainly by Netafim consolidation and improved sales performance in Fluent U.S./Canada. At Fluor, growth came from better price conditions in Europe associated with supply market constraints linked to the F-gas quota system that stabilized during Q3, and that the company anticipates will continue stabilizing through the rest of 2018 and 2019, as well as better price conditions in the U.S., related to the ITC resolution announced by Mexichem in March 23, 2017. At Vinyl, third quarter 2018 revenue benefited mainly from the consolidation of Sylvin Technologies, improved PVC pricing due to supply constraints, the increase in oil prices and improved caustic soda market conditions.

The FX translation effect for Q3 2018 negatively impacted sales by $54 million on a consolidated basis compared to Q3 2017, mainly because of the depreciation of the Brazilian Real (25%), Argentina Peso (85%), Turkish Lira (61%), Indian Rupees (9%) and the Mexican Peso (6%). In constant currency, (not affecting cash flow but to understand the overall business and segment performance) and on an Organic Basis, revenues would have been $1.62 billion, up $120 million or 8% versus 2017.

During 9M18, revenues increased by 26% to $5.5 billion, an increase of $1.1 billion, compared to 9M17. In constant currency and on an Organic Basis, revenue would have increased by 9% to $4.8 billion.

SALES BY REGION (DESTINATION):





The countries that represent more than 4% of Mexichem's consolidated figures during 9M18 are: the U.S. 19%, Mexico 10%, Germany 8%, UK 6%, Brazil 6%, India 4% and Colombia 4%.

EBITDA

In Q3 2018, EBITDA was $375 million, a 25% increase from the $299 million reported in the same quarter last year. EBITDA margin for the quarter was 21%.

Double-digit EBITDA growth was achieved by each business group. In the Fluor, Fluent, and Vinyl Business Groups, EBITDA increased by 38%, 31% (12% on an Organic Basis) and 14% YOY, respectively.

Overall positive results for the quarter YOY are attributed mainly to: i) the Fluor Business Group, due to the factors mentioned in the "revenues" section; ii) Fluent, the consolidation of Netafim's results, improved sales performance and market dynamics in the U.S., and signs of recovery in LatAm and AMEA; and iii) Vinyl, improved PVC pricing due to the increase in oil prices and supply constraints, and improved caustic soda market conditions.

In Q3 2018, the FX translation effect on EBITDA was negative in $7 million on a consolidated basis, due to the same currencies affecting revenues. In constant (not affecting cash flow but to understand the overall business and segment performance) and in Organic Basis, EBITDA would have been $357 million, up $55 million or 18% increase, with an implied EBITDA margin of 22%.

For 9M18, EBITDA was $1,128 million, increasing 36%. EBITDA margin was 20.5%. In a constant and Organic Basis, EBITDA would have been $1,028 million, an increase of 24%, with an implied EBITDA margin of 22%.

OPERATING INCOME

Mexichem reported operating income for Q3 2018 of $270 million, compared to $201 million reported in Q3 2017, an 34% increase. On an Organic Basis, operating income increased $50 million or 25%, to $254 million.

For 9M18, in reported and on an Organic Basis, operating income was $813 million and $746 million, respectively, compared to the $546 million reported and the $548 on an Organic Basis in the same period of 2017, representing an increase of 49% and 36%, respectively.

FINANCIAL COSTS

In Q3 2018, financial costs increased by $45 million, or 102%, to $89 million compared to Q3 2017. The increase was triggered by: i) a $14 million interest increase mainly related to a $1 billion bond issued in September 2017 for the Netafim acquisition; ii) FX losses of $9 million related to the company's net obligations booked in currencies other than the functional and/or reporting currency for each country (liabilities less assets when liabilities are higher than assets); and iii) a negative $22 million in inflationary impact which offsets the benefit we had during the first half of the year. During the first six months of 2018, Venezuelan inflation was 1,442% but non-adjustment was done to the official exchange rate, generating a $24 million gain in monetary position, while in Q3, the Venezuelan Bolivar devaluated more than 5,000%, and a charge of $22 million to our monetary position was accrued, offsetting the benefit accrued during H1 2018.

In 9M18, financial costs increased by $47 million, or 29%, to $210 million, compared to the same period in 2017. This occurred because of: i) the $44 million increase in interest and bank commission, mainly related to a $1 billion bond issued in September 2017; and ii) $5 million from FX losses to the company's net obligations booked in currencies other than the functional and/or reporting currency for each country (liabilities less assets when liabilities are higher than assets), but which were offset by a $2 million increase in monetary position, as explained above, due to our operations in Venezuela.

TAXES

In Q3 2018, cash tax increased 59% compared to Q3 2017 due to changes in the mix of Mexichem´s subsidiaries that generate net gains and those with net losses. Deferred taxes decreased from 28 million in Q3 2017 to 8 million in Q3 2018. This was mainly due to the usage of net operating losses (deferred tax asset) to offset taxable income associated with foreign exchange gains generated by the year to date Mexican peso appreciation effect against the U.S. dollar. This appreciation generated a tax FX gain in the holding company in Mexico where the highest proportion of the U.S. dollar denominated debt of Mexichem is allocated. The effective tax rate in Q3 declined from 39% to 34% YOY.

During 9M18, cash tax increased from $104 to $168 million, a 62% increase, mainly because income from continuing operations before income taxes (EBT) increased 58%. In contrast, the effective tax rate decreased from 39% to 31% mainly for the reduction of the income tax rate from 35% to 21% in the U.S. associated with the U.S. tax reforms.

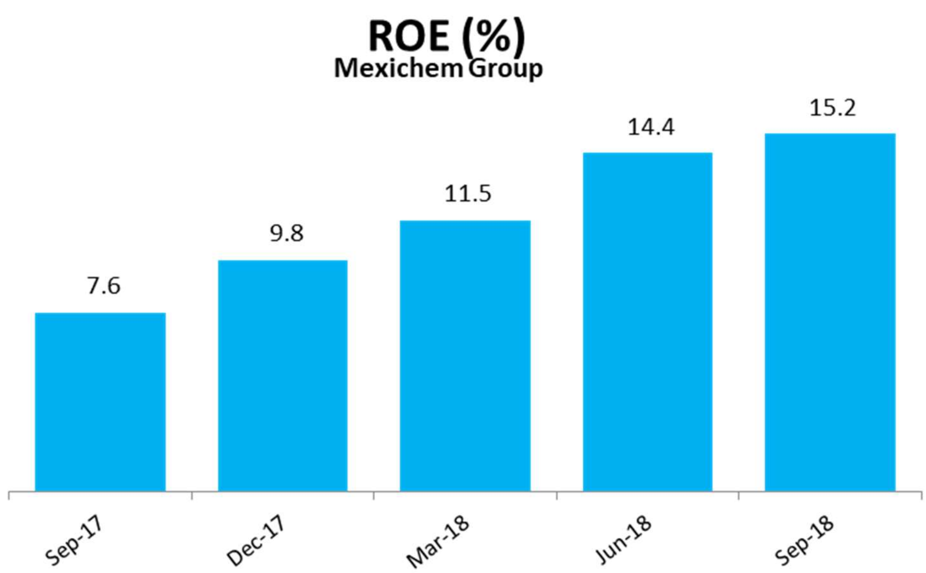
CONSOLIDATED NET INCOME (LOSS) AND MAJORITY INCOME (LOSS)

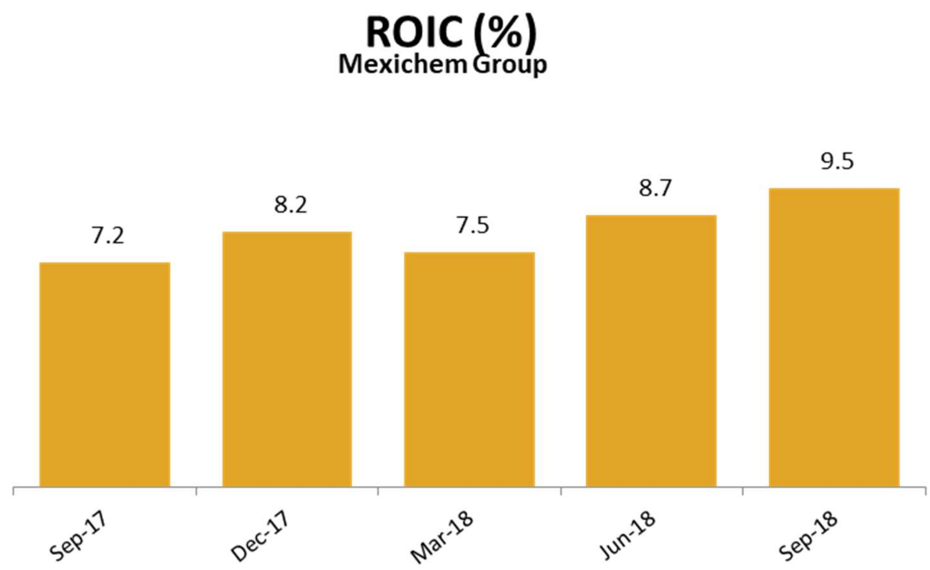
In Q3 2018, the Company reported Consolidated Net Income of $120 million and Net Majority Income of $82 million, compared to reported Consolidated Net Income and Net Majority Income of $91 and $61 million, respectively, in Q3 2017. These results reflect the higher Operating Income and EBITDA reported in this year's third quarter and the lower effective tax rate mentioned above.

For 9M18, the Company posted a $437 million Consolidated Net Income and $323 million in Net Majority Income, compared to $236 million and $180 million reported in the same period of 2017, respectively. These results also were due to the same factors mentioned for the third quarter, and an adjustment in the Discontinued Operations related to the appraisal of the Pajaritos Petrochemical Complex to give book value to the site in PMV´s balance sheet.

USD in millions	Third Quarter			January - September		
Income statement	2018	2017	%	2018	2017	%
Income (loss) from continuing operations before income tax	**183**	**157**	**17%**	**607**	**385**	**58%**
Cash tax	54	34	59%	168	104	62%
Income (loss) from continuing operations after cash tax	**129**	**123**	**5%**	**439**	**281**	**56%**
Deferred taxes	8	28	-71%	22	47	-53%
Income (loss) from continuing operations	**120**	**95**	**26%**	**417**	**234**	**78%**
Discontinued operations	(1)	(4)	-75%	19	1	1800%
Consolidated net income (loss)	**120**	**91**	**32%**	**437**	**236**	**85%**
Minority stockholders	37	30	23%	113	56	102%
Net income (loss)	**82**	**61**	**34%**	**323**	**180**	**79%**

Adjusted ROE and ROIC from continuing operations:





ROE: Income from continuing operations / Adjusted Average Equity from continuing operations

ROIC: Adjusted NOPAT for continuing operations/Adjusted Equity from continuing operations + Liabilities with cost – Cash. Income from continuing operations and NOPAT (EBIT-taxes) consider trailing twelve months.

BALANCE SHEET AND OPERATING CASH FLOW HIGHLIGHTS

OPERATING CASH FLOW HIGHLIGHTS

mm US$	Third Quarter			January - September		
	2018	2017	%Var.	2018	2017	% Var.
EBITDA	375	299	25%	1,128	829	36%
Taxes paid	(58)	(34)	71%	(190)	(104)	83%
Net interest paid	(49)	(35)	40%	(143)	(107)	34%
Bank commissions	(7)	(8)	-13%	(30)	(21)	43%
Exchange rate gains (losses)	(8)	(5)	60%	(40)	(17)	135%
Change in trade working capital (1) (2)	(33)	0	N/A	(294)	(208)	41%
Operating cash flow before capex	220	217	1%	431	372	16%
CAPEX (Organic)	(61)	(54)	13%	(186)	(149)	25%
CAPEX (Total JV)	(2)	(19)	-89%	(13)	(105)	-88%
CAPEX JV (OXY share)	-	6	-100%	-	45	-100%
NET CAPEX JV	(2)	(13)	-85%	(13)	(59)	-78%
Total CAPEX (organic & JV)	(63)	(66)	-5%	(199)	(208)	-4%
Cash flow before dividends	157	151	4%	232	164	41%
Shareholders' dividend	(74)	(80)	-8%	(210)	(132)	59%
Free cash flow	83	71	17%	22	32	-31%
PMV's insurance A/R	-	-		268	-	
Free cash flow after Insurance	83	71	17%	290	32	806%

(1) PMV's insurance A/R is not included in trade working capital calculation. (2) Trade working capital variation (Sep 18 vs Dec 17) includes Netafim's proforma results for comparative purposes.

Mexichem is in the process to conclude the transaction for the acquisition of Pemex´s 44.09% share in Petroquímica Mexicana de Vinilo, S.A. de C.V. (“PMV) through its subsidiary PPQ Cadena Productiva, SL, announced on July 6, 2018.

In the third quarter, operating Cash Flow before CapEx was roughly flat, at a time when it increased 71% and 40% in taxes and interest paid, which were related to higher income from continuing operations before taxes and higher debt, respectively. Also, we experienced a 60% increase in FX rate losses, and an increase in the needs of working capital of $33 million, mainly associated with the deleverage strategy of the Company in which the Company decided to reduce the usage of short-term financing. Capital expenditures in Q3 2018 decreased by 5% to $63 million.

NET WORKING CAPITAL

	2018 Variation			2017 Variation		
	sep-18	dec-17	∆ ($)	sep-17	dec-16	∆ ($)
Trade Working Capital	804	510	(294)	392	184	(208)

From December 31, 2017 to September 30, 2018, working capital needs increased by $294 million, compared with the same period a year earlier that increased $208 million. The increase of $87 million between 9M17 and 9M18 was due to the deleverage strategy of the Company in which the Company decided to reduce the usage of short-term financing in its Vinyl Business Group.

FINANCIAL DEBT

	Last Twelve Months	
	Sep 2018	Dec 2017
Net Debt USD million	2,757	1,356
Net Debt/EBITDA 12 M	1.91x	1.23x
Interest coverage	6.19x	5.67x

Net debt USD includes $0.6 million of letters of credit with maturities of more than 180 days that for covenant purposes are considered gross debt, although they are not booked in the accounting debt

Total financial debt for covenant purposes as of September 30, 2018 was $3.6 billion, while cash and cash equivalents totaled $879 million, resulting in net financial debt of $2.8 billion.

The Net Debt/EBITDA ratio was 1.91x as of September 30, 2018, while Interest Coverage was 6.19x.

CONSOLIDATED BALANCE SHEET

	USD in millions	
Balance sheet	**Sep 2018**	**Dec 2017**
Total assets	**10,318**	**9,759**
Cash and temporary investments	879	1,900
Receivables	1,349	975
Inventories	904	675
Others current assets	310	403
Property, plant and equipment, Net	3,482	3,626
Intangible assets and Goodwill	3,137	1,910
Long term assets	257	270
Total liabilities	**6,814**	**6,078**
Current portion of long-term debt	368	45
Suppliers	1,449	1,362
Other current liabilities	930	723
Long-term debt	3,267	3,210
Long-term employee benefits	185	186
Long-Term deferred tax liabilities	197	231
Other long-term liabilities	418	321
Consolidated shareholders'equity	**3,504**	**3,681**
Minority shareholders' equity	889	878
Majority shareholders' equity	**2,615**	**2,803**
Total liabilities & shareholders' equity	**10,318**	**9,759**

CONSOLIDATED INCOME STATEMENT

USD in millions	Third Quarter			January - September		
Income Statement	**2018**	**2017**	**%**	**2018**	**2017**	**%**
Net sales	1,785	1,503	19%	5,509	4,360	26%
Cost of sales	1,289	1,129	14%	3,964	3,289	21%
Gross profit	**497**	**374**	**33%**	**1,545**	**1,071**	**44%**
Operating expenses	227	173	31%	732	525	39%
Operating income (loss)	**270**	**201**	**34%**	**813**	**546**	**49%**
Net interest expenses and bank commisions	57	43	33%	173	129	34%
Exchange rate, net	12	3	300%	43	38	13%
Monetary position	20	(2)	N/A	(6)	(4)	50%
Financial Costs	**89**	**44**	**102%**	**210**	**163**	**29%**
Equity in income of associated entity	**(2)**	**(1)**	**100%**	**(4)**	**(1)**	**300%**
Income (loss) from continuing operations before income tax	**183**	**157**	**17%**	**607**	**385**	**58%**
Cash tax	54	34	59%	168	104	62%
Deferred taxes	8	28	-71%	22	47	-53%
Income tax	**62**	**62**	**0%**	**190**	**150**	**27%**
Income (loss) from continuing operations	**120**	**95**	**26%**	**417**	**234**	**78%**
Discontinued operations	(1)	(4)	-75%	19	1	1800%
Consolidated net income (loss)	**120**	**91**	**32%**	**437**	**236**	**85%**
Minority stockholders	37	30	23%	113	56	102%
Net income (loss)	82	61	34%	323	180	79%
EBITDA	375	299	25%	1,128	829	36%

OPERATING RESULTS BY BUSINESS GROUP

VINYL Business Group (35% and 40% of Mexichem's sales (after eliminations) and EBITDA, respectively, in 2018)

mm US$	Third Quarter			January - September		
Vinyl	**2018**	**2017**	**%Var.**	**2018**	**2017**	**% Var.**
Volume (K tons)	646	635	2%	1,944	1,916	1%
Total sales*	621	579	7%	1,908	1,749	9%
Operating income	99	84	18%	315	227	39%
EBITDA	151	133	14%	464	357	30%

*Intercompany sales were $48 million and $37 million in 3Q18 and 3Q17, respectively. And as of September 2018, and 2017 were $135 million and $134 million, respectively.

mm US$	Third Quarter			January - September		
Resins, Compounds & Derivatives	**2018**	**2017**	**%Var.**	**2018**	**2017**	**% Var.**
Volume (K tons)	560	558	0%	1,695	1,709	-1%
Total sales*	600	562	7%	1,845	1,703	8%
Operating income	93	83	12%	293	218	34%
EBITDA	142	128	11%	434	339	28%

*Intercompany sales were $59 million and $46 million in the 3Q18 and 3Q17, respectively, and as of September 2018 and 2017 were $164 million and $156 million, respectively. Of these amounts $11 million and $9 million were invoiced to PMV in 3Q18 and 3Q17, respectively and $28 million and $22 million accrued to September 2018 and 2017.

mm US$	Third Quarter			January - September		
PMV	**2018**	**2017**	**%Var.**	**2018**	**2017**	**% Var.**
Total sales*	33	27	22%	94	73	29%
Operating income	6	2	200%	21	9	133%
EBITDA	9	5	80%	30	18	67%

*Intercompany sales invoiced to Resins, Compounds and Derivatives were $0.8 million and $1.7 million in 3Q18 and 3Q17, respectively. And, as of September 2018 and 2017 were $2.3 million and $4.6 million, respectively.

In Q3 2018, despite a 2% increment in volume, Vinyl total sales increased 7% to $621 million from the third quarter of 2017, mainly due to the consolidation of Sylvin Technologies that started in January 2018, stronger PVC market prices YOY due to supply constraints, the increase in oil prices and improved caustic soda market conditions.

EBITDA for the Vinyl Business Group was $151 million, compared to $133 million in Q3 2017, an increase of 14%. This growth resulted from an increase in PVC and caustic soda prices, and the benefits of our increased vertical integration across the ethane-to-PVC value chain at our JV ethylene cracker in Texas. EBITDA margin rose to 24% in Q3 2018 from 23% reported in Q3 2017.

During Q3 2018, the U.S. ethane market experienced an important increase in prices given the start of operations of roughly 2.4 million new tons of ethylene or 6% of the global ethylene capacity we had at the end of December 2017. The new ethylene crackers that went online drove additional demand for ethane while the U.S. ethane infrastructure distribution capacity remained stable. The result is an increase in prices, which has the potential to increase our PVC cost of production in the following months until new ethane distribution capacity starts operations, which is expected to happen during 2019. On the other hand, caustic soda market price conditions are in a stabilization phase after the shutdown of some Chlor-Alkali plants in Europe and Asia due to environmental restrictions. These market conditions regarding the ethane supply and the caustic soda prices are expected to create challenges to our Vinyl operations during the following 12 to18 months until new conditions emerge.

Resins, Compounds and Derivatives volumes were roughly flat on 7% revenue growth, reflecting stronger YOY market price conditions both in PVC and caustic soda. EBITDA grew $14 million, or 11%, to $142 million, with an EBITDA margin of 23.6% coming from 22.8% during the Q3 2017.

PMV revenues grew 22% to $33 million, while EBITDA grew 80% because of better caustic soda market-price conditions and higher volumes than during Q3 2017. EBITDA margin grew 1,033 bps to 27.5% from 17.2% during the same period last year.

For 9M18, despite slight increments in volume, Vinyl revenues increased 9%, reflecting favorable market price conditions in PVC and caustic soda due largely to the increase in oil prices and supply market constraints associated with environmental restrictions in Europe and Asia, when compared 9M18 to 9M17. EBITDA increased 30% to $464 million from the $357 million reported at the end of Q3 2017, with EBITDA margin growth of 390 bps to 24.3% from Q3 2017's 20.4%.

Resins, Compounds and Derivatives volumes decreased 1% while revenues increased 8% due to better market conditions as explained above. EBITDA increased $95 million or 28% from $339 million to $434 million resulting in an EBITDA margin of 23.5% or 360 bps higher than the 19.9% in 9M17.

Revenues and EBITDA in PMV grew 29% and 67%, respectively, because of supply market constraints associated to environmental restrictions in Europe and Asia which created better than expected market-price conditions in caustic soda. PMV´s EBITDA margins increased 692 pbs to 31.7% from 24.8%.

FLUENT Business Group (56% and 38% of Mexichem's sales (after eliminations) and EBITDA, respectively, in 2018)

mm US$	Third Quarter			January - September		
Fluent	**2018**	**2017**	**%Var.**	**2018**	**2017**	**% Var.**
Sales	1,003	785	28%	3,093	2,257	37%
Fluent LatAm	270	279	-3%	816	818	0%
Fluent Europe	349	357	-2%	1,086	1,006	8%
Fluent USA & Canada	152	120	27%	415	341	22%
Fluent AMEA	35	34	3%	118	108	9%
Netafim	206	-		669	-	
Intercompany eliminations	(8)	(5)	60%	(11)	(15)	-27%
Operating income	95	71	34%	297	203	46%
EBITDA	140	107	31%	423	309	37%

In Q3 2018, the Fluent Business Group's sales were $1.0 billion, a 28% increase, compared to the $785 million reported one year ago, mainly driven by the integration of Netafim and higher sales in the U.S./Canada. In a constant and Organic Basis, the Fluent Business Group's sales would have grown 7% to $839 million.

3Q17	mm US$	3Q18		3Q18	3Q18/3Q17
Sales		**Sales**	**FX**	**Total**	**% Var**
279	Fluent LatAm	270	30	300	8%
357	Fluent Europe	349	10	359	1%
120	Fluent US/Canada	152	-	152	27%
34	Fluent AMEA	35	2	37	9%
-	Netafim	206	10	216	
(5)	Intercompany Eliminations	(8)	-	(8)	60%
785	**Total**	**1,003**	**52**	**1,055**	**34%**

The FX translation effect do not consider any positive or negative effect from Venezuela due to the uncertainties of the economic fundamentals of its FX market and due that any effect is not material for the whole Company´s results.

During Q3 2018, the Fluent Business Group's EBITDA increased 31% to $140 million, compared to $107 million in Q3 2017. This positive performance includes the consolidation of Netafim Ltd, better performance of Fluent U.S./Canada, and signs of recovery in LatAm and AMEA.

EBITDA margin remained stable at 14%. In a constant (not affecting cash flow but helps to understand the company and its segments' performance) and Organic Basis, EBITDA totaled $123 million, a 13% increase, compared to the same quarter of the previous year, with an implied EBITDA margin of 15%. Operating income increased 34% to $95 million. On an Organic Basis, Operating income increased 12% to $80 million compared to Q3 2017.

In 9M18, sales reached $3.1 billion, an increase of 37% compared to the same period last year. Key factors contributing to this growth include the consolidation of Netafim, double-digit growth in U.S./Canada, and high single digits growth in Europe and AMEA. EBITDA increased 37% during 9M18, with an implied EBITDA margin of 13.7%. In a constant and Organic Basis, EBITDA increased 8% to $337 million, compared to same period of the previous year, with an implied EBITDA margin of 14%.

FLUOR Business Group (12% and 25% of Mexichem's sales (after eliminations) and EBITDA, respectively, in 2018)

mm US$	Third Quarter			January - September		
Fluor	**2018**	**2017**	**%Var.**	**2018**	**2017**	**% Var.**
Sales	210	177	19%	644	495	30%
Operating income	82	56	46%	247	153	61%
EBITDA	94	68	38%	284	192	48%

In Q3 2018, the Fluor Business Group reported a 19% increase in sales, mainly due to better price market conditions as a consequence of the U.S. ITC resolution that Mexichem announced on March 23, 2017 and F-gas quota system supply-demand dynamics in Europe that are and will continue to be stable during Q4 2018 and 2019.

EBITDA in Q3 2018 grew 38% YOY to $94 million, and EBITDA margin was 45%, up from 39% in Q3 2017. Operating income was $82 million, a 46% YOY increase.

In 9M18, revenues and EBITDA were up 30% and 48% at $644 million and $284 million, respectively, mainly from the above-mentioned factors. EBITDA margin increased 533 bps to 44.1%. In 9M18, operating income has grown 61% to $247 million.

RECENT EVENTS

For all the news please visit the following webpage https://www.mexichem.com/newsroom/

Conference Call Details

Mexichem will host a conference call to discuss its Q3 2018 results on October 25th, 2018 at 10:00 am Mexico City/11:00 am (US Eastern Time). To access the call, please dial 001-855-817-7630 (Mexico), 1-888-339-0721 (United States) or 1-412-317-5247 (International). Participants may pre-register for the conference call here.

A recording of the webcast will be posted on the website within several hours after the call is completed. The webcast can be accessed via the following link: https://services.choruscall.com/links/mexichem181025.html.

The replay can be accessed via Mexichem's website at https://www.mexichem.com/.

Mexichem

RECONCILIATION SUMMARY BY BUSINESS GROUP

Third quarter 2018 Financial and Operating Highlights

3Q17	mm US$	3Q18		3Q18	3Q18/3Q17
Sales		Sales	FX	Total	% Var
579	Vinyl	621	2	623	8%
785	Fluent	1,003	52	1,055	34%
1,364	**Ethylene (Vinyl + Fluent)**	**1,624**	**54**	**1,678**	**23%**
177	Fluor	210	-	210	19%
-	Energy	-	-	-	
(38)	Eliminations / Holding	(49)	-	(49)	29%
1,503	**Total**	**1,785**	**54**	**1,839**	**22%**

The FX translation effect do not consider any positive or negative effect from Venezuela due to the uncertainties of the economic fundamentals of its FX market and due that any effect is not material for the whole Company´s results

3Q17	mm US$	3Q18		3Q18	3Q18/3Q17
EBITDA		EBITDA	FX	Total	% Var
133	Vinyl	151	-	151	14%
107	Fluent	140	7	147	37%
240	**Ethylene (Vinyl + Fluent)**	**291**	**7**	**298**	**24%**
68	Fluor	94	-	94	38%
-	Energy	-	-	-	
(9)	Eliminations / Holding	(10)	-	(10)	11%
299	**Total**	**375**	**7**	**382**	**28%**

The FX translation effect do not consider any positive or negative effect from Venezuela due to the uncertainties of the economic fundamentals of its FX market and due that any effect is not material for the whole Company´s results

9M17	mm US$	9M18		9M18	9M18/9M17
Sales		Sales	FX	Total	% Var
1,749	Vinyl	1,908	(47)	1,861	6%
2,257	Fluent	3,093	(7)	3,086	37%
4,006	**Ethylene (Vinyl + Fluent)**	**5,001**	**(54)**	**4,947**	**23%**
495	Fluor	644	(14)	630	27%
1	Energy	1	-	1	
(142)	Eliminations / Holding	(137)	-	(137)	-4%
4,360	**Total**	**5,509**	**(68)**	**5,441**	**25%**

The FX translation effect do not consider any positive or negative effect from Venezuela due to the uncertainties of the economic fundamentals of its FX market and due that any effect is not material for the whole Company´s results

9M17	mm US$	9M18		9M18	9M18/9M17
EBITDA		EBITDA	FX	Total	% Var
357	Vinyl	464	(6)	458	28%
309	Fluent	423	(1)	422	37%
666	**Ethylene (Vinyl + Fluent)**	**887**	**(7)**	**880**	**32%**
192	Fluor	284	(7)	277	44%
1	Energy	1	-	1	
(30)	Eliminations / Holding	(44)	-	(44)	47%
829	**Total**	**1,128**	**(14)**	**1,114**	**34%**

The FX translation effect do not consider any positive or negative effect from Venezuela due to the uncertainties of the economic fundamentals of its FX market and due that any effect is not material for the whole Company´s results

ABOUT MEXICHEM

Mexichem is a global leader supplier of innovative solutions across multiple industries including building and infrastructure, data communications, irrigation and chemicals, and more. With operations in 41 countries, 137 facilities worldwide and more than 22,000 employees, Mexichem has the rights to produce fluorspar in two mines in Mexico, as well as 8 training academies and 18 R&D labs. Operations are divided into three Business Groups: Fluent, Vinyl and Fluor. Mexichem has annual revenues of US$5.8 billion and has been traded on the Mexican Stock Exchange for more than 30 years. The company is member of the Mexican Stock Exchange Sustainability Index and the sustainability emerging markets index FTSE4Good.

Prospective Information

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 unfulfillment 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.

INDEPENDENT ANALYSTS

EQUITY COVERAGE FROM THE LAST TWELVE MONTHS:

1. Actinver
2. Bank of America Merrill Lynch
3. Banorte-Ixe
4. Barclays
5. BBVA Bancomer
6. BTG Pactual
7. Citigroup
8. Credit Suisse
9. GBM-Grupo Bursátil Mexicano
10. Grupo Santander
11. HSBC
12. Intercam
13. Invex Casa de Bolsa
14. Interacciones
15. Morgan Stanley
16. UBS
17. Vector
18. Scotiabank

INTERNAL CONTROL

Mexichem's bylaws provide the existence of the Audit and Corporate Practices Committees, intermediate corporate organs constituted in agreement with the applicable law to assist the Board of Directors to carry on their functions. Through these committees and the external auditor, it is given reasonable safety that transactions and company's acts are executed and registered in accordance with the terms and parameters set by the Board and directives of Mexichem, the applicable law and different general guidelines, criterion and IFRS (International Financial Reporting Standards).

APPENDIX I: Mexichem SAB de CV and Subsidiaries Consolidated 2017 Pro-Forma Balance Sheet and Income Statement including Netafim Ltd. Acquisition

Mexichem SAB de CV and Subsidiaries
Consolidated Balance Sheet Pro Forma 2017
Netafim Acquisition

USD in million

	Pro-Forma March 2017				Pro-Forma June 2017			
Balance sheet	March 2017 reported	Netafim March 2017 IFRS	Acquisition Adjustment	March 2017 Pro-forma	June 2017 reported	Netafim June 2017 IFRS	Acquisition Adjustment	June 2017 Pro-forma
Current Assets								
Cash and Cash equivalents	597	26	(225)	398	735	33	(225)	543
Net Account Receivable	1,055	230		1,285	1,183	259		1,442
Other current assets	1,103	197		1,300	1,127	203		1,330
Total Current Assets	2,755	453	(225)	2,983	3,045	495	(225)	3,315
Long term assets	5,765	160	1,243	7,168	5,791	165	1,248	7,204
Total Assets	8,520	613	1,018	10,151	8,836	660	1,023	10,519
Current Liabilities								
Bank loans and current portion of long-term debt	62	28	200	290	52	31	200	283
Suppliers and letters of credit of suppliers	1,392	135		1,527	1,479	153		1,632
Other current liabilities	590	107		697	647	103		750
Total Current Liabilities	2,044	270	200	2,514	2,178	287	200	2,665
Bank loans and long-term debt	2,253	85	1,000	3,338	2,270	89	1,000	3,359
Long-term other liabilities	515	58	(38)	535	574	61	(38)	597
Total Liabilities	4,812	413	1,162	6,387	5,022	437	1,162	6,621
Capital stock	1,755	184	(184)	1,755	1,755	184	(184)	1,755
Retained earnings and Other comprehensive income	1,014	15		1,029	1,085	38		1,123
Controlling interest	2,769	199	(184)	2,784	2,840	222	(184)	2,878
Non-controlling interest	939	1	40	980	974	1	45	1,020
Total stockholders' equity	3,708	200	(144)	3,764	3,814	223	(139)	3,898

	Pro-Forma September 2017				Pro-Forma December 2017			
Balance sheet	September 2017 reported	Netafim September 2017 IFRS	Acquisition Adjustment	September 2017 Pro-forma	December 2017 reported	Netafim December 2017 IFRS	Acquisition Adjustment	December 2017 Pro-forma
Current Assets								
Cash and Cash equivalents	740	35	(225)	550	1,900	44	(1,225)	719
Net Account Receivable	1,137	236		1,373	975	224		1,199
Other current assets	1,152	234		1,386	1,078	224		1,302
Total Current Assets	3,029	505	(225)	3,309	3,953	492	(1,225)	3,220
Long term assets	5,759	166	1,248	7,173	5,807	163	1,249	7,219
Total Assets	8,788	671	1,023	10,482	9,760	655	24	10,439
Current Liabilities								
Bank loans and current portion of long-term debt	53	47	200	300	45	21	200	266
Suppliers and letters of credit of suppliers	1,426	144		1,570	1,362	142		1,504
Other current liabilities	600	105		705	723	105		828
Total Current Liabilities	2,079	296	200	2,575	2,130	268	200	2,598
Bank loans and long-term debt	2,248	85	1,000	3,333	3,210	85		3,295
Long-term other liabilities	615	65	(38)	642	739	65	(38)	766
Total Liabilities	4,942	446	1,162	6,550	6,079	418	162	6,659
Capital stock	1,755	184	(184)	1,755	1,755	184	(184)	1,755
Retained earnings and Other comprehensive income	1,141	41		1,182	1,048	53		1,101
Controlling interest	2,896	225	(184)	2,937	2,803	237	(184)	2,856
Non-controlling interest	950	-	45	995	878	-	46	924
Total stockholders' equity	3,846	225	(139)	3,932	3,681	237	(138)	3,780

Mexichem SAB de CV and Subsidiaries
Consolidated Income Statement Pro Forma 2017
Netafim Aquisition

USD in million

	Pro-Forma 1Q17			Pro-Forma 2Q17			
Income Statement	1Q17 reported	Netafim 1Q17 IFRS	1Q17 Pro-forma	2Q17 reported	Netafim 2Q17 IFRS	2Q17 Pro-forma	January- June 2017
Net sales	1,394	227	1,621	1,463	276	1,739	3,360
Cost of sales	1,086	154	1,240	1,074	188	1,262	2,502
Gross Profit	308	73	381	389	88	477	858
Operating expenses	187	47	234	165	51	216	450
Operating Income	121	26	147	224	37	261	408
Financial cost	44	6	50	75	5	80	130
Equity income of associated entities	(0)	-	(0)	(0)	-	(0)	(1)
Income from continued operations before income tax	77	20	97	149	32	181	279
Cash tax	29	5	34	40	7	47	81
Deferred tax	(5)	-	(5)	23	-	23	18
Income Tax	24	5	29	63	7	70	99
Income from continued operations	53	15	68	86	25	111	180
Discontinued Operations	1	-	1	4	-	4	5
Net Consolidated Income	54	15	69	90	25	115	185
Minority Interest	1	3	4	25	5	30	34
Net Majority Income	53	12	65	65	20	85	150
EBITDA	202	34	236	327	47	374	610

	Pro-Forma 3Q17				Pro-Forma 4Q17			Pro-Forma 2017		
Income Statement	3Q17 reported	Netafim 3Q17 IFRS	3Q17 Pro-forma	January-September 2017	4Q17 reported	Netafim 4Q17 IFRS	4Q17 Pro-forma	2017 reported	Netafim 2017 IFRS	2017 Pro-forma
Net sales	1,504	199	1,703	5,063	1,468	248	1,716	5,829	950	6,779
Cost of sales	1,130	139	1,269	3,771	1,086	169	1,255	4,376	650	5,026
Gross Profit	374	60	434	1,292	382	79	461	1,453	300	1,753
Operating expenses	173	46	219	669	219	59	278	744	203	947
Operating Income	201	14	215	623	163	20	183	709	97	806
Financial cost	44	6	50	180	13	5	18	176	22	198
Equity income of associated entities	(1)	-	(1)	(2)	(1)	-	(1)	(3)	-	(3)
Income from continued operations before income tax	158	8	166	445	150	15	166	536	75	611
Cash tax	34	3	37	119	7	4	11	110	19	129
Deferred tax	28	-	28	47	20	-	20	66	-	66
Income Tax	62	3	65	166	27	4	31	176	19	195
Income from continued operations	96	5	101	279	123	11	135	360	56	416
Discontinued Operations	(4)	-	(4)	1	(145)		(145)	(144)	-	(144)
Net Consolidated Income	92	5	97	280	(22)	11	(10)	216	56	272
Minority Interest	30	1	31	65	(36)	2	(34)	20	11	32
Net Majority Income	62	4	66	215	14	9	24	195	45	240
EBITDA	300	21	321	931	277	31	308	1,106	133	1,239

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