Mexichem Reports 2016 Second Quarter Results

Tlalnepantla de Baz, State of Mexico, July 27, 2016 - Mexichem, S.A.B. de C.V. (BMV: MEXCHEM*) ("the Company" or "Mexichem") today announced its unaudited results for the 2Q16. The figures have been prepared in accordance with International Financial Reporting Standards ("NIIF" or "IFRS") having US dollars as the functional and reporting currency. All comparisons are made against the same period of the prior year, unless specified to the contrary.
Given that Mexichem's reported earnings results (including the impact of the incident at PMV's VCM plant) differ substantially with its reported operating results (without the impact), which were in line with the Company's expectations, for clarification purposes, this report contains reported EBIT, EBITDA and net income, as well as Adjusted EBIT, EBITDA and net income which exclude the *onetime* effect of the incident. Additional details are contained on page 12.

Second Quarter 2016 Financial and Operating Highlights

--Reported EBITDA including $286 million in one-time charges ($244 million non-cash) related to PMV´s VCM plant, was negative $29 million. Adjusted EBITDA which excludes this effect was $256 million
--Consolidated Adjusted EBITDA margin expanded over 46 bps to 17.9%, reflecting significantly higher margins in:
-- Vinyl: Resins, Compounds and Derivatives EBITDA margin rebounded by 120 bps to 15.0%.
-- Fluent: EBITDA margin was 15.4% representing an increase of more than 50 bps
-- Fluor: EBITDA margin expanded by more than 330 bps
--Net majority loss including the one-time charges of was $33 million; adjusted net majority income increased 34% to $86 million, representing an adjusted ROE of 6.2% and an adjusted ROIC of 6.3%

On a constant currency basis, total sales and adjusted EBITDA would have been$45 million and $15 million higher, respectively

Company on track to reach Guidance of approximately $900 Million in EBITDA for 2016

CONSOLIDATED SELECTED FINANCIAL RESULTS

	Second Quarter			January - June		
Consolidated (USD mm)	2016	2015	%Var.	2016	2015	% Var.
Net Sales	1,427	1,519	-6%	2,689	2,961	-9%
Operating Income	-121	173	N/A	-11	263	N/A
EBITDA	-29	266	N/A	171	464	-63%
EBITDA Margin	N/A	17%		6%	16%	
Net Majority Income (loss)	-33	64	N/A	18	83	-79%
Operating cash flow before Capex	130	228	-43%	174	200	-13%
Total CAPEX (organic & JV)	-123	-140	-12%	-233	-251	-7%
Free Cash Flow*	-6	71	N/A	-87	-85	2%
Adjusted EBITDA*	256	266	-4%	457	464	-2%
Adjusted EBITDA Margin*	18%	17%	46	17%	16%	132
Adjusted Net Maj Income*	86	64	34%	137	83	64%

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First Half 2016 Financial and Operating Highlights

--Reported EBITDA including $286 million in one-time charges ($244 million non-cash) related to PMV´s VCM plant was $171 million; Adjusted EBITDA was $457 million
--Consolidated Adjusted EBITDA margin expanded over 132 bps to 17.0%, reflecting significantly higher margins in:

- **-- Vinyl: Resins, Compounds and Derivatives EBITDA margin rebounded by 118 bps to 14.6%.**
- **-- Fluent: EBITDA margin was 14%, up more than 50 bps**
- **--Fluor- EBITDA margin expanded by 186 bps to 37.6%**

--Net majority income was $18 million, and adjusted net majority income increased by 65% to $137 million

On a constant currency basis, total sales and adjusted EBITDA would have been $ 167 million and $43 million higher, respectively

In September 2015, Mexichem changed the designations and names of certain of its operating segments to more accurately reflect how it organizes its operations and product offerings. As such, its segments have been re-named "Business Groups", from the previous "Chains" and the names of two of its Business Groups have been changed. **"Vinyl"** replaces "Chlor-Vinyl" and **"Fluent"** replaces "Integral Solutions". The **Fluor** Business Group's name remains unchanged.

MANAGEMENT COMMENTARY

Performance and Outlook

"Mexichem executed well in the second quarter, posting solid operating results within a challenging pricing and exchange rate environment, while at the same time working through the aftermath of the tragic accident that took place at our PMV joint venture in April.

With respect to the accident, PMV has indemnified all of the victims' families and those injured, and we continue to provide counseling and related support to those in need. As we previously noted, we took a charge in the second quarter of $286 million, of which $244 represented the non-cash charge related to the fixed asset. The full report on the cause of the accident is expected in the coming weeks, at which time we will have more information from our insurance providers with respect to timing and payment amounts. As we have mentioned before, the plant was well insured, and once the accident report is completed, we will proceed with our insurance claims. In the meantime, the Mexichem team did an excellent job by securing alternate VCM supplies, enabling us to cover our raw material needs for the rest of the year.

Looking at our second quarter performance excluding the one-time effect, we are pleased to report that our Business Groups achieved results that were in line with our expectations. Greater operational and geographic diversification combined with a more favorable mix of specialty products, as well as the companywide emphasis on profitability and returns enabled us to increase margins and report higher adjusted net income.

On a consolidated basis, EBITDA Adjusted margin increased to 18% and reflected improved margins in three key business units, namely: Resins, Compounds & Derivatives, Fluor and Fluent. Consolidated Adjusted EBITDA was flat with last year's levels, despite a revenue decline resulting primarily from exchange rate fluctuations and weaker demand in Brazil and Ecuador. Adjusted net majority income increased 34% to $86 million, driving significant improvements in Adjusted ROE and ROIC to 6.2% and 6.3%, respectively.

Our Vinyl Business Group, which includes Mexichem's PMV joint venture, demonstrated significant resilience and tremendous resourcefulness in the second quarter. Despite the production loss of 70,000 tons of VCM, the Group managed to maintain PVC volumes at similar levels to those on the previous year. Our Resins, Compounds & Derivatives unit, which comprised more than 90% of Vinyl's revenues, reported stable year-on-year EBITDA performance and improved EBITDA margin in spite of lower PVC prices, thanks to the increased contribution of specialty resins and lower input costs.

Similarly, the Fluor Business Group reported stable EBITDA results and a considerable expansion of EBITDA margin in spite of lower sales due to market pricing conditions. This represents a direct benefit from end-market diversification initiatives towards the expansion of our fluorspar customer base and stabilized pricing in refrigerant gases.

Our Fluent Group is most affected by currency fluctuations, reporting a 4% decline on sales that on a constant currency basis equates to 2% increase, this effect was equivalent to $46 million in 2Q16 and $162 million in 1H16 in sales. The Group was able to maintain EBITDA levels that were flat in comparison with the prior year. This is particularly noteworthy because in both the first and second quarters of 2016, we faced difficult comparisons as almost all the LatAm and European currencies began this year at levels that were highly devalued against the US dollar when compared with the similar 2015 periods On a constant currency basis, Fluent's EBITDA would have been $15 million higher than the reported number, or 12% higher year-on-year. The Fluent Group succeeded in posting an improved EBITDA margin resulting from a more favorable product mix and lower raw material costs, which offset the impact of softer demand in LatAm, particularly in Brazil and Ecuador.

For the first half of 2016, consolidated adjusted EBITDA was $457 million, putting Mexichem on track to achieve approximately $900 million in EBITDA for 2016 as announced during our first quarter conference call. We consider this a substantial achievement given the shutdown of our PMV joint venture VCM plant, which contributed almost $50 million in EBITDA last year and was on its way to surpassing that amount by about 30% this year.

We continue to strengthen our financial position. Approximately 85% of the one-time charges incurred in the second quarter represented a non-cash charge; our cash position at the end of the 2016 first half increased; the trailing twelve month adjusted EBITDA to net debt ratio was 1.86; and capital expenditures declined, as 83% of our investment in the joint venture ethylene cracker in Texas has been completed.

In the first half of 2016, we believe Mexichem demonstrated the resilience and flexibility needed to maintain steady EBITDA performance and improve EBITDA profitability levels under very difficult market and business conditions. We expect a more favorable exchange rate environment in the second half of 2016, and we are keeping our focus on producing the highest quality products for an expanding customer base, with the cooperation and participation of more than 18,000 employees worldwide."

Clarifications

In the fourth quarter of 2015 the Company completed a restructuring process in its Fluor Business Group. The restructuring process was prompted by two factors: i) a structural adjustment to adapt the business to current market conditions, and ii) a decision to no longer operate in certain markets where conditions are not suitable to sustain profitability. As a result of the restructuring, a total of $49.9 million was reported as "discontinued operations" in full year 2015 results, in accordance with the rules contained in IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Year-on-year figures in this report are not comparable given that results reported in 1st, 2nd, and 3th quarter of 2015 include the operations we discontinued in 4Q15; Appendix I attached to this report contains comparable figures for each quarter of 2016 vs 2015.

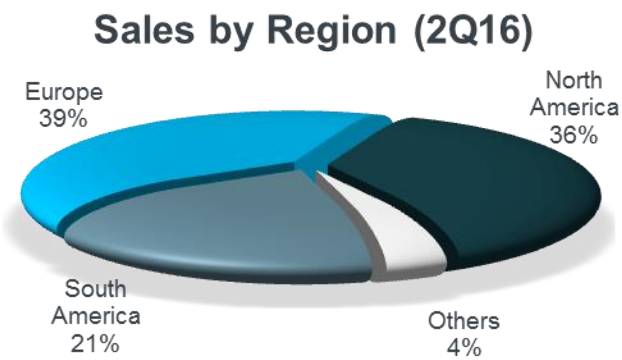
REVENUES

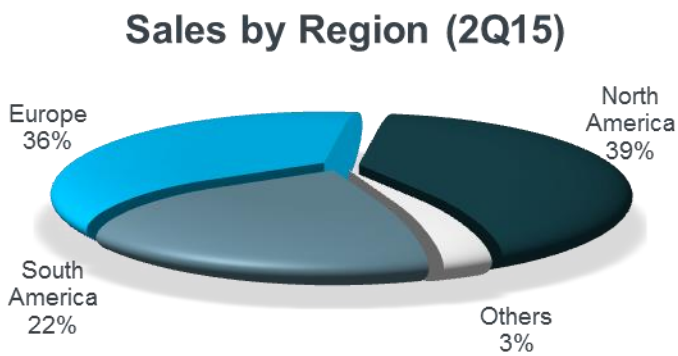
Second quarter 2016 reported revenues were $1.4 billion. This represented a year-over-year decline of 6% or $92 million, resulting from the $45 million impact tied to the appreciation of the U.S. dollar against most of our other operating currencies, a decline in PVC resin prices and weaker demand in some LatAm regions. Specifically, the Company's Fluent LatAm operations, where the currency impact was highest, reported a $35 million revenue decline. Partially offsetting this negative currency impact was improved performance from our Vinyl and Fluent operations in Europe, driven by strong and consistent demand.

On a constant currency basis, total sales would have decreased 3% year-on-year.

Revenues in 1H16 decreased $272 million, or 9%, year-on-year to $2.7 billion. On a constant currency basis, total sales would have decreased 4% year-on-year. Foreign currency translations reduced total sales by $167 million, which impacted reported sales in the Fluent, Vinyl, and Fluor business groups by $162 million, $3 million, and $2 million, respectively.

SALES BY REGION





The United States represented 16% of total sales for the first six months. In 1H16, Brazil represented 6% of total sales, and UK and Germany represented 8% and 13%, respectively.

EBITDA AND ADJUSTED EBITDA

Reported EBITDA for 2Q16 was negative $29 million, compared to $266 million in 2Q15, and Adjusted EBITDA for the quarter was $256 million, a decrease of 4% y-o-y. Adjusted EBITDA margin expanded by 46 bps to 17.9% from 17.5%. Improved performance in our Adjusted EBITDA margin in the second quarter resulted from several factors including:

(i) Lower raw materials costs for compounds and a better mix of specialty resins specifically from Europe , combined to produce a 120 bps expansion in EBITDA margin to 15.0% from 13.8% in 2Q15 in the Resins, Compounds and Derivatives business unit; and

(ii) The Fluent Business Group's EBITDA margin expanded 54 bps to 15.4%.

Factors that negatively impacted our Adjusted EBITDA included:

(iii) The strength of the U.S. dollar globally, which resulted in a $15 million foreign exchange translation impact primarily in our LatAm operating regions; and

(iv) VCM supply restrictions, which were normalized in June, but reduced resin production earlier in the second quarter.

Reported EBITDA was mainly affected by the PMV´s one-time charges of $286 million.

On a constant currency basis our Adjusted EBITDA would have increased 1% to $271 million.

For the first six months of 2016, Adjusted EBITDA was $457 million, 2% lower than the $464 million reported in the 1H15. This is explained mainly by lower production capacity in PMV due to the shutdown of VCM and ethylene plants and the $43 million FX translation effect in 1H16. On a constant currency basis, for 1H16, Adjusted EBITDA for the first six months of 2016 would have increased $36 million or 8% to $500 million.

OPERATING INCOME AND ADJUSTED OPERATING INCOME

Due to the one-time charges related to PMV´s VCM plant, the Company incurred a reported operating loss for the second quarter of $121 million. Adjusted operating income was $165 million, 5% lower than in 2Q15, and adjusted operating margin expanded 15 bps to 11.5%. This was due to the factors mentioned above. See additional details on page 10.

FINANCIAL COSTS

In 2Q16, financial costs decreased 33% to $42 million from $62 million. In 2Q15 we registered $14 million in losses related to an intercompany loan in euros with Fluent Europe that was hedged in 4Q15.

For the first half of 2016, financial costs decreased by 34% mainly due to lower FX losses and the hedge in 4Q15.

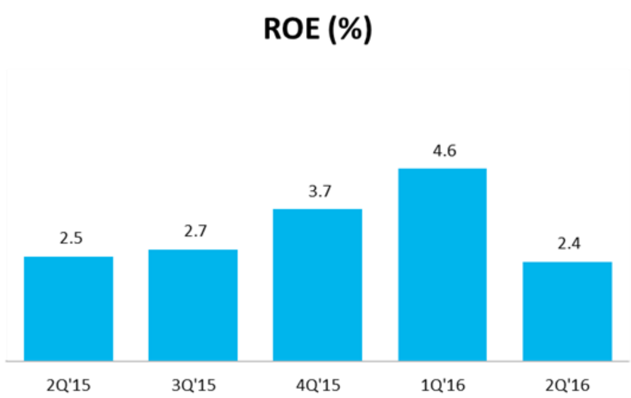
INCOME TAXES

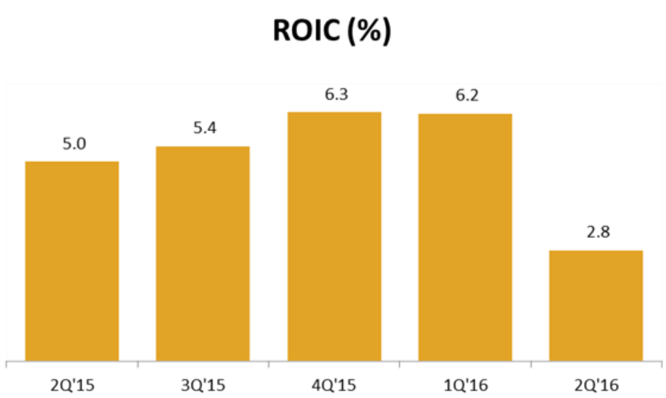
Cash taxes in 2Q16 increased by 13% compared to 2Q15.The one-time charges related to PMV's VCM plant increased deferred taxes as shown on the chart on page 10. The Company's reported effective tax rate for the second quarter and first half of 2016 was 19% and 14% respectively while was 34% and 31% excluding the one-time charges.

NET MAJORITY INCOME (LOSS)

In 2Q16, the Company reported a net majority loss of $33 million compared to a profit of $64 million in 2Q15, while adjusted net majority income was $86 million, an increase of 34%. For the first half of 2016, the Company reported net majority income of $18 million inclusive of the related PMV one-time charges; adjusted net majority income was $137 million or an increase of 65% compared to $83 million in 1H15.

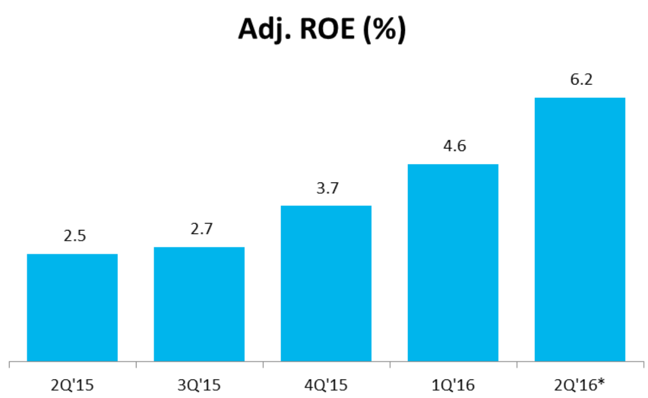
ROE and ROIC 2Q16 are as follows:

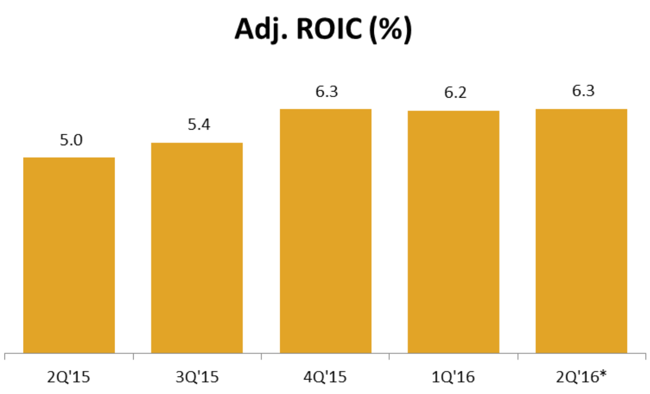




ROE: Net majority income / controlling equity average: ROIC: NOPAT/Equity + Liabilities with cost – cash. Net income and NOPAT (EBIT-taxes) consider trailing twelve months.

Adjusted ROE and ROIC 2Q16 are as follows:





ROE: Net majority income / controlling equity average: ROIC: NOPAT/Equity + Liabilities with cost – cash
Net income and NOPAT (EBIT-taxes) consider trailing twelve months. 2Q16* considers adjusted net majority income and adjusted EBIT

OPERATING CASH FLOW HIGHLIGHTS

	Second Quarter			January - June		
	2016	2015	%Var.	2016	2015	% Var.
Adj EBITDA minus cash items*	250	266	-6%	451	464	-3%
Cash Tax	-52	-46	12%	-92	-83	11%
Net Interest	-43	-46	-7%	-82	-89	-7%
Bank Commissions	-3	-5	-44%	-5	-9	-44%
Monetary position and Exchange loss	-11	-18	-40%	-14	-19	-23%
Change in Trade Working Capital	-12	77	N/A	-83	-65	28%
Operating cash flow before Capex	130	228	-43%	174	200	-13%
CAPEX (organic)	-51	-59	-14%	-100	-108	-8%
CAPEX (Total JV)	-125	-146	-14%	-229	-254	-10%
CAPEX JV (OXY SHARE)	53	65	-19%	97	112	-14%
NET CAPEX JV	-72	-81	-11%	-133	-142	-7%
Total CAPEX (organic & JV)	-123	-140	-12%	-233	-251	-7%
Cash Flow	7	88	-92%	-59	-51	15%
Dividends	-14	-17	-17%	-28	-34	-17%
Free Cash Flow	-6	71	N/A	-87	-85	2%

Cash items*- Includes payments related to the one time item on PMV of $5.6 million such as indemnifications, legal expenses, among others. For more information please see page 11.

Operating cash flow before capital expenditures decreased from $228 million to $130 million in 2Q16 vs 2Q15 due to two factors. First, as of June 30th 2016 our working capital was over $300 million lower than as of June 30th 2105 and are currently operating with significantly reduced working capital requirements. Second, Mexichem is a seasonal business that accumulates working capital in the first half of the year and releases it in the second half. Capital expenditures in 2Q16 decreased 12% to $123 million, $53 million of which was invested in the ethylene cracker, $19 million as carry over in PMV, and $51 million allocated to organic projects.

As of June 30, 2016, Mexichem's equity investment in the ethylene cracker reached $625 million. This amount represents 83% of the total equity investment that Mexichem contracted for with OxyChem to gain a 50% stake in the joint venture.

WORKING CAPITAL

	2016 Variation		
	jun-16	jun-15	Δ ($)
Working Capital	329	631	-302

FINANCIAL DEBT

	Last Twelve Months	
	Jun 2016	Dec 2015
Net Debt USD	1,666	1,703
Net Debt/EBITDA 12 M	2.72x	1.88x
Net Debt/ Adj EBITDA 12M	1.86x	1.88x
Interest Coverage	3.01x	4.27x
Adj Interest Coverage	4.42x	4.27x
Outstanding Shares	2,100,000,000	2,100,000,000

Net debt USD includes $1.9 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 as of June 30, 2016 was $2.3 billion plus $1.9 million in letters of credit with maturities of more than 180 days, while cash and cash equivalents totaled $661 million, resulting in net financial debt of $1.66 billion.

The Net Debt / EBITDA ratio was 2.72 at June 30, 2016, while the Interest Coverage was 3.01x.The Net Debt /Adjusted EBITDA ratio was 1.86 and Adjusted Interest Coverage was 4.42x.

CONSOLIDATED BALANCE SHEET

	USD in thousands	
Balance Sheet	**Jun 2016**	**Dec 2015**
Total assets	**8,762,034**	**8,669,676**
Cash and temporary investments	661,521	653,274
Receivables	928,719	798,779
Inventories	644,683	647,984
Others current assets	131,690	151,816
Long term assets	6,395,421	6,417,823
Total liabilities	**5,004,523**	**4,990,895**
Current portion of long-term debt	62,453	43,653
Suppliers	1,244,376	1,201,021
Other current liabilities	618,997	573,887
Long-term debt	2,263,519	2,291,422
Other long-term liabilities	815,178	880,912
Consolidated shareholders'equity	**3,757,511**	**3,678,781**
Minority shareholders'equity	775,063	776,419
Majority shareholders'equity	**2,982,448**	**2,902,362**
Total liabilities & shareholders' equity	**8,762,034**	**8,669,676**

Contingent Asset

On April 20th, 2016, an explosion occurred in Pajaritos, where two out of three of PMV's facilities are located; these two facilities are the VCM and Ethylene plants. The Chlorine and caustic soda production plant are at another site. There was no damage to the chlorine-caustic soda plant. The ethylene plant is under a mechanical integrity evaluation, but it appears that no damage has occurred. The VCM plant (Clorados III) is the one that sustained most of the damage, the major economic impact of which was the write-off of the assets and the shutdown of that plant.

Mexichem's assets including those in PMV are adequately insured at today's replacement value, while the related non-cash charge was calculated at book value. The Company's insurance coverage includes: i) environmental responsibility, ii) damage to property, iii) business interruption, iv) liability for damage to third parties, and v) liability of directors and officers.

PMV is in the process of concluding an investigation conducted by an independent expert to determine the cause of the incident, gathering all the information needed to give effect to the existing insurance coverage in order to claim the corresponding compensation. Once the investigation is concluded, we will proceed with the claims process in order to collect funds from the insurance companies.

PMV has indemnified the affected families and people and has already received advance payments from insurance, which are contingent on determining the cause of the accident.

Contingent Liability

As a consequence of the VCM Plant (Clorados III) incident described in the contingent asset disclosure, PMV is performing an environmental assessment to determine if any pollutants were deposited in areas surrounding the facility. Also PMV could be responsible for third party injuries, if any. Based on the information the Company has to date, there is no evidence that there are additional relevant liabilities.

In order to cover relevant third party liability, the insurance company paid PMV $4 million as indemnification for the bereaved families. However, this payment is contingent on determining the cause of the accident.

CONSOLIDATED INCOME STATEMENT

USD mm	Second Quarter					Jan-June				
INCOME STATEMENT	**2016**	**PMV One time item**	**2016 w/o One time item**	**2015**	**%**	**2016**	**PMV One time item**	**2016 w/o One time item**	**2015**	**%**
Net sales	1,427	-	1,427	1,519	-6%	2,689	-	2,689	2,961	-9%
Cost of sales	998	-	998	1,086	-8%	1,901	-	1,901	2,162	-12%
Gross Profit	**429**	**-**	**429**	**433**	**-1%**	**788**	**-**	**788**	**800**	**-2%**
Operating expenses	549	286	264	260	2%	799	286	514	536	-4%
Operating income	**(121)**	**(286)**	**165**	**173**	**-5%**	**(11)**	**(286)**	**274**	**263**	**4%**
Financial cost	42	-	42	62	-33%	85	-	85	130	-34%
Equity in income of associated entity	(3)	-	(3)	(0)		(4)	-	(4)	1	N/A
Income from continuing operations before income tax	**(160)**	**(286)**	**126**	**112**	**13%**	**(93)**	**(286)**	**193**	**133**	**45%**
Cash Tax	52	-	52	46	13%	92	-	92	83	11%
Deferred Tax	(82)	(73)	(9)	(3)	200%	(105)	(73)	(32)	(32)	0%
Income Tax	(30)	(73)	43	43	0%	(13)	(73)	60	51	18%
Income from continuing operations	**(129)**	**(213)**	**83**	**69**	**20%**	**(80)**	**(213)**	**133**	**82**	**62%**
Discontinued operations	1	-	1	(1)	N/A	1	-	1	(0)	N/A
Consolidated net income (loss)	**(129)**	**(213)**	**84**	**68**	**23%**	**(79)**	**(213)**	**134**	**82**	**63%**
Minority income (loss)	(96)	(94)	(2)	4	N/A	(97)	(94)	(3)	- 1	200%
Net majority income (loss)	**(33)**	**(119)**	**86**	**64**	**34%**	**18**	**(119)**	**137**	**83**	**65%**
EBITDA	**(29)**	**(286)**	**256**	**266**	**-4%**	**171**	**(286)**	**457**	**464**	**-2%**
EBITDA Margin	**-2.1%**		**17.9%**	**17.5%**	**46**	**6.4%**		**17.0%**	**15.7%**	**132**

OPERATING RESULTS BY BUSINESS GROUP

VINYL Business Group (34% and 31% of Mexichem's sales before eliminations and Adjusted EBITDA, respectively, in 2Q16)

	Second Quarter			January - June		
Vinyl	**2016**	**2015**	**%Var.**	**2016**	**2015**	**% Var.**
Volume (K Tons)	626	629	-1%	1,261	1,239	2%
Total Sales*	500	559	-11%	998	1,099	-9%
Operating Income**	-244	59	N/A	-202	86	N/A
Adjusted Operating Income	42	59	-29%	83	86	-3%
EBITDA**	-207	92	N/A	-128	160	N/A
Adjusted EBITDA	78	92	-15%	157	160	-2%

*Intercompany sales were $32 million and $45 million in 2Q16 and 2Q15, respectively. 1H16 and 1H15 intercompany sales were $73 million and $97 million, respectively.

**Includes Ingleside expenses of $4.2 million (YTD 2016) and $1.4 million (YTD 2015). Adjusted operating income and adjusted EBITDA excludes the write-off on PMV of $286 million.

	Second Quarter			January - June		
Resins, Compounds & Derivatives	**2016**	**2015**	**%Var.**	**2016**	**2015**	**% Var.**
Volume (K Tons)	539	519	4%	1,091	1,043	5%
Total Sales*	486	535	-9%	972	1,066	-9%
Operating Income**	44	45	-2%	83	83	0%
EBITDA**	73	74	-1%	141	143	-1%

*Intercompany sales were $42 million and $59 million in 2Q16 and 2Q15, respectively. Of these amounts $10 million and $14 million were invoiced to PMV in 2Q16 and 2Q15. 1H16 and 1H15 intercompany sales were $91 million and $125 million, respectively; of these amounts $18 million and $28 million were invoiced to PMV.

**Includes Ingleside expenses of $4.2 million (YTD 2016) and $1.4 million (YTD 2015).

	Second Quarter			January - June		
PMV	**2016**	**2015**	**%Var.**	**2016**	**2015**	**% Var.**
Volume (K Tons)	113	166	-32%	255	312	-18%
Total Sales*	32	60	-47%	76	108	-30%
Operating Income	-288	14	N/A	-286	2	N/A
Adjusted Operating Income **	-2	14	N/A	0	2	-88%
EBITDA	-280	18	N/A	-270	17	N/A
Adjusted EBITDA **	6	18	-66%	16	17	-9%

* Intercompany sales invoiced to Resins, Compounds and Derivatives were $9 million and $23 million in 2Q16 and 2Q15, respectively. And, as of June 2016 and 2015 were $31 million and $47 million, respectively.

** Adjusted operating income and adjusted EBITDA excludes the write-off of $286 million.

In 2Q16, the Vinyl Business Group reported a 1% decline in volumes, and an 11% in sales.

Revenues decreased by 11% to $500 million in 2Q16, down from $559 million in 2Q15, driven mainly by lower PVC resin and compound selling prices.

EBITDA for the Vinyl Business Group was a negative $207 million due to the one-time charge of $286 million in PMV. Adjusted EBITDA (excluding PMV's one-time charges) decreased 15% to $78 million from $91.6 million mainly due to the shutdowns of the VCM and ethylene plants. Adjusted EBITDA margin was 15.7%.

In 2Q16, Resins, Compounds and Derivatives revenues decreased 9%, driven by the lower PVC resin compound and derivative prices; however volume increased 4% YoY mainly due to higher resin demand, which included double digit growth in European volumes. These effects were partially offset by a reduction in supply of VCM during the second quarter 2016 as a consequence of the PMV accident..

2Q16 EBITDA for Resins, Compounds and Derivatives was $73 million, 1% below 2Q15, reflecting a resilient operating performance despite the lack of VCM due to the accident at PMV and to lower PVC selling prices, generating an expansion in EBITDA margin of 120 bps to 15.0% from 13.8%.

In Resins, Compounds and Derivatives, 2Q16 operating income was $44 million similar to the $45 million reported in 2Q15.

In 2Q16, PMV sales were $32 million, including $24 million from chlorine-caustic soda operations. In 2Q16 there was an operating loss of $288 million compared to operating income of $14 million in the similar year-ago as a consequence of the accident at the VCM facility in PMV. Other income and expenses included $286 million of one- time charges related to the incident, of which $244 million was a non-cash charge related to the asset write off of Clorados III (VCM plant). From the remaining $46 million, in 2Q16 we had a $5.6 million in cash out, the rest will be cash out in the following months, and are related to amounts of indemnifications, legal expenses, and other related costs.

In addition, EBITDA in PMV was negative $280 million in 2Q16 while adjusted EBITDA totaled $6 million; coming from the chlorine-caustic soda plant. PMV ended the second quarter in an EBITDA break-even position.

In the first six months of 2016, the Vinyl Business Group's sales decreased 9% primarily due to lower pricing on resins, compounds and derivatives on a 2% increase in volumes. EBITDA was negative $128 million, while adjusted EBITDA was $157 million implying 15.7% margin.

FLUENT Business Group (55% and 48% of Mexichem's sales before eliminations and Adjusted EBITDA, respectively, in 2Q16)

	Second Quarter			January - June		
Fluent	**2016**	**2015**	**%Var.**	**2016**	**2015**	**% Var.**
Sales	798	830	-4%	1,464	1,618	-10%
Fluent LatAm	270	305	-11%	513	627	-18%
Fluent Europe	373	362	3%	664	671	-1%
Fluent US/AMEA	156	165	-5%	291	324	-10%
Intercompany Eliminations	(2)	(3)	-30%	(3)	(4)	-28%
Operating Income	85	85	0%	132	122	8%
EBITDA	123	123	0%	205	202	2%

In 2Q16, the Fluent Business Group's performance was affected mainly by reductions in sales and EBITDA of $46 million and $15 million, respectively, resulting from the appreciation of the U.S. dollar against almost all other global currencies that occurred mainly in the second half of 2015, which resulted in a high basis of comparison when comparing 2Q16 and 1H16 with 2Q15 and 1H16.

- Second quarter sales for the Fluent Business Group declined 4% to $798 million due an 11% and 5% decrease in reported sales in Fluent LatAm and Fluent US/AMEA, respectively. The Fluent Latam decline was tied to the strength of the U.S. dollar and weaker demand specifically in Brazil and Ecuador. In the U.S., the $8 million decline resulted primarily from lower demand for pressure pipes used in the energy sector. A more favorable product mix in Fluent US/AMEA has taken action to diversify its end markets, which contributed to achieving higher EBITDA margins for the quarter despite lower sales.

- In the aggregate, although sales mainly in Fluent LatAm experienced a negative foreign exchange translation impact of $38 million, Fluent Europe increased its sales by 3% due to higher growth on the Western Europe.

2Q15 Revenues	**In million dollars**	**2Q16 Revenues**	**FX**	**Sub16 Total**	**Sub16/2Q15 % Var Comp**
305	**Fluent LatAm**	270	38	308	1%
362	**Fluent Europe**	373	5	378	4%
165	**Fluent US/AMEA**	156	3	159	-4%
-3	**Intercompany Eliminations**	-2	0	- 2	-30%
830	**Total**	**798**	**46**	843	2%

On a constant currency base total sales in the Fluent Business Group would have been 2% higher or $843 million.

Second quarter EBITDA was flat due to positive operating performance in our LatAm, Europe and US AMEA regions despite lower sales, benefitting from a more favorable mix of higher margin Datacom products, and lower raw materials costs.

EBITDA margin grew 54 bps to 15.4%.

On a constant currency basis, EBITDA increased 12% in 2Q16, implying an EBITDA margin expansion of 156 bps to 16.3% compared to 14.8% in 2Q15.

Operating income for the quarter was flat with last year's second quarter.

In the first half of 2016 on a currency neutral basis, total revenues were almost flat, while reported revenues decreased 10%. This is mainly explained by the FX effect as follows:

1H15	In million dollars	1H16	1H16/ 1H15		Sub16	Sub16/1H15
Revenues		Revenues	% Var Comp	FX	Total	% Var Comp
627	**Fluent LatAm**	513	-18%	138	651	4%
671	**Fluent Europe**	664	-1%	17	681	1%
324	**Fluent US/AMEA**	291	-10%	7	297	-8%
-4	**Intercompany Eliminations**	-3	-28%	0	- 3	-28%
1,618	**Total**	**1,464**	-10%	**162**	1,626	1%

EBITDA increased 2% compared to 1H15 mainly due to the increased profitability of all the three regional operations. EBITDA margin was 14.0%, an increase of 154 bps year-on-year.

Exclusive of the US dollar exchange rate effect in Fluent Europe, US/AMEA and LatAm, which totaled $43 million in 1H16, EBITDA would have increased 23% in 2016, implying an EBITDA margin expansion of 278 bps to 15.3% compared to 12.5% in 1H15.

FLUOR BUSINESS GROUP (11% and 26% of Mexichem's sales before eliminations and Adjusted EBITDA, respectively, in 2Q16)

	Second Quarter			January - June		
Fluor	**2016**	**2015**	**%Var.**	**2016**	**2015**	**% Var.**
Sales	165	177	-7%	304	342	-11%
Operating Income	51	48	7%	85	87	-3%
EBITDA	66	65	1%	114	122	-6%

In 2Q16 we experienced a 6% increase in volumes in our Fluor business, however sales declined by 7% due to lower prices in both upstream and downstream businesses related to market conditions.

Thanks to actions to diversify end markets, 29% of our metspar volumes were sold to cement industry customers in this year's second quarter.

EBITDA increased 1% year-on-year. Despite pricing pressure, the Fluor Business Group's EBITDA margin reached 40%, 337 bps higher when compared to 36.6% in 2Q15. Operating income for 2Q16 was $51 million; an increase of 7%, which offset lower sales in the quarter.

Revenues were down by 11% in the first half of 2016, at $304 million mainly due to weaker pricing of fluorspar which offset the slight increase in volumes in the first half of the year. YTD 2016 EBITDA declined by 6%, or $7.7 million, to $114 million, however EBITDA margin expanded 186 bps to 37.6% from 35.8% in 1H15. In the first six months of 2016 operating income decreased by 3%, or $8 million, to $85 million.

RECENT EVENTS

- Notification to Mexichem Brazil (Amanco Brasil, Ltda) of alleged violations of antitrust regulations in Brazil from 2003 to 2009: Mexichem Brasil was notified by the Brazilian Administrative Council for Economic Defense (CADE by its initials in Portuguese) of alleged violations of the company and some of its executives of its antitrust regulations from 2003 to 2009. Mexichem will cooperate with the Brazilian authorities, being fully committed to strictly following local jurisdictions. The financial impact of this proceeding is not considered to be relevant in terms of the Mexican Stock Exchange law.

- Agreement among Control Shareholders signed on September 1, 2010. Mexichem was notified that Fundación Magdalena Ruiz del Valle has ceased to be part of the abovementioned agreement. Those shares represented 0.24% of total outstanding shares.

- Appeal of the first case of the Refrigerant gases R-134a. As expected, Mexichem received notification that the final negative injury determination was sustained. However, the other petition which includes The American Hydrofluorocarbon ("HFC") Coalition and its members, including Mexichem Fluor Inc that was filed on April 2016 is in process.

- Changes in management Mexichem announced that, as part of its strategy to consolidate Mexichem's Leadership Team, the Company has appointed Mr. Francisco Hernández Castillo to the position of General Counsel.

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

Conference Call Details:

Mexichem will host a conference call to discuss its 2Q16 results on July 28, 2016 at 10:00 am Mexico City / 11:00 NY. To access the call, please dial 001-855-817-7630 (Mexico), or 1-888-349-0106 (United States) or 1-412-902-0131 (International). All callers should dial in a minimum of 15 minutes prior to the start time and ask for the Mexichem conference call.

The call will also be available through an audio only live webcast http://services.choruscall.com/links/mexichem160728 until October 28th, 2016. A replay of the call will be available approximately two hours after the end of the call. The replay can be accessed via Mexichem's website at www.mexichem.com

RECONCILIATION SUMMARY BY BUSINESS GROUP

Second Quarter 2016 Financial and Operating Highlights

	Revenues			EBITDA			EBITDA Margin			Adjusted EBITDA			Adj. EBITDA Margin		
In million dollars	2Q15	2Q16	%Var.	2Q15	2Q16	%Var.	2Q15	2Q16	Var.	2Q15	2Q16	%Var.	2Q15	2Q16	Var.
Vinyl	559	500	-11%	92	-207	N/A	16.4%	-41.5%	N/A	92	78	-15%	16.4%	15.7%	- 73
Fluent	830	798	-4%	123	123	0%	14.9%	15.4%	54	123	123	0%	14.9%	15.4%	54
Fluor	177	165	-7%	65	66	1%	36.6%	40.0%	337	65	66	1%	36.6%	40.0%	337
Energy	0	0		0	0					0	0				
Eliminations / Holding	-47	-36	-24%	-14	-11	-23%				-14	-11	-23%			
Mexichem Consolidated	**1,519**	**1,427**	**-6%**	**266**	**-29**	**N/A**	**17.5%**	**-2.1%**	**N/A**	**266**	**256**	**-4%**	**17.5%**	**17.9%**	**46**

2Q15	In million dollars	2Q16		Sub16	Sub16/2Q15
Revenues		Revenues	FX	Total	% Var Comp
559	Vinyl	500	-2	498	-11%
830	Fluent	798	46	843	2%
1,389	**Ethylene (Vinyl + Fluent)**	**1,298**	**44**	**1,342**	**-3%**
177	Fluor	165	1	165	-7%
0	Energy	0	0	0	
-47	Eliminations/ Holding	-36	0	- 36	-24%
1,519	**Total**	**1,427**	**45**	**1,472**	**-3%**

2Q15	In million dollars	2Q16	2Q16		Sub16	Sub Adj 16	Sub16/2Q15	Sub Adj 16/2Q15
EBITDA		EBITDA	Adj. EBITDA	FX	Total	Total	% Var Comp	% Var Comp
92	Vinyl	-207	78	0	- 207	78	-326%	-15%
123	Fluent	123	123	15	138	138	12%	12%
215	**Ethylene (Vinyl + Fluent)**	**-84**	**201**	**15**	**- 70**	**216**	**-132%**	**0%**
65	Fluor	66	66	0	66	66	1%	1%
0	Energy	0	0	0	0	0		
-14	Eliminations/ Holding	-11	-11	0	- 11	- 11	-23%	-23%
266	**Total**	**-29**	**256**	**15**	**- 15**	**271**	**-106%**	**2%**

First Half 2016 Financial and Operating Highlights

	Revenues			EBITDA			EBITDA Margin			Adjusted EBITDA			Adj. EBITDA Margin		
In million dollars	1H15	1H16	%Var.	1H15	1H16	%Var.	1H15	1H16	Var.	1H15	1H16	%Var.	1H15	1H16	Var.
Vinyl	1,099	998	-9%	160	-128	N/A	14.5%	-12.9%	N/A	160	157	-2%	14.5%	15.7%	120
Fluent	1,618	1,464	-10%	202	205	2%	12.5%	14.0%	154	202	205	2%	12.5%	14.0%	154
Fluor	342	304	-11%	122	114	-6%	35.8%	37.6%	186	122	114	-6%	35.8%	37.6%	186
Energy	0	1		0	0					0	0				
Eliminations / Holding	-97	-78	-19%	-20	-20	3%				-20	-20	3%			
Mexichem Consolidated	**2,961**	**2,689**	**-9%**	**464**	**171**	**-63%**	**15.7%**	**6.4%**	**-930**	**464**	**457**	**-2%**	**15.7%**	**17.0%**	**132**

1H15	In million dollars	1H16		Sub16	Sub16/1H15
Revenues		Revenues	FX	Total	% Var Comp
1,099	Vinyl	998	3	1,002	-9%
1,618	Fluent	1,464	162	1,626	1%
2,717	**Ethylene (Vinyl + Fluent)**	**2,463**	**166**	**2,628**	**-3%**
342	Fluor	304	2	306	-10%
0	Energy	1	0	1	
-97	Eliminations/ Holding	-78	0	- 78	-19%
2,961	**Total**	**2,689**	**167**	**2,857**	**-4%**

1H15	In million dollars	1H16	1H16		Sub16	Sub Adj 16	Sub16/1H15	Sub Adj 16/1H15
EBITDA		EBITDA	Adj. EBITDA	FX	Total	Total	% Var Comp	% Var Comp
160	Vinyl	-128	157	0	- 128	158	-180%	-1%
202	Fluent	205	205	43	248	248	23%	16%
361	**Ethylene (Vinyl + Fluent)**	**77**	**362**	**43**	**120**	**406**	**-67%**	**9%**
122	Fluor	114	114	0	114	114	-6%	-6%
0	Energy	0	0	0	0	0		
-20	Eliminations/ Holding	-20	-20	0	- 20	- 20	3%	3%
464	**Total**	**171**	**457**	**43**	**214**	**500**	**-54%**	**5%**

ABOUT MEXICHEM

Mexichem is one of the world's largest chemical and petrochemical companies. A leader in the manufacture and supply of plastic piping, it contributes to global development by delivering an extended portfolio of products to high growth sectors such as infrastructure, housing, datacom and water cycle management. With operations in over 30 countries worldwide and more than 18,000 employees, Mexichem has annual revenues of US$5.7 billion and has been traded on the Mexican Stock Exchange for more than 30 years.

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 new 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 unfulfilment 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.

Mexichem.

INDEPENDENT ANALYSTS

Currently, the following investment firms have analysts who cover Mexichem:

-Actinver

-Bank of America Merrill Lynch

-Banorte-Ixe

-Barclays

-BBVA Bancomer

-BTG Pactual

-Citigroup

-Credit Suisse

-GBM-Grupo Bursátil Mexicano

-Grupo Santander

HSBC

-Intercam

-Invex Casa de Bolsa

-Interacciones

-ITAU BBA

-JP Morgan

-Morgan Stanley

-Monex

-Vector

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 1: RECONCILIATION SUMMARY OF QUARTERLY RESULTS 2Q16/2Q15 RELATED TO THE RESTRUCTURING PROCESS IN THE FLUOR BUSINESS GROUP

CONSOLIDATED INCOME STATEMENT

USD in thousands	First Quarter			Second Quarter		
	2016	2015	Var	2016	2015	Var
Net Sales	1,262,383	1,437,475	-12%	1,427,005	1,516,719	-6%
Cost of Sales	903,023	1,068,626	-15%	998,400	1,081,297	-8%
Gross Profit	**359,360**	**368,849**	**-3%**	**428,605**	**435,422**	**-2%**
Operating Expenses	250,088	276,452	-10%	549,337	260,445	
Operating Income	**109,272**	**92,397**	**18%**	**(120,732)**	**174,977**	
Financial Cost	43,411	67,932	-36%	41,516	61,575	-33%
Equity in income of associated companies	(927)	727		(2,688)	(222)	
Income from continuing operations before income tax	**66,788**	**23,738**	**181%**	**(159,560)**	**113,624**	
Income tax	17,388	7,943	119%	(30,093)	43,211	
Income from continuing operations after incor	**49,400**	**15,795**	**213%**	**(129,467)**	**70,413**	
Discontinued operations	583	(1,662)		599	(2,446)	
Consolidated net income	**49,983**	**14,133**	**254%**	**(128,868)**	**67,967**	
Minority net income	(610)	(4,837)	-87%	(96,068)	3,571	
Majority net income	**50,593**	**18,970**	**167%**	**(32,800)**	**64,396**	
EBITDA	**200,418**	**199,007**	**1%**	**(29,402)**	**266,320**	**N/A**

FLUOR BUSINESS GROUP
INCOME STATEMENT
USD in thousands

	First Quarter			Second Quarter		
	2016	2015	Var	2016	2015	Var
Net Sales	139,376	160,548	-13%	164,829	173,684	-5%
Operating Income	33,375	41,550	-20%	51,399	49,853	3%
EBITDA	48,562	57,924	-16%	65,903	65,796	0%

CONSOLIDATED BALANCE SHEET

	March		June	
USD in thousands	**2016**	**2015**	**2016**	**2015**
Total Assets	**8,840,463**	**8,334,563**	**8,762,034**	**8,638,262**
Cash and temporary investments	586,462	403,207	661,521	603,331
Receivables	896,554	1,018,378	928,719	1,041,746
Inventories	660,804	716,009	644,683	713,823
Others current assets	150,362	254,480	131,690	202,305
Long term assets	6,546,281	5,942,489	6,395,421	6,077,057
Total liabilities	**5,040,949**	**4,928,943**	**5,004,523**	**5,102,899**
Current liabilities	1,829,931	1,646,637	1,925,826	1,761,521
Long term liabilities	3,211,018	3,282,306	3,078,697	3,341,378
Consolidated shareholders'equity	**3,799,514**	**3,405,620**	**3,757,511**	**3,535,363**
Minority shareholders'equity	816,343	499,457	775,063	601,672
Majority shareholders'equity	**2,983,171**	**2,906,163**	**2,982,448**	**2,933,691**