Press Release dated November 4, 2022

Grupo Kaltex Announces Agreement with Noteholder Group to Exchange their Existing Notes for New Notes and New Senior Secured Loan from Bancomext to Strengthen Capital Structure for Long-Term Growth

Exchange offer and new bank financing will extend debt maturity and prioritize the use of cash for operating activities
Day-to-day operations will continue as usual

Mexico City, November 4, 2022 - Grupo Kaltex, S.A. de C.V. (the "Company") today announced that it has signed the following agreements for the refinancing of its 8.875% senior secured notes originally due April 11, 2022 (the "Existing Notes"):

- a new long-term senior secured loan agreement with Banco Nacional de Comercio Exterior S.N.C., Institución de Banca de Desarrollo (Bancomext) in the aggregate principal amount of US$100 million (the "Bank Loan"); and

- a transaction support agreement (the "Agreement") with an ad hoc group of holders (the "Ad Hoc Group") of its Existing Notes to complete an exchange offer (the "Exchange Offer") through which eligible holders will be invited to exchange their Existing Notes for up to US$118 million of new senior secured notes to be issued by the Company (the "New Notes").

Mr. Rafael Kalach, President of the Board and CEO said "I am pleased to announce that after a long negotiation process, we have signed agreements with Bancomext and the Ad Hoc Group for the refinancing of our Existing Notes. I am deeply sorry for the inconvenience that the default on the payment on April 11 may have caused to any of you. The negotiation process took longer than what we expected as Bancomext and the Ad Hoc Group each had separate specific requirements which we managed to successfully fulfill. I remain confident that the refinancing will enable Grupo Kaltex to emerge from the pandemic in a stronger financial position and remain Mexico's leading textile company. Finally, I would like to thank you for your patience and for your trust in us".

The Company will honor and repay in full all Existing Notes that are not exchanged for New Notes (which the Company will repay concurrently with closing of the Exchange Offer), including the payment of all accrued and unpaid interest on all Existing Notes. On October 11, 2022, the Company paid accrued and unpaid interest on the Existing Notes from, and including, April 11, 2022 to, but excluding, October 11, 2022. The Company also expects to honor its other significant obligations, including its obligations to suppliers and business partners and its obligations under other material contracts. These transactions contemplated by the Agreement and the Bank Loan are not expected to have any adverse impact on employees, clients or suppliers. All day-to-day operations of the Company will continue as usual, including the payment of employee wages and benefits.

These transactions will extend the maturity profile of the Existing Notes exchanged for New Notes by 3 years, achieving a capital structure that is stronger and will support the Company’s long-term sustained growth while allowing the Company to prioritize the use of cash for operating activities, preserve employment and help maintain the high-quality products for which Grupo Kaltex is known.

The Company and the Ad Hoc Group have, pursuant to the terms of the Agreement, committed to complete the Exchange Offer subject to the satisfaction of certain conditions precedent specified in the Agreement. The Company expects to launch the Exchange Offer in the upcoming days, and expects to close the Exchange Offer approximately one month thereafter.

The New Notes will be secured by land, buildings and machinery that comprise substantially all of the assets used in the Company’s textiles business. The collateral securing the Bank Loan will be separate from the collateral securing the New Notes.

A summary term sheet with the terms of the transactions, together with a copy of the Agreement, are available on the Company’s website at the following link http://irkaltex.com/

The definitive documents that govern the Exchange Offer, the New Notes and the Bank Loan have been substantially agreed to by the parties. The definitive documents will contain the same economic terms as, and be consistent with, the terms set forth in the Agreement, and will be in form and substance acceptable to the parties. The Company has obtained the necessary shareholder approvals in order to implement the transactions contemplated in the Agreement and the Bank Loan.

The Company is represented by Bufete Robles Miaja, S.C. as Mexican legal counsel, Skadden, Arps, Slate, Meagher & Flom LLP, as special New York legal counsel and Benedetto, Gartland & Co., Inc., as financial advisors. The Ad Hoc Group is represented by Shearman & Sterling LLP, as as special New York counsel legal counsel and Mijares, Angoitia, Cortes y Fuentes, S.C., as Mexican legal counsel.

Forward-Looking Statements

This press release may contain forward-looking statements that are not based on historical facts and are not assurances of future results. You should not place reliance on any forward-looking statement contained in this press release. In particular, the Bank Loan, the obligations of the parties under the Agreement are, and the Exchange Offer will be, subject to several conditions. There is no assurance that those transactions will be consummated. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. Actual results may differ materially from those reflected in the forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

No Offer or Solicitation and No Redemption

THIS PRESS RELEASE DOES NOT CONSTITUTE AN OFFER TO BUY OR SELL, OR A SOLICITATION OF AN OFFER TO SELL OR BUY, ANY SECURITIES IN THE UNITED STATES, AND IT DOES NOT CONSTITUTE AN OFFER, SOLICITATION OR SALE IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES UNLESS THEY ARE REGISTERED OR EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"). NO PUBLIC OFFERING OF SECURITIES WILL BE MADE IN THE UNITED STATES. THIS PRESS RELEASE IS FORMULATED IN ACCORDANCE WITH RULE 135E OF THE U.S. SECURITIES ACT.

THIS PRESS RELEASE DOES NOT CONSTITUTE A NOTICE OF REDEMPTION OF, OR A SOLICITATION TO PURCHASE, THE EXISTING NOTES OR AN OBLIGATION TO ISSUE A NOTICE OF REDEMPTION OF, OR TO OTHER OTHERWISE PURCHASE THE EXISTING NOTES.

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<u>INDICATIVE TERM SHEET</u>

*The terms set out in this term sheet (this "**Term Sheet**") are non-binding and indicative and solely for discussion purposes. This Term Sheet is not intended to describe or include all of the terms and conditions of the transaction being discussed between Grupo Kaltex, S.A. de C.V. (the "**Company**") and an ad hoc group of holders (the "**Ad Hoc Group**") of its outstanding 8.875% Senior Notes due 2022 (the "**Existing Notes**") or to set forth the definitive contractual language of any provisions summarized below and is not binding on any party. This Term Sheet is neither an offer to accept the transactions described herein nor an implied or express offer or commitment to consummate the proposed transactions described herein, forbear from exercising rights or remedies or waive any defaults. Any such transaction is subject to satisfactory legal and financial due diligence, internal credit approvals and definitive documentation. All terms are subject to modification based on our continuing assessment of the facts and circumstances. The information contained herein is made available on a confidential basis.*

THIS TERM SHEET IS FOR SETTLEMENT DISCUSSION PURPOSES ONLY, SUBJECT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE. UNTIL PUBLICLY DISCLOSED WITH THE PRIOR CONSENT OF THE PARTIES, OR PURSUANT TO THE "CLEANSING" REQUIREMENT IN THE NON-DISCLOSURE AGREEMENT EXECUTED BY THE PARTIES, AS AMENDED FROM TIME TO TIME, THIS TERM SHEET AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND MAY NOT BE SHARED WITH ANY PERSON OTHER THAN THE AD HOC GROUP AND THE COMPANY AND THEIR RESPECTIVE PROFESSIONAL ADVISORS.

<u>PRINCIPAL TERMS OF THE NEW NOTES AND THE EXCHANGE OFFER</u>

Note: To the extent that the provisions of the New Notes described in this Indicative Term Sheet are inconsistent with the terms of the New Notes set forth in the Indenture and described in the Description of the New Notes (which are attached as Exhibit F and Exhibit G, respectively, to the Transaction Support Agreement to which this Indicative Term Sheet is also attached), then the provisions of such Exhibit F and Exhibit G shall prevail over this Indicative Term Sheet.

Parties to the Indenture Governing the New Notes	The parties to the indenture governing the New Notes (as defined below) shall be as follows: • the Company, as issuer; • the Guarantors (as defined below) on the issue date, as subsidiary guarantors; • The Bank of New York Mellon, as trustee; and • Banco Monex, S.A. Institución de Banca Múltiple, Monex Grupo Financiero, as collateral agent.
Guarantors	The guarantors of the New Notes shall comprise the subsidiaries of the Company that are listed in Schedule A hereto, and future direct or indirect material subsidiaries of the Company (the "**Guarantors**" and, together with the Company, the "**Obligors**"). Provided that any subsidiaries of the Company that, directly or indirectly, from time to time, own or operate all or any part of (i) the Kaltex Fibers business (the "**Kaltex Fibers Business**") (such subsidiaries, "**Kaltex Fibers Subsidiaries**"), or (ii) the energy generation plant located in Altamira, Mexico (the "**Energy Generation Plant**") (such subsidiaries, "**Energy Generation Subsidiaries**") does not conduct any business or hold any assets or liabilities other than as part of the Kaltex Fibers Business or the Energy Generational Plant, respectively, then such Kaltex Fibers Subsidiary or Energy Generation Subsidiary shall not, at any time, be required to guarantee the New Notes. For the avoidance of doubt, Coltejer, S.A. shall remain an Unrestricted Subsidiary, shall not be a guarantor, and neither the assets nor capital stock of Coltejer, S.A. shall be pledged as collateral.

Restricted Subsidiaries	On the Issue Date, all subsidiaries of the Company (other than Coltejer, S.A.) shall be restricted subsidiaries and shall be subject to the restrictive covenants and other provisions in the indenture.
Unrestricted Subsidiaries	Under the terms of the indenture, unrestricted subsidiaries ("**Unrestricted Subsidiaries**") shall not be subject to the restrictive covenants in the indenture and shall not guarantee the New Notes. On the Issue Date, Coltejer, S.A. and each of its subsidiaries shall be the only Unrestricted Subsidiaries. For the avoidance of doubt, the Company shall not be permitted to designate any other Unrestricted Subsidiaries.
Bank Facility	Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo (Bancomext) will provide a US$100 million secured term loan facility to Manufacturas Kaltex, S.A. de C.V. ("**Manufacturas**"), as borrower, on terms and conditions satisfactory to the Ad Hoc Group ("**Bank Facility**"). The Ad Hoc Group agrees that the Bank Facility will have cash amortization requirements of: i) 2.5% in the first year, ii) 5.0% in the second year, and iii) 5.0% in the third year. The Bank Facility will be secured separately with collateral provided by the shareholders of the Company that are outside of the credit perimeter of the Obligors (the "**Outside Collateral**") (except cash reserves for up to two quarters of interest and principal payments under the Bank Facility (the "**Interest Reserve**") and such other real property belonging to Manufacturas that is agreed to by the Ad Hoc Group in writing). The Bank Facility to be fully drawn prior to closing of the Exchange Offer (as defined below) and shall be disbursed from escrow simultaneously with closing of the Exchange Offer and related transactions.
Exchange Offer Format	• The Ad Hoc Group will enter into a transaction support agreement (the "**Support Agreement**") pursuant to which members will agree to exchange a minimum of US$76,889,000 of their Existing Notes for New Notes. • Certain additional holders of Existing Notes holding at least US$22 million in aggregate principal amount of Existing Notes (the "**Additional Holders**") will also enter into the Support Agreement pursuant to which they will also agree to exchange their Existing Notes for New Notes. • Up to US$20 million of New Notes may be purchased as described below under "*Funding Commitment*". • The exchange of the Existing Notes for New Notes will be made pursuant to an exchange offer made to all holders of the Existing Notes (in an exchange offer outside Mexico subject to customary securities offering restrictions) (the "**Exchange Offer**"). The aggregate principal amount of New Notes to be issued in the Exchange Offer Transaction (and, if necessary, purchased under the Funding Commitment described below) shall be capped at US$118 million. • Not less than US$100 million of proceeds from the Bank Facility and up to US$20 million from purchases of the New Money Notes (defined below) will be used to repay in full (including overdue principal and interest thereon at the contractual interest rate of 8.875%) and discharge <u>all</u> of the Existing Notes that are not exchanged for New Notes in the Exchange Offer.
Amount Subject to Exchange	The Ad Hoc Group will exchange 100% of principal amount outstanding on their Existing Notes. For each US$1,000 of principal amount of the Existing Notes through to the issue date of the New Notes (the "**Issue Date**"), a holder will receive new senior secured notes (the "**New Notes**") in the aggregate principal amount of (i) US$1,000, plus (ii) a cash payment equal to the accrued and unpaid interest on such overdue principal amount of the Existing Notes through to the Issue Date at the contractual interest rate of 8.875%.

Exchange Fee	1.5% of outstanding principal amount of New Notes payable in cash on the Issue Date to any holder of Existing Notes that agrees to exchange its Existing Notes for New Notes. This fee will be paid to the members of the Ad Hoc Group that exchange their Existing Notes, the Additional Holders that exchange their Existing Notes and any other holders of Existing Notes that participate in the Exchange Offer and who exchange their Existing Notes for New Notes (i.e. the Exchange Fee is capped at 1.5% of $118 million). The Exchange Fee will be paid from working capital of Kaltex.
Termination Right	If the Issue Date has not occurred on or before December 20, 2022, the Requisite Amount of Exchanging Noteholders shall have the right to terminate the Exchange Offer Transaction in its entirety upon written notice to the Obligors. "Requisite Amount of Exchanging Noteholders" means the Exchanging Noteholders, as defined in the transaction support agreement relating to the Exchange Offer, that own, as of the date of determination, two-thirds (2/3) of the outstanding principal amount of Existing Notes held by all Exchanging Noteholders.
Funding Commitment	The Company and certain members of the Ad Hoc Group as notified to the Company in writing (the "**New Money Notes Funding Parties**") shall enter into a commitment letter no later than immediately prior to the commencement of the Exchange Offer period. The commitment letter shall provide that each New Money Notes Funding Party shall commit to purchase New Notes (the "**New Money Notes**") up to the principal amount set forth opposite such New Money Notes Funding Party's name in the schedule to such commitment letter (each, a "**Commitment Amount**"). The New Money Notes shall have the same terms and conditions as, and shall be identical and fully fungible with, the other New Notes (including having the same CUSIP number). The New Money Notes shall be issued simultaneously with the other New Notes on the Issue Date. The commitment letter shall be acceptable to each New Money Notes Funding Party and members of the Ad Hoc Group representing at least a majority of the outstanding aggregate principal amount of the Existing Notes held by the Ad Hoc Group, and will require the Company to pay to each New Money Notes Funding Party a commitment fee of 5% of the Commitment Amount of such New Money Notes Funding Party (the "**Commitment Fee**"). The Commitment Fee shall be fully earned on the date of the commitment letter and shall be payable on the following dates: (i) 1% of the relevant Commitment Amount shall be payable to the relevant New Money Notes Funding Party in cash in US dollars on the date of the commitment letter; and (ii) 4% of the relevant Commitment Amount shall be payable to the relevant New Money Notes Funding Party in cash in US dollars on the Issue Date. The aggregate Commitment Amounts of the New Money Notes Funding Parties shall be scaled back on a dollar-for-dollar principal amount basis to the extent that holders of Existing Notes outside the Ad Hoc Group participate in the Exchange Offer. As between the New Money Notes Funding Parties, such scale back shall be *pro rata* by reference to the percentage of the aggregate Commitment Amount that each New Money Notes Funding Party had committed to purchase. For the avoidance of doubt, the Commitment Fee shall be payable by reference to the total Commitment Amount and shall not be scaled back. The Commitment Fees will total US$20 million times 5.0%, which equals US$1.0 million. The Commitment Fees will be paid from working capital of Kaltex. The terms and conditions of the commitment letter, purchase agreement and related documents shall in all respects be acceptable to the New Money Notes Funding Parties.

Maturity Date	Three years from the Issue Date.
Interest Rate	The interest shall be paid in cash. The interest rate applicable to the New Notes shall be 14.500% per annum payable in respect of the outstanding principal amount of the New Notes (up to 1.500% of which may, at the Company's option, be paid in the form of "PIK Notes"). An interest payment partially paid in the form of PIK Notes shall be made through the issuance of an aggregate principal amount of Notes equal to the amount of the relevant interest payment that is being paid in kind. PIK Notes shall have the same terms as, and shall be fungible with, the other outstanding Notes.
Interest Payment	Interest to begin accruing on the Issue Date. Interest to be paid semi-annually on April 11 and October 11 (with the first interest payment date being April 11, 2023). Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.
Priority	Senior secured in all respects to all other unsecured debt of the Obligors. Subject to the provisions below, the Company and Manufacturas will cross-guarantee the New Notes, on the one hand, and the Bank Facility on the other. The Bank Facility and the guarantees will be the Obligors' respective senior general obligations.
Collateral	The New Notes shall be secured by a first-priority lien on: • the assets specified in Schedule B hereto (which shall constitute all or substantially all of the assets of the Kaltex Textiles business (other than inventory, accounts receivable and intellectual property) and shall have a value of not less than US$241 million); • segregated bank accounts (in U.S. dollars and Mexican pesos) pledged in favor of the New Notes pursuant to a non-possessory pledge agreement governed by Mexican law (such agreement to be executed concurrently with the indenture) into which all Collateral asset sale proceeds shall be deposited (the "**Asset Sale Account**"); and • any material assets acquired by the Obligors after the Issue Date will be promptly pledged in favor of the New Notes, to the extent not pledged or secured in respect of a third-party financing permitted by the restrictive covenants in the indenture. On the Issue Date, none of the assets or capital stock of the Unrestricted Subsidiary shall be collateral. All collateral will be pledged in a manner satisfactory to the Ad Hoc Group, including mortgages, pledges or the formation of a Mexican security trust and issuance of satisfactory legal opinions.
Optional Redemption	The New Notes shall be redeemable at the option of the Company at any time at 101% of the outstanding principal amount plus accrued interest. For the avoidance of doubt, the Company is allowed to redeem the remaining principal amount at any time afterwards, so long as the entire remaining principal amount of the New Notes is redeemed at such time at 101% of the outstanding principal amount plus accrued interest. No other penalty, make-whole premium or amount shall be payable upon an Optional Redemption. Notwithstanding the provisions described under "*Collateral Asset Sales*" below, the Company may redeem New Notes in accordance with this "*Optional Redemption*" provision after the applicable tender offer has been concluded.

Collateral Asset Sales	The Obligors shall have the right, but not the obligation, to sell collateral assets with respect to the New Notes so long as the net proceeds received by the Obligors on account of such sales do not exceed US$20 million in the aggregate (the "**Collateral Sale Cap**"). The net proceeds of any such sale (the "**Collateral Sale Proceeds**") shall be aggregated until the Obligors have received US$20 million in Collateral Sale Proceeds, and unless the Company elects to do so earlier, once the Company has received US$20 million in Collateral Sale Proceeds, the Company shall (and each restricted subsidiary shall be required to enable and cause the Company to), within 30 days thereof, apply such Collateral Sale Proceeds as provided below. The Obligors may only exceed the Collateral Sale Cap (i) upon receiving the prior written approval of the indenture trustee, who has received a written direction from holders representing at least a majority of the outstanding aggregate principal amount of the New Notes at the time of the proposed sale, or (ii) if the sale proceeds thereof are immediately used to redeem all of the New Notes that remain outstanding in accordance with the provisions under "*Optional Redemption*" above. The Company shall use any Collateral Sale Proceeds to offer the holders of the New Notes the opportunity to tender for purchase by the Company such aggregate principal amount of the New Notes at a purchase price of 100% of the outstanding principal amount plus accrued interest. The following provisions shall apply to any sale of collateral assets: • Sale shall be for at least fair market value (with fair market value being determined by an internationally recognized independent financial advisor or appraiser that has issued a fairness opinion in support of the sale(s)). • The consideration for any such sale shall be paid entirely in cash upon consummation of the sale. • The net proceeds of any asset sale shall be deposited into the Asset Sale Account. • After having paid the purchase price to all tendering holders in any offer referred to above, if completion of any such offer results in a balance remaining in the Asset Sale Account, then the Company shall be permitted to withdraw such balance from the Asset Sale Account and use such balance, within 180 days, to invest in fixed assets to be used in a permitted business of the Obligors that shall be granted as collateral to secure the New Notes. • Any asset sale to insiders or affiliates of the Company and/or their respective affiliates shall not only satisfy the aforementioned conditions but must also be approved by holders of a majority in aggregate principal amount of New Notes outstanding at the time of such sale.

Restrictive Covenants	The New Notes shall contain covenants that shall be satisfactory to the Ad Hoc Group and generally consistent with covenants contained in the Existing Notes (except as noted below), and that restrict, among other things:
	
	• incurrence of additional debt (including that no additional New Notes may be issued under the indenture), except that the Company shall be permitted to incur:
	
	  o a working capital facility in an aggregate amount not to exceed US$50 million and to grant collateral to secure such debt limited to accounts receivable and inventory; and
	
	  o debt to improve productivity and capital investments up to US$20 million and to grant collateral to secure such debt limited to the acquired property;

	• no prepayment of the Bank Facility from assets or cash flow from within the credit perimeter of the Obligors or their restricted subsidiaries (except, for the avoidance of doubt, the payment of interest, scheduled amortization payments and those amounts required to be paid under the cash sweep provisions within the credit agreement governing the Bank Facility that are in effect as of the Issue Date); • liens, with a proviso that no liens may be created directly or indirectly over the business or assets of, or equity interests in, the Kaltex Fibers Business or the Energy Generation Plant, a so-called negative pledge; • asset sales, which shall also: o not permit prepayments of the Bank Facility as part of the permitted applications of asset sale proceeds (except, for the avoidance of doubt, the payment of interest, scheduled amortization payments and those amounts required to be paid under the cash sweep provisions within the credit agreement governing the Bank Facility that are in effect as of the Issue Date); o provide that any sale of all or any part of the business or assets of, or equity interests in, the Kaltex Fibers Business (a "**Kaltex Fibers Business Sale**") to insiders or affiliates of the Company and/or their respective affiliates must be approved by holders of a majority in aggregate principal amount of New Notes outstanding at the time of such sale; o provide that the net proceeds from any Kaltex Fibers Business Sale (which proceeds shall be paid entirely in cash upon consummation of the sale) shall, within 180 days of receipt, be used by the Company or any restricted subsidiary either to: ▪ fund the repayment, redemption, repurchase, defeasement or acquisition or retirement of the New Notes; provided that the Company shall also be entitled to concurrently repay the Bank Facility in an amount not to exceed the *pro rata* portion of such net proceeds (based on the principal amount outstanding under the Bank Facility as it bears to the sum of the principal amounts outstanding under the New Notes and the Bank Facility, in each case based on amounts outstanding immediately prior to the application of such net proceeds); or ▪ invest in fixed assets to be used in a permitted business of the Obligors; • prohibition on making any Restricted Payments (as defined in the indenture governing the Existing Notes), except for a permitted payment within the scope of paragraph (iv) of the indenture governing the Existing Notes that permits the prepayment of subordinated indebtedness through the issuance of qualifying capital stock or refinancing indebtedness; • limited ability to make permitted investments generally consistent with the indenture governing the Existing Notes; • payment restrictions affecting subsidiaries; • fundamental changes; and • transactions with affiliates, except as expressly agreed and permitted, and in each case not subject to any covenant suspension provisions.

Events of Default	Generally the same as in the Existing Notes, including non-payment of principal or interest, certain bankruptcy or solvency events, cross-default under (including early maturity of) the Bank Facility, cross-acceleration, judgment defaults, and collateral-related defaults. If the New Notes are accelerated or otherwise become due prior to their maturity date as a result of an event of default or by operation of law (including as a result of the commencement of an insolvency proceeding under applicable law), the then outstanding principal of, and accrued and unpaid interest on, the New Notes, shall be due and payable. Notwithstanding anything to the contrary in this Term Sheet, and for the avoidance of doubt, in the event of (i) a default or event of default under the New Notes, (ii) an insolvency, reorganization, bankruptcy, or similar proceeding of any Obligor, or (iii) a foreclosure or any similar proceeding in respect of any of the collateral assets, the collateral agent under the New Notes shall be entitled to take steps to protect and enforce its rights with respect to the collateral, including to take possession of and sell such collateral assets, without first obtaining the consent of any third-party, and to the fullest extent of applicable law, no third party shall have a claim to the proceeds of such sales under any circumstances, it being understood that the proceeds of such sales shall be used solely to repay the obligations due under the New Notes.
Conditions Precedent to Consummation of Exchange	• The Ad Hoc Group exchanges a minimum of US$76,889,000 in aggregate principal amount of Existing Notes for New Notes. • The Additional Holders exchange at least US$22 million in aggregate principal amount of Existing Notes for New Notes. • The Bank Facility for not less than US$100 million (on terms and conditions satisfactory to the Ad Hoc Group) shall have been executed upon or prior to commencement of the Exchange Offer period and funding/funding into escrow shall occur no later than the Issue Date. • Concurrently with closing of the Exchange Offer, the Company shall repay the Existing Notes in full (i.e. the overdue principal and interest thereon at the contractual interest rate of 8.875%, together with any other amounts due under the indenture) and discharge all of the outstanding Existing Notes that are not exchanged for New Notes in the Exchange Offer. • Any shareholder that owns more than 5% of the shares in the Company shall agree to exchange any Existing Notes they hold, if any. • Approval of the transaction by the shareholders and Board of Directors of the Company in accordance with applicable Mexican law. • Payment of all reasonable expenses of the Ad Hoc Group, including all reasonable and documented legal fees and expenses of its U.S. and Mexican counsel. These expenses will be paid from working capital of Kaltex. • Receipt of audited consolidated financial statements of the Company for the year ended December 31, 2021 and an unaudited balance sheet and income statement through the month prior to the Issue Date, plus such other reporting obligations as are customary for this type of transaction. • Appointment, on or before the Issue Date, of an independent observer to the Board of Directors of the Company that is reasonably satisfactory to members of the Ad Hoc Group representing at least a majority of the outstanding aggregate principal amount of the Existing Notes held by the Ad Hoc Group (the "**Board Observer**"). The Board Observer position shall be contemplated in the indenture, and shall include a requirement for the

	Company to pay the Board Observer (up to an agreed amount per month) and to provide the Board Observer with or indemnification that is reasonably satisfactory to the Board Observer. • The Company shall agree in the Support Agreement to involve the Ad Hoc Group in the interview process for any interim chief financial officer to be appointed by the Company. • The Chief Executive Officer of the Company shall provide the Ad Hoc Group and the trustee a certificate representing that the Obligors, on a consolidated basis, are solvent, meaning that immediately prior to and immediately following the consummation of the Exchange Offer, the fair value and present fair saleable value of the assets of each of the Obligors will exceed the sum of its respective stated liabilities and identified contingent liabilities; none of the Obligors is, as of the date hereof, nor will any of the Obligors be, immediately prior to and immediately following the consummation of the Exchange Offer, (a) left with unreasonably small capital with which to carry on its business as it is proposed to be conducted, (b) unable to pay its debts (contingent or otherwise) as they mature or (c) otherwise insolvent. • All documentation relating to the transactions contemplated by this Term Sheet shall be acceptable to the Ad Hoc Group.
Limitation on Restricted Payments	Prohibition on making any Restricted Payments (as defined in the indenture governing the Existing Notes), except (1) for a permitted payment within the scope of paragraph (iv) of the indenture governing the Existing Notes that permits the prepayment of subordinated indebtedness through the issuance of qualifying capital stock or refinancing indebtedness and (2) the Company shall be permitted to make one or more Restricted Payments in an aggregate amount not to exceed U.S.$7 million (or the equivalent in other currencies) in any fiscal year if each of the following conditions is satisfied at the time that any such Restricted Payment is made: (i) immediately before and immediately after giving effect to such Restricted Payment, no Default or Event of Default shall have occurred and be continuing, (ii) immediately before and immediately after giving effect to such Restricted Payment, the Company and its Restricted Subsidiaries have cash and Cash Equivalents (as recognized in a consolidated balance sheet of the Company prepared as of such date pursuant to IFRS) of at least U.S.$10.0 million (excluding from such calculation any cash in the Collateral Asset Sale Accounts), (iii) such Restricted Payments solely comprise dividends or distributions on or in respect of shares of Capital Stock of the Company paid by the Company in cash to individuals that are direct or indirect shareholders of the Company as compensation for services rendered by that individual to the Company and its Restricted Subsidiaries as an employee of such Company for services rendered as such, provided that no other form of compensation is paid or payable to such individual by the Company or any of its Restricted Subsidiaries, and (iv) such Restricted Payments are made in the ordinary course of business of the Company and its Restricted Subsidiaries and are consistent with past practices of the Company and its Restricted Subsidiaries.
Treatment of Shareholder Payables	Neither the Company nor any Restricted Subsidiary will, directly or indirectly, make any payments to any direct or indirect shareholder of the Company or any Restricted Subsidiary (other than a shareholder that is the Company or any other Restricted Subsidiary) on or in respect of, refinance, purchase, defease, redeem, prepay, repay, decrease or otherwise acquire or retire for value, whether at maturity or otherwise (including all payments in respect of principal, premium, interest, fees or other amounts, however described) (each a “**Shareholder Payable**”): (i) any loans, distributions or financings or other similar transactions made to or for the benefit of (or that constitute obligations of), the Company or any Guarantor by (or owed to or for the benefit of) any direct or indirect shareholder of the Company or any Restricted

	Subsidiary (other than a shareholder that is the Company or any other Restricted Subsidiary) (or any successor, assignee or affiliate thereof); and (ii) any real estate lease or financial arrangement where such Shareholder Payable is payable to or for the benefit of any direct or indirect shareholder of the Company or any Restricted Subsidiary (other than a shareholder that is the Company or any other Restricted Subsidiary) (or any successor, assignee or affiliate thereof).
Minimum Denomination	New Notes minimum denomination of US$1,000.00 and integral multiples of US$1.00 in excess thereof.
Documentation	All documentation necessary or appropriate to implement the transactions referenced in this Term Sheet shall be in form and substance acceptable to the Ad Hoc Group.
Listing	The Company shall apply to list the New Notes on the SGX stock exchange operated by Singapore Exchange Securities Trading Limited and such listing shall be effective as of the Issue Date or as soon as possible thereafter.
Governing Law and Forum	Same as the indenture for the Existing Notes, except that the law governing the collateral documents shall be Mexican law.

Schedule A

Subsidiary Guarantors on the Issue Date

- Kaltex America, Inc.;
- Kaltex Apparel, S.A. de C.V.;
- Kaltex Comercial, S.A. de C.V.;
- Kaltex Home, S.A. de C.V.;
- Kaltex Internacional, S. A. de C.V.;
- Kaltex Textiles, S.A. de C.V.; and
- Manufacturas Kaltex, S.A. de C.V.

Schedule B

Specified Collateral

The following assets currently owned by Manufacturas Kaltex, S.A. de C.V.:

KALTEX COLLATERAL						*In*
Item	Guarantor	Type of Asset	Lien	Location	Asset	Value Millions USD *(including new assets)*
1	Manufacturas Kaltex, S.A. de C.V.	Real estate	Mortgage	Tlautla, Tepeji del Rio, Hidalgo	12 plots of land located in Tlautla, Tepeji del Rio, Hidalgo (US $4,499,044) and the constructions comprised therein (US $44,940,970)	$ 49.4
2	Manufacturas Kaltex, S.A. de C.V.	Machinery	Pledge	Tlautla, Tepeji del Rio, Hidalgo	Certain machinery including Total Planta 3 (US $16,400,790), Total Planta 4 (US $17,755,740), Total Planta 5 (US $ 12,573,605), and Total Planta 6 (US $14,543,295)	$ 61.3
6	Manufacturas Kaltex, S.A. de C.V.	Real estate	Mortgage, Pledge or Security Trust	San Juan del Río, Queretaro	5 plots of land (US $4,709,848) and the constructions comprised therein (US $29,524,918)	$ 34.2
7	Manufacturas Kaltex, S.A. de C.V.	Machinery	Mortgage, Pledge or Security Trust	San Juan del Río, Queretaro	Machinery located in San Juan del Río, Querétaro, including Total Planta 1 (US $4,059,190), Total Planta 2 (US $3,497,525), Total Planta 3 (US $2,364,655), Total Planta 4 (US $15,969,830), and Total Planto Acabado Mezclilla (US $8,293,395)	$ 34.2
8	Manufacturas Kaltex, S.A. de C.V.	Real estate	Mortgage, Pledge or Security Trust	Tlaxinacalpan, Tepeji del Rio, Hidalgo	5 plots of land (US $3,880,145) and the constructions comprised therein (US $14,790,587)	$ 18.7
9	Manufacturas Kaltex, S.A. de C.V.	Machinery	Mortgage, Pledge or Security Trust	Tlaxinacalpan, Tepeji del Rio, Hidalgo	Machinery located in Tlaxinacalpan, Tepeji del Rio, Hidalgo, including Total Planta 1 (US $6,623,000), Total Planta 1A Picañol (US $9,072,380), Total Planta 1H (US $15,325,520), and Total Planta 2 (US $12,197,765)	$ 43.2

Certain unaudited consolidated financial information of Grupo Kaltex, S.A. de C.V. as of and for the nine months ended September 30, 2022

Grupo Kaltex, S.A. de C.V. and Subsidiaries

Unaudited Consolidated Statements of Profit and Loss and Comprehensive Loss

(In thousands of Mexican pesos)

	For the nine months ended September 30,		For the three months ended September 30,		Var 3Q22 vs. 3Q21	
	2022	**2021**	**2022**	**2021**	**$**	**%**
Net sales	9,870,568	10,250,388	3,156,214	3,289,763	-133,549	-4.1%
Cost of sales	8,949,747	8,654,082	2,892,975	2,908,780	-15,805	-0.5%
Gross profit	**920,821**	**1,596,306**	**263,239**	**380,983**	**-117,744**	**-30.9%**
Sales expenses	196,752	337,602	100,683	54,428	46,255	85.0%
Administrative expenses	320,877	512,833	77,962	115,467	-37,505	-32.5%
Other (income) expenses, net	190,277	-906,231	164,720	30,742	133,978	435.8%
Operating income	**212,915**	**1,652,102**	**-80,126**	**180,346**	**-260,472**	**-144.4%**
Interest expenses	411,335	611,948	112,196	185,871	-73,675	-39.6%
Interest income	-2,210	-2,928	-747	-1,030	283	-27.5%
Exchange loss, net	134,037	335,532	244,310	253,911	-9,601	-3.8%
(Loss) income before income taxes	**-330,247**	**707,550**	**-435,885**	**-258,406**	**-177,479**	**68.7%**
Income tax expense	204,031	319,506	-11,360	-110,380	99,020	-89.7%
Net consolidated loss from continuing operations	**-534,278**	**388,044**	**-424,525**	**-148,026**	**-276,499**	**186.8%**
Depreciation	291,882	330,225	97,602	120,974	-23,372	-19.3%
EBITDA	**504,797**	**1,982,327**	**17,476**	**301,320**	**-283,844**	**-94.2%**

Grupo Kaltex, S.A. de C.V. and Subsidiaries

Unaudited Consolidated Interim Statements of Financial Position

(In thousands of Mexican pesos)

Assets	September 2022	September 2021
Current assets:		
Cash and cash equivalents	373,401	551,803
Accounts receivable	1,834,515	2,044,505
Affiliates receivable	4	1,445,699
Recoverable taxes	815,502	693,727
Other accounts receivable	321,103	307,819
Inventories, net	1,858,918	1,660,478
Total current assets	5,203,443	6,704,031
Property, plant and equipment, net	9,820,889	10,369,133
Investment properties	6,986	8,604
Other assets	228,375	891,376
	$ 15,259,694	$ 17,973,145
Liabilities and stockholders' equity		
Current liabilities:		
Current liabilities: Bank loans and current portion of long-terı	4,426,664	4,474,656
Accounts payable to suppliers	1,894,937	1,607,384
Due to related parties	94,642	912,223
Other accounts payable and accrued liabilities	2,423,850	2,618,800
Total current liabilities	8,840,093	9,613,063
Non- current liabilities		
Long-term debt	0	0
Accounts payable to related parties	2,700,975	3,550,997
Other accounts payable	1,985,258	2,929,741
Total non - current liabilities	4,686,233	6,480,738
Stockholders' equity:		
Capital stock	5,180,366	4,762,527
Accumulated deficit	-5,497,483	-4,308,610
Non-controlling interest	2,050,485	1,425,427
Total stockholders' equity	1,733,368	1,879,344
	$ 15,259,694	$ 17,973,145