



Stock information

Mexican Stock Exchange

Ticker: MEXCHEM*

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Tlalnepantla, State of Mexico, October 28th, 2013 - Mexichem, SAB de CV (BMV: MEXCHEM *) ("the Company" or "Mexichem") today reported results for the third quarter, ending September 30th, 2013. The figures are UNAUDITED and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All quantities are expressed in millions of Mexican Pesos. The information presented in this report regarding 3Q12 and cumulative to September 30th, 2012 has been adjusted in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" because during the third quarter of 2013 the Company initiated a restructuring process in the Fluorine Chain. The restructure process is integrated by two factors: i) an adjustment to our structure to adapt the business to current market conditions, and ii) a decision not to participate any longer in certain markets which conditions are not suitable to keep the operations. The operations of the markets from which we are withdrawing, are presented as discontinued operations in the figures of 2013 for a total of \$2.088 billion Pesos.

Consolidated Results

Consolidated Million Pesos	Third Quarter			January- September		
	2013	2012	% Var.	2013	2012	% Var.
Net Sales	17,090	17,437	-2%	49,528	48,586	2%
Gross Profit	5,346	5,834	-8%	15,048	16,135	-7%
Net Income	-618	1,291	N/A	1,030	4,658	-78%
Operating cash flow (EBITDA)	3,151	3,450	-9%	9,102	10,341	-12%
Free cash flow	581	-102	N/A	723	1,236	-41%

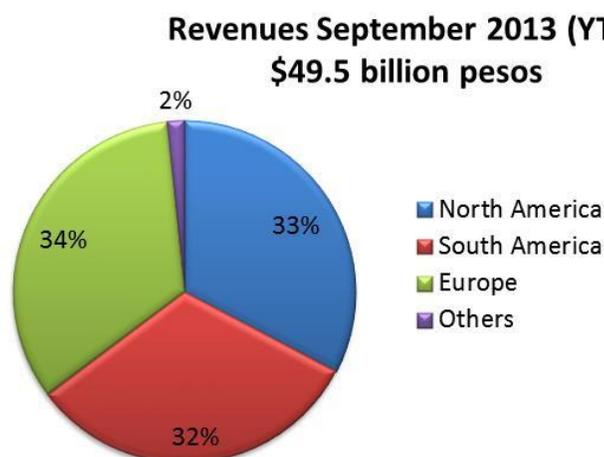
REVENUES

Cumulative sales to September 2013 totaled \$49.528 billion Pesos (\$3.904 billion Dollars), 2% (7% in Dollars) higher than the \$48.586 billion Pesos (\$3.661 billion Dollars) achieved in the same period of 2012. The increase was mainly because of Wavin consolidation which, during the first nine months of 2012 it was consolidated only in five of them (May through September) while in 2013 it was consolidated the entire period (\$14.975 billion Pesos of sales) and the inclusion of four operating months of the recent acquisition of the special PVC resins of Polyone with sales in these months for \$553 million Pesos. These increases were partially offset by lower sales in the rest of our chains mainly due to unscheduled shutdowns of PPG and PEMEX during the first months of the year affecting the chlorine-vinyl chain, lower sales in the refrigerants gases business affecting the fluorine chain and lack of release of funds for infrastructure by

governments in countries like Mexico, Brazil and some other Latin American countries affecting sales in the Integral Solutions Chain.

Sales for the third quarter are \$17.090 billion Pesos (\$1.322 billion Dollars), 2 % lower (0 % in Dollars) than 3Q12, mainly because of two factors: i) lower sales volume in the Chlorine-Vinyl Chain because of: a) the contraction in the Compounds market and b) some sales of chlorine and caustic soda became self-consumption within the Mexichem – Pemex joint venture, which had an effect in September of \$23 million Pesos, and ii) a reduction in the price of refrigerant gases because of an increased participation of China in the market, which has caused an excess in supply at lower prices affecting also the demand of its raw materials.

Sales by region are:



EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) as of September 2013 was \$9.102 billion Pesos (\$716 million Dollars), 12% lower than that in 2012 (8% lower in Dollars). This was mainly because of the Fluorine Chain that as mentioned before, has had a negative impact because of the refrigerant gases prices, and in a lesser proportion the extended shutdown of Pemex and the force majeure declared by PPG affecting the Chlorine-Vinyl Chain as well as the delays in infrastructure projects in Latin America discussed previously for the Integrated Solutions Chain.

The EBITDA / Sales margin to September 2013 was 18%, 3 percentage points lower than the 21% achieved in 2012, as a result of the events previously explained.

Regarding the third quarter, the EBITDA amounted \$3.151 billion Pesos (\$243 million Dollars), it was 9% lower (7% lower in Dollars) than that in same period of 2012, due mainly to the reasons already mentioned in the Fluorine Chain.

OPERATING INCOME

Operating income accrued to September 2013 was \$6.073 billion Pesos (\$477 million Dollars), \$1.458 billion Pesos (\$88 million Dollars) or 19% lower (16% lower in Dollars), than the \$7,531 billion Pesos (\$565 million Dollars) generated in the same period of 2012 due to the factors described above.

Operating income for the third quarter of the year was \$2.235 billion Pesos (\$172 million Dollars), 11% lower than that obtained in the 3Q12 (8% lower in Dollars).

FINANCIAL INTERESTS AND CURRENCY EXCHANGE PROFITS

As of September 2013 we reflected a net financial cost of \$1.496 billion Pesos, which compared to that obtained in the same period of 2012 of \$1.252 billion Pesos, reflecting higher expenditure of \$244 million Pesos, the variation is mainly due to:

- During the first nine months of 2013 an exchange loss of \$421 million Pesos compared to an exchange gain in 2012 of \$1.292 billion Pesos, resulting in a negative variation of \$1.713 billion Pesos. This variation is because in the 9 months of 2012 we faced a revaluation of the peso against the dollar of 8%, while in 2013 we faced a depreciation of 1%; while in 2013 the foreign exchange loss was due to the trade investments done during the period and due to an increase in the net liability position from the acquisition of the specialty resins business of PolyOne.
- The interest paid during the first nine months of 2013 added up to \$1.640 billion Pesos that compared to the \$2.905 billion Pesos paid in 2012 shows a decrease of \$1.265 billion Pesos, which is explained by the payment of a premium of \$877 million Pesos of interest as a result of the early partial cancellation of a Bond of \$350 million Dollars done in September 2012 and by the benefits generated from the swap we have between the Mexican peso denominated debt into euro denominated debt resulting from the acquisition of Wavin in 2013.
- The interest earned in 2013 was \$689 million Pesos, \$316 million Pesos more than that we had in the same period of last year as a result of the investments of the cash from the capital increase issued in October last year.

INCOME TAX

The income tax as of September 2013 was \$1.496 billion Pesos (\$118 million Dollars), 28% lower than that in 2012 (25% lower in Dollars). The decrease occurred as a result of lower income before tax, for the reasons explained in the previous paragraphs.

NET INCOME

Net income for 2013 added up to \$1.030 billion Pesos (\$84 million Dollars), was 78% lower than that in the same period of 2012 (76% lower in Dollars). The decrease of \$3.629 billion Pesos, is mainly due to: i) lower operating income of \$1.458 billion Pesos as explained in SALES and EBITDA and ii) the start of a restructuring process of the Fluorine Chain. The restructure process is integrated by two factors: i) an adjustment to our structure to adapt the business to current market conditions, and ii) a decision not to participate any longer in certain markets which conditions are not suitable to keep the operations up. The operations of the markets from which we are withdrawing, are presented as discontinued operations in the figures of 2013 for a total of \$2.088 billion Pesos.

Derived mainly from the records related to the restructuring process stated above and to the record of these operations as discontinued operations during the 3Q13 the Company recorded a net loss of \$618 million Pesos, a reduction of \$1.910 billion Pesos compared to net income in 3Q12.

GROSS PROFITS (WITHOUT CONSIDERING NOT GENERATE CASH FLOW ITEMS)

The cumulative gross profits in 2013 were \$6.249 billion Pesos, showing a decrease of 2% compared to the same period last year.

EBITDA and Free Cash Flow

Periods	Third Quarter			January- September		
	2013	2012	% Var.	2013	2012	% Var.
EBITDA	3,151	3,450	-9%	9,102	10,341	-12%
Free Cash Flow	581	-102	N/A	723	1,236	-41%

The company generated to September 2013, Free Cash Flow of \$723 million Pesos, \$513 billion Pesos less than the generated in same period last year (excluding investments in acquisitions), mainly due to the decrease in EBITDA.

Balance Sheet

NET WORKING CAPITAL

Working capital to September 2013 was \$12.310 billion Pesos (\$946 million Dollars), 30% higher than that at the end of 2012 (16% higher in Dollars) as a result of the normal

seasonality of the business. It is worth to mention that net working capital as of September 2013 is 32 days, similar to that in the same period of last year.

FINANCIAL DEBT

Financial Debt at the end of September 2013 added up to \$28.648 billion Pesos (\$2.202 billion Dollars) while the Cash and Cash Equivalents amounted \$15.818 billion Pesos (\$1.216 billion Dollars), resulting in a net debt of \$12.830 billion Pesos (\$986 million Dollars), which compared to the net financial debt at December 31, 2012, accounting \$8.909 billion Pesos (\$685 million Dollars), registered an increase of 44% mainly because of the use of cash to pay the recent acquisition of the Specialty PVC Resins business (PolyOne) for \$250 million Dollars and the debt payment of \$122 million Dollars.

The net debt to EBITDA ratio of LTM3Q13 is 1.1 times, lesser than the internal target limit of 2 times. The net interest coverage ratio is 9.0 times EBITDA.

	Twelve months Pro forma	
	2013	2012
Net Debt US\$ MM	986	685
Net Debt/EBITDA 12M	1.1x	0.7x
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 \$4.281 billion Pesos (\$329 million Dollars), \$445 million Pesos (\$34 million Dollars) less than the quantity recognized at the end of 2012, equivalent to 9%. The tax generation is mainly due to the difference between the accounting and tax basis for fixed assets.

EQUITY

Stockholders' equity as of September 2013 is \$44.693 billion Pesos, which represents an increase of \$2.247 billion Pesos compared to the equity in December 2012, these is mainly due to i) the profit of the period by \$1.030 billion Pesos, ii) equity contribution of minority shareholder from the JV with Pemex of \$2.993 billion Pesos, iii) net foreign exchange effect of \$1.050 billion Pesos and iv) Cash utilization for the buyback share program with a value of \$714 million Pesos.

FOREIGN CURRENCY POSITION

The currency exchange position is \$1.026 billion Dollars in September 2013, compared to \$1.471 billion Dollars in September 2012. The company keeps a natural hedge because it generates a significant percentage of its sales in Dollars and Euros.

Consolidated Balance Sheet

	Pesos in thousands		
	sep-13	dec-12	%
Total assets	102,834,705	100,094,481	3%
Cash and temporary investments	15,818,443	21,411,114	-26%
Receivables	14,542,998	11,998,855	21%
Inventories	10,125,058	9,476,591	7%
Others current assets	2,499,656	1,955,329	28%
Long term assets	59,848,550	55,252,592	8%
Total liabilities	58,142,035	57,648,714	1%
Current liabilities	20,606,474	19,765,525	4%
Long-term liabilities	37,535,561	37,883,189	-1%
Consolidated shareholders' equity	44,692,670	42,445,767	5%
Minority shareholders' equity	3,518,723	315,709	1015%
Majority shareholders' equity	41,173,947	42,130,058	-2%

Consolidated Income Statement

Pesos in thousands	January- September			Third Quarter		
	2013	2012	%	2013	2012	%
Net Sales	49,528,022	48,585,770	2%	17,089,862	17,436,680	-2%
Cost of Sales	34,479,681	32,451,185	6%	11,743,884	11,602,855	1%
Gross Profit	15,048,341	16,134,585	-7%	5,345,978	5,833,825	-8%
Operating Expenses	8,975,328	8,604,044	4%	3,110,787	3,333,151	-7%
Operating Income	6,073,013	7,530,541	-19%	2,235,191	2,500,674	-11%
Financial Cost	1,496,062	1,251,879	20%	207,832	968,259	-79%
Other Expenses	(36,171)	(20,936)	73%	(16,221)	(13,107)	24%
Income from continuing operations before income tax	4,613,122	6,299,598	-27%	2,043,580	1,545,522	32%
Income Tax	1,495,856	2,084,559	-28%	574,191	697,561	-18%
Income from continuing operations after income tax	3,117,266	4,215,039	-26%	1,469,389	847,961	73%
Discontinued operations	(2,087,741)	443,416	-571%	(2,087,741)	443,416	-571%
Consolidated net income	1,029,525	4,658,455	-78%	(618,352)	1,291,377	-148%
Minority Stock holders	22,176	15,182	46%	12,253	9,739	26%
Majority stock holders	1,007,349	4,643,273	-78%	(630,605)	1,281,638	-149%
EBITDA	9,102,335	10,340,864	-12%	3,151,382	3,450,184	-9%

Operating Results by Business Chain

INTEGRAL SOLUTIONS CHAIN

Integral Solutions Chain	Third Quarter			January- September		
	2013	2012	% Var.	2013	2012	% Var.
Net sales	10,407	10,430	0%	29,264	24,568	19%
Operating Income	923	1,002	-8%	2,234	2,664	-16%
EBITDA	1,435	1,460	-2%	3,750	3,761	0%
Volumes & Prices	Third Quarter			January- September		
Total Volume	-1%			20%		
Average selling prices	1%			-1%		

Cumulative sales through September of this year totaled \$29.264 billion Pesos (\$2.310 billion Dollars), a 19 % increase over the same period of 2012 (25% in Dollars), these is mainly due to the consolidation of Wavin which during 2013 was for nine months while in 2012 it was only for 5 months (May through September), an effect that was offset by a 5% decline in sales in Latin America compared to the same period last year (-1% in Dollars) mainly as a result of the delay in the release of investment for infrastructure projects in countries like Mexico, Peru and some other countries which had changes in local or federal governments, as well as the impact of foreign exchange rate fluctuations that were originated mainly in Brazil. In Latin America some reductions in infrastructure projects were offset by products for the housing market, in which we continue to grow.

EBITDA for the first nine months of 2013 totaled \$3.750 billion Pesos (\$294 million Dollars), in line with 2012 (4% more in Dollars).

Operating income recorded as of September is \$2.234 billion Pesos (\$175 million Dollars), 16% lower (13% lower in Dollars) than the \$2.664 billion Pesos (\$201 million Dollars) achieved in 2012.

In the third quarter, sales were \$10.407 billion Pesos (\$807 million Dollars), which are in line with those in the same period last year (2% higher in Dollars). EBITDA for the quarter was \$1.435 billion Pesos (\$111 million Dollars), 2% lower than that in the same quarter of 2012 (0 % in Dollars).

Operating income for the quarter was \$923 million Pesos (\$71 million Dollars), which is lower by \$79 million Pesos (or \$5 million Dollars) that the achieved in 3Q12.

Regarding the Wavin results accrued to September, sales reached \$14.975 billion Pesos (\$1.184 billion Dollars) of which in the 3Q13 were \$5.552 billion Pesos (\$432 million Dollars), while in 3Q12 a total of \$5.501 billion Pesos (\$418 million Dollars) was achieved.

EBITDA for 3Q13 was \$671 million Pesos (\$52 million Dollars) 21% more than that in the same period the previous year (23 % in Dollars), mainly because of the restructuring efforts. As mentioned before, the benefits will be more significant as the year progresses.

CLORINE-VINYL CHAIN

Vinyl - Chlorine Chain	Third Quarter			January- September		
	2013	2012	%Var.	2013	2012	% Var.
Net sales	6,056	6,246	-3%	17,195	19,663	-13%
Operating Income	789	698	13%	2,352	2,598	-9%
EBITDA	1,030	942	9%	2,994	3,297	-9%
Volumes & Prices	Third Quarter			January- September		
Total Volume	-7%			-12%		
Average selling prices	4%			-1%		

The Chlorine-Vinyl Chain reported as of September, total sales of \$17.195 billion Pesos (\$1.355 billion Dollars), 13% below that in the same period of 2012 (9% lower in Dollars). Sales from June through September of the Specialty Resins business that we acquired from PolyOne were \$553 million Pesos (43 million Dollars).

The achieved EBITDA was \$2.994 billion Pesos (\$236 million Dollars), 9% lower than that reported in 2012 (5% lower in Dollars). The Specialty Resins business that we acquired from PolyOne EBITDA was \$94 million Pesos (7 million Dollars).

The negative variation in the cumulative sales is due to:

- i) Lower sales volume of caustic soda and PVC resin because of the extended maintenance shutdown of Pemex and PPG in the first quarter
- ii) A lower retail price of Plasticizers and lower demand in Compounds market for the cable and wire applications in the U.S. and lower sales of phosphates.

Operating profit registered in September 2013 was \$2.352 billion Pesos (\$185 million Dollars), 9% lower (-5 % in Dollars) of the \$2.598 billion Pesos (\$196 million Dollars) achieved as of September 2012.

The Chain reported during the third quarter sales of \$6.056 billion Pesos (469 million Dollars), 3% lower than that in the same period last year (1% lower in Dollars) and EBITDA of \$1.030 billion Pesos (\$80 million Dollars), 9% higher than that achieved in the same period of

2012 (11% higher in Dollars). This growth comes mainly from the additional production volume resulting from the capacity expansion in our Mexico facility as well as from the Specialty Resins business that we acquired from PolyOne. As of September 11th, 2013 and as a result of the joint venture with Pemex, certain sales of chlorine and caustic soda become self-consumption which had an effect in the month of approximately \$23 million Pesos. It is important to highlight that since September this year, this business Chain will show lesser third parties sales of chlorine each quarter because this product will be used for the internal production of VCM; the intercompany VCM sales will be increasing according to the planed capacity increase but this revenues will be eliminated as intercompany.

Operating income of the 3Q13 was \$789 million Pesos (\$61 million Dollars), is 13% higher (15% in Dollars) than \$698 million Pesos (53 million Dollars) of the same period last year.

FLUORINE CHAIN

	Third Quarter			January- September		
Fluorine Chain	2013	2012	% Var.	2013	2012	% Var.
Net sales	1,849	2,050	-10%	6,687	8,507	-21%
Operating Income	639	666	-4%	1,852	2,697	-31%
EBITDA	725	830	-13%	2,508	3,425	-27%
Volumes & Prices	Third Quarter			January- September		
Total Volume	-10%			-4%		
Average selling prices	0%			-18%		

The Fluorine Chain reported cumulative sales of \$6.687 billion Pesos (\$529 million Dollars), 21 % lower versus that in the same period of 2012 (18% in Dollars) and EBITDA of \$2.508 billion Pesos (\$197 million Dollars), 27 % below the quantity achieved in the same period in 2012 (24% in Dollars). The EBITDA reduction is mainly due to a reduction of 22% in the price levels of refrigerant gases, and lower price of acid grade Fluorspar due to the mix of customers, it is worth mentioning that these effects don't show the price trend. Regarding the renegotiation of contracts with Fluorspar customers, we have managed to conclude some of them and we are in the negotiation process of others

Operating income as of September 2013 is \$1.852 billion Pesos (\$145 million Dollars), 31% less (28% less in Dollars) than that in the same period of 2012.

In the third quarter, the Chain reported sales of \$1.849 billion Pesos (\$143 million Dollars), 10% lower than those in the third quarter of 2012 (down 7% in Dollars) and EBITDA of \$725 million Pesos (\$56 million Dollars), 13% lower than that obtained in same period of 2012 (12% in Dollars) as a result of the reasons stated above and intensified by the impact of the business restructure initiated in the quarter.

Internal Control

Mexichem's bylaws foresee the existence of the Audit and Corporate Practices Committees to assist the Board of Directors in the performance of their duties. By doing so, it is ensured that mechanisms to determine the company's compliance with legal and institutional provisions exist.

Forward-looking

In the **Fluor Chain**, we expect a fourth quarter with stable prices for Fluorspar and Refrigerant Gases, volume wise we expect volume to behave according to regular seasonality. Given these prices and volumes, we expect a lower fourth quarter than the previous year for the Chain.

Chinese competition is the reason for the low level of refrigerants gases prices, because of this, we have begun a law suit process for unfair trade practices against them for the U.S. market, and we expect a positive conclusion of this demand in early 2Q14.

We continue with the vertical integration projects towards more value added products (FluoroPolymes and FluoroElastomers) but given their nature its progress has been slower and we expect to have a better definition by the end of 1Q14. Given the new market conditions because of the unfair trade practices from China, is very likely that the industry will face a consolidation process, in which case, Mexichem is very well positioned because of its integration to the Fluorspar. For 2014 our expectations include organic growth enhanced by Mergers and/or Acquisitions

Regarding **Integral Solutions Chain**, the restructuring process for the European operations to adapt the business model to both current market and economic conditions has progressed according to plan. Because of this development, we have seen increased economic benefits as the year progresses, and we expect that the benefits will be more significant in the last quarter of the year and therefore we will see significantly superior results than that achieved in the same period last year. Our economic expectations for Europe remain conservative; however, is worth to mention that we have seen signs of recovery in some of the countries in the region.

In Latin America, the currency exchange has been an important factor for our Integral Solutions operations especially in Brazil, and we expect it to remain in the last quarter of the year. In countries like Mexico, Brazil and Peru we expect a recovery in the infrastructure projects starting in 2014.

In the **Chlorine-Vinyl Chain**, the joint operations of the strategic alliance with Pemex Petroquímica begun in September. This strategic alliance that will not show economic benefits until the completion of the stages of the capacity expansion to reach 400 thousand tons of VCM per year (from the current about 200 thousand tons); this is a project of the major importance in the vertical integration strategy as the Chain is now integrated from the salt and gas (ethane) to the PVC resin and fluid conduction systems. We expect the results for the last quarter of 2013 to be better in PVC resin but they will be affected because of the scheduled maintenance turnaround for the Pajaritos facility will take place in November which means lesser Chlorine and

Caustic Soda revenues. This turnaround is critical given the poor conditions of the VCM plant. Because of the above, we expect very similar results to 2012.

The project for the construction of an Ethylene Cracker in U.S. in a joint venture with OxyChem has had significant progress and we will soon be able to share news about it.

Given this, the expected consolidated results for 2013 are moderately lower compared to those in 2012 primarily as a result of the impacts in the Fluor Chain; these effects will not manage to compensate by the growth of Chlorine-Vinyl Chain and Integral Solutions Chain.

Vertical integration strategies of the three Chains, geographical diversity (operations in 39 countries) and focus on results, emphasizing the competitive advantages that help mitigate the adverse macroeconomic conditions because the vertical integration decreases volatility in upstream products while boosting 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 and at the same time, go further in our geographic footprint. 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.

Relevant events

- September 11, 2013 Mexichem and PEMEX Petrochemicals formalized the joint venture which will enable greater competitiveness of the domestic petrochemical industry in the global market through the integration of a new company in order to create value in the Chlorine-Vinyl Chain. Through this strategic alliance, the Chlorine-Vinyl Chain (Salt - Ethylene through PVC resin and Fluid Conduction systems) will be fully vertically integrated in Mexico. As a result the Mexican industry will be competitive compared with the U.S. industry because of the benefits of the Shale Gas revolution. Pemex Petroquímica contributions include an Ethylene Cracker, an EDC and VCM plant, two cogeneration units and a maritime position; Mexichem contributions include a salt deposit, the Caustic Soda/Chlorine plant in Coatzacoalcos and 200 million Dollars for the expansion of the existing capacity of VCM from its current close to 200 thousand tons per year to reach the name plate capacity of 400 thousand tons per year
- In order to adjust the business to the current market conditions, the Fluor Chain begun a restructure process in certain operations, which are presented as discontinued operations for a total of \$2.088 billion Pesos. In order to make these operations comparable with the previous years, and in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" figures were reformulated in the financial statements.

Independent Analyst

Currently, the analysis coverage for Mexichem figures is performed by different banking institutions and brokerage firms, which are 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