Mexichem´s 4Q and full year 2012 results

Thursday, February 28

February 2013

Mexichem®

Forward looking information and safe harbor

The material that follows is a presentation of general background information about Mexichem, S.A.B. de C.V. and its consolidated subsidiaries (collectively, “Mexichem”) as of the date of the presentation. It is information in summary form and does not purport to be complete. No representation or warranty, expressed or implied, is made concerning, and no reliance should be placed on, the accuracy, fairness, or completeness of this information.

This presentation may contain certain forward–looking statements and information relating to Mexichem that reflect the current views and/or expectations of Mexichem and its management with respect to its performance, business and future events. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “plan”, “predict”, “project”, “target” or any other words or phrases of similar meaning. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this presentation, including: market acceptance of Mexichem’s products or services; volatility in the chemicals industry, the global economy, construction and infrastructure industries and the financial markets; changes in legislation, accounting standards, taxation and government policies affecting the chemicals industry; ability to successfully integrate our acquisitions; ability to efficiently manufacture our products and introduce new products, while staying competitive in existing ones. In no event shall either Mexichem or any of its affiliates, directors, officers, agents or employees be liable before any third party (including investors) for any investment or business decision made or action taken in reliance on the information and statements contained in this presentation or for any consequential, special or similar damages.

All forward–looking statements in this presentation are based on information and data available as of the date they were made, and Mexichem undertakes no obligation to update them in light of new information or future developments. This presentation and its contents are proprietary information and may not be reproduced or otherwise disseminated in whole or in part without Mexichem’s prior written consent.

The content of this document does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any other transaction. This information is not directed at or intended for publication or distribution to any person in any jurisdiction where doing so would result in contravention of any applicable laws or regulations. Neither this presentation nor anything contained herein shall form the basis of any contract or commitment whatsoever.

Senior management presenting

Ricardo Gutierrez
Executive Committee Chairman
15 years with Mexichem
25 years of industry experience

Antonio Carrillo Rule
Chief Executive Officer
Recently appointed in Mexichem
24 years of industry experience

Enrique Ortega
Chief Corporate Development Officer
23 years with Mexichem
23 years of industry experience

Miguel Ruiz Tapia
Chief Financial Officer
10 years with Mexichem
10 years of industry experience

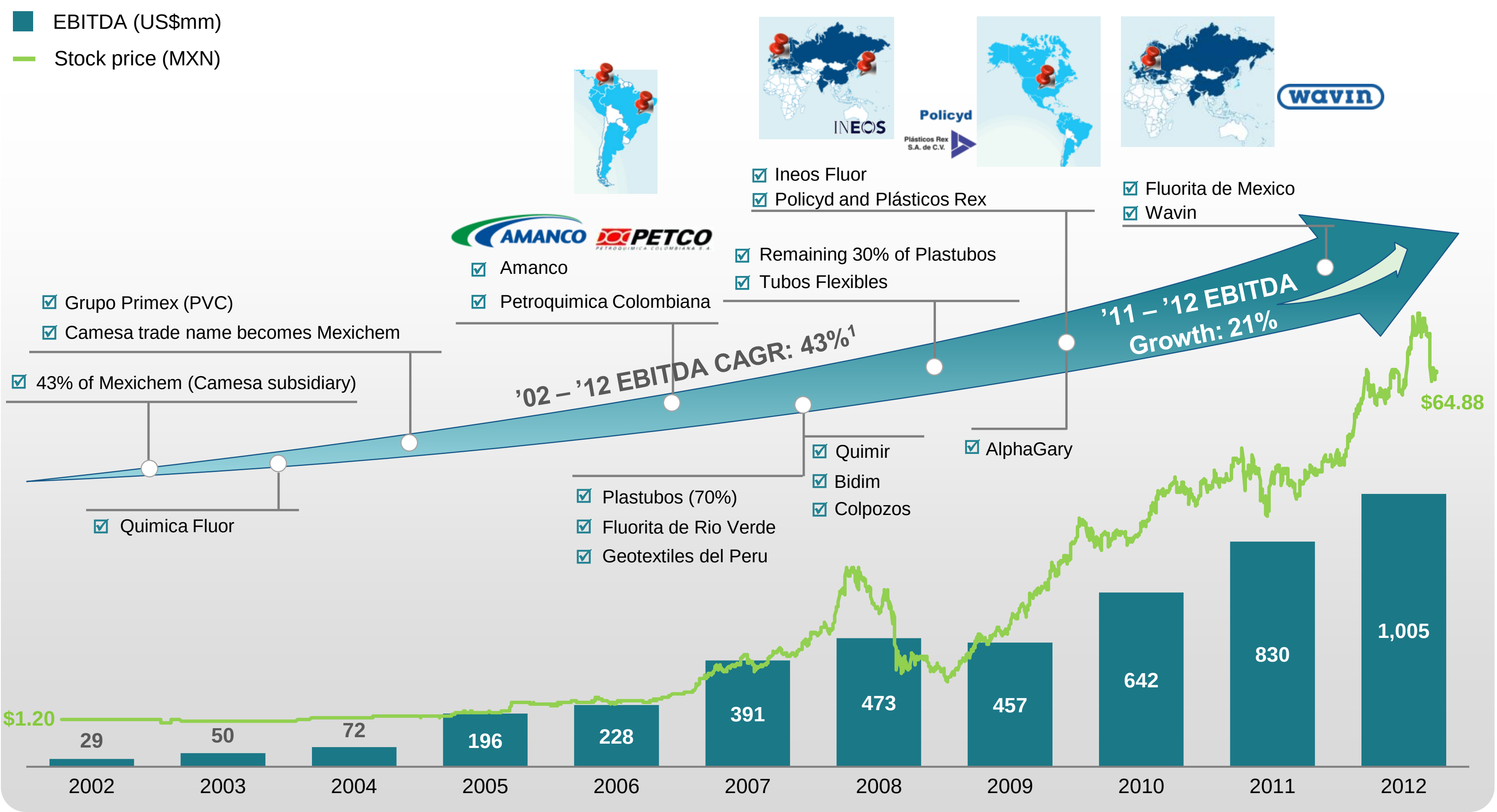
Juan Francisco Sanchez Kramer
Investor Relations Director
19 years with Mexichem
19 years of industry experience

Agenda

- **Introduction**
- 4Q and full year 2012 results
- Looking forward: 2013 opportunities
- Appendix
  - 4Q and FY2012 results by segment
  - Consolidated balance sheet
  - Consolidated income statement

Strong track record of value creation…

Mexichem's proven track record of growth



Source: Unaudited financial figures, public information and FactSet as of 02/27/2013. Note: Figures translated into US dollars at an average FX of 9.7, 10.8, 11.3, 10.9,10.9,10.9, 11.1, 13.5, 12.6, 12.4 and 13.6 MXN/US for 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012.

mexichem®

… through strategic activity and operational excellence

mexichem

- ✓ Business structure redefinition to absorb JV with Pemex
  - Antonio Carrillo assumes as CEO
- ✓ Fire power of US$1.3bn (based on internal cap of 2.0x Net Debt/EBITDA)
- ✓ Balance Sheet preparation for further growth
  - Debt re–design, maintaining internal cap of 2.0x Net Debt / EBITDA (currently 0.67x)
  - New CEBUR and Bond at 10 (2022) and 30 (2042) years (94% LT and 6% ST)
  - Higher liquidity: US$1.0bn revolver credit facility since 2011
  - Cash in hand for more than US$1.6bn

Fluorine

- ✓ Acquisition of Fluorita de Mexico = FDM (10 MTon)
  - New high quality Fluorspar deposit
  - Extension of proven reserves (Muzquiz)
- ✓ Record production in Fluorspar (1,150 kTon)
- ✓ Renegotiation of Fluorspar and HF´s contracts (60% of Flourspar and 80% of HF volume)
  - New contracts based on market price
  - Current Mexichem average price US$180/ton; current market price ~US$400/ton
  - Benefits expected to start in 2014

Chlorine Vinyl

- ✓ Record Production
- ✓ New VCM contracts
  - Competitive cost at integration level
  - Vessel fleet renewal
- ✓ Capacity increase:
  - New PVC capacity fully operative
  - Additional capacity through new process technology
- ✓ PVC Resin production record
- ✓ Conclusion of Pemex JV structure (approved on January 2013)
- ✓ Plasticizers catalyzer revamp

Integral Solutions

- ✓ Wavin acquisition
  - Synergies in progress
  - Process and product technology transfer in process
  - New Supply Chain model consolidation
- ✓ Redefinition of Wavin business model face of Europe´s current market conditions
  - Organizational restructure required

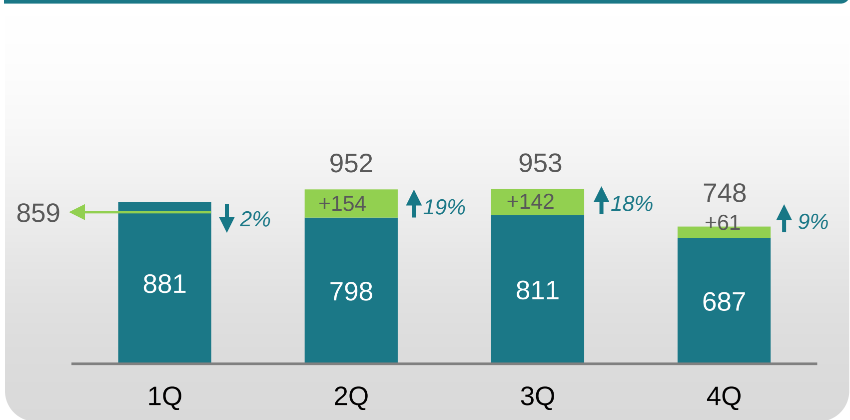
mexichem®

Agenda

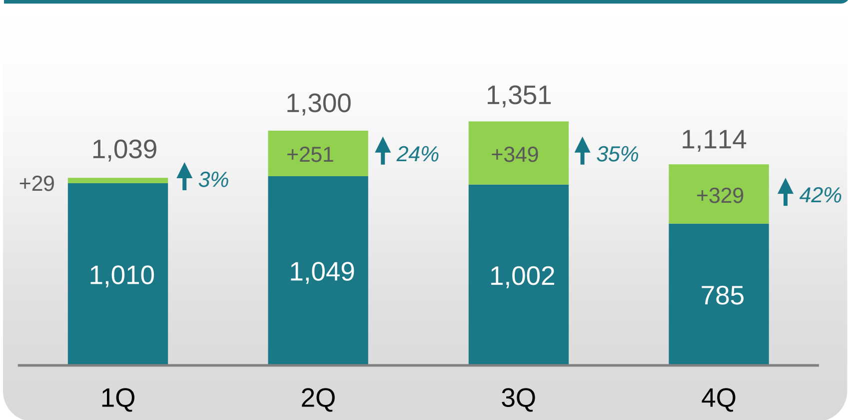
- Introduction
- **4Q and full year 2012 results**
- Looking forward: 2013 opportunities
- Appendix
  - 4Q and FY2012 results by segment
  - Consolidated balance sheet
  - Consolidated income statement

Strong 2012 quarterly vs. 2011 quarterly results, driven mostly by acquisitions and Synergies

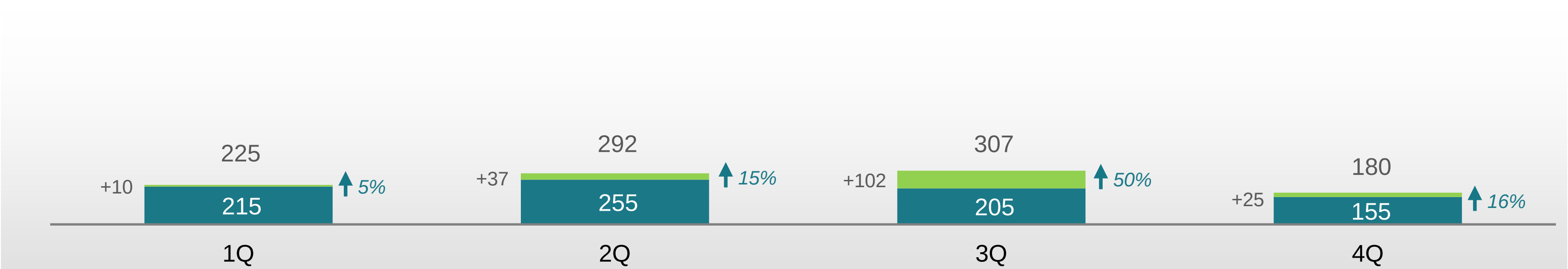
Consolidated volume ('000 tons)



Consolidated revenues (US$mm)



Consolidated EBITDA & EBITDA margin



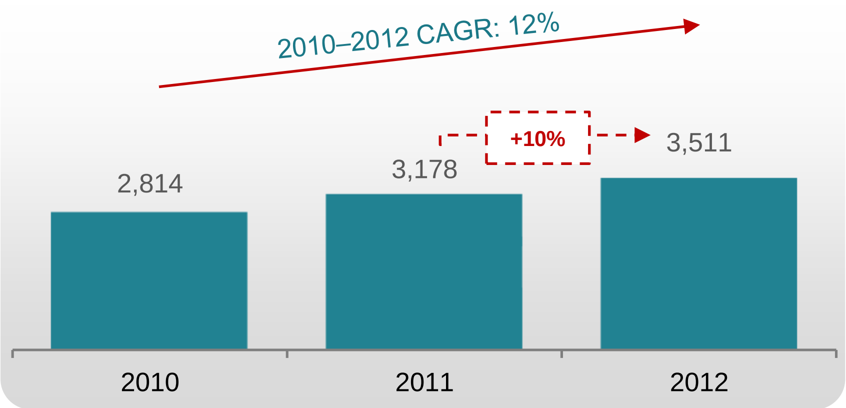
Margin				
2011	*21%*	*24%*	*20%*	*20%*
2012	*22%*	*22%*	*23%*	*16%*

2011   2012

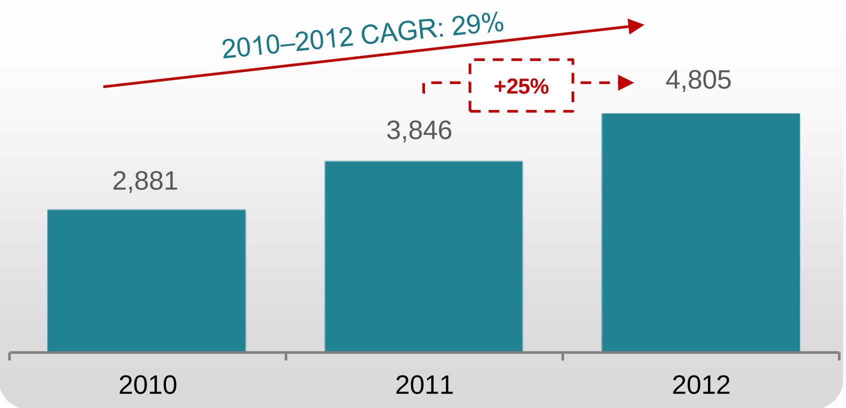
Note: Unaudited financial figures

Fulfillment of 20/20/20 vision

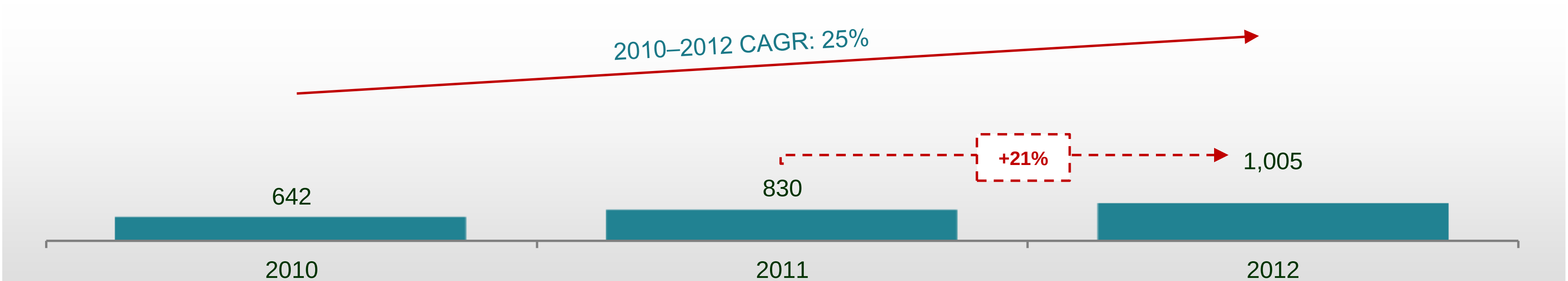
Consolidated volume (‘000 tons)



Consolidated revenues (US$mm)



Consolidated EBITDA & EBITDA margin

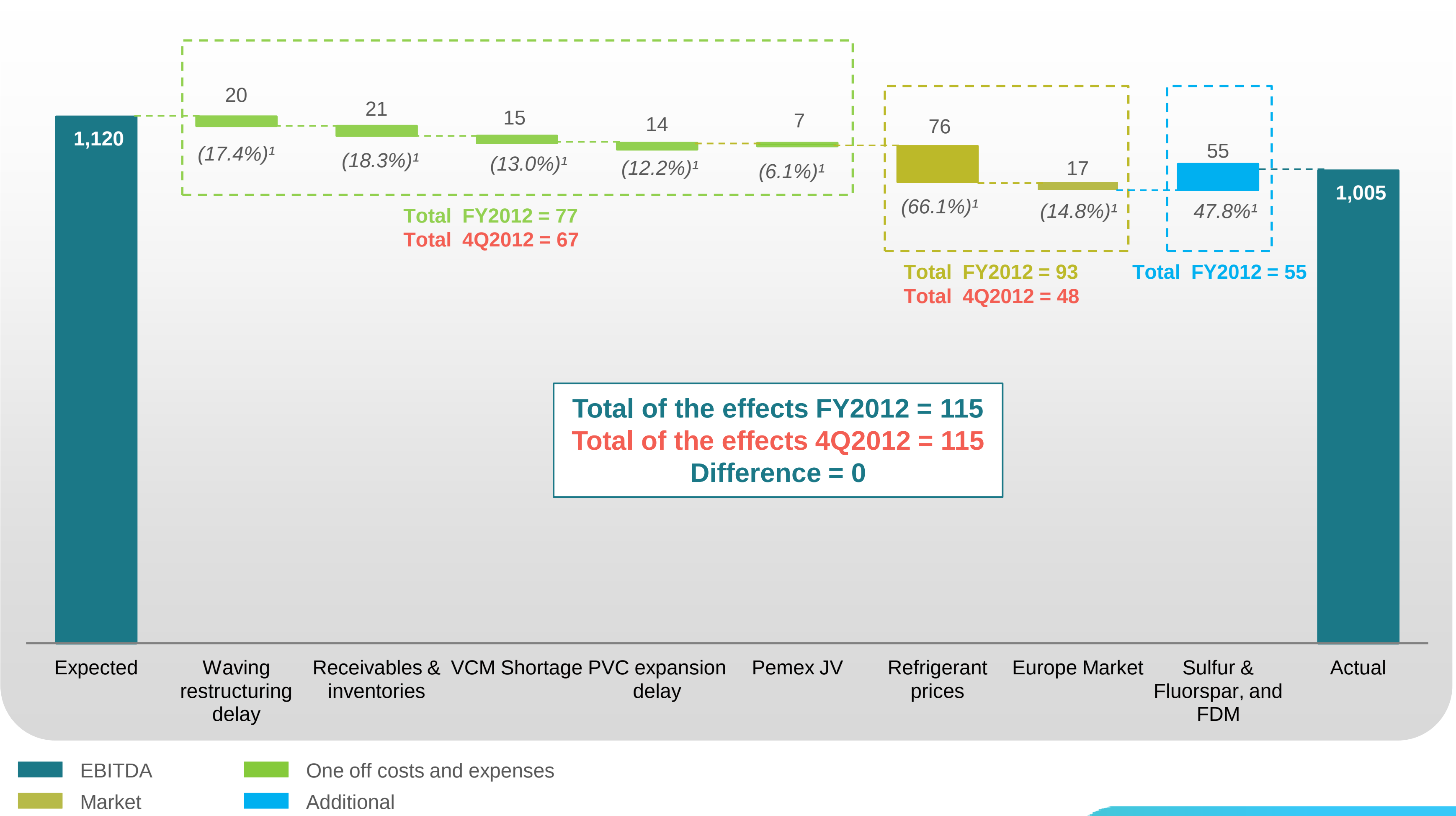


Margin	*22%*	*22%*	*21%*

Note: Unaudited financial figures

Unexpected One–Offs and market conditions affected results

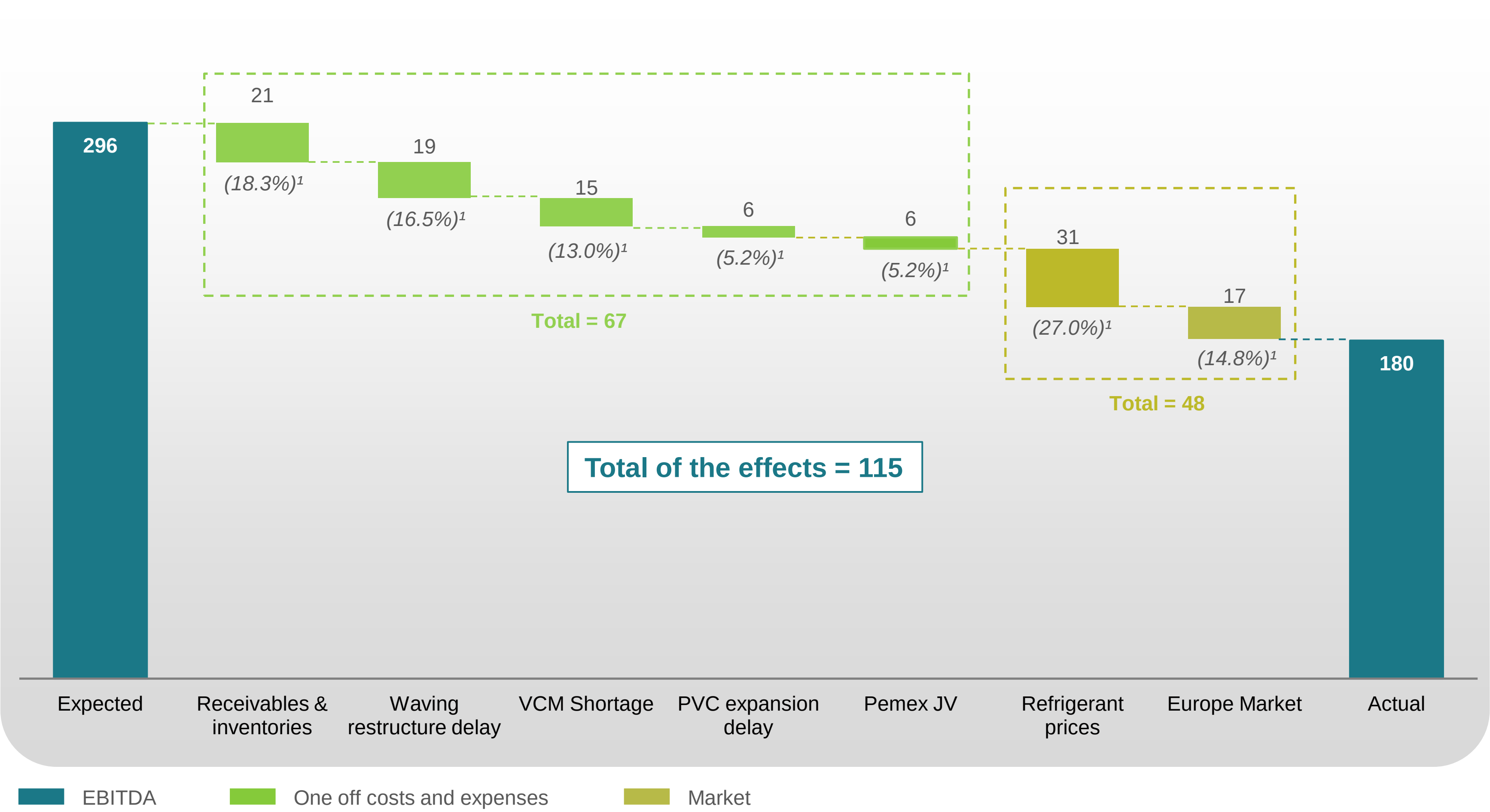
FY 2012 expected vs. FY12 actual reconciliation (US$mm)



Note: Unaudited financial figures
¹ % of the total of the effects

Most of the non expected impacts were on the 4Q

4Q12 expected vs. 4Q12 actual reconciliation (US$mm)



Note: Unaudited financial figures

¹ % of the total of the effects

Wavin: expected rationalization (face of Europe´s market condition) delay

Wavin acquisition — synergies and restructuring

1 Synergies and expansion

- Raw Materials
  - Centralized procurement (Mexico / Netherlands)
  - Tax optimization through centralized procurement
- Technology
  - Transfer program (in progress)
  - Implementation of new technology process (i.e. micro cellular foam)
  - Analysis of new solutions (i.e. rain water management)
- Business Expansion
  - Acquisition targets in key countries: East Europe & Middle East
- Merger with Amanco into MSI: R&D, marketing, IT and process technology synergies

2 Capacity relocation and flexibilization

- Costs savings through the outsourcing of labor intensive products to regions outside Europe (2Q13)
- Increased flexibility in Germany through union changes

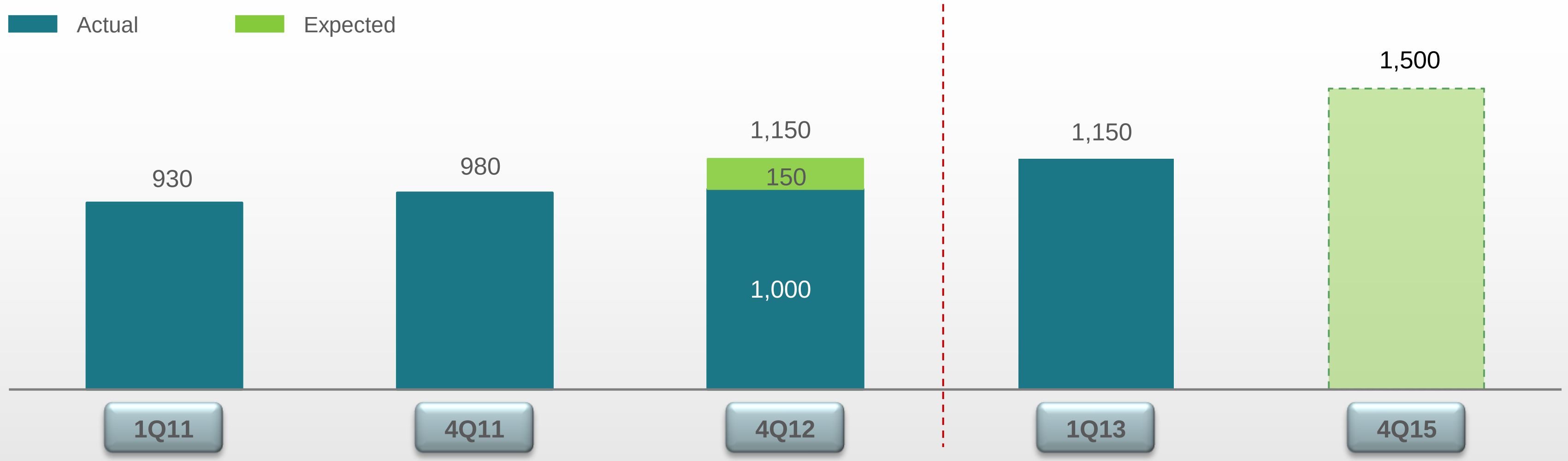
3 Operation rationalization / downsizing

- Operation rationalization face of Europe’s market condition scheduled for 3Q and 4Q 2012, delayed to
  - Germany, PVC and PE Plant Q1’13
  - Alta, Norway 1Q’13
  - Arot, Poland 3Q’13
  - UK phase 1 1Q’13;
  - UK phase 2 2Q’13
  - UK phase 3 2Q’13
  - Climasol, France 2Q’13
  - Italy 1Q’13
  - Rumania 1Q’13
  - Denmark, PP 1Q’13
  - Belgium – logistics 2Q’13
  - Netherlands 1Q’13
  - Ireland 1Q’13
  - Turkey 1Q’13
  - Hungary 2Q’13
  - Croatia 1Q’13
- Senior management changes
- Work force optimization
  - Staff across Europe Q2’13
  - IT 1Q’13

2013 margin target: 15%
2012 actual margin: 13%

PVC expansion delay and others

PVC volume (000´s tons)

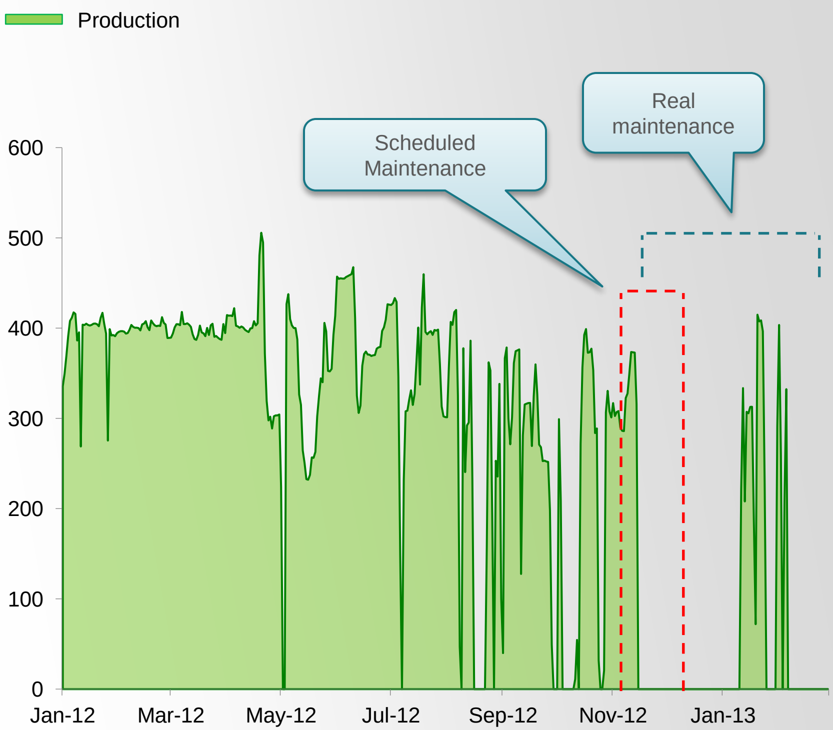


	Impact MU$D	Reasons
2012	6	• Delay in new equipment • Delay in new equipment and new process inclusion in operations as a result of tight demand/output • Technology fine–tuning
Other One-Offs	21	• Receivables & inventories

Note: Unaudited financial figures

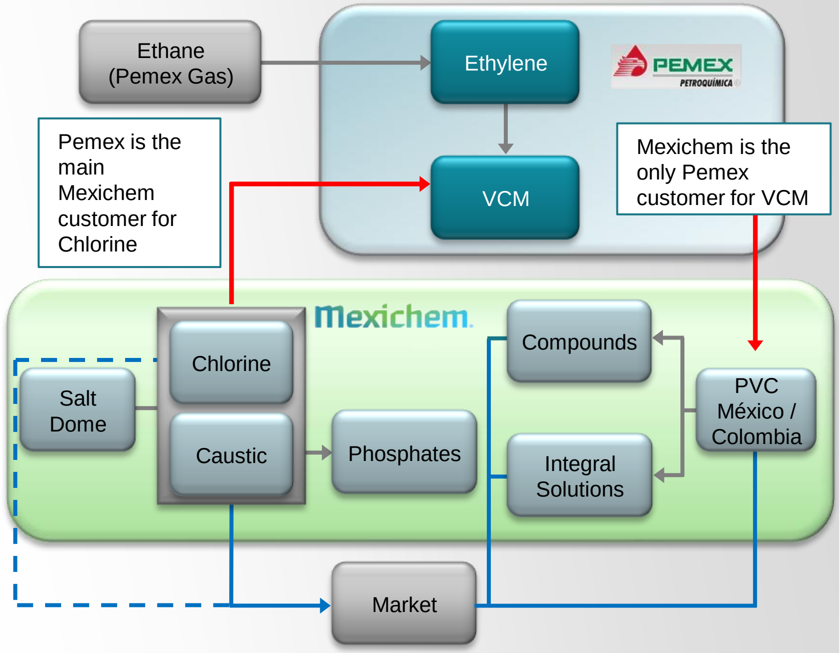
VCM shortage (Pemex outage + PPG force majeure) + Pemex JV

Pemex´s VCM operation vs. Target



Lost volume / sales of chlorine 17 kTon and Caustic 19 kTon	12% of VCM acquired with an overprice of 30%	Total impact US$14.9mm
Impact of US$8.7mm	Impact of US$6.2mm	

Pemex JV



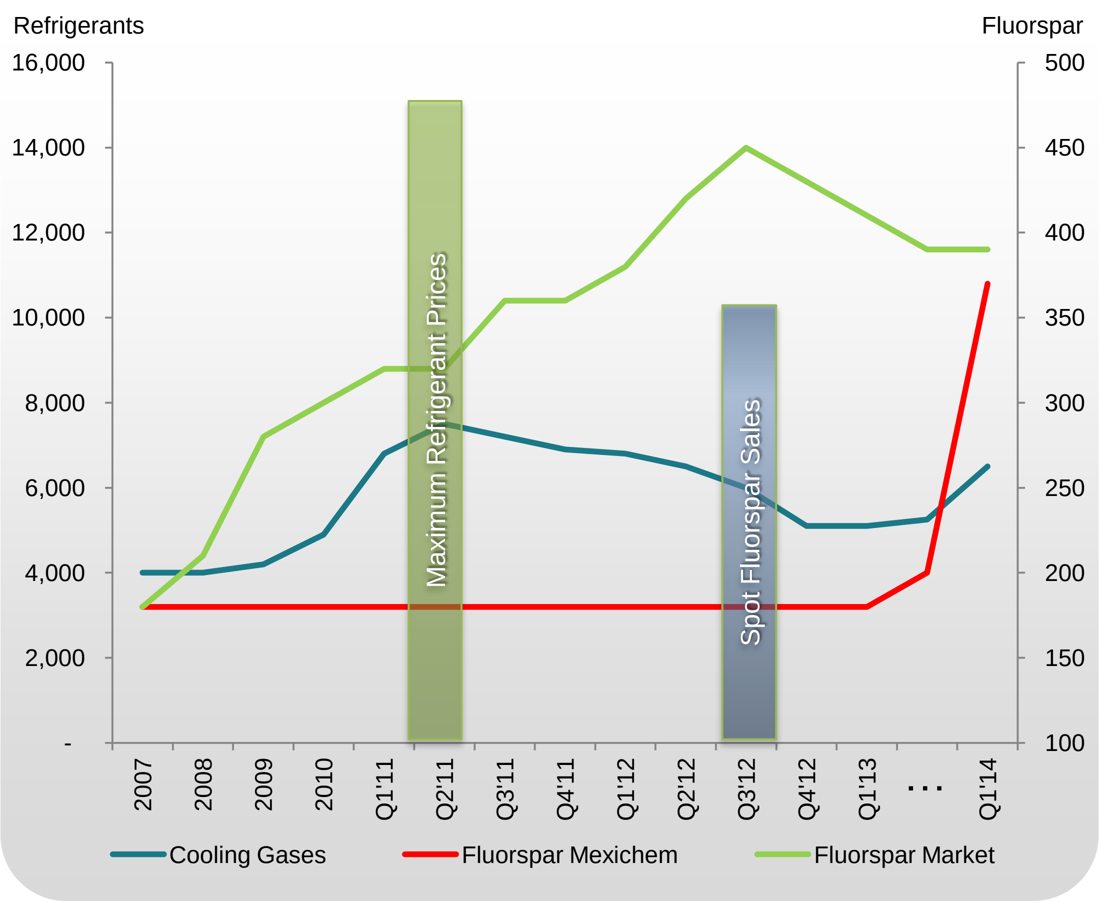
Special requirements for chlorine logistics

Caustic Soda production requires Chlorine production (part of the same molecule)

Note: Unaudited financial figures

Fluorine prices trend
impacted 4Q EBITDA in 31 U$D million

Fluorine prices trend



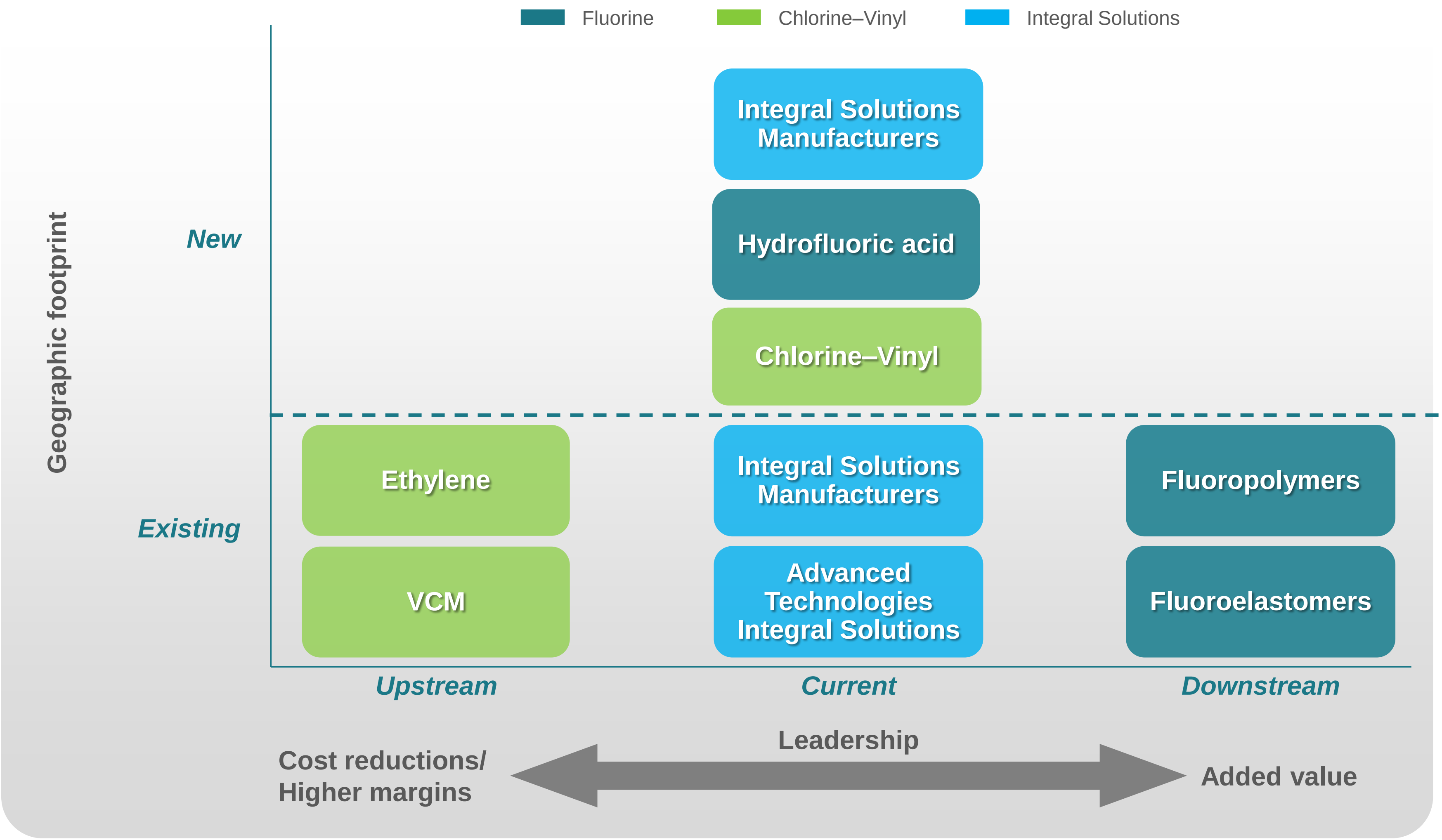
Year	Comments
2007	• Historic prices very steady (Fluorspar, HF and Refrigerants) • Long Term contracts
2008	• China export duty for Fluorspar
2009	• Reduction of availability of Chinese Fluorspar
2010	• Fluorspar prices increasing
2011	• Dupont and Honeyweel sued for Cartel practices (Refrigerants) • Maximum (Refrigerant) price, China begins to export to USA and Europe • New Chinese (Refrigerants) capacity on–stream • Chinese internal demand slowdown
2012	• Mexichem (Fluorspar) spot opportunities • Mexichem begin the renegotiation of long term contracts (Fluorspar and HF)
2013	• Unfair trade practices process

Note: Unaudited financial figures

Agenda

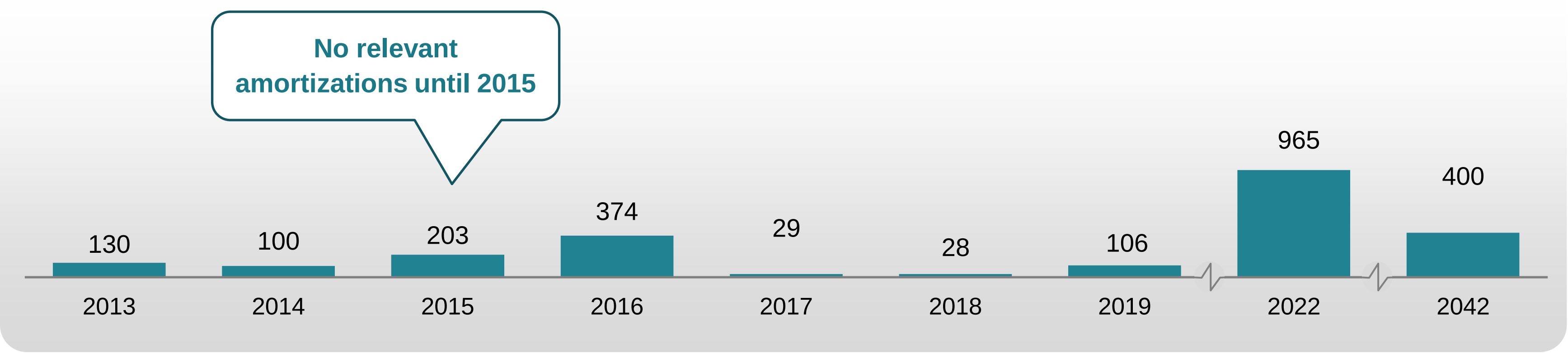
- Introduction
- 4Q and full year 2012 results
- **Looking forward: 2013 opportunities**
- Appendix
  - 4Q and FY2012 results by segment
  - Consolidated balance sheet
  - Consolidated income statement

Attractive strategic growth opportunities remain within our three segments



Balance Sheet ready for growth

Debt amortization profile (US$mm)



Highlights

	Current
Cash in hand	US$1.6bn
Net Debt / EBITDA	0.7 x
Revolver facility	US$1.0bn
Cash flow generation	60% of EBITDA
Net working capital days	10

M&A Opportunities for 2013: Integral Solutions Chain

Vertical integration

Main strategies

- **Increase capacity and / or market share in key markets**
  - Potential targets in key markets
    - East Europe
    - Middle East
- **Synergies**
  - Technology
    - Conclusion of transfer program
    - New process technology according to plan (phase 2 and 3)
    - New solution implementation according to plan

Integral solutions

- PVC → Piping
- PVC → Fittings
- PVC → Geosynthetics
- PVC → Compounds

		Mexichem INTEGRAL SOLUTIONS	wavin
Other building systems		☐	☑
Water management		☐	☑
Telecom		☐	☑
Gas		☐	☑
Hot & Cold water supply (Healthcare)		☐	☑
Low–noise waste water discharge (Healthcare)		☐	☑

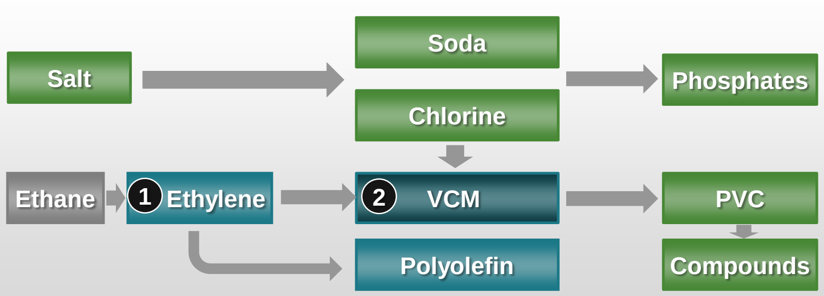
M&A Opportunities for 2013: Chlorine – Vinyl Chain

Vertical integration

Main strategies

- **Increase PVC portfolio of products and geographical footprint through acquisitions**
  - Potential targets in key markets and / or for key applications
    - USA
    - Latin–America
    - East Europe
- **Integration to close the links of the chain**
  - Ethylene (1)
    - JV with Oxy for a new Ethylene Cracker
    - Feasibility study to be concluded in Q2 2013
  - VCM (2)
    - Pemex JV approved by both boards

Chlorine Vinyl



Mexichem products   Future products

Vertical integration

1 JV with OxyChem

Highlights

- Signed MOU with Oxy on August 16, 2012
- Ethane cracker to produce
  - 550 kmt/year of ethylene
  - 1,000 kmt/year of VCM
- Location: Ingleside, TX

Rationale

- Vertical Integration
- Include the Regional Competitive Advantage of Shale gas in the business
- Enjoy Ethane to Ethylene margins

Status update

- Feasibility study to be concluded in Q2 2013
- Mexichem investment of ~US$750mm
- Expected production in 2016

2 JV with Pemex

Highlights

- Announced in November 2011
- VCM capacity of 220 kmt/ year to be expanded to 400 kmt/year by the third year

Rationale

- Very linked operations: Caustic / Chlorine – VCM
- More capital efficient than constructing a new facility
- Located in Mexico's most prolific ethane gas area

Status update

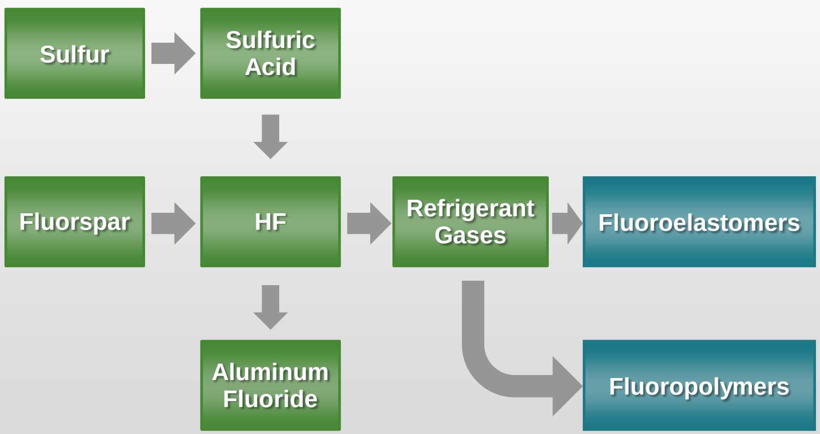
- Both Boards approval on January 2013
- Expected startup: early 2H 2013
- Mexichem investment of ~US$200mm

M&A Opportunities for 2013: Fluorine Chain

Vertical integration

Main strategy

- Further integration into more value–added products trough mergers
- Update Fluorspar and HF prices to market trend



Mexichem products   Future products

[ ]

	Fluorspar	Hydrofluoric Acid	Fluoro–carbons	Fluoro–polymers	Fluoroela – tomers
Mexichem	#1 1,000	#2 135	#9 108		
SOLVAY		#4 104	#7 121	#3 25	#4 5
DU PONT The miracles of science		#5 88	#2 252	#1 61	#1 8
Honeywell		#1 192	#4 145	#23 2	
DAIKIN		N/A 16	N/A 84	#2 28	
ARKEMA		N/A 10	#3 224	#6 18	#5 4
DY DONGYUE FEDERATION		N/A 80	#1 277	#5 23	

Note: Thousand tons of capacity

Agenda

- Introduction
- 4Q and full year 2012 results
- Looking forward: 2013 opportunities
- **Appendix**
  - 4Q and FY2012 results by segment
  - Consolidated balance sheet
  - Consolidated income statement

4Q and FY2012 consolidated results

Consolidated results

	Fourth Quarter 2012			January–December 2012		
Consolidated Million Pesos	**2012**	**2011**	**% Var.**	**2012**	**2011**	**% Var.**
Net Sales	14,424	10,474	38%	63,398	47,310	34%
Gross Profit	4,526	3,591	26%	20,515	15,913	29%
Net Income	(79)	103	N/A	4,579	2,711	69%
Operating cash flow (EBITDA)	2,335	2,159	8%	13,269	10,271	29%
Free cash flow	2,841	653	335%	4,688	2,666	76%

Note: Unaudited financial figures

4Q and FY2012 results by segment

Integral solutions chain

	Fourth Quarter 2012			January–December 2012		
Integral solutions chain	**2012**	**2011**	**% Var.**	**2012**	**2011**	**% Var.**
Net Sales	9,362	5,068	85%	33,930	18,771	81%
Operating Income	(287)	433	N/A	2,377	2,049	16%
EBITDA	740	711	4%	4,500	2,996	50%
Volumes & Prices	**Fourth Quarter 2012**				**January–December 2012**	
Total Volume	75%				63%	
Average selling prices	6%				11%	

Vinyl–chlorine chain

	Fourth Quarter 2012			January–December 2012		
Vinyl–chlorine chain	**2012**	**2011**	**% Var.**	**2012**	**2011**	**% Var.**
Net Sales	3,843	4,156	(8%)	23,507	23,015	2%
Operating Income	564	695	(19%)	3,162	3,085	2%
EBITDA	841	953	(12%)	4,137	3,949	5%
Volumes & Prices	**Fourth Quarter 2012**				**January–December 2012**	
Total Volume	4%				0%	
Average selling prices	(11%)				2%	

Note: Unaudited financial figures

4Q and FY2012 results by segment (cont'd)

Fluorine chain

	Fourth Quarter 2012			January–December 2012		
Fluorine chain	**2012**	**2011**	**% Var.**	**2012**	**2011**	**% Var.**
Net Sales	2,264	2,499	(9%)	11,159	10,853	3%
Operating Income	275	596	(54%)	3,418	3,190	7%
EBITDA	776	807	(4%)	4,793	3,979	20%

Volumes & Prices	Fourth Quarter 2012	January–December 2012
Total Volume	(10%)	3%
Average selling prices	1%	0%

Note: Unaudited financial figures

Consolidated balance sheet

Consolidated balance sheet results

	Pesos in thousands	
	Dec–12	Dec–11
Total assets	**99,733,429**	**60,456,761**
Cash and temporary investments	21,411,114	7,675,504
Receivables	12,115,691	8,990,694
Inventories	9,739,137	6,657,677
Others current assets	1,883,490	1,831,948
Long term assets	54,583,997	35,300,938
Total liabilities	**57,738,689**	**36,391,621**
Current liabilities	19,745,179	15,885,338
Long–term liabilities	37,993,510	20,506,283
Consolidated shareholders' equity	**41,994,740**	**24,065,140**
Minority shareholders' equity	221,921	71,980
Majority shareholders' equity	**41,772,819**	**23,993,160**

Note: Unaudited financial figures

Consolidated income statement

Consolidated income statement results

Pesos in thousands	January–December 2012			Fourth Quarter 2012		
	2012	2011	%	2012	2011	%
Net Sales	63,397,746	47,309,622	34%	14,423,790	10,474,237	38%
Cost of Sales	42,883,227	31,396,206	37%	9,897,838	6,883,099	44%
Gross Profit	**20,514,519**	**15,913,416**	**29%**	**4,525,952**	**3,591,138**	**26%**
Operating Expenses	12,061,291	8,630,670	40%	4,048,710	2,269,996	78%
Operating Income	**8,453,228**	**7,282,746**	**16%**	**477,242**	**1,321,142**	**(64%)**
Financial Cost	1,987,236	2,808,234	(29%)	732,277	1,039,293	(30%)
Other Expenses	(23,704)	–		(1,891)	–	
Income from continuing operations before income tax	**6,489,696**	**4,474,512**	**45%**	**(253,144)**	**281,849**	**(190%)**
Income Tax	1,910,522	1,697,277	13%	(173,862)	148,798	(217%)
Income from continuing operations after income tax	**4,579,174**	**2,777,235**	**65%**	**(79,282)**	**133,051**	**(160%)**
Discontinued operations	–	(66,083)	(100%)	–	(29,696)	(100%)
Consolidated net income	**4,579,174**	**2,711,152**	**69%**	**(79,282)**	**103,355**	**(177%)**
Minority Stock holders	149,941	11,887	1161%	128,129	321	39816%
Majority stock holders	**4,429,233**	**2,699,265**	**64%**	**(207,411)**	**103,034**	**(301%)**
EBITDA	**13,268,658**	**10,271,276**	**29%**	**2,335,468**	**2,159,165**	**8%**

Note: Unaudited financial figures