Mexichem

Information on the stock   Mexican Stock Exchange   Ticker: MEXCHEM*

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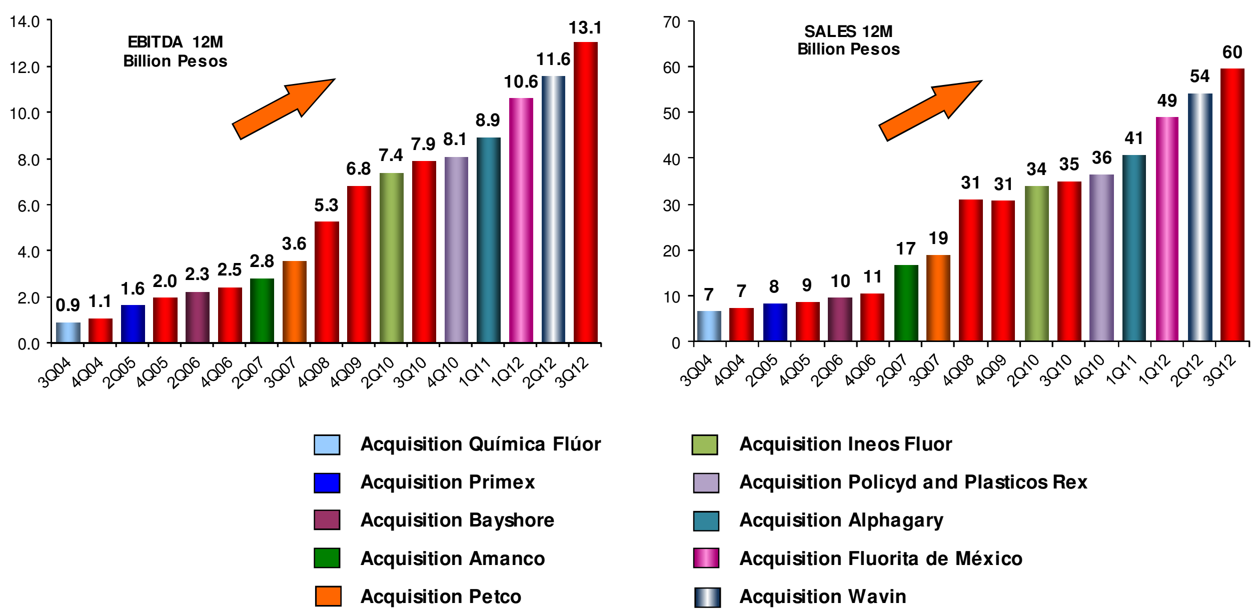
Consolidated Results

	Third Quarter			January- September		
Consolidated Million Pesos	2012	2011	% Var.	2012	2011	% Var.
Net Sales	17,825	12,353	44%	48,974	36,835	33%
Gross Profit	5,688	3,930	45%	15,989	12,322	30%
Net Income	1,291	37	3399%	4,658	2,608	79%
Operating cash flow (EBITDA)	4,043	2,533	60%	10,933	8,112	35%
Free cash flow	515	1,610	-68%	1,809	2,027	-11%

EBITDA grew a significant 1.5 billion pesos approximately, while revenues reached 6 billion pesos for the last 12 months in Mexichem's consolidated results, mainly due to the acquisition of Wavin.



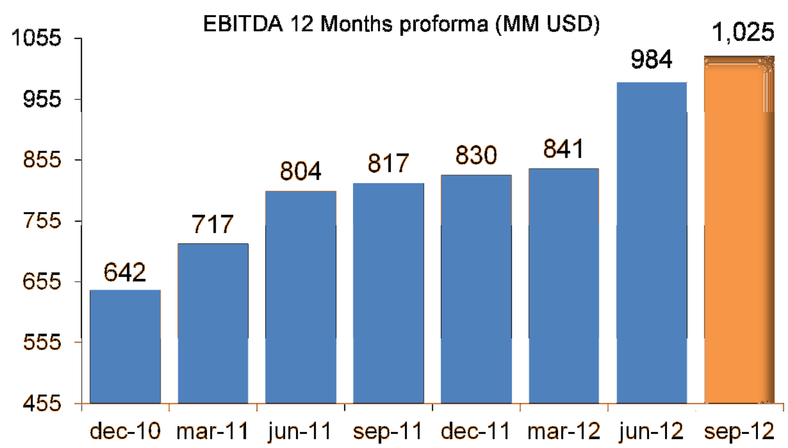
On growth

3Q12 consolidated sales rose 33% vs. the previous year, to $48.974 billion pesos, boosted by a 19% improvement in sales prices, and a 12% increase in volumes sold, as a result of the organic growth of the current businesses, and the incorporation in the results of the companies acquired; Fluorita de Mexico during the first quarter and Wavin in the second.

Consolidated sales for 3Q12 rose 44% vs. the same period of last year, to $17.825 billion pesos, boosted mainly by a 20% improvement in sales prices and a 20% hike in volumes sold, due to the incorporation of Wavin in the results.

Efficiency and productivity

Accrued EBITDA for the third quarter of the year totaled $10.933 billion pesos—35% higher than in 2011. This increase was due to better sales price, investments in machinery and equipment at Mexichem's various plants to manufacture differentiated products, and the incorporation of Fluorita de Mexico and Wavin.



Accrued EBITDA/Sales margin up to September totaled 22%—similar to the margin for the same period of 2011.

As for the third quarter, the $4.043 billion pesos in EBITDA were 60% higher than in the same period of last year, and for the third consecutive quarter, Mexichem achieved the highest EBITDA in its history, with a 23% margin. This is 3% higher than the margin for the same quarter of last year, which shows the effect of the synergies that are materializing from the recent acquisitions.

Financial interest and F/X gains

By September 2012, this net line reported a financial cost of $1.255 billion pesos—29% lower than in 2011. The net variation comprises:

Up to September 2012, there was a net profit of $1.292 billion, whereas 2011 showed an F/X loss of $803 million pesos. The net exchange difference does not generate cash flow.

Net interest expenses up to September totaled $2.535 billion pesos—170% above the figure for 2011. In 2012, it includes the payment of the $877 million pesos interest premium derived from the partial anticipated cancelation of US$350 million Bond.

Income tax

Accrued income tax up to September this year of $2.084 billion pesos is 35% higher YOY, as a result of better operating performance and the reported exchange gain.

Gross Generation (Net profit without non-cash-generating items)

Accrued gross generation in 2012 totaled $6.723 billion pesos, showing a 19% hike year over year, basically due to better EBITDA.

Operating and Free Cash Flow

	Third Quarter			January- September		
Periods	2012	2011	% Var.	2012	2011	% Var.
EBITDA	4,043	2,533	60%	10,933	8,112	35%
Free Cash Flow	515	1,610	-68%	1,809	2,027	-11%

The company's FCF up to September 2012 totaled $1.809 million pesos—$218 million pesos less YOY. This was mainly the result of higher CAPEX and interests. Maintenance CAPEX investments in 2012 rose by $1.063 billion pesos (77% more YOY), due to the investments to achieve organic growth in PVC resins, to modernize and automate equipment in various locations, and to increase installed capacity in differentiated product lines in Latin America.

Balance Sheet

Working Capital

Working capital up to september 2012 totaled $12.187 billion pesos—19% above the 2011 yearend figure (pro forma)—mainly because of a decrease in suppliers, due to the integration of Waving and the replacement of contracts for some raw materials.

Net Debt

Net debt at the end of September of this year ended at US$2.032 billion in dollar terms. This is 119% higher than the net debt for yearend 2011, mainly because of the acquisition of Wavin and Fluorita de Mexico. During the quarter, the company issued a long-term Bond for $1.15 billion dollars ($750 million with a 10-year term and $400 million with a 30-year term), destined to restructuring and optimizing debt, the average maturity went from around 4 years to over 10 years, and financial costs decreased.

The net debt to EBITDA ratio is 2.0x, which is the internal goal; the interest coverage ratio is 4.2x, considering the premium payment of US$65 million. Excluding this effect, the coverage ratio would be 5.7x.

	Twelve months Pro forma	
	2012	**2011**
Net Debt US$ MM	2,032	929
Net Debt/EBITDA 12M	1.98x	1.12x
Interest coverage	4.2x	7.4x
Outstanding Shares	1,840,000,000	1,800,000,000

Operating results by Chain

Integral Solutions Chain

	Third Quarter			January- September		
Integral Solutions Chain	**2012**	**2011**	**% Var.**	**2012**	**2011**	**% Var.**
Net sales	10,430	4,877	114%	24,568	13,703	79%
Operating Income	1,002	584	72%	2,664	1,615	65%
EBITDA	1,460	820	78%	3,761	2,285	65%
Volumes & Prices	**Third Quarter**				**January- September**	
Total Volume	102%				60%	
Average selling prices	6%				12%	

With regard to accrued sales for 2012, they totaled $24.568 billion pesos—79% more than in the same period of 2011. As for EBITDA, it reached $3.761 billion pesos—65% higher than in 2012 as a result of higher revenues, mainly due to the acquisition of Wavin.

Sales for the third quarter of 2012 amounted to $10.43 billion pesos—114% higher than in the same period of 2011—mainly thanks to higher volumes (102%) and better prices (6%), largely because of the incorporation of Wavin. As for EBITDA, it rose 78% as a result of higher revenues.

It is important to note that synergies with Wavin, such as the consumption of resin, transfer of technology, debt restructuring with similar conditions to Mexichem's, and operating efficiencies, have begun. The effect on EBITDA to sales margin has been compensated by these synergies; however, Wavin's margin affected the chain's margin compared to the same quarter of last year, just as we expected.

Vinyl-chlorine chain

	Third Quarter			January- September		
Vinyl - Chlorine Chain	2012	2011	% Var.	2012	2011	% Var.
Net sales	6,246	6,357	-2%	19,663	18,859	4%
Operating Income	698	873	-20%	2,598	2,390	9%
EBITDA	942	995	-5%	3,297	2,996	10%
Volumes & Prices	Third Quarter				January- September	
Total Volume	2%				1%	
Average selling prices	-4%				3%	

The Vinyl-Chlorine chain reported a total of $19.663 billion pesos in revenues for 2012—4% more YOY—due to better sales prices. Accrued EBITDA amounted to $3.297 billion pesos—10% more YOY—as a result of better prices and lower costs, and synergy consolidation.

Sales from July to September 2012 worth $6,246 billion pesos were 2% lower than in the same period of 2011, due to a 4% reduction in sales prices, but partially countered by a 2% higher sales volume. On the other hand, EBITDA declined 5%, mainly because of lower revenues and the mismatch between the prices of finished products and of raw materials (PVC and VCM, mainly).

Fluorine chain

	Third Quarter			January- September		
Fluorine Chain	2012	2011	% Var.	2012	2011	% Var.
Net sales	2,438	2,416	1%	8,895	8,354	6%
Operating Income	1,111	672	65%	3,142	2,594	21%
EBITDA	1,422	836	70%	4,018	3,173	27%
Volumes & Prices	Third Quarter				January- September	
Total Volume	11%				7%	
Average selling prices	-9%				-1%	

As for the Fluorine chain's accrued 2012 results, revenues amounted to $8.895 billion pesos—6% more YOY—as a result of a significant 7% increase in sales volumes, and a 1% decline in sales prices. This chain's EBITDA amounted to $4.018 billion pesos in the quarter—27% above 2011—due to higher revenues and lower costs and operating expenses.

This chain achieved sales of $2.438 billion pesos in the third quarter—1% higher than in 2011—as a result of an 11% advance in volumes, which counteract a 9% decrease in prices, essentially because of a drop in coolant prices. It is worth noting that this decrease has been partially compensated by advances in the prices of fluorine, hydrofluoric acid, and aluminum fluoride.

Margins show an important hike because of the fluorspar spot sales made during the quarter, spot prices are significantly higher than the contract prices we currently have.

Other Relevant Events

In July, and to take make the best of the advantage that the shale gas market currently offers in North America, it signed a Memorandum of Understanding with Occidental Chemical Corporation ("Oxy") to propose a Joint Venture for the construction of an ethane-based cracker to produce over 550,000 tons of ethylene per year. OxyChem will use nearly all this ethylene at its industrial complex in Ingleside, Texas, to produce roughly 1 million metric tons of vinyl-chloride monomer (VCM) to be sold to Mexichem under a long-term supply contract.

Through this agreement, as well as the joint investment with Pemex, Mexichem seeks to guarantee its VCM supplies required to operate its vinyl-polychloride (PVC) plants.

The feasibility study and the basic engineering for the construction of this cracker will be ready for the final evaluation in the second quarter of 2013. Should it be justified economically, the ethylene cracker shall begin operations in the third quarter of 2016, enabling Mexichem to consolidate its Vinyl-Chlorine chain by providing it with direct access to the production of one of the main raw materials of this chain—ethylene—and thus, maintain its competitiveness in the manufacturing of its PVC products. The transaction is subject to various conditions that require additional approvals, including finalizing definitive agreements.

An issuance of long-term debt instruments was made in September, and due to the bid to cover experienced (over 14 times), the decision was made to increase the sum initially planned for the debt instruments to be issued, fixing a total value of US$1.15 billion. The issuance was made in two tranches: one for US$750 million with a 10-year maturity and fixed rate coupon of 4.875%, and another for US$400 million with a 30-year maturity and fixed rate coupon of 6.75%.

The resources obtained through this issuance were used to refinance existing liabilities (including the payment of the debt instruments with an 8.75% rate maturing in 2019), so this transaction does not increase debt, and is therefore a neutral transaction in terms of debt.

The financial structure of this issuance has provided Mexichem with greater soundness and flexibility, with a profile of maturities, financing costs, and balance sheet in line with the current reality; this enables the company to continue its growth plans, established on even sounder and more competitive grounds.

A public stock offering was held in October, where 260 million Mexichem shares were issued on the market at a price of 60 pesos per share. This offer had an over-demand of more than 3 times book value; 60% was placed among international investors and 40% in Mexico. The resources obtained through this offer will be sued to finance the acquisition opportunities we have in America, essentially in the Vinyl-Chlorine and Fluorine Chains.

Outlook

In the third quarter, the sales of Mexichem's products showed significant increases, some of which were seen in terms of sales volumes, and others, in prices. The uncertainty prevailing worldwide presents a challenging fourth quarter for the achievement of Mexichem's goals. The measures implemented in the various regions around the world have not been enough to sustainably reactivate the global economy and some signs of stagnation are beginning to appear in the countries which have been the world's growth drivers lately.

Mexichem's plants, with a few exceptions mainly in Europe, continue to operate at high utilization rates; moreover, there is still a good growth potential in various Latin American countries. Wavin's new range of products in its portfolio gives Mexichem the opportunity to benefit further from the growth potential of the Latin American countries where it participates, thus favoring the company's results.

The synergies achieved through the Wavin acquisition continue to be reflected in the results of the third quarter. They come mainly from the supply of PVC resin and the purchase of other raw materials. For the remainder of the year, the goal is still to achieve $25 million dollars in synergies, and for 2013, an additional $50 million dollars.

In the Vinyl-Chlorine chain, with regard to the Pemex co-investment project, we are still waiting for Pemex's Management Board to sign, in order to begin the integration of this company into Mexichem. With this project, we will achieve a supply of 400 thousand tons of VCM. For the fourth quarter, expectations are that the prices of this chain's products will continue to decline, which will depend largely on the performance of the global economy, and particularly, on the recovery of the US resin consumption.

As for the Fluorine chain, the prices of nearly all the products showed significant increases, barring fluorocarbons, which showed a downward trend ensuing from the pressure of the Chinese product on the market. In the fourth quarter, expectations are that the prices of this chain's products will remain at the same levels as in third quarter, but fluorocarbon prices are expected to keep declining due to fourth quarter seasonality.

The integrated solutions chain continues to show volume increases, and prices are being pressured by the decrease in resin. In the fourth quarter expectations are that the prices of resin will decrease, as will the prices of PVC pipe products. In the European market, we continue to see pressures on both volumes and prices. In the fourth quarter, expectations are that there will be lower product demand due to the seasonality of the pipe market, and to the dependence on the macroeconomic behavior of the construction sector.

As we have already mentioned, dependence on the global economy has a high correlation with the final result of the business; however, given Mexichem's current geographic positioning, in economies with great growth potential, as well as the strategies the company has implemented, based on competitive advantages and with the passion that is Mexichem's hallmark, macroeconomic conditions can be mitigated, but we remain vulnerable to macroeconomic performance.

Formulating solutions and multiplying possibilities at all the levels of what we have come to call the triple result (economic, social, and environmental), we are able to be closer to our markets and clients at the same time, and reach further geographically. Now, more than ever, we shall continue to contribute to the development and improvement of people's quality of life through growth and innovation in all the fields where Mexichem participates directly or indirectly.

Consolidated Balance sheet

	Pesos in thousands		
	sep-12	dec-11	%
Total assets	**85,109,836**	**60,456,761**	**41%**
Cash and temporary investments	7,382,669	7,675,504	-4%
Receivables	15,139,436	8,990,694	68%
Inventories	9,966,541	6,657,677	50%
Others current assets	1,471,137	1,831,948	-20%
Long term assets	51,150,053	35,300,938	45%
Total liabilities	**58,224,065**	**36,391,621**	**60%**
Current liabilities	18,739,101	15,885,338	18%
Long-term liabilities	39,484,964	20,506,283	93%
Consolidated shareholders'equity	**26,885,771**	**24,065,140**	12%
Minority shareholders'equity	267,546	71,980	272%
Majority shareholders'equity	**26,618,225**	**23,993,160**	**11%**

Consolidated Income Statement

Pesos in thousands	January- September			Third Quarter		
	2012	2011	%	2012	2011	%
Net Sales	48,973,956	36,835,385	33%	17,824,866	12,353,216	44%
Cost of Sales	32,985,389	24,513,107	35%	12,137,059	8,422,967	44%
Gross Profit	**15,988,567**	**12,322,278**	**30%**	**5,687,807**	**3,930,249**	**45%**
Operating Expenses	8,012,581	6,360,674	26%	2,741,688	2,155,706	27%
Operating Income	**7,975,986**	**5,961,604**	**34%**	**2,946,119**	**1,774,543**	**66%**
Financial Cost	1,254,959	1,768,941	-29%	971,339	1,595,099	-39%
Income from continuing operations before income tax	**6,742,840**	**4,192,663**	**61%**	**1,988,764**	**179,444**	**1008%**
Income Tax	2,084,384	1,548,479	35%	697,386	109,200	539%
Consolidated net income	**4,658,456**	**2,607,800**	**79%**	**1,291,378**	**36,904**	**3399%**
EBITDA	**10,933,190**	**8,112,111**	**35%**	**4,042,510**	**2,533,472**	**60%**