TO OUR **SHAREHOLDERS**

CYDSA progressed in improving competitiveness and strengthening the base for profitable growth by capitalizing on both the current Business positions and new areas of opportunities.

It is a pleasure to report that in 2015, CYDSA completed an important phase of a strategy to significantly increase competitiveness and establish the base for medium and long term growth in the Group's Business Portfolio. Projects implemented the previous year, benefited 2015 operations, lessening the impact of negative economic conditions observed during most of the year in both domestic and international markets. 2015 results reported higher peso Sales and Operating Cash Flow (EBITDA[1]), but reductions in US dollar terms due to the Mexican peso depreciation against the US currency. Despite unfavorable market conditions, the implementation of projects for strengthening CYDSA continued.

Three 2015 achievements, summarized below, improved the Group's medium and long term growth potential.

- **Completion of a state of the art Chlorine, Caustic Soda and Chemical Specialties Plant.**

  In 2013, to improve the Competitive and Growth Capabilities of the Chlorine-Caustic Soda Business Unit, the Group initiated a project for the design and construction of a "state of the art" chlorine, caustic soda and chemical specialties plant located in Garcia, state of Nuevo Leon.

  During December 2015, with construction virtually completed, startup tests began. Projected annual production capacities total 60,000 tons of chlorine and 68,000 tons of caustic soda. After the first quarter of 2016, more than half of CYDSA's output of chlorine and caustic soda will emanate from energy efficient operations, with a positive impact on the ozone layer and with no mercury footprint.

1. Operating Cash Flow or EBITDA refers to Profits before Comprehensive Financing Result, Income Taxes, Discontinued Operations, Depreciation and Amortization. EBITDA is equivalent to Operating Profit plus non-cash items.

TOMAS GONZALEZ SADA
Chairman of the Board and
Chief Executive Officer

- **Construction of the Electricity and Steam Cogeneration Business Unit's Second Plant.**

  For several Group businesses, electricity and natural gas represent basic and high cost elements. As a result of recent changes in Mexican regulations, in March 2014 CYDSA initiated operations in the Energy Industry. The initial plant, in Coatzacoalcos, state of Veracruz, simultaneously generates electricity and steam from natural gas.

  On October 2014, development started in Coatzacoalcos, Veracruz, for a second Cogeneration plant with the same design as the initial facility, 57 megawatts of electric power and steam capacity for 660,000 annual tons. The construction of this second plant essentially concluded in December 2015. Generation of electricity and steam will initiate in the second quarter of 2016 and cover energy requirements for the new Chlorine-Caustic Soda Plant located in Garcia, Nuevo Leon.

  Following the addition of this plant, CYDSA will directly provide all electricity and steam for its Coatzacoalcos plants. Capability also exists for covering the electricity requirements for Group facilities in other cities with transfers through the Federal Electricity Commission (CFE) distribution network. Additional electricity will be available for sale to other users based on applicable regulations.

- **Initial Project for LPG Underground Storage.**

  In December 2014, CYDSA announced a contract with Pemex Gas and Petroquimica Basica, for developing an Underground Storage facility for Liquid Propane Gas (LPG) in a brine extraction well. The project represents a first for Mexico and Latin America.

  The initial phase of the Project, adjusting the salt cavern formation to the characteristics required for liquid hydrocarbon storage, concluded in September 2015. The construction of surface facilities, capable of injecting, extracting and transporting LPG, started in November 2015, with initial service programmed for May 2017.

The completion of the Chlorine-Caustic Soda Plant in Garcia, Nuevo Leon and the second Cogeneration operation in Coatzacoalcos, Veracruz, along with other complementary projects, substantially concludes the capital investments program for Competitiveness and Growth approved by the Board of Directors. This five-year program, with projects totaling over US$380 million, increased production and distribution capacity, updated technology, improved manufacturing processes as well as developed several new businesses.

CYDSA's management recognizes the progress in improving competitiveness and strengthening the base for profitable growth by capitalizing on both the current Business positions and new areas of opportunities. The Group now possesses the capabilities to maximize the potential of the capital investments on Competitive and Growth Projects, reinforcing the Business Portfolio and offering improved prospects for Shareholder Value Creation.

The following chapters describe 2015 achievements and results[2]:

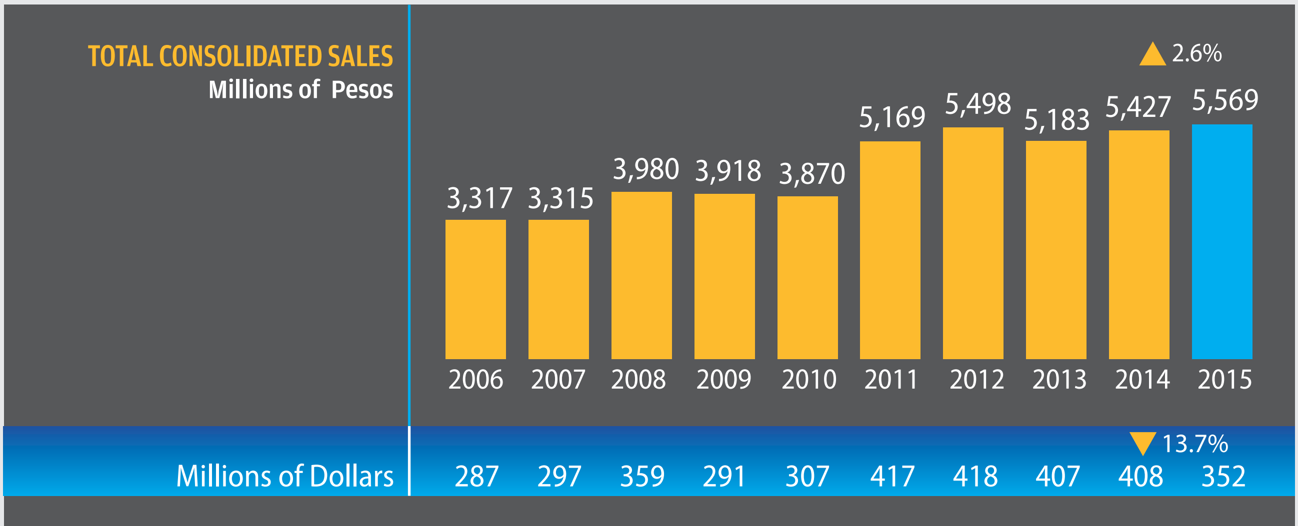
- **Sales and Income.**
- **Operating Cash Flow (EBITDA).**
- **Financing Sources.**
- **Cash Flow.**
- **Outlook.**

2. Unless otherwise stated, figures from 2008 to 2015 are expressed in current pesos, while 2007 and preceding year numbers are expressed in pesos with purchasing power as of December 31, 2007 (constant pesos). Foreign exchange figures are expressed in US dollars.

Sales and Income [3]

Domestic Sales of 5,196 million pesos increased 3.3% from 5,032 million in 2014. Lower volumes of refrigerant gases and acrylic yarn reduced the positive effect of higher salt, chlorine and caustic soda shipments. In international markets, exports of US$24 million primarily covered refrigerant gases and represented 6.8% of total sales, similar to the prior year.

Total 2015 Consolidated Sales of 5,569 million pesos increased 2.6% from 5,427 million in 2014, as shown in the following chart. The Economic Environment section of this Report (page 21), notes the 15.87 pesos per dollar average exchange rate in 2015 depreciated 19.2% from the previous year's 13.31. Consequently, **CYDSA's 2015 Consolidated dollar Sales of US$352 million decreased 13.7%** from US$408 million in 2014.



Note: To provide comparability, figures exclude all Divestitures and Discontinued Operations.

2015 Operating Profit[4] of 820 million pesos, 14.7% of Sales, increased 10.7% from the previous year's 741 million, 13.7% of Sales. Higher salt volumes to new markets and savings on energy cost derived from electricity-steam cogeneration exceeded additional depreciation charges related to the new Capital Investments for Competitiveness and Growth Projects.

3. In accordance with Mexican Stock Exchange regulations, since 2012 all investor financial reporting must adopt International Financial Reporting Standards (IFRS).

4. Operating Income or EBIT equals Net Sales minus Cost of Sales and Operating Expenses.

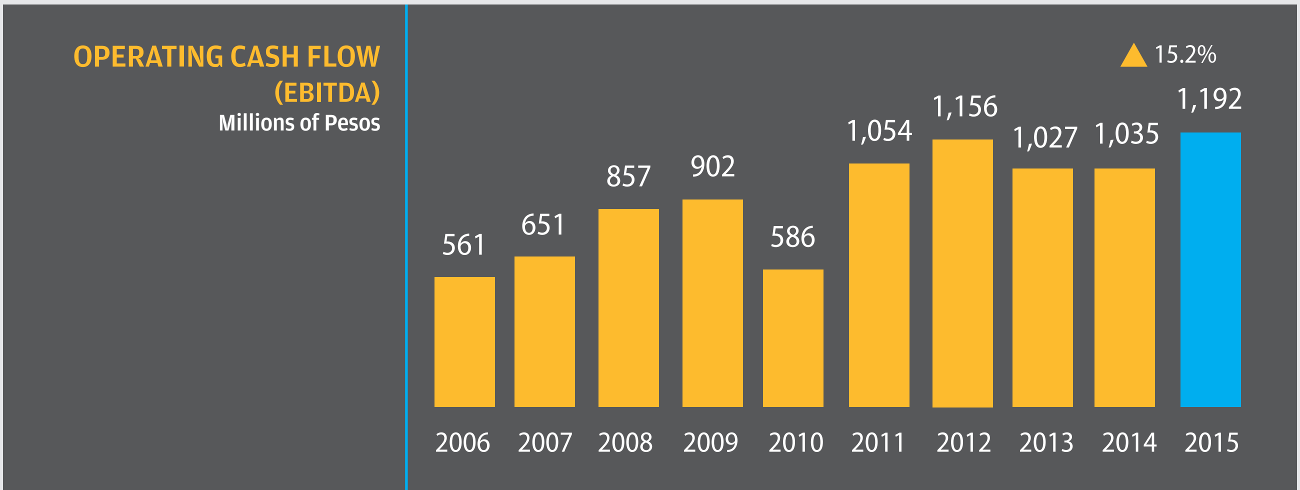
Net Financial Expense, including items related with financial income and foreign currency performance, totaled 187 million pesos in 2015, compared with 32 million the previous year.

After considering Income Taxes of 276 million pesos and 3 million for CYDSA's Share in Results of Associates, **2015 Consolidated Net Profit reached 354 million pesos** or 6.4% of Sales, above 2014's 319 million and 5.9% of Sales.

The Management's Discussion and Analysis of Results of Operations and Financial Condition of this Report (page 46), provides additional details on these items and other relevant financial information.

Operating Cash Flow (EBITDA)

CYDSA's 2015 Operating Cash Flow (EBITDA) of 1,192 million pesos increased 15.2% from 1,035 million achieved the previous year, as detailed on the following chart. The graph also depicts EBITDA margin on Sales of 21.4% in 2015 increasing from 19.1% the prior year. **In dollar terms, the 2015 EBITDA totaled US$75 million,** US$3 million or 3.8% below 2014's US$78 million.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Millions of Dollars	52	60	76	68	47	86	88	81	78	▼3.8% 75
Operating Cash Flow (EBITDA)/ Consolidated Sales	18.0%	20.0%	21.5%	23.0%	15.1%	20.4%	21.0%	19.8%	19.1%	21.4%

Note: To provide comparability, figures exclude all Divestitures and Discontinued Operations.

As noted, CYDSA's higher peso 2015 EBITDA declined in dollar terms. An analysis of the four main causes, two positive and two unfavorable, of the US$3 million decrease follows.

- **Increase in Evaporated Salt, Chlorine and Caustic Soda Sales: US$12 million.**

  During 2014, the Salt Business Unit finished the second phase of a project to increase the annual production capacity from 400,000 to 570,000 tons. Additional options identified during implementation allowed the Business Unit to achieve outputs exceeding the original design. Sales increased 19%, reaching 627,000 tons in 2015, up from 526,000 the previous year.

  Additionally, the Chlorine-Caustic Soda Business Unit improved service in several chlorine markets, producing both a higher plant operational rates and increased sales in several product lines.

  These increased sales of evaporated salt and chlorine-caustic soda products generated an additional US$12 million in CYDSA's EBITDA.

- **Savings in Energy Costs: US$13 million.**

  In several CYDSA Businesses, energy outlays represent a significant proportion of total costs and strategies for reducing energy expenses and consumption become key factors in improving results. Since March 2014, the new Electricity and Steam Cogeneration Business Unit provides a significant proportion of CYDSA's energy needs. The Group's energy consumption grew in 2015 due to increases in evaporated salt and chlorine-caustic soda volumes, processes with high energy requirements.

  The Economic Environment section of this Report (page 18) notes a Mexican natural gas price decrease of 43% from an average of US$4.66 per million BTUs in 2014 to US$2.66 in 2015. The lower gas rates also reduced prices for electricity charged by the Mexican Electricity Federal Commission (CFE).

  The Cogeneration Business Unit utilizes natural gas to produce both electricity and steam. Despite significant increases in energy consumption, savings from operating efficiencies and lower prices provided a positive US$13 million impact on the Group's EBITDA.

Adverse situations in two external areas, however, more than offset the US$25 million positive effect from increased sales and energy savings.

- **Decrease in International Chemical Commodity Prices: US$12 million.**

  In recent years, lower pricing characterized most international commodity markets. The condition continued in 2015, as quotes decreased to levels not seen since the previous decade.

  With chemical raw materials following this trend, the export prices of US Gulf producers, decreasing more than 15%, established the base quotations for Mexican commodity markets.

  In 2015 these actions significantly impacted pricing of the Chlorine-Caustic Soda Business Unit, particularly generic versions of caustic soda. A US$12 million decline in CYDSA's EBITDA resulted.

- **Mexican Peso Depreciation against the US Dollar: US$16 million.**

  As explained previously, the average peso per dollar exchange rate depreciated 19.2% in 2015. This situation impacts dollar term results in several ways. The negative side reduces the US currency purchasing power of income from domestic market sales. Conversely a benefit results from dollar savings on all peso denominated costs.

  For CYDSA, the current characteristic of served markets and 2015 changes in cost structures produced a net US$16 million loss on the Group's EBITDA, as the result of exchange rate depreciation.

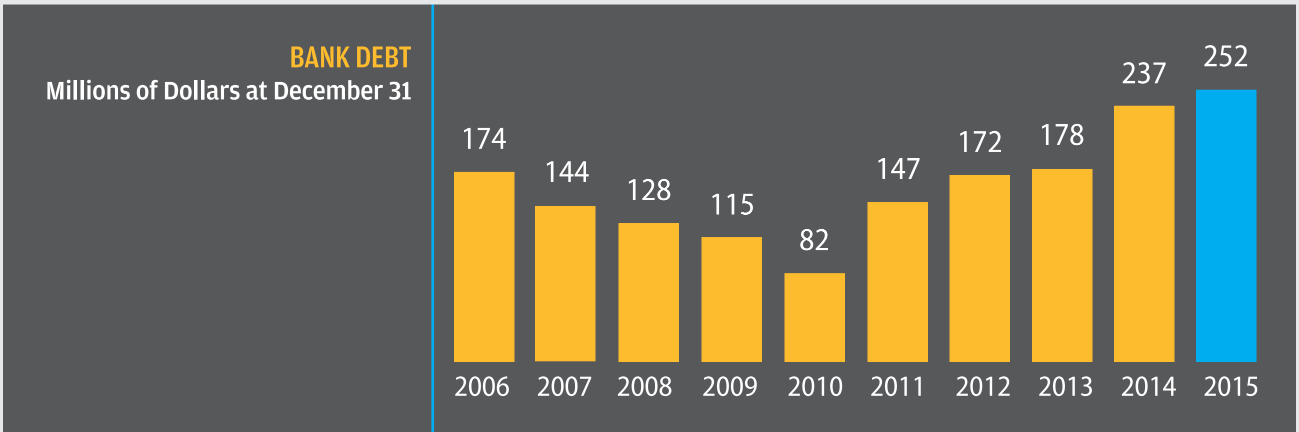
The US$25 million provided by increased production of evaporated salt, and chlorine-caustic soda products, as well as savings in energy costs, failed to offset the unfavorable conditions causing a US$28 million loss. In summary, **CYDSA's 2015 EBITDA of US$75 million, decreased US$3 million from the US$78 million generated the previous year.**

Financing Sources

The November 25, 2014 General Ordinary Shareholders Meeting approved a new Bank Loan of up to US$400 million, through its Valores Quimicos S.A. de C.V. subsidiary. The proceeds liquidated all existing bank debt and also financed Competitiveness and Growth Projects, already approved by the Board of Directors and in various stages of implementation.

The loan provided 80% dollar and 20% peso denominated funds. The initial draw on December 9, 2014 equivalent to US$240 million, included US$191million and 672 million pesos. After this transaction, CYDSA's Bank Debt on December 31, 2014 totaled the equivalent of US$237 million.

A second draw, equivalent to US$30 million, occurred in April 2015 followed by scheduled principal payments. An annual Net Debt cash flow of US$23 million resulted. Due to the peso denominated portion of the debt and the 17.0% year-end exchange rate depreciation, CYDSA's Bank Debt in dollar terms at year-end 2015 totaled US$252 million, increasing US$15 million from the previous year. The accompanying chart notes a Bank Debt Net of Cash[5] of US$181 million at December 2015, up from US$46 million the previous year-end.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bank Debt Net of Cash	147	48	74	13	(135)	(161)	(163)	(120)	46	181

5. Bank Debt Net of Cash equals Bank Debt minus Cash and Cash Equivalents.

The Group, through its Valores Quimicos subsidiary[6], complied with all of the new loan covenants. The Bank Debt to EBITDA ratio of 3.64 times, falls below the 3.75 maximum specified in the agreements and the EBITDA to Interest ratio of 7.03 compares to the specified minimum of 3.0.

Cash Flow

The table on the next page details the composition of **2015 Net Cash Flow[7].** The US$75 million of Operating Cash Flow (EBITDA) represents the initial item in the Net Cash Flow from Operations computation.

The uses of cash involve US$15 million for additional Working Capital, including the reimbursement for Value Added Tax. US$28 million covers Capital Expenditures for Maintenance & Replacement for current production processes. Following these uses, the **Net Cash Flow from Operations showed a positive balance of US$32 million.**

The next Cash Flow item covers US$16 million in Tax payments for the 2010 and 2014 Fiscal Consolidation Reforms. US$8 million for Net Interest Expense exclude US$6 million of expenses attributable to current investment projects considered as long term assets by applicable accounting principles. The next US$15 million includes US$14 million for Dividend Payments; and approximately US$1 million covering the repurchase of 595,050 CYDSA shares on the Mexican Stock Exchange, providing alternatives for CYDSA's shareholders. Finally, as noted in the previous Financing Sources section, a positive US$23 million relates to Bank Debt cash flow despite a US$15 million year-end Bank Debt increase due to peso depreciation. Following these transactions, Cash Flow before Investment Projects totaled US$16 million.

6. Valores Quimicos, S.A. de C.V. represents the contractual entity for CYDSA's November 28, 2014 loan. Consequently, the covenants are calculated based on this subsidiary's financial results, essentially covering the Salt, Chlorine-Caustic Soda and the Electricity and Steam Cogeneration Business Units.

7. Cash Flow figures are expressed in current pesos. Comparisons are expressed in US dollars as most of the Bank Debt is dollar denominated.

Investment Projects

In 2015, Competitiveness and Capital Growth Projects of US$136 million improved the Group's competitive position and provided new growth opportunities.

Two of the major projects described previously, set to begin operations in the second quarter of 2016, comprise the new Chlorine, Caustic Soda and Chemical Specialties plant located in Garcia, Nuevo Leon; and the Electricity and Steam Cogeneration Plant II, built in Coatzacoalcos, Veracruz.

2015 investments also include the modification of empty Brine Caverns in the state of Veracruz, to assure their future use as underground storage facilities for natural gas and other hydrocarbons. Finally, Competitiveness and Growth Capital Expenditures involve outlays related to new Business Development.

Following the US$136 million allocation for Competitiveness and Growth Investments, **2015 Net Cash Flow showed a negative US$120 million, with a year-end Cash balance of US$71 million.**

Net Cash Flow 2015 Millions of Dollars		
Net Cash Flow:		
Operating Cash Flow (EBITDA)	75	
Net Working Capital Investment	(15)	
Capital Expenditures for Maintenance & Replacement	(28)	
Net Cash Flow from Operations		**32**
Tax payments from the 2010 and 2014 Fiscal Consolidation Reform	(16)	
Net Interest Expenses	(8)	
Dividend Payments for Shareholders and Repurchasing of Own Shares	(15)	
Increase in Net Bank Debt	23	
Cash Flow before Investment Projects		**16**
Capital Expenditures for Competitiveness and Growth	(136)	
Net Cash Flow		**(120)**
Cash Balance as of December 31, 2015		**71**

Contents of the 2015 Annual Report

The sections devoted to the Divisions include 2015 **accomplishments for each of CYDSA's Business Units** and information relative to their products and markets (page 22). The **Economic Environment** section details significant events of the year and their impact on CYDSA's markets (page 17). **Management's Discussion and Analysis of CYDSA's 2015 Results of Operations and Financial Condition** (page 46) precede the **Audited Financial Statements and Comments** (page 53).

Outlook

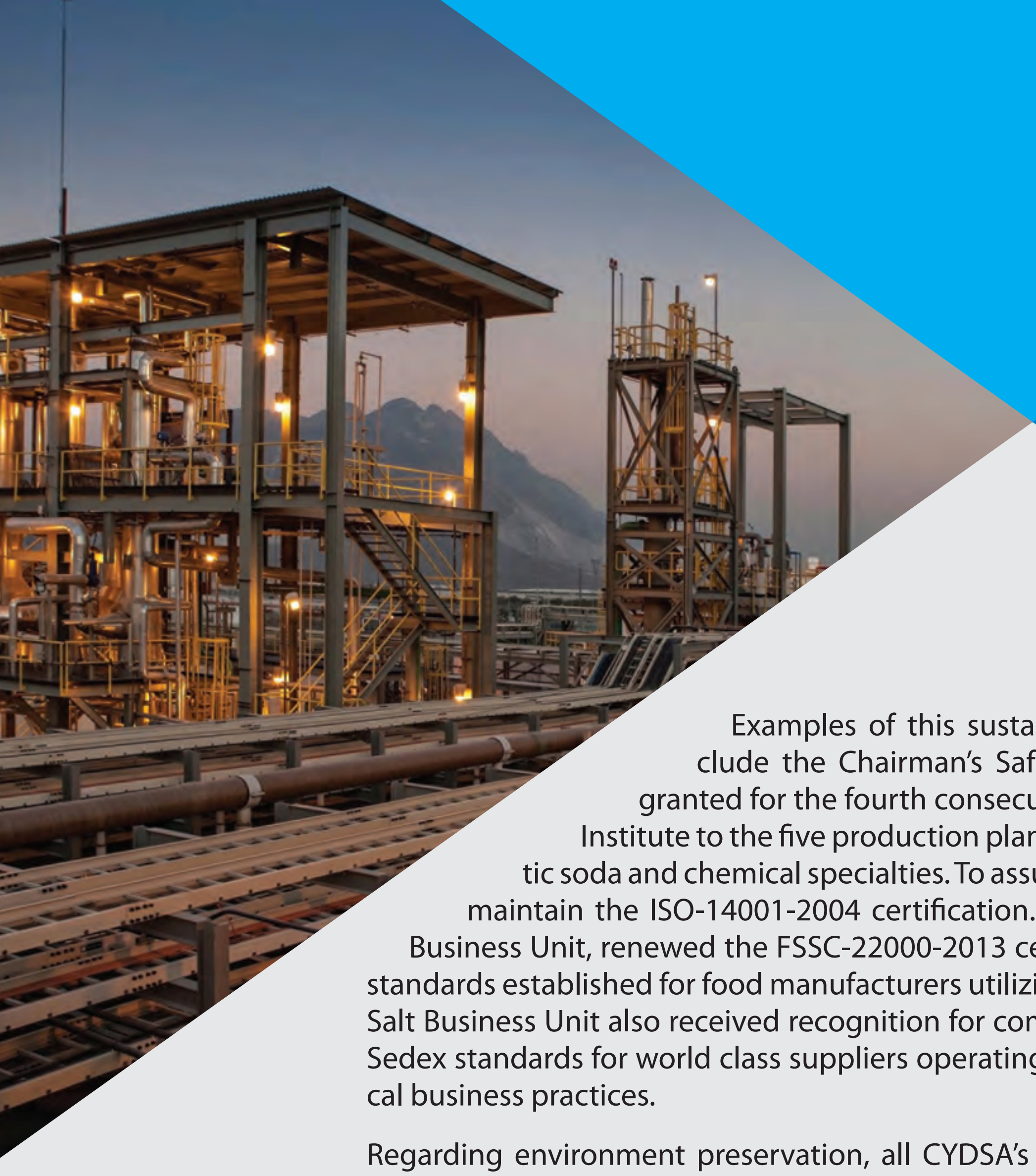
CYDSA's Shareholders: Efforts in 2015 focused on the timely and effective completion of several long term projects, first identified in 2011. Two significant 2015 projects, due to their cost and potential, covered a new Plant for producing Chlorine, Caustic Soda and Chemical Specialties and the second Electricity-Steam Cogeneration Plant. The Evaporated Salt production capacity expansion and the initial Electricity-Steam Cogeneration Plant, completed in 2014, accrued significant benefits in 2015, and along with other smaller investments provided a strengthened competitive position in the face of an adverse business environment.

It is a pleasure to note that a fundamental phase in CYDSA's evolution may be considered concluded. By the second quarter of 2016, all projects approved by the Board of Directors, derived from the strategies implemented to enhance competitiveness and build the base for profitable growth, will be operating and producing positive benefits to the Group's results.

In the new Business Portfolio, now in formation, priorities will continue to focus on creating innovative products and services, satisfying customer needs as well as initiatives supporting systematic cost improvement efforts. Emphasis remains on implementing creative solutions for e-business markets, as well as utilizing logistics as a competitive advantage. A strategy for improving market service includes the establishment of a Salt Business Unit Distribution Center to support direct retail distribution in the Mexico City Metropolitan Area.

Progress in 2015 included new areas with important potential for renewing and revitalizing CYDSA's Business Portfolio. The Electricity and Steam Cogeneration Business Unit completed the construction of a second plant while the initial facility received the certification of "Efficient Cogeneration Unit", benefiting from environmental regulations and tax exemptions. The Hydrocarbons Underground Storage Business Unit received a permit from the Energy Regulatory Commission (CRE) to construct the first Mexican project for LP Gas underground storage. In the Real Estate Development area, efforts continue on viable alternatives for optimizing one of the Group's main land holdings.

Operations of all Business Units, both current and future, will continue according to the traditional business ethics characterizing CYDSA since its foundation, always encouraging Sustainability and Social Responsibility. Consequently, meeting or exceeding safety, quality and environmental standards currently represents and will remain a fundamental principle.



Examples of this sustainable approach include the Chairman's Safety Excellence Award granted for the fourth consecutive year by the Chlorine Institute to the five production plants producing chlorine, caustic soda and chemical specialties. To assure quality all eligible facilities maintain the ISO-14001-2004 certification. Another subsidiary, the Salt Business Unit, renewed the FSSC-22000-2013 certification, focused on safety standards established for food manufacturers utilizing salt in their processes. The Salt Business Unit also received recognition for complying with the Achilles and Sedex standards for world class suppliers operating under responsible and ethical business practices.

Regarding environment preservation, all CYDSA's production facilities possess the Clean Industry Certification granted by the Federal Office for Environment Protection (PROFEPA) a Division of the Mexican Ministry for Environment and Natural Resources (SEMARNAT). Specifically, Quimobasicos, the Group's producer of refrigerant gases, received the Level 2 Clean Industry Certification, becoming one of eight Mexican companies and the first chemical producer to achieve this award. Additionally, Quimobasicos, for the second time, and Iquisa Tlaxcala, producer of chlorine and caustic soda specialties, received the Environmental Excellence Award also granted by the SEMARNAT.

Finally, Quimobasicos also operates a facility capable of destroying Ozone Depletion Substances (ODS), utilizing an Argon Plasm Arch technology and complying with international rules established by the United Nations. This plant, unique in Latin-America, destroyed with 99.99% efficiency, 74 tons of ODSs, the equivalent to 153,000 tons of CO_2. This allowed CYDSA to participate in the "Project for Handling and Destroying Residual Ozone Depletion Substances in Mexico", implemented by the SEMARNAT and sponsored by the United Nations Industrial Development Organization (UNIDO). Recognizing the importance of this project's success, the celebration of the first phase completion occurred in Quimobasicos on January 26, 2016, with the attendance of top level environmental authorities from Mexico, the UN as well as several foreign governments.

These efforts and initiatives emanate from CYDSA's Sustainability and Social Responsibility Model. They represent an essential element of a strategy oriented to assure progress in all aspects of Personnel Development, Community Relations and Environmental Protection, incorporating all updated economic, social and environment issues[8].

2015 achievements encompass a most fundamental phase in CYDSA's transformation. Progress will continue, now supported by strengthened foundations. Better knowledge in new areas of Group involvement and the future Mexican business environment, create awareness for additional opportunities in similar and contiguous activities and require an in-depth assessment in order to assure timely decision making. The successful participation in the new environment demands organizational changes as well as reinforcing current skills and developing new capabilities.

During 2015 our employees contributed greatly to CYDSA's operating and strategic achievements. We are certain that in 2016, the accumulated experience and professionalism of the Group's personnel, with the support of customers, suppliers and financial institutions, remain the essential ingredients to build this new phase for profitable growth. Moreover, the Businesses, strengthened by the initiatives for Competitiveness and Growth as well as new project opportunities, will become fundamental components in CYDSA's development and its objective to attain sustainable Value Creation for Customers, Employees, Shareholders and the Community.

Sincerely,

Tomas Gonzalez Sada
Chairman of the Board
and Chief Executive Officer

8. CYDSA's 2015 Social & Environmental Responsibility Report, published on the Group's web page, includes information outlined in the Global Reporting Initiative's (GRI) rules and standards.