



Stock Information

Bolsa Mexicana de Valores

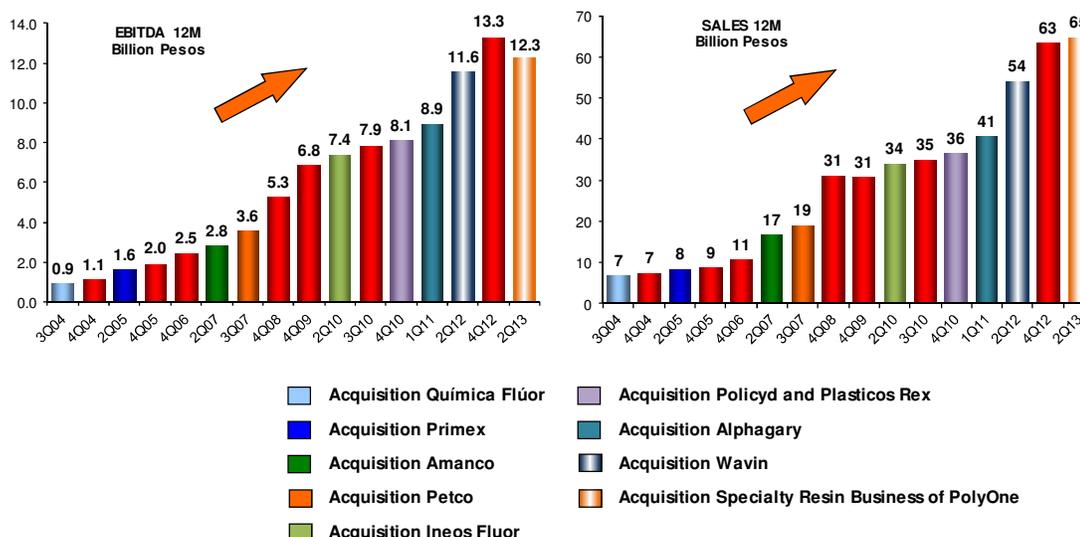
Symbol: MEXCHEM\*

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Tlalnepantla, Estado de México, July 26, 2013 - Mexichem, S.A.B. de C.V. (BMV:MEXCHEM\*) (“the company” or “Mexichem”) reports its results for the second quarter ended June 30, 2013. The figures are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in millions of Pesos.

## Consolidated Results

Consolidated Million Pesos	Second Quarter			January- June		
	2013	2012	% Var.	2013	2012	% Var.
Net Sales	16,968	17,634	-4%	32,438	31,149	4%
Gross Profit	5,078	5,859	-13%	9,702	10,301	-6%
Net Income	812	1,553	-48%	1,648	3,367	-51%
Operating cash flow (EBITDA)	3,254	3,953	-18%	5,951	6,891	-14%
Free cash flow	439	1,078	-59%	214	1,366	-84%



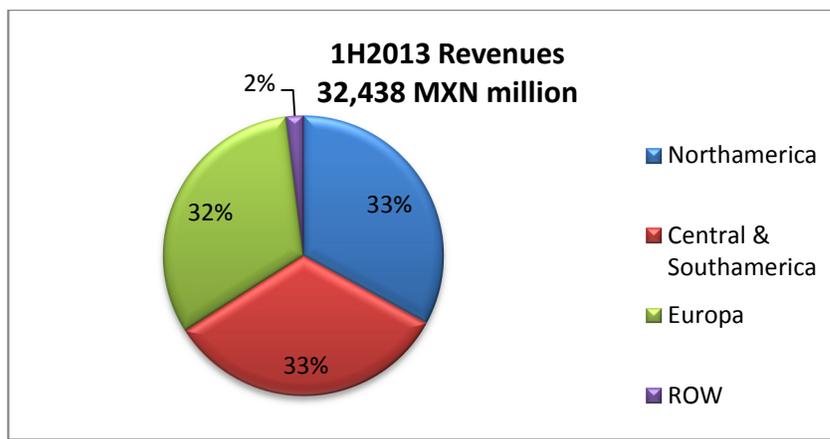
## Sales

Cumulative sales for the 1H13 totaled \$32.438 billion Pesos (\$2.583 billion Dollars), 4% more (10% in Dollars) than the \$31.149 billion Pesos (\$2.340 billion Dollars) recorded in the same period of 2012. The increase was mainly because of both Wavin’s operation consolidation throughout the semester (\$9.424 billion Pesos in revenues) while in 1H12 we only consolidated operations of May and June, and the inclusion of a month of operation of the recently acquired

Specialty Resins business of PolyOne. This increase was partially offset by 15% lower sales in the rest of our business Chains. The main reasons for these reductions were: the unscheduled shutdowns of PEMEX and PPG during the first months of the year, the reduction in price levels of refrigerant gases, and the failure to release resources for infrastructure projects by governments of countries like Mexico, Colombia and some other Latin American countries.

Sales for the second quarter are \$16.968 billion Pesos (\$1.360 billion Dollars), 4% lower than those in 2Q12 (5% increase in Dollars). Mainly because of the price level of refrigerant gases (Fluorine Chain) which was partially compensated by an increase of 2% in sales volume.

Sales by region are:



### EBITDA

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) as of June 2013 was \$5.951 billion Pesos (\$473 million Dollars), 14% lower than that in 2012 (9% lower in Dollars). As discussed above, the main reasons for the decrease are the refrigerant gas price effect in the Fluorine Chain, the extended shutdown of Pemex and PPG for the Chlorine-Vinyl Chain, and delays of infrastructure projects in Latin America for the Integral Solutions Chain. However, current earnings are in line with the objectives set by the company, which means achieving a similar result as in 2012.

The EBITDA / Sales margin in 1H13 was 18%, 4 percentage points lower than that achieved in 2012, which originated as a result of the events explained in the previous paragraph and also because of Wavins lower margins compared to the other businesses.

Regarding the second quarter the EBITDA of \$3.254 billion Pesos (\$259 million Dollars) was 18% lower (11% lower in Dollars) than that in the same period of 2012 because of the reasons mentioned above.

## **OPERATING INCOME**

Operating income for the 1H13 was \$3.838 billion Pesos (\$305 million), \$1.192 billion Pesos (\$73 million) or 24% (19% in Dollars) less than the \$5.030 billion Pesos (\$378 million) generated in 1H12, as a result of the reasons mentioned above.

Operating income for the second quarter was \$2.215 billion Pesos (\$176 million Dollars) lower 24% than that obtained in 2Q12 (18% less in Dollars).

## **INTEREST EXPENSE AND FOREIGN EXCHANGE EFFECTS**

During 1H13 the net financial cost was \$1.288 billion Pesos, while the figure for the same period of 2012 was \$284 million Pesos, this reflects a greater expense of \$1.005 billion Pesos. This variation befalls mainly as a result of:

- In 1H13 the company registered a foreign exchange loss greater than that recorded in 1H12 for a total of \$967 million Pesos, given that in 1H12 the company reflected a net foreign exchange gain of \$488 million Pesos, while in the 1H13 there was a net foreign exchange loss of \$479 million Pesos, the main reason is that in the first half of 2012 there was a revaluation of the peso against the dollar of 4.9%, on a net liability position in foreign currency of approximately \$800 million Pesos, while in the same period 2013 a net foreign exchange loss was registered amounting \$515 million Pesos which was partially compensated by a pending to capitalize profit of \$100 million Pesos coming from the exchange of Wavins debt from Pesos to Euros.
- The net interest expense accumulated to June 2013 was \$728 million Pesos, \$32 million or 4% lower than that recorded in the same period last year, because even that the interest paid was 37% higher than that of 1H12 (\$344 million Pesos), the interest earnings was 214% higher than that in the same period of 1S12 (\$376 million Dollars).

## **INCOME TAX**

The income tax to June 2013 was \$922 million Pesos (\$73 million Dollars), 34% lower than that in 1H12 (29% lower in Dollars). The decrease is due to lower pretax income primarily as a result of the events explained in the previous paragraphs.

## **NET INCOME**

Net income for 1H13 amounted to \$1.648 billion Pesos (\$129 million), \$1.719 billion Pesos less than that in 2012 (\$124 million Dollars), or 51% lower (49% lower in Dollars) mainly as a result of a lower operating profit, an increase in integral financing cost of \$1.004 billion Pesos (\$80 million), and the reduction in income taxes amounting to \$465 million Pesos (\$31 million Dollars).

## **GROSS GENERATION (WITHOUT EARNINGS ITEMS THAT DO NOT GENERATE CASH FLOW)**

The cumulative gross generation in 2013 was \$4.140 billion Pesos (\$329 million), showing a decrease of 20% versus that in the same period last year (12% lower in Dollars).

## EBITDA and Free Cash Flow

Periods	Second Quarter			January- June		
	2013	2012	% Var.	2013	2012	% Var.
EBITDA	3,254	3,953	-18%	5,951	6,891	-14%
Free Cash Flow	439	1,078	-59%	214	1,366	-84%

The company generated to June 2013, a free cash flow of \$214 million Pesos, \$1.152 billion Pesos lower than that in the same period last year (without considering M&A), mainly because in 2012 we had a benefit from tax reimbursement for \$826 million Pesos that we didn't have in 213 and because of the decrease in EBITDA.

## Balance Sheet

### NET WORKING CAPITAL

Net Working capital at the end of June 2013 was \$11.824 billion Pesos (\$908 million Dollars), 21% higher than at the end of 2012 (22% higher in Dollars), essentially as a result of the increase in accounts receivable due to the seasonality of the business, where the sales level in the first half are higher than the sales level of the fourth quarter of last year. It is worth to remark, however, that comparing similar periods in terms of days, there is an improvement in net working capital from 35 days at the end of June 2012 to 24 days at the end of June this year.

### DEBT

Financial debt at the end of June 2013 added up to \$2.301 billion Dollars while cash and cash equivalents were \$1.330 billion Dollars, resulting in a Net debt of \$971 million Dollars, which is higher in \$286 million Dollars than the reported at December 31, 2012 of \$685 million Dollars mainly because of the usage of cash to pay for the recent acquisition of the Specialty Resins Business (PolyOne) for \$250 million Dollars.

The net debt to EBITDA ratio of L12M is 0.99 times. It remains lower than the internal cap of 2 times. The net interest cover to EBITDA ratio is 9 times.

	Twelve months Pro forma	
	2013	2012
Net Debt US\$ MM	971	685
Net Debt/EBITDA 12M	0.99x	0.66x
Net Interest coverage	9.0x	3.9x
Outstanding Shares	2,100,000,000	2,100,000,000

### DEFERRED TAX

The net deferred tax represents a liability of \$4.367 billion Pesos (\$335 million), which is \$360 million Pesos (\$28 million Dollars) lower to the one at the end of 2012, equivalent to 8%. The tax is the result of the difference between the book and tax basis of fixed assets.

### EQUITY

Stockholders' equity as of June 2013 is \$41.854 billion Pesos, representing a decrease of \$592 million Pesos compared to December 2012. This is mainly due to a net change of \$560 million Pesos between the results for the six months of 2013 amounting to \$1.648 billion Pesos and a loss as a result of conversion of \$2.208 billion Pesos when converting the results of the group companies to a legal currency in Mexico.

### FOREIGN CURRENCY

The passive position in foreign currency in the balance sheet is \$1.621 billion Dollars at the end of June 2013, compared with \$1.374 billion Dollars at the end of June 2012. The company maintains a natural hedge as it generates a significant percentage of its sales in Dollars and Euros.

## Consolidated Balance Sheet

	Pesos in thousands		
	jun-13	dec-12	%
<b>Total assets</b>	<b>99,799,309</b>	<b>100,094,481</b>	<b>0%</b>
Cash and temporary investments	17,316,806	21,411,114	-19%
Receivables	14,051,518	12,039,857	17%
Inventories	9,374,300	9,735,301	-4%
Others current assets	1,686,927	1,655,617	2%
Long term assets	57,369,758	55,252,592	4%
<b>Total liabilities</b>	<b>57,945,309</b>	<b>57,648,714</b>	<b>1%</b>
Current liabilities	19,240,109	19,765,525	-3%
Long-term liabilities	38,705,200	37,883,189	2%
<b>Consolidated shareholders' equity</b>	<b>41,854,000</b>	<b>42,445,767</b>	<b>-1%</b>
Minority shareholders' equity	316,421	315,709	0%
<b>Majority shareholders' equity</b>	<b>41,537,579</b>	<b>42,130,058</b>	<b>-1%</b>

## Conolidated P&L

Pesos in thousands	January- June			Second Quarter		
	2013	2012	%	2013	2012	%
Net Sales	32,438,160	31,149,090	4%	16,967,527	17,634,003	-4%
Cost of Sales	22,735,797	20,848,330	9%	11,889,337	11,775,194	1%
<b>Gross Profit</b>	<b>9,702,363</b>	<b>10,300,760</b>	<b>-6%</b>	<b>5,078,190</b>	<b>5,858,809</b>	<b>-13%</b>
Operating Expenses	5,864,541	5,270,893	11%	2,863,302	2,945,030	-3%
<b>Operating Income</b>	<b>3,837,822</b>	<b>5,029,867</b>	<b>-24%</b>	<b>2,214,888</b>	<b>2,913,779</b>	<b>-24%</b>
Financial Cost	1,288,230	283,620	354%	965,032	818,672	18%
Other Expenses	(19,950)	(7,829)	155%	(13,144)	(7,829)	68%
<b>Income from continuing operations before income tax</b>	<b>2,569,542</b>	<b>4,754,076</b>	<b>-46%</b>	<b>1,263,000</b>	<b>2,102,936</b>	<b>-40%</b>
Income Tax	921,665	1,386,998	-34%	450,847	550,203	-18%
<b>Consolidated net income</b>	<b>1,647,877</b>	<b>3,367,078</b>	<b>-51%</b>	<b>812,153</b>	<b>1,552,733</b>	<b>-48%</b>
Minority Stock holders	22,176	15,182	46%	12,253	9,739	26%
<b>Majority stock holders</b>	<b>1,625,701</b>	<b>3,351,896</b>	<b>-51%</b>	<b>799,900</b>	<b>1,542,994</b>	<b>-48%</b>
<b>EBITDA</b>	<b>5,950,953</b>	<b>6,890,680</b>	<b>-14%</b>	<b>3,254,160</b>	<b>3,953,162</b>	<b>-18%</b>

## Operating Results by Chain

### INTEGRAL SOLUTIONS CHAIN

Integral Solutions Chain	Second Quarter			January- June		
	2013	2012	% Var.	2013	2012	% Var.
Net sales	10,002	9,148	9%	18,857	14,138	33%
Operating Income	866	996	-13%	1,312	1,662	-21%
EBITDA	1,367	1,392	-2%	2,315	2,300	1%
<b>Volumes &amp; Prices</b>	<b>Second Quarter</b>			<b>January- June</b>		
Total Volume	16%			35%		
Average selling prices	-6%			-2%		

Revenues of 1H13 totaled \$18.857 billion Pesos (\$1.502 billion Dollars), 33% higher than those in the same period of 2012 (42% more in Dollars) mainly because of Wavin's consolidation that in 2013 was for 6 months while in 2012 was only for 2 months. This increase was partially offset by Latin America revenues that were 7% lower when compared to those of 1H12 (2% less in Dollars) mainly because of the lack of release of resources for infrastructure projects in countries like Mexico, Colombia and others, driven by changes in local or federal government,

as well as because currency fluctuations. In Latin America some of the reductions in infrastructure projects were compensated by housing developments that continue to grow.

EBITDA during the first half of 2013 totaled \$2.315 billion Pesos (\$184 million Dollars), 1% higher than that achieved in 2012 (7% more in Dollars).

Operating income recorded during 1H13 was \$1.312 billion Pesos (\$104 million Dollars), 21% lower (16% lower in Dollars) than the \$1.662 billion Pesos (\$124 million) achieved in 1H12.

Furthermore, in the second quarter sales amounted to \$10.002 billion Pesos (\$802 million Dollars), which is 9% higher than the one achieved in the same period last year (19% more in Dollars), mainly because of Wavin's consolidation that in 2013 was for 3 months while in 2012 was only for 2 months. EBITDA for the quarter was \$1.367 billion Pesos (\$109 million Dollars) 2% lower than the second quarter 2012 (7% higher in Dollars).

Operating income of \$866 million Pesos (\$69 million Dollars) is lower by \$130 million Pesos (\$4 million Dollars lower) than that achieved in 2Q12.

Regarding 1H13 Wavin's figures, revenues were \$9.424 billion Pesos (\$751 million Dollars) from which \$5.160 billion Pesos (\$414 million Dollars) are from the 2Q13, while in the 2Q12 revenues from May and June amounting \$3.999 billion Pesos (\$291 million Dollars). Even that revenues in Europe remain low, the results for the second quarter improved significantly due to the restructuring efforts that have been taken. We expect these results to continue to get better. It is also important to understand that Wavin's results continue to be affected by restructuring costs.

## CHLORINE VINYL CHAIN

Vinyl - Chlorine Chain	Second Quarter			January- June		
	2013	2012	% Var.	2013	2012	% Var.
Net sales	5,790	6,757	-14%	11,138	13,417	-17%
Operating Income	792	1,019	-22%	1,564	1,900	-18%
EBITDA	986	1,245	-21%	1,964	2,354	-17%
Volumes & Prices	Second Quarter			January- June		
Total Volume	-6%			-15%		
Average selling prices	-8%			-3%		

At 1H13 the Chlorine-Vinyl Chain reported, total sales of \$11.138 billion Pesos (\$886 million Dollars), 17% below that in the same period in 2012 (13% less in Dollars). Revenues of the recently acquired Specialty Resins business of Polyone were \$154 million Pesos (\$12 million Dollars).

The accumulated EBITDA was \$1.964 billion Pesos (\$156 million Dollars), 17% lower than that reported in 2012 (12% less in Dollars). The consolidated EBITDA for Special Resins for the month was \$30 million Pesos (\$2 million Dollars).

The negative variation in sales is due to:

- i) Lower sales volume of caustic soda and PVC resin because of the non-recurrent shutdown of Pemex and PPG in the first quarter
- ii) A lower price for plasticizers and a lower demand of compounds in the cable market in the U.S. and lower phosphate sales

Operating income recorded during 1H13 was \$1.564 billion Pesos (\$124 million Dollars), 18% lower (13% less in Dollars) than the \$1.900 billion Pesos (\$143 million Dollars) achieved in 1S12.

It is worth mentioning that Pemex began normalizing operations at the end of March.

For the Second quarter the Chain reported sales of \$5.790 billion Pesos (\$461 million Dollars), 14% lower than that in the same period of last year (8% less in Dollars), and EBITDA of \$986 million Pesos (\$79 million Dollars), 21% lower than that in the same period of 2012 (14% less in Dollars) mainly because of lower phosphate and plasticizers volumes and a reduction in PVC volume because of a programmed shutdown of Mexico's facility to integrate its expansion. This expansion will increase the PVC resin capacity of the Mexico facility by about 180,000 Tons per year. There is a ramp up that started in June and will finish in November of 2013.

The 2Q13 operating income was \$792 million Pesos (\$63 million Dollars), which is 22% (16% less in Dollars), lower than the \$1.019 billion Pesos generated in the same period last year.

## FLUORINE CHAIN

Fluorine Chain	Second Quarter			January- June		
	2013	2012	%Var.	2013	2012	% Var.
Net sales	2,433	3,284	-26%	4,839	6,456	-25%
Operating Income	713	1,029	-31%	1,213	2,031	-40%
EBITDA	981	1,360	-28%	1,783	2,595	-31%
Volumes & Prices	Second Quarter			January- June		
Total Volume	-6%			-2%		
Average selling prices	-21%			-24%		

The Fluorine Chain reported cumulative sales of \$4.839 billion Pesos (\$386 million Dollars), 25% lower than that in the same period of 2012 (21% less in Dollars), and EBITDA of \$1.783 billion Pesos (\$142 million Dollars), 31% below the same period in 2012 (28% less in Dollars) mainly because of the price level of refrigerant gases, and acid grade fluorspar, which are lower than that in first half of last year.

Particularly in this semester our average price of acid grade fluorspar was lower than that in the same period of last year as a result of the customer mix to whom the company sold. Some of these customers have old contracts with fixed prices that do not reflect current market conditions. Some contracts have been renegotiated to reflect market prices but we are still working on some others. The benefit of these negotiations will start being realized in the second quarter of 2014.

Operating income for 1H13 was \$1.213 billion Pesos (\$96 million Dollars), is 40% lower than the same period of 2012 (37% less in Dollars).

In the second quarter the Chain reported sales of \$2.433 billion Pesos (\$196 million Dollars), 26% below those of second quarter of 2012 (20% in Dollars) and EBITDA of \$981 million Pesos (\$78 million Dollars), 28% lower than the same period in 2012 (22% less in Dollars), mainly affected by both the price level of refrigerant gases and the acid grade fluorspar.

## Internal Control

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Mexichem's bylaws provide for the existence of the Audit and Corporate Practices Committee to assist the Board of Directors in the performance of their duties, with this ensuring that mechanisms exist to determine the company's compliance legally and institutional provisions.

## Perspectives

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The expectations for the second half of 2013 confirm our target EBITDA for the year, which is a very similar result to the 2012, without considering the benefit the company had in the 3Q12 as it restarted operations sulfur mine Fluorine Chain.

For the Integral Solutions Chain, the restructure of Europe operations to adapt the business model to current market and economic conditions is progressing according to plan. During the first half of the year, we began to receive benefits, which we expect to be more significant in the second half of 2013. We remain conservative for our expectations for the European economy and we do not expect a recovery from it in the short or medium term.

We also expect that some infrastructure projects that during the first half of 2013 showed delays in Latin American countries will be reactivated in the second half of 2013; moreover we expect currency exchange volatility to continue in the markets we participate.

For Chlorine-Vinyl Chain we expect better results in the second half of 2013 for three main reasons. First: because we do not expect a Pemex shutdown. Second: because we will integrate the results of the specialty resin business we acquired from Polyone. And third: because we expect to start selling additional volume coming from our expansion in Mexico.

For the Fluorine Chain we expect refrigerant gas prices to remain stable at current levels, which imply a negative impact compared to 2012 levels. The benefit of the renegotiation of the Fluorspar and Hydrofluoric Acid contracts will be reflected as of the second quarter 2014, as

current contracts (at fixed price) expire allowing an increase in the average prices in the Chain. Nevertheless, we're still in negotiations of some of these contracts.

Regarding the proposed joint venture with Pemex we expect to initiate joint operations during the third quarter of 2013. This project is a breakthrough since it allows a total vertical integration in the Chlorine-Vinyl Chain by combining operations from Salt and Ethylene to PVC. Once joint operations start, we will start investing in the plant to increase the capacity from the current capacity of about 200,000 Tons to 400,000 Tons. This capacity increase will take about 2 years to be completed, but we'll begin to see partial capacity increases starting in the 10<sup>th</sup> month after the startup of the joint operations.

Concerning the Oxychem- Mexichem Joint Venture to install an Ethylene cracker in the United States we estimate that the final decision by the boards of both companies will take place in the 3Q13. Once the decision has been taken, the corresponding investments will also start. It will take us about two and a half years to complete the project and begin operations.

Vertical integration projects towards higher value added (Fluoropolymers and Fluoroelastomers) in Fluorine Chain are advancing. Given that the nature of this business leads to complex negotiations, we expect to have more clarity by the end of 3Q13.

The vertical integration strategies of the three business Chains, geographical diversity (operations in 39 countries) and a continuous focus on results emphasizing the competitive advantages helps to mitigate adverse macroeconomic conditions because of the vertical integration the volatility of upstream products is reduced while busting the growth of developing countries.

Formulating solutions and multiplying possibilities in all dimensions of what we call the triple bottom line (Economic, Social and Environmental) allows us to be closer to our markets and customers while going further in our geographic reach. Today more than ever we continue to contribute to the progress and improvement of the quality of life of people through growth and innovation in all areas of competence in which Mexichem participates directly or indirectly.

## **Significant events**

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In May 30, 2013 Mexichem completed the acquisition of 100% of the assets of the Specialty PVC Resins business of PolyOne. The acquired assets include two production plants and a R&D center in the United States. Moreover, the Company became the sole producer of specialty PVC resins with operations in North and South America. The amount of the transaction was \$ 250 million Dollars.

## Independent Analyst

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Currently, coverage analysis for Mexichem values is performed by different banking institutions and brokerage firms listed below:

- Banorte-Ixe
- Scotia Capital
- JP Morgan
- Invex Casa de Bolsa
- Bank of America Merrill Lynch
- BBVA Bancomer
- Citigroup
- Credit Suisse
- GBM-Grupo Bursátil Mexicano
- HSBC
- Grupo Santander
- Vector