

# 3Q05 Earnings



A stylized world map with white landmasses and grey shadows, set against a background of light blue and white curved shapes. The word 'Mexichem' is overlaid in large blue letters.

# Mexichem

A diversified company with global vision

October 2005

# Forward Looking Statement

In the following presentation, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on the beliefs and expectations of Mexichem’s management and involve a number of business risks and uncertainties, any of which could cause actual results to change from those expressed in or implied by the forward-looking statements. These statements can be identify by the fact that they do not relate strictly to historic or current facts. The words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” , “forecasts”, “targets” and similar words and terms of comparable meaning in connection with any discussion of future operating or financial performance are intended to identify these statements.

Mexichem shall not be responsible for any investment decisions or transaction taken based on the information given in this presentation.

# Agenda

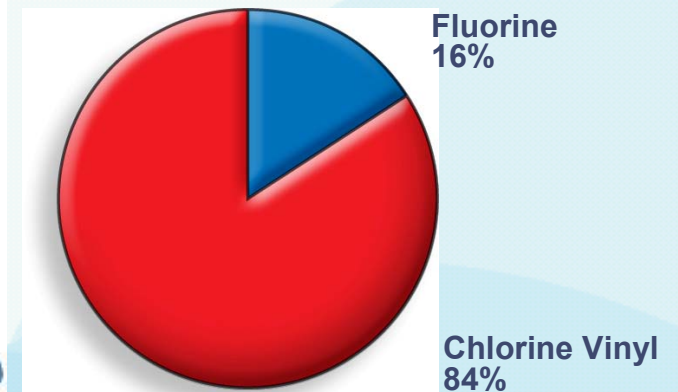
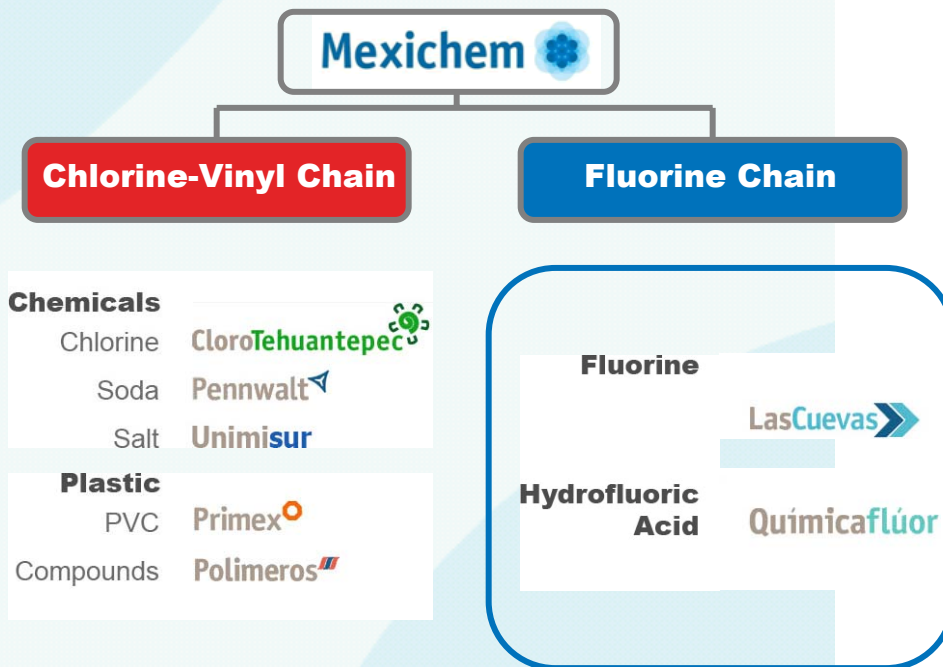
- ***3Q05 Results***
- ***Key market indicators outlook and forecast.***
- ***New Projects.***
- ***Value Creation issues***

Mexichem is low-cost manufacturer of two integrated productive chains, Chlorine-Vinyl and Fluorine.

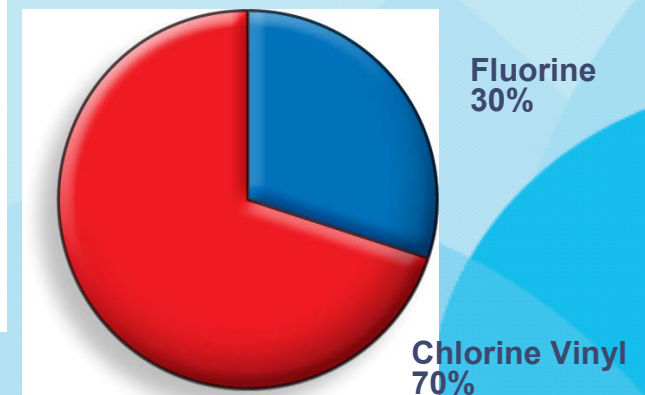


## The Mexico's chemical and petrochemical company

12M Sales \$8.568 billion pesos



12M EBITDA \$1.810 billion pesos





Production: better utilization rates showing consistency, efficiency and operating improvements.



**Chlorine-Vinyl Chain  
PRODUCTION ( TONS )**

|                                   | <b>Change<br/>3Q05/3Q04</b> | <b>Change<br/>9M05/9M04</b> |
|-----------------------------------|-----------------------------|-----------------------------|
| CHLORINE GAS AND CAUSTIC SODA     | 6.9%                        | 11.9%                       |
| PVC                               | 8.6%                        | 4.6%                        |
| PLASTICIZERS                      | 9.4%                        | 3.2%                        |
| COMPOUNDS                         | 3.0%                        | 4.9%                        |
| <b>TOTAL CHLORINE VINYL CHAIN</b> | <b>6.9%</b>                 | <b>10.9%</b>                |

**FLUORINE CHAIN  
PRODUCTION (TONS)**

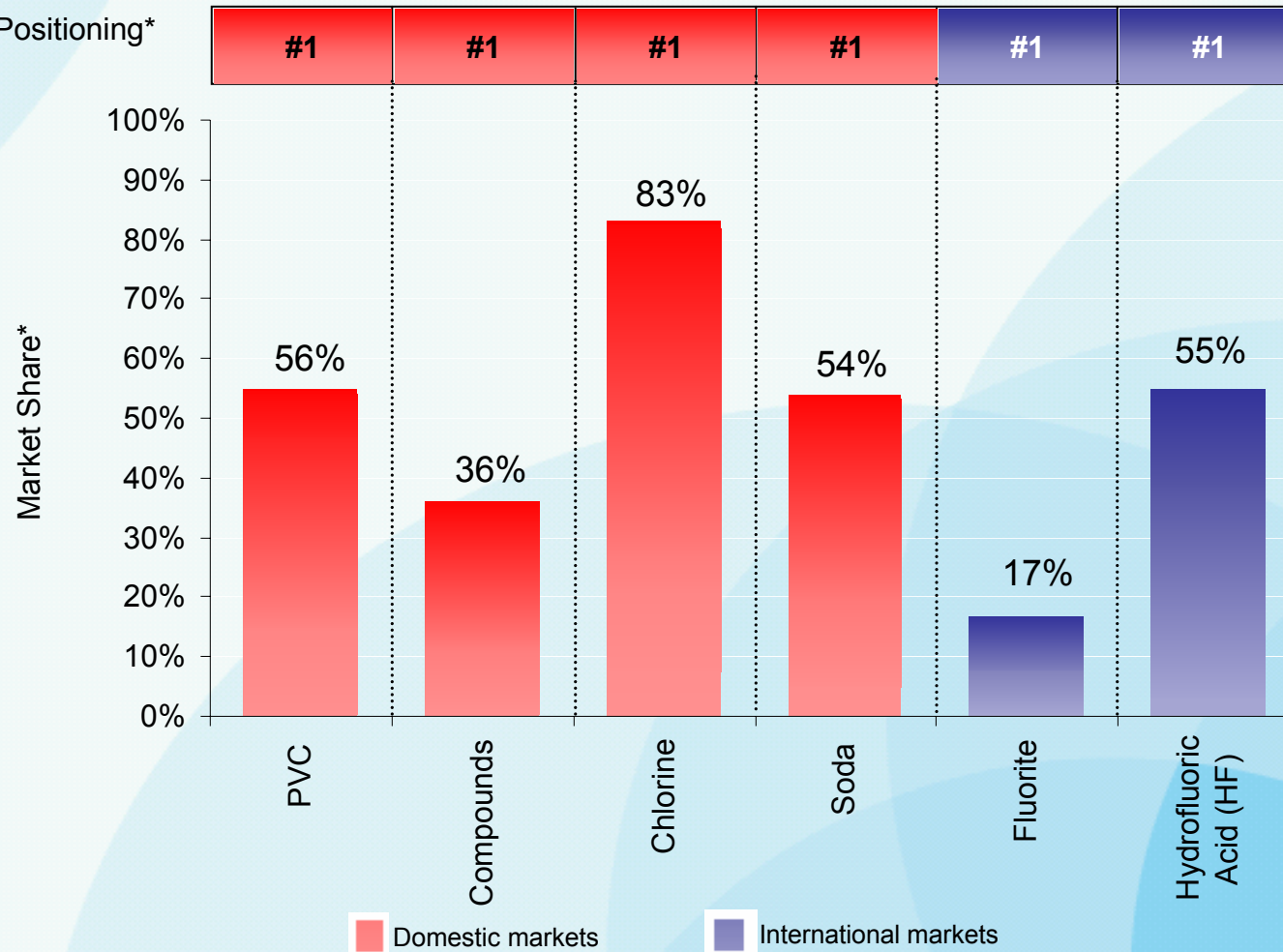
|                                 |             |             |
|---------------------------------|-------------|-------------|
| <u><b>FLUORITE</b></u>          | 3.2%        | 3.4%        |
| <u><b>HYDROFLUORIC ACID</b></u> | 25.4%       | 24.7%       |
| <b>TOTAL FLUORINE CHAIN</b>     | <b>4.4%</b> | <b>4.6%</b> |
| <b>TOTAL</b>                    | <b>6.0%</b> | <b>8.6%</b> |

# Mexichem is a regional and worldwide marketer leading



## Undisputed market leader

Market Positioning\*

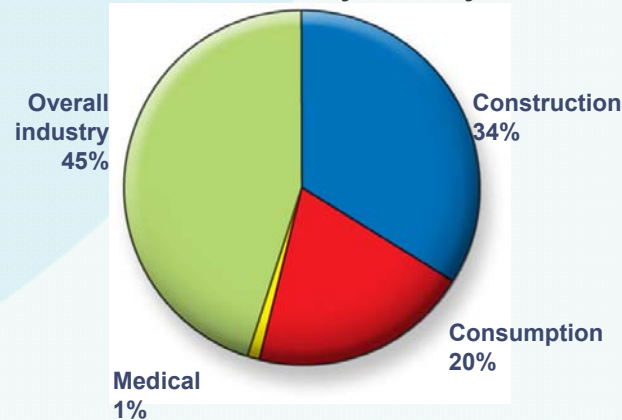


# Strategically positioned in high grow potential markets



## Growth: Leader in industries with high growth potential

Sales distribution by industry



Market Share

### Overall Industry

|                  |     |
|------------------|-----|
| Flexible profile | 49% |
| Chlorine-Soda    | 55% |

### Construction

|                |     |
|----------------|-----|
| Wire and cable | 72% |
| Pipe           | 64% |
| Rigid profile  | 49% |

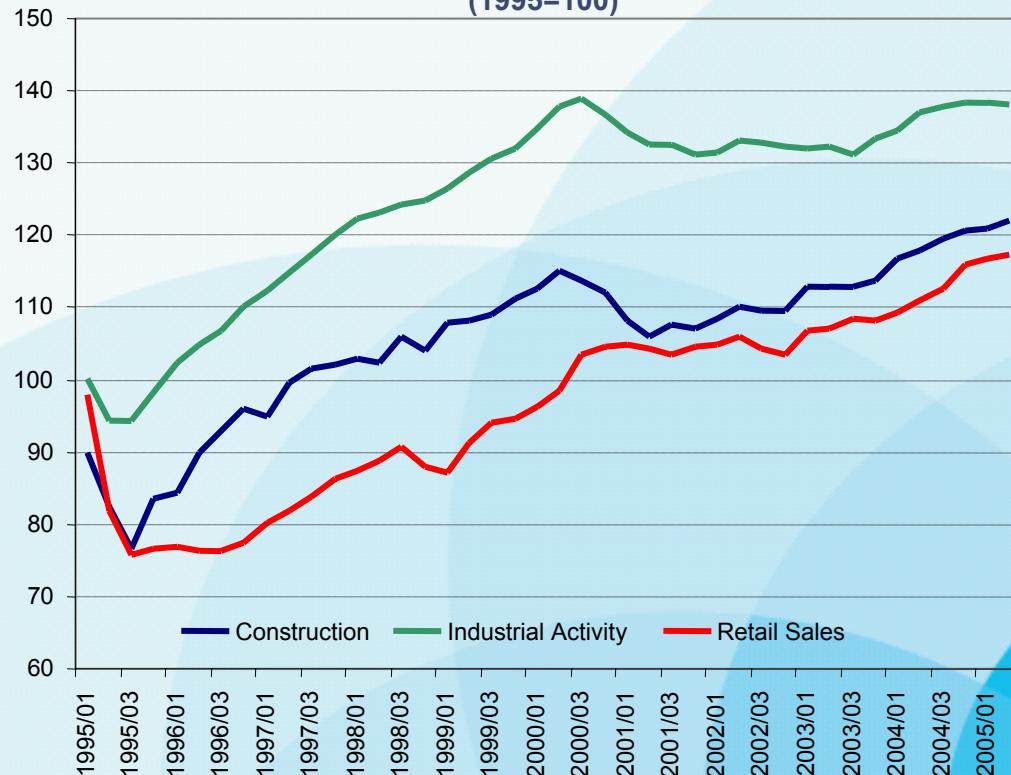
### Consumption

|           |     |
|-----------|-----|
| Shoe Sole | 33% |
| Film      | 25% |
| Bottle    | 21% |

### Medical

|                      |    |
|----------------------|----|
| Medical applications | 5% |
|----------------------|----|

Seasonally Adjusted Indices for Mexico  
(1995=100)



# Key market factors remains favorable

- Increase in global demand for main thermoplastic products including PVC is forecast for next years.
- Gradual inventory reduction expected through 2007
- World GDP growth is estimated in 4% per year from 2005 to 2008.
- PVC per capita consumption in Latin America below world average (USA 30 Kg/per capita Mexico 4 kg/per capita).
- Increase in consumption of Hydrofluoric acid in refrigerants.
- Capacity utilization rates above 90%
- North America region with tight balance pushing prices to high values.
- Higher margins for petrochemicals are expected through 2007
- Hedge strategy to keep costs low improve margins
- The hurricanes Katrina and Rita have created a shortage in offer in USA and it has generated an increase in demand and higher prices in references publications given better results for Mexichem.



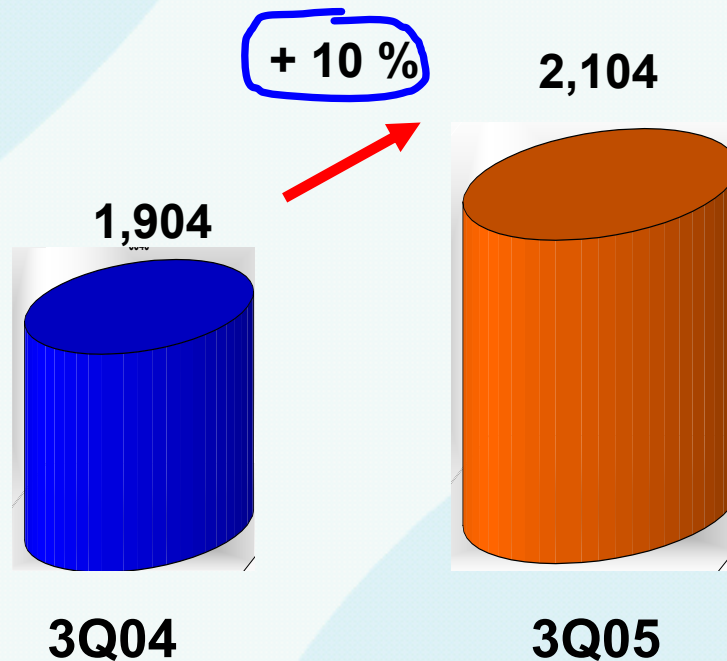
# Solid result in 3Q05 confirm the synergies achieved due to management performance.

| Main Indicators<br>Proforma |         | 3Q05<br>(1) | 3Q04<br>(2) | Change<br>(1)/(2) | 9M05<br>(3) | 9M04<br>(4) | Change<br>(3)/(4) |
|-----------------------------|---------|-------------|-------------|-------------------|-------------|-------------|-------------------|
| Net Revenue                 | MX\$ MM | 2,104       | 1,904       | 10.51%            | 6,271       | 5,205       | 20.47%            |
| EBITDA                      | MX\$ MM | 489         | 333         | 46.98%            | 1,462       | 754         | 94.02%            |
| EBITDA MARGIN               |         | 23.3%       | 17.5%       | 33.00%            | 23.3%       | 14.5%       | 61.05%            |

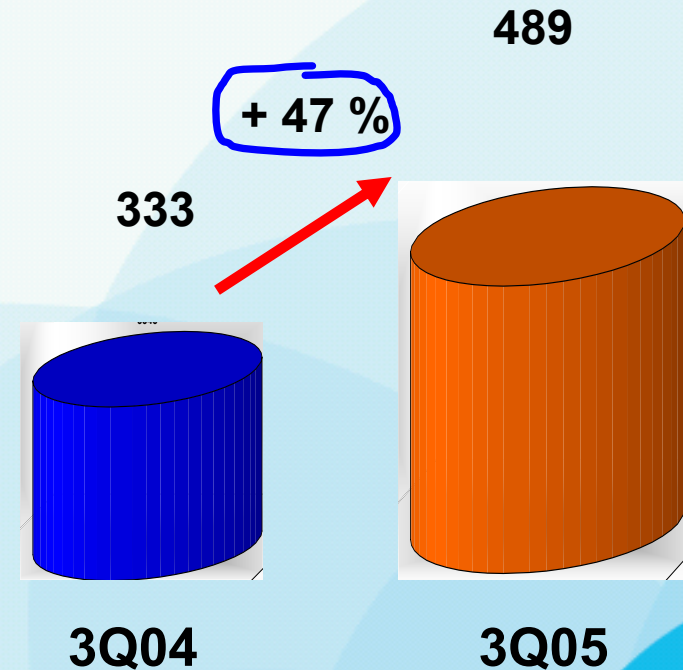
# Mexichem in 3Q05 with strong performance



**Gross Revenue  
(MX\$ million)**



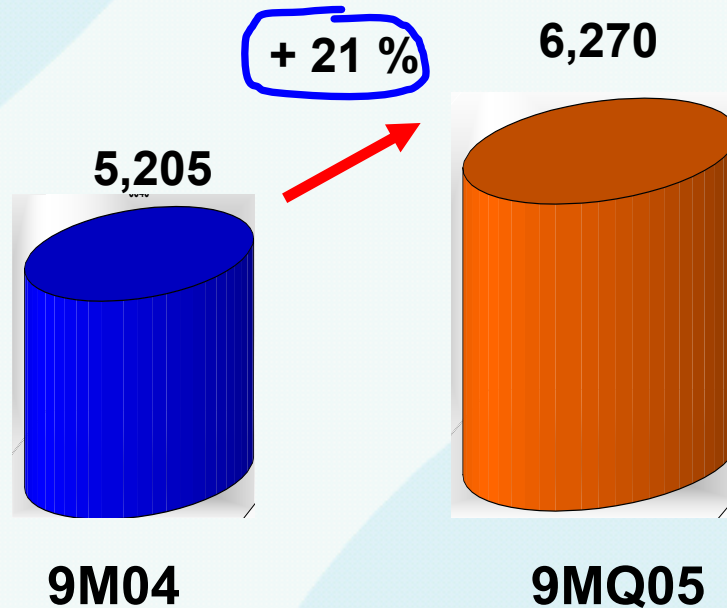
**EBITDA  
(MX\$ million)**



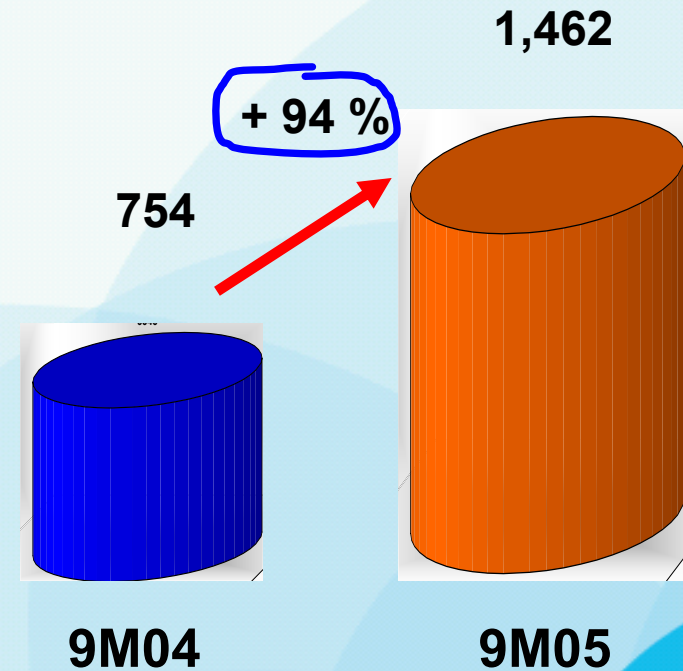
# Mexichem in 9M05 with strong performance



**Gross Revenue  
(MX\$ million)**

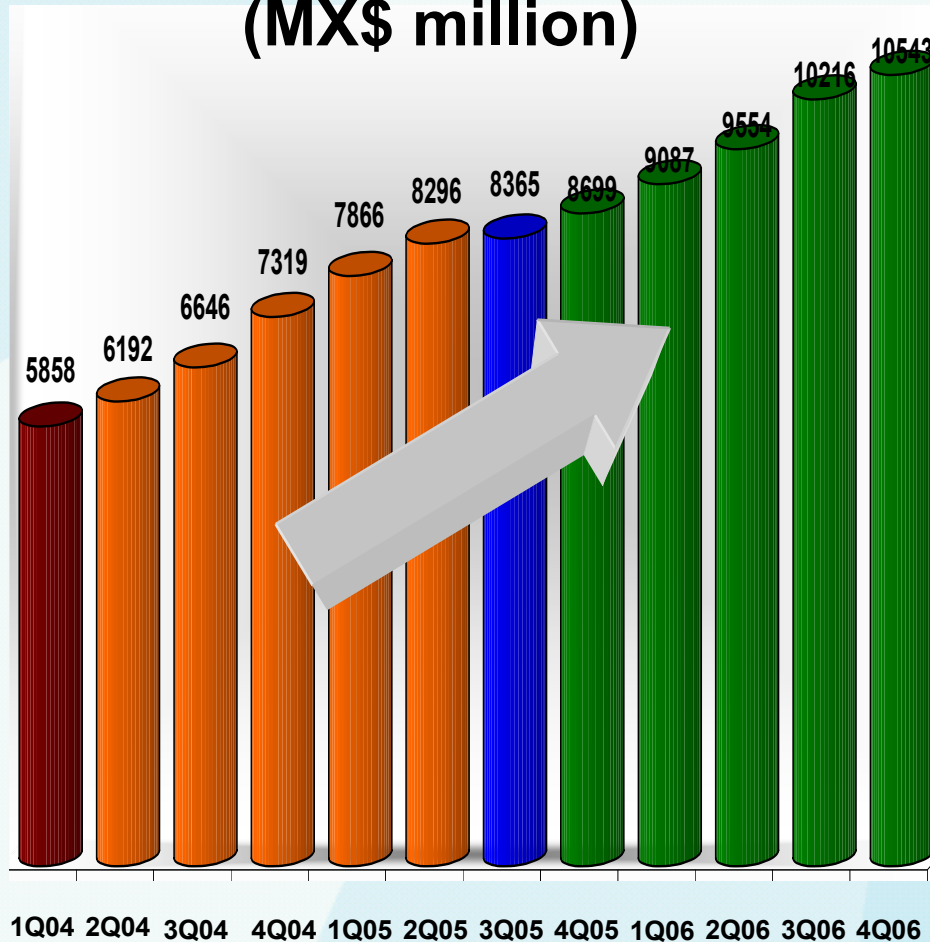


**EBITDA  
(MX\$ million)**



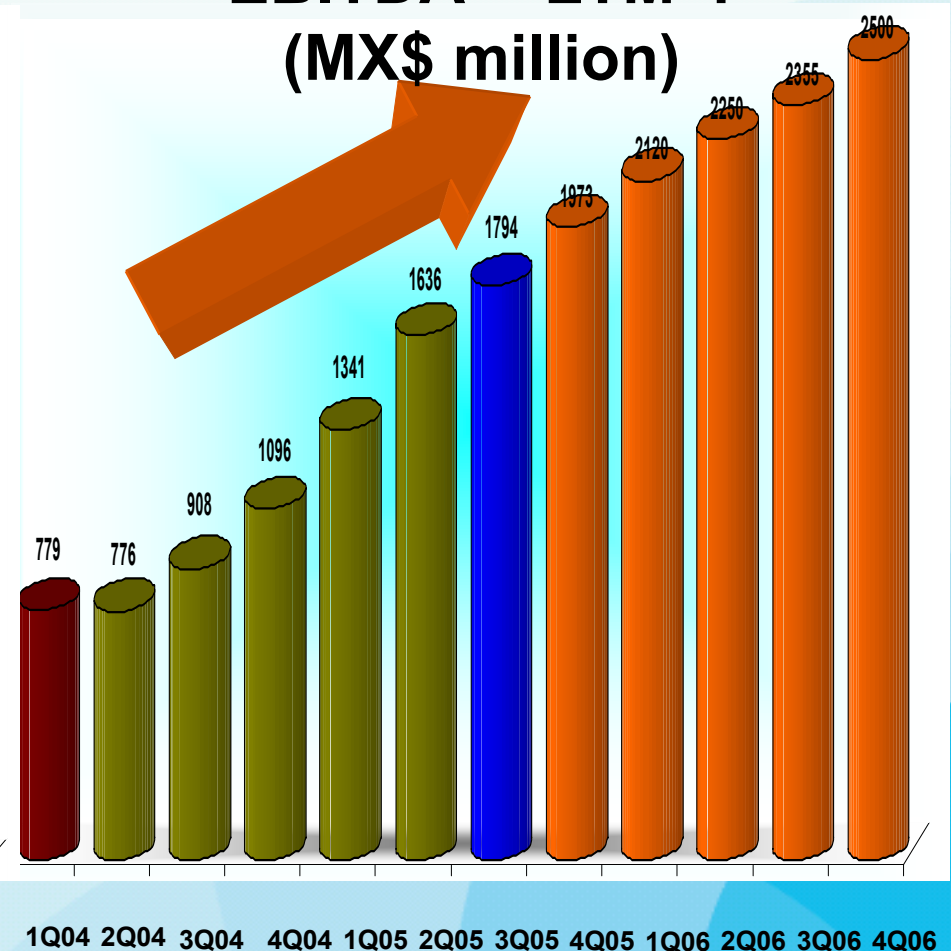
# Permanent Revenue and EBITDA Increase.

**Gross Revenue\* –LTM\*1  
(MX\$ million)**



\*Proforma

**EBITDA\* –LTM\*1  
(MX\$ million)**



\*1LTM – Last twelve months

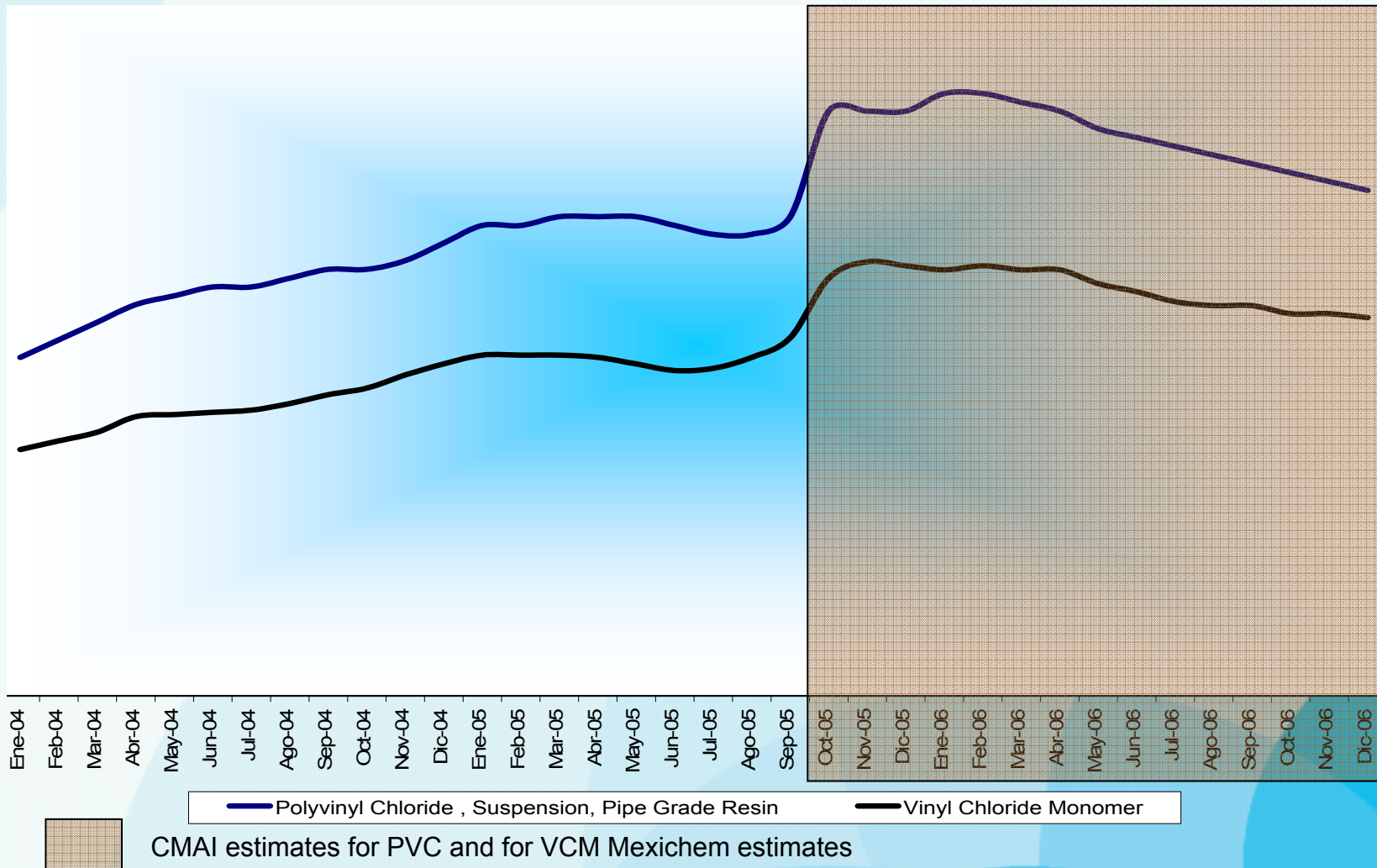


# Mexichem is an strong free flow cash generator

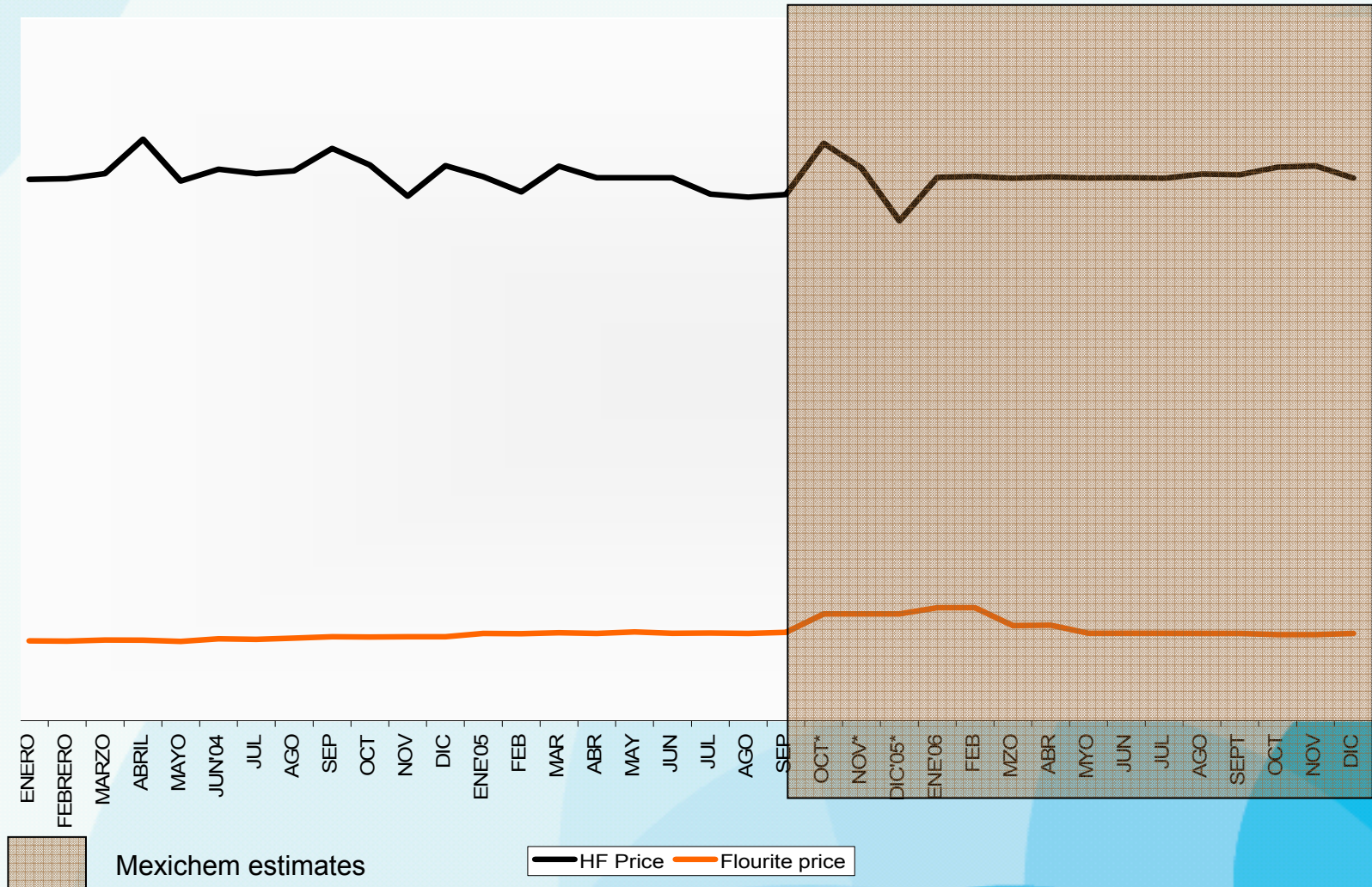


| CONCEPTS                                       | MX \$ Thousand | 2005             | 2006              |
|--|----------------|------------------|-------------------|
| <b>MEXICHEM</b>                                |                |                  |                   |
| EBITDA   |                | \$1,972.4        | \$2,500.0         |
| WORKING CAPITAL                                |                | \$21.3           | -\$167.7          |
| <b>OPERATING CASH FLOW</b>                     |                | <b>\$1,993.7</b> | <b>\$2,332.3</b>  |
| <b>FINANCIAL OPERATIONS</b>                    |                |                  |                   |
| TAXES AND PROFIT SHARING                       |                | -\$398.8         | -\$701.0          |
| FINANCIAL INCOME (EXPENSES)                    |                | -\$265.7         | -\$238.0          |
| DIVIDENDS                                      |                | -\$90.6          | -\$197.2          |
| CAPITAL EXPENDITURES - MAINTENANCE             |                | -\$164.8         | -\$150.0          |
| <b>FREE CASH FLOW</b>                          |                | <b>\$1,073.9</b> | <b>\$1,046.0</b>  |
| <b>USES AND APPLICATIONS OF FUNDS</b>          |                |                  |                   |
| DEBT AMORTIZATION                              |                | -\$301.8         | -\$303.2          |
| CAPITAL EXPENDITURES - NEW CAPITAL INVESTMENTS |                | -\$165.0         | -\$1,435.0        |
| <b>ACQUISITIONS/DISINVESTMENTS</b>             |                |                  |                   |
| PRIMEX AND DERMET                              |                | -\$1,368.2       | \$0.0             |
| ACEROS CAMESA                                  |                | \$1,301.3        | \$0.0             |
| EQUITY INCREASES                               |                | \$853.8          | \$0.0             |
| COST OF CONVERTIBLE BONDS                      |                | -\$625.1         | \$0.0             |
| DEBT PRE PAYMENTS                              |                | -\$445.6         | \$0.0             |
| <b>SUB-TOTAL</b>                               |                | <b>-\$750.6</b>  | <b>-\$1,738.2</b> |
|  |                |                  |                   |
| <b>CASH FLOW</b>                               |                | <b>\$323.2</b>   | <b>-\$692.2</b>   |
| BEGINNING BALANCE                              |                | \$1,192.4        | \$1,515.7         |
| ENDING BALANCE                                 |                | <b>\$1,515.7</b> | <b>\$823.5</b>    |

# Evolution and outlook for PVC and VCM prices



# Evolution and outlook for HF and Fluorite prices



**Growth & efficiency: new projects.**



**Total investment in the following 36 months 400 MMUSD.**

**IRR average 22% (2006 In progress 120 MMUSD)**

**Growth and Efficiency: strategies to counter cyclicity**

| <b>Projects in progress for Expansion:</b>                                      | <b>Impact in EBITDA 06</b> |
|---|----------------------------|
| Expansion of the mine's extraction capacity                                     | 2 MMUSD                    |
| Acquisition of facilities in USA and Central America                            | 4 MMUSD                    |
| Manufacture of fluorine products with greater added value.                      | 2 MMUSD                    |
| Proprietary distribution network of chemical and plastics products.             | 13.6 MMUSD                 |
| <b>Projects in progress for reducing cost:</b>                                  |                            |
| Modernizing the technology to reduce production cost.                           | 1.4 MMUSD                  |
| Implementation of proprietary technology to purify the fluorine from las Cuevas | 5 MMUSD                    |
| <b>Total</b>  | <b>28 MMUSD*</b>           |

\*16% of 2005 EBITDA



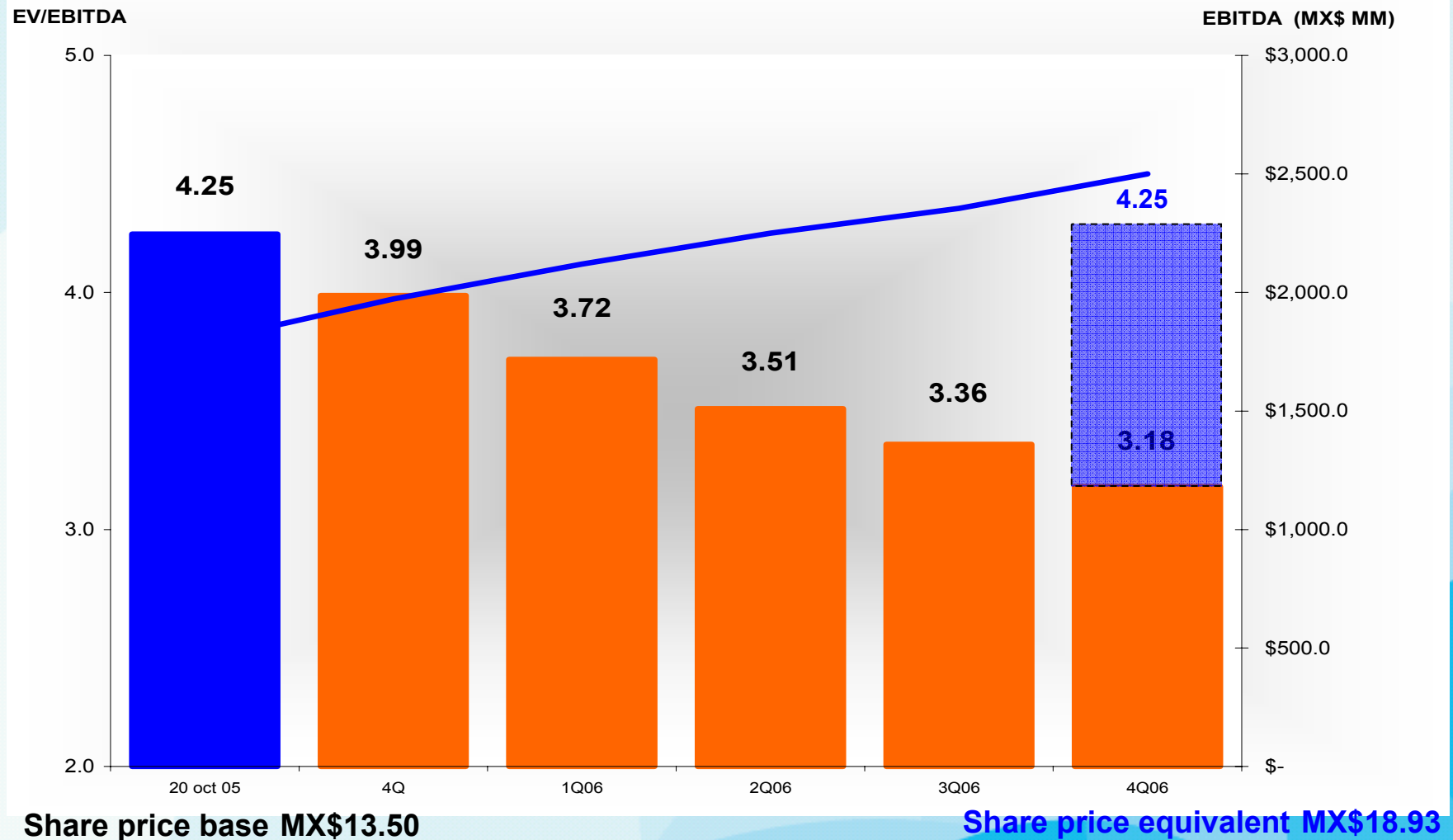
**Growth & efficiency: new projects.**



**Confirming a successful history of acquisitions and synergies with focus on reducing the ciclicity effects.**

| <b>Projects in feasibility study for Expansion:</b>     | <b>Impact in EBITDA<br/>Expected in 2008.</b> |
|---|---|
| Import substitution of chemical products                | 16.53 MMUSD                                   |
| <b>Projects in feasibility study for reducing cost:</b> |   |
| Total integration of the chlorine-vinyl chain           | Evaluating                                    |
| <b>Total</b>  | <b>+ 16.53 MMUSD</b>                          |

# Mexichem growth: Enterprise valuation includes new projects



# Mexichem leading company in Value Creation

- ❁ 50 years operating in the industry
- ❁ Vital industry with strong fundamentals
- ❁ Diversified company with global vision
- ❁ Leveraged with Mexico's dynamic housing and infrastructure sectors
- ❁ Undisputed market leader
- ❁ Scale and integration: lowest-cost producer
- ❁ Proven growth record
- ❁ Focused on value generation
- ❁ International standards of quality, health and environment