



- The Fluent Group's Latin American business, which did a fantastic job compensating in large part for the weakness of Brazil and currency devaluations ;and
- Increased volumes in higher margin products in Fluor

This performance is especially noteworthy in that it took place under very difficult and even volatile market conditions, primarily caused by currency headwinds and wide swings in the price of oil. Managing through this period has been a real challenge, and I believe we have succeeded to a large extent because of the key strategic themes that are resonating across the 34 countries in which Mexichem operates today. These themes revolve around our strategic priorities, including increasing vertical integration and building a portfolio of specialty products. .

Several of these focus areas played out to benefit our fourth quarter results. Specifically, our Fluent Business Group was able to post 26% year-on-year EBITDA growth reflecting strong operating performance in each of our key geographic markets: Latam, Europe and the U.S.—and this was EBITDA growth in dollar terms, which was not easy considering that the Latam and European currencies suffered significant depreciations against the US Dollar on a year-over-year basis in Q4. . From an operating standpoint, we were comparing against a relatively weak Q4 last year for Fluent, when we began experiencing the impact of currency devaluations, we moved our Venezuela operation from an exchange rate of 6 to 12 and our Dural-Line acquisition was just in the early stage of being integrated into the Mexichem organization.

Fast forward one year, however, and the picture is quite different. Dura-Line has brought a specialty product portfolio to Mexichem that serves the growing demand for data delivery, we have taken steps to streamline Fluent' s European operations by eliminating unprofitable commodity product lines, we have restructured our business in Brazil to be able to navigate through the next few years of economic contraction, , our Venezuelan operation is now truly representative of its relative impact on our results, and we have continued to expand our cross selling activities within and among regions.

In fact, we have tapped the former President of Dura-Line, who is also head of Mexichem's U.S. regional operations, Paresh Chari, to take on the role of President of our entire Fluent Business Group, with the mandate of increasing revenue and operating synergies across regions and expanding the Fluent product portfolio in new markets where Mexichem has existing operations. So, there are a lot more positive developments on the horizon for Fluent.

Our Vinyl Business Group was also comparing against a weak fourth quarter in 2014 but for different reasons. Last year, price volatility and shortages in ethylene and VCM caused us to have higher input costs, and we were continuing to overhaul the PMV plant. In this year's fourth quarter, there was a 180 degree turn of events. We had significantly lower input costs and lower electricity expenses, enabling us to show a substantial year-over-year improvement in EBITDA margin of almost 600 basis points, despite intense pricing pressure. And, our PMV joint venture performed above our expectations, ending the year at a production level of 177,000 tons, up 68% year-on-year. In this year's fourth quarter, we owned Vestolit for the entire period, while last year it was only consolidated for one month. This has been another excellent acquisition for Mexichem, adding a wide range of specialty products and importantly, bringing us the industry's latest and most efficient technologies, which we plan to roll-out over time across our worldwide operations. Also Vestolit

plays a very important role in hedging Mexichem's geographic exposure and raw material costs. In summary our Vinyl business delivered a strong performance in the fourth quarter and we continue to believe that the PVC cycle is at its lowest point and should start recovering in the next few years. Having read some of the initial comments from analysts I would like to give some more color on the vinyl business results. Our Vinyl group is made up of five different businesses, Commodity resins, Specialty resins, compounds, chlorine-caustic, and phosphates. The chlorine-caustic and phosphates businesses are relatively small and they both performed below our expectations in 2015. On the other hand our compounds and commodity resin business performed slightly better than expected for the quarter and the year showing healthy Ebitda growth. Finally Specialty resins, which includes Vestolit performed around 20% better than we expected at the beginning of the year. The main reason for this great performance is that as oil prices come down, Naphta based petrochemicals become more competitive. So in some way Vestolit is serving as a hedge for lower oil prices. For the whole year the Vinyl business was only about 2% higher than our original internal budget. It is important to mention that the ethane based VCM-PVC margin has been coming down for the last 3 years in this business. Oil prices accelerated this trend in 2015. That is why we believe we are at the bottom of the PVC cycle, margins have been coming down, there is no significant capacity being built globally and demand continues to grow. Going forward it is difficult to predict when the margins will rebound, but the internal work on costs we have done is allowing us to deliver good margins even at this level. So once we achieve 90% integration into ethylene in the vinyl business with our ethylene cracker we should be in a great position to perform in the low cycles and deliver outstanding performance when the PVC cycle turns.

Fourth quarter EBITDA results in our Fluor Business Group were below last year's, in part because we recognized a higher one-time benefit in the 2014 fourth quarter, but mostly because the fall-off in demand for metallurgic fluorspar from steel industry customers. At the same time we have made progress in diversifying our customer base for fluorspar. We have experienced early success in gaining traction with cement industry customers and are moving forward to expand our penetration of this and other end markets in the periods ahead. I am convinced that the slowdown in the steel industry opened our eyes to a whole new dimension for our fluorspar markets and that in the short term we will see significant progress in new markets. Therefore, rather than being concerned about the low volumes we had in the fourth quarter, which were expected, I am really pleased about the opportunities we are creating for our flour business. Keep in mind that despite lower EBITDA performance in the fourth quarter, our EBITDA margin in Fluor was a healthy 51%.

Looking at full year 2015, it was unquestionably a period of very positive results for Mexichem. On a reported basis, we had 10% EBITDA growth on a 3% revenue increase; on a constant currency basis, this translates to 37% EBITDA growth on a 6% revenue increase. This performance illustrates the increasing resilience that Mexichem has gained from broadening our operations and focusing on margin expansion over volume growth.

When we announced the Dura Line and Vestolit acquisitions in the second half of 2014, we made certain projections with respect to their contributions to Mexichem's EBITDA in the first twelve month period after closing. For Vestolit the additional EBITDA was estimated to be \$30 to \$35 million Euros. I am pleased to report that at the one-year mark, their EBITDA contribution was € 39 million.

Dura-Line's EBITDA was projected at \$65 to \$70 million, and I am pleased to say that they reached \$77 million at the one year anniversary date, and this is despite the fact that about 27% of their portfolio serves the oil industry in the U.S. These achievements took place within a very tough business environment and speak to the quality of the organizations that we acquired and the strategic rationale behind the transactions. Before I ask Rodrigo to comment on our financial performance for the fourth quarter and full year, I would just like to make a couple of comments. First, we could not have posted these solid results without the support of a disciplined financial strategy. After acquiring Vestolit and Dura-Line we entered 2015 with a net debt to Ebitda ratio at the high end of our internal guidelines. . At the same time 2015 was the most challenging year in terms of capex we have ever experienced, so the management team got together and committed to financing our needs by reducing working capital. In 2015 we reduced our working capital by 319 Million Dollars compared to 2014 . While there is still work to do, there are much fewer opportunities to reduce working capital from here. Also as we switch gears, especially in Europe, from eliminating unprofitable products to growing the business, our working capital needs will increase. Nonetheless I am extremely proud of the work done by the entire Mexichem team. Reducing working capital not only generates cash but probably more importantly our working capital is extremely healthy in terms of inventory aging and accounts receivables.

Also, we have kept our word on capital investments, moving ahead with fast-return projects and preventive maintenance, while at the same time rigorously analyzing the expected returns on longer term investments. And, I am pleased to report that we succeeded in lowering our Net Debt to EBITDA ratio to 1.88, which is ahead of the projections we made after announcing the Vestolit and Dura Line acquisitions.

I would now like to turn the call over to Rodrigo Guzman, our Chief Financial Officer, for a detailed financial review. Rodrigo.....

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**Rodrigo Guzmán Perera: CFO**

Thank you, Antonio. This was an impressive fourth quarter for Mexichem and represented a strong finish to 2015, in which we outperformed our initial expectations thanks to a disciplined approach to every facet of our business.

As Antonio noted, fourth quarter 2015 results were impacted by two main factors that were beyond our control, namely the continuity in the revaluation pad of the US dollar against almost all the currencies globally and lower PVC sales prices. However, despite these headwinds, we were able to report a significantly higher EBITDA compared to the similar period last year and a substantial expansion in consolidated EBITDA margin.

In discussing our fourth quarter 2015 results in greater detail, and commenting on our year-end results, I think it is important to emphasize that EBITDA margin expansion is, and has been a cornerstone of our financial strategy. Thus, I am pleased to report that even when sales declined 3% during the quarter due to the FX factor and lower PVC sales prices, our consolidated EBITDA increased by 30% in the fourth quarter compared to the same period last year, and that our consolidated EBITDA margin expanded by just over 400 basis points to 16% from 11.9%.

Fourth quarter 2015 revenues were \$1.3 billion, a decline of 3% year-on-year, after the effect of a \$119 million revenue reduction related to the appreciation of the U.S. dollar against most other currencies in the world. Without this effect our revenues would have been \$1.4 billion up 6% from the fourth quarter of 2014.

Looking at the fourth quarter revenue highlights for our three business groups, we saw Vinyl leading the way in terms of growth, posting a 17% increase in revenues to \$506 million on 43% volume growth, which gives you a clear picture of the intense pressure on sales prices. The Vinyl Group's performance was driven mainly by the continued consolidation of Vestolit, lower input costs and increased VCM production, which contributed to a 78% increase in PMV sales. These factors together more than offset the impact of lower PVC resin prices.

Our Fluent Business Group reported \$711 million in total sales, representing a year-on-year decline of 13% for the fourth quarter, but those figures includes negative foreign exchange impacts of \$72 million and \$39 million from Fluent LatAm and Europe respectively to aggregate \$111 million. On a constant currency basis, Fluent's revenues would have been flat when compared with the fourth quarter of 2014 in \$822 million.

The Fluor Business Group reported total sales of \$115 million, down from \$132 million year-on-year. This was mainly the result of weaker demand for metallurgic fluorspar.

As a result of the Vestolit and Dura-Line acquisitions, Mexichem's presence in North America, and Europe increased significantly in 2015. North America now accounts for 39% of consolidated sales, up 200 basis points from 2014 levels. The U.S. alone represents 16% of total sales, 400 basis points ahead of year-end 2014. Europe increased 300 basis points to 35% from last year 32%. Breaking out certain key countries, Brazil represented approximately 7% of total sales and 4% of EBITDA, while the U.K. and Germany represented 8% and 11% respectively.

Consolidated EBITDA for the fourth quarter of 2015 increased 30% to \$208 million and EBITDA margin expanded over 400 basis points to 16% driven by Vinyl and Fluent EBITDA expansions of 965 basis points

and 365 basis points respectively. Margins in Vinyl grew from 6 to 12% and in Fluent from 8.1 to 11.7%. This strong EBITDA performance was driven mainly by lower raw material costs, the improved performance of PMV and the full year inclusion of Vestolit and Dura- Line. It is worth mentioning that these EBITDA results were obtained regardless of the headwinds related to the US dollar appraisal against the rest of the currencies in the world that impacted our 4Q15 EBITDA by \$11 million dollars. On a constant currency basis, our EBITDA would have increased an impressive 37% compared to 4Q14.

Operating income for the fourth quarter of 2015 increased to \$108 million and operating margin expanded 449 basis points to 8%. In addition to the factors I just mentioned, operating income benefited from lower depreciation & amortization costs tied to FX conversion in Fluent Europe and Brazil where the functional currency is local, and a change in the useful life of assets related to a revamping process at PMV's Pajaritos complex.

In the quarter, our financial costs declined 42% to \$60 million, as a result of lower exchange rate losses related to the variations in monetary active and/or passive positions in those operations where the functional currency is different from the one in which those positions are denominated.

Our effective tax rate for the fourth quarter declined by 17% compared to the fourth quarter of 2014. This resulted from lower current taxes due to a reduction in the income tax provision and a reduction in the mining tax provision. Our deferred taxes for the quarter were much lower than what was recorded in 2014, due to an exchange rate effect in 2014 that did not occur in 2015.

Mexichem reported an income from continuing operations of \$45 million, compared to a loss of \$39 million in the same quarter last year. This significant year-over-year positive swing was caused by the factors I previously mentioned. In the fourth quarter of 2015, Mexichem categorized \$49.9 million as discontinued operations explained by the closure of one plant and the "discontinue operation" categorization of a JV participation in its Fluor business Group.

For full year 2015 revenues increased 3% to \$5.7 billion, driven by both organic and acquisition growth. On a constant currency basis, full year revenues would have increased 13%. Reported EBITDA for 2015 increased 10% to \$905 million. We incurred a non-operating loss of \$44 million, \$21 million of which was the result of the peso-denominated cost hedging strategy at the Fluorspar mine. On a constant currency basis, EBITDA would have been \$966 or 18%. Further excluding restructuring charges, EBITDA would have increased 20%

or \$158 million.

Full year EBITDA performance benefited from the expansion in Vinyl and Fluent where EBITDA margins increased by 327 and 188 basis points, respectively. The Fluor Business Group maintained its EBITDA margin at 40%.

Operating profit for 2015 increased 24%, to \$509 million from \$410 million in 2014, resulting from the factors previously explained plus lower depreciation and amortization costs I mentioned earlier. Full year 2015 income from continuing operations increased 61% to \$181 million.

Turning now to the balance sheet, I want to highlight one of the most impressive and important achievements Mexichem had during 2015 which was the working capital management. As we mentioned to our investors at the beginning and during the year, 2015 was a peak CAPEX year in Mexichem's history, due to the agreements we made in 2013 when we began our JV's for the construction of the 550 thousand tons Ethylene cracker in Texas and the revamp of our PMV's Pajaritos plant. We had guided to having a Net Debt to EBITDA ratio below 2 times by the end of this year, and we are pleased to have even improved more, ending the year at 1.88 times thanks to effective working capital management. During 2014 and 2015, Mexichem extracted, on a pro-forma basis, \$319 million from its working capital in 2015, which has enabled us to reach a total equity investment in the Ingleside cracker of \$325 million.

In the fourth quarter of 2015 capex was \$199 million, \$85 million of which was invested in the ethylene cracker, \$19 million in PMV and \$95 million in organic projects.

For full year 2015, operating cash flow before capital expenditures increased by 27% or \$193 million year-on-year from \$703 million in 2014 to \$896 in 2015. Operating cash flow before capex to EBITDA reached 99% compared to 86% in 2014. Total CAPEX during 2015 was \$666 million, \$325 million of which was invested in the ethylene cracker, \$65 million in PMV and \$276 million in organic projects.

For 2016 as Antonio already said and taking into account the actual volatility the world is facing, the most likely consolidated results that our models are showing gave us a mid single digit organic EBITDA growth for 2016 while we are expecting a total CAPEX for around \$600 million dollars. It is important to mention that at this point in time we are analyzing a possible additional CAPEX in PMV that could add up no more than \$100 million. The majority of the \$600 million would be related to both JVs and the rest for organic growth and maintenance.

We are very pleased with our operating and financial performance for 2015, and will work to continue our track record of delivering stable, long-term growth, utilizing a disciplined financial strategy and a staying

vigilant to respond to any changes in macroeconomic conditions.

Thanks for your attention and now I would now like to turn the call back over to Antonio for his closing remarks, Antonio?

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**Antonio Carrillo Rule- CEO**

Thank you Rodrigo.

The foundation is in place for Mexichem to continue to grow and increase returns on our expanded asset base. In 2016, however, there are significant challenges ahead, most notably, currency fluctuations, global economic conditions, and pricing pressures on resins and other commodity products. We understand these challenges and I am convinced that flat, agile, decentralized organizations will be able to navigate these turbulent times and take advantage of the opportunities that arise. That is the type of organization we have been building at Mexichem.

We also have a lot going for us. To name a few points,

- One, we are in the process of rolling out our new organic growth model, using our current structure to accelerate cross selling among business groups. .
- Second, the geographic, product and raw material diversification we have achieved with our two recent acquisitions reduces the volatility of our results.
- Third, the visibility on PMV's VCM production has improved greatly, and we should reach a production rate of 1,000 tons per day by 4Q of 2016, bringing us to a run-rate of 330,000 tons per year. Also, our ethylene cracker joint venture with OxyChem is expected to be operational on schedule and fully ramped in the 2017 first quarter. While at current prices, our short term returns on this project are lower than a year ago, when fully ramped the cracker and PMV together, will make our Vinyl Group 90% vertically integrated, achieving a key element of our strategic plan. The main goal of this investment was to make our PVC production one of the most cost efficient in the world. To measure the true value of the cracker we have to measure the margin now from ethane to PVC, and the cracker truly makes a huge difference.

As we move ahead in 2016, we have further challenged our organization to focus on a key metric. Increase companywide returns. We turned the corner on this trend during 2015 and based on current assumptions we will continue to improve in 2016. However the real change should come once the Ethylene cracker in Texas starts adding to Mexichem's results in 2017.

We will use the same formula that we used to achieve our working capital objectives to improve returns: focus, communicate and compensate based on this metric.

I am extremely proud of the results our organization was able to deliver in 2015 given the volatile environment under which we operated. I am also sure that the team we have built and the structure we are

creating will be able to deliver a good performance in a 2016 which will probably be as challenging as the previous year. As you know there is a significant amount of uncertainty, oil prices, currencies, demand in China, Health of the US economy, etc. So in this scenario we spent a significant amount of time modeling our results for the year. Most of the modeling we have done tells us that we should expect all of our business to post EBITDA growth in 2016 compared to 2015 , with the most likely consolidated result being mid-single digit organic growth in Ebitda, based on current conditions.

The progress we have made on our long term strategy will be consolidated during 2016. The new growth model will be rolled out this year and should help us not only create new opportunities for our products but identify potential opportunities that should arise from the volatility in the markets we participate in. Mexichem is in a great operational and financial position to navigate these difficult times while at the same time take advantage of the opportunities that will start emerging in the near future.

**I will not turn the call over to the operator for questions.**

## **ABOUT MEXICHEM**

*Mexichem is one of the worldwide leader in plastic pipes, and one of the largest chemical and petrochemical companies, with more than 50 years of experience in LatAm. The Company contributes to the development of the countries by delivering an extended portfolio of products used in high growth sectors such as infrastructure, housing, telecommunications, drinking and potable water in Mexico, the USA, Europe, Asia, Africa (South Africa), Middle East (Oman), and LatAm. The Company has annual revenues of US\$5.7 billion, and has been traded on the Mexican Securities Exchange for more than 30 years.*

### **Forward-looking Statements**

*In addition to historical information, this press release contains "forward-looking" statements that reflect management's expectations for the future. The words "anticipate," "believe," "expect," "hope," "have the intention of," "might," "plan," "should" and similar expressions generally indicate comments on expectations. The final results may be materially different from current expectations due to several factors, which include, but are not limited to, global and local changes in politics, the economy, business, competition, market and regulatory factors, cyclical trends in relevant sectors; as well as other factors that are highlighted under the title "Risk Factors" on the annual report submitted by Mexichem to the Mexican National Banking and Securities Commission (CNBV). The forward-looking statements included herein represent Mexichem's views as of the date of this press release. Mexichem undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law."*

*Mexichem has implemented a new Code of Ethics that rules its relationships with its employees, clients, suppliers and general groups. Mexichem's Code of Ethics is available for consulting in the following link: [http://www.mexichem.com/Codigo\\_de\\_etica.html](http://www.mexichem.com/Codigo_de_etica.html) Additionally, according to the terms contained in the Securities Exchange Act No 42, Mexichem Audit Committee established a mechanism of contact, which allows that any person that knows the unfulfilment of operational and accounting records guidelines and lack of internal controls of the Code of Ethics, from the Company itself or from the subsidiaries that this controls, file a complaint which is anonymously guaranteed. The whistleblower program is facilitated by a third party. The telephone number in Mexico is 01-800-062-12-03. The website is <http://www.ethic-line.com/mexichem> and contact e-mail is [mexichem@ethic-line.com](mailto:mexichem@ethic-line.com). Mexichem's Audit Committee will be notified of all complaints for immediate investigation.*

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