Mexichem

Stock Information Mexichan Stock Exchange Ticker: MEXCHEM*

MEXCHEM

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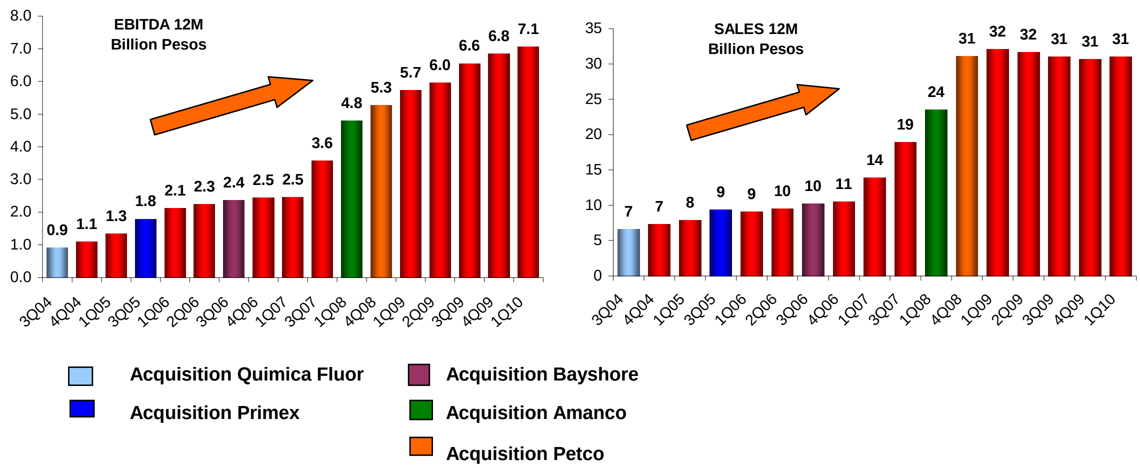
Consolidated Results

Consolidated Million Pesos	First Quarter 2010	2009	%Var.
Net Sales	8,000	7,680	4.2%
Gross Profit	2,898	2,637	10%
Net Majority Income	909	368	147%
Operating cash flow (EBITDA)	1,783	1,562	14%
Free cash flow	1,418	995	43%

Historical 12-month performance for revenues and consolidated EBITDA, where we can note the extraordinary growth the company has experienced, thanks to the acquisitions and, specifically, to the synergies obtained from their integration into Mexichem.



Mexichem Highlights

Relevant Events regarding accounting

The Management Board and the Audit Committee decided to adopt in advance the "International Financial Reporting Standards (IFRS)" as of the period beginning on January 1st, 2010; thus, all the figures, both for the current quarter and for the first quarter of last year follow the same standards and are fully comparable.

On Growth

By the end of March 2010, Mexichem reports growth in both sales and EBITDA. Sales rose 4.2% from $7.68 to $8.0 billion pesos as a result of better volumes by 8.8% in practically all the business lines (except for chlorine-soda), which compensates for the 4.3% lower average sale prices, mainly in the Vinyl-chlorine Chain, and the appreciation of Latin American currencies; in dollar terms, the increases were 17% in sales, and 25% in EBITDA.

Volumes & Prices	First Quarter
Total Volume	8.8%
Average selling prices	-4.3%

Efficiency and productivity

Operating profit for the first quarter of 2010 is $1.361 billion pesos, 14.8% better than in the same period of 2009. EBITDA is higher by 14.1% than in 2009, totaling $1.783 billion pesos with a sales margin of 22% vs. the 20% from the same quarter of 2009. This growth is the result of higher self-consumption of raw materials (soda, fluorite, and PVC) and cost savings.

Net financial cost

The figure corresponding to the net financial cost at the end of March 2010 is $54 million pesos, $532 million pesos lower than in the same period of 2009, as a result of the exchange effect that showed a $355 million peso loss in 2009 vs. a $192 million peso gain in 2010, due to the peso appreciation.

Income tax

Income tax for the first quarter of 2010 totaled $396 million pesos—75% higher than in 2009—due to better operating results and the increase in the effective tax rate in Mexico, which went from 28 to 30%.

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

Gross generation for 2010 amounted to $1.323 billion pesos—21% higher than in 2009—due to better operating results and the reduction in financial cost.

Operating and free cash flow

Operating cash flow and Free cash flow	First Quarter 2010	2009	% Var.
Operating profit	1,361	1,185	15%
+ Depreciation and amortization	422	377	12%
EBITDA	1,783	1,562	14%
-Investment in fixed assets	365	568	-36%
Free cash flow	1,418	995	43%

Free cash flow for the first quarter of 2010 is $1.418 billion pesos—43% higher than in 2009—as a result of better EBITDA. Maintenance Capex investments in 2010 totaled $365 million pesos.

Balance sheet

Working capital

Working capital at the end of March 2010 amounted to US$366 million in dollar terms, showing an increase of US$55 million vs. the close of December 2009. This was due to the price hikes in raw materials, improved sales, and the reduction in the supplier balance, as a result of payment from cash surpluses.

Plant and Equipment

The balance in this line item for the first quarter of 2010 is $15.819 billion pesos, which is $1.292 billion pesos (net of depreciation) higher than at the end of 2009, as a result of the incorporation of INEOS Fluor's figures, and the investments in machinery and equipment in all our plants for environmental protection, as well as the increase in capacity, efficiency, and modernization.

Net debt

Net debt by the first quarter of 2010 closed at US$804.1 million in dollar terms; compared to 2009 yearend, this means a US$328 million hike as a result of the payment of current debt amortizations and the acquisition of INEOS Fluor. It is important to highlight that the short-term debt structure remains at only 13.4%.

The pro forma net debt to EBITDA ratio remains at 1.39x in dollar terms, below the 2.0x limit set as an internal goal.

	Twelve months Pro forma 2010	2009
Net Debt US$ MM	804.1	760.4
Net Debt/EBITDA	1.39x	1.56x
Interest coverage	8.0x	6.3x
Outstanding Shares	1,800,000,000	1,800,000,000

Dividends

In the General Ordinary Shareholders' Meeting held on December 3, 2009, the payment of a dividend worth a total of $396 million pesos was approved, to be applied to the Net Tax Profit Account (CUFIN in Spanish), equivalent to P$0.22 per share. This dividend will be paid in four installments of P$0.055 per share each throughout 2010, on January 29, April 30, June 30, and October 29. At the end of the first quarter of 2010, the first installment was paid, amounting to a total of $98.6 million pesos.

Operating results by Chain

Transformed Products Chain

	First Quarter		
Transformed Products Chain	2010	2009	%Var.
Net sales	4,502	3,433	31.1%
Operating cash flow (EBITDA)	675	752	-10.2%
Volumes & Prices	First Quarter		
Total Volume	13.4%		
Average selling prices	15.6%		

First quarter 2010 sales in the transformed products chain totaled $4.502 billion pesos—31.1% higher than last year, as the critical mass has been increased by 13.4% and sales prices by 15.6%. EBITDA in 2010 shows a reduction of 10.2% due to the hikes in raw material prices, the product mix for the quarter, and an F/X effect on the main markets where we operate (Brazil, Mexico, Colombia, etc).

Vinyl-chlorine chain

	First Quarter		
Vinyl - chlorine Chain	2010	2009	%Var.
Net sales	4,512	4,351	3.7%
Operating cash flow (EBITDA)	830	837	-0.8%
Volumes & Prices	First Quarter		
Total Volume	5.2%		
Average selling prices	-1.4%		

The vinyl-chlorine chain is integrated by the production of Chlorine, Soda, Phosphates, PVC resin and Compounds. The latter is included as of January 2010, as the production facilities are integrated into the same Sites; thus, we believe the synergies generated are greater in this chain, and the general strategy of the compounds business remains. 2009 figures are comparable with 2010.

At the end of March 2010, the vinyl-chlorine chain reported total sales worth $4.512 billion pesos—3.7% better vs. the same quarter of 2009, as a result of the 5.2% increase in the critical mass of mainly PVC and compounds, which compensates for the 1.4% drop in sales price of mainly soda, chlorine, and phosphates. EBITDA for the quarter amounted to $830 million pesos—0.8% less than in 2009—as a result of the lag between the price hikes in raw materials, and the rises in finished product prices, which will be compensated for in the months to come.

With regard to the performance of PEMEX, our client and supplier, in the first quarter of 2010, it has been the best, surpassing 32 thousand tons of chlorine consumed—a figure that has not been seen since the second quarter of 2008.

Fluorine Chain

	First Quarter		
Fluorine	2010	2009	%Var.
Net sales	943	638	47.7%
Operating cash flow (EBITDA)	350	282	23.9%
Volumes & Prices	First Quarter		
Total Volume	18.0%		
Average selling prices	25.1%		

Accrued sales up to March 2010 amounted to $943 million pesos—47.7% better than in 2009, as a result of better volumes by 18% and sale prices by 25.1%. EBITDA amounted to $350 million pesos—23.9% higher than in 2009. These significant hikes are the result of the sales improvement, greater self-consumption of fluorite and the inclusion of Aluminum Fluoride since October 2009.

Outlook

The first quarter of the year showed signs of a recovery in the global economy, as well as of an upward trend in the chemical and petrochemical industry, where demand jumpstarted and prices in most products, as well as in raw materials, increased. Mexichem's vertical integration and geographic and product diversification strategies once again showed that the leadership in each of the businesses is the basis of our strategy", and the challenge lies in transferring raw material price hikes to the finished products.

At the end of the quarter, we acquired Ineos Fluor and integrated it into the Fluorine Chain. This acquisition totaled $300 million dollars, plus $50 million for a non-compete paid to Ineos Group. Thus, Mexichem becomes the sole integrated fluorocarbon producer in America. Sales in this chain will amount to over $500 million dollars a year, and generate EBITDA worth over $200 million dollars; soon, we will start up the expansion of the HF plant, and the confirmation of the fluorite reserves, which promises a greater and better performance for this chain.

In this quarter, we expect to complete the acquisition of Policyd and Plásticos Rex, which will provide the vinyl chlorine chain and the transformed products chain with an enhanced performance, allowing us to maintain our competitive edge on the national market, as it has been affected by the entry of imported PVC resin and pipes from the USA, due to the elimination of dumping quota on PVC resin for certain US producers.

For the second quarter, we expect a greater spike in demand and prices, which will boost Mexichem's growth, as well as its performance. We will begin to witness the effects of the acquisition of INEOS Fluor in our results, as well as the synergies that could be obtained. We also hope to have Policyd and Plásticos Rex, thus improving the performance of the industry in Mexico. Overall, we hope the coming quarter will bolster our performance and launch the organization towards globalization with the leadership and excellent performance that are our trademarks.

Financial Information

Balance sheet

In thousands of pesos (2010 and 2009 at historical values)	To March 31 2010	2009	%
Total assets	**39,250,748**	**32,782,357**	20%
Cash and temporary investments	4,793,895	2,703,301	77%
Receivables	6,228,858	5,779,359	8%
Inventories	3,811,975	3,585,804	6%
Others current assets	1,126,400	1,597,503	-29%
Long term assets	23,289,620	19,116,390	22%
Total liabilities	**25,125,890**	**23,853,065**	5%
Current liabilities	10,208,463	12,733,491	-20%
Long-term liabilities	14,917,427	11,119,574	34%
Consolidated shareholders'equity	**14,124,858**	**8,929,292**	58%
Minority shareholders'equity	50,063	113,605	-56%
Majority shareholders'equity	14,074,795	8,815,687	60%

Consolidated Income Statement

In thousands of pesos (2010 and 2009 at historical values)

	January-March		
Income Statement	**2010**	**2009**	**%**
Net Sales	7,999,848	7,680,372	4.2%
Cost of Sales	5,102,307	5,043,092	1%
Gross Profit	**2,897,541**	**2,637,280**	10%
Operating Expenses	1,536,940	1,452,042	6%
Operating Income	1,360,601	1,185,238	15%
Financial Cost	53,887	585,958	-91%
Other Expenses	1,724	(6,549)	-126%
Income from continuing operations before income tax	**1,304,990**	**605,829**	115%
Income Tax	396,140	226,351	75%
Income from continuing operations after income tax	**908,850**	**379,478**	140%
Discontinued operations	-	(2,163)	0%
Consolidated net income	908,850	377,315	141%
Minority Stock holders	-	9,729	-100%
Majority stock holders	**908,850**	**367,586**	147%
EBITDA	**1,782,703**	**1,562,479**	14%