



## VERTICALLY INTEGRATED TEXTILE COMPANY

Naucalpan, Estado de Mexico, December 9, 2024 – Grupo Kaltex S.A. de C.V. and subsidiaries (Ticker: KLTXMX), a leading company in the manufacture and marketing of textile products, announced today its results for the third quarter of 2024 ended September 30, 2024. The figures presented in this report are expressed in nominal Mexican pesos, are preliminary, non-audited, prepared in accordance with IFRS and current interpretations, and may vary due to rounding.

### 3Q24 HIGHLIGHTS

Compared to the same quarter of last year:

- Consolidated net revenue for the third quarter decreased by 0.2%, amounting to Ps.1,857 million. This decline was primarily due to weaker demand for textiles both domestically and internationally.
- Gross profit for the third quarter increased by 12.9%, reaching Ps.296 million, up from Ps.262 million. The gross margin improved to 15.9%, from 14.1%. However, despite the relatively high margin, the nominal amount remains low compared to pre-pandemic levels.
- Reported EBITDA for the third quarter of 2024 decreased by 57.9%, totaling Ps.101 million compared to Ps.241 million in the same period last year. The EBITDA margin for the quarter was 5.5%, compared to 13.0% in the third quarter of 2023.
- The consolidated net loss for the third quarter was Ps.571 million, worsening compared to a loss of Ps.177 million in the third quarter of 2023.

## MESSAGE FROM THE CEO

Dear Investor,

The Mexican textile industry has struggled to return to pre-pandemic levels of production and sales, and Kaltex is no exception. In the third quarter of 2024, we reported sales of Ps. 1,857 million, a 39% decrease compared to Ps. 3,046 million in the same quarter of 2019.

A major factor contributing to the slow recovery is the high volatility in consumer demand. Preferences in textiles and apparel have become increasingly unpredictable, with fluctuating trends and concerns about inflation and economic downturns impacting purchasing behavior. While there was initial optimism in the market that apparel demand would rebound, the potential imposition of high tariffs on Mexican products by the U.S. has led to the postponement or cancellation of orders from our customers. For those orders that remain, we are facing downward pressure on sales prices.

The domestic market is also challenging. Illegal imports of textile products have increased substantially, entering Mexico without paying import and sales taxes and being sold at prices below the market rate, which makes it impossible for us to compete.

These factors have resulted in unpredictable order volumes, complicating the management of our production schedules and inventory. Consequently, for much of the year, we have been operating at reduced capacity. The decline in sales has also led to a decrease in accounts receivable, which, as of September 30, 2024 amounted to Ps.1,759 million. This has contributed to lower liquidity heading into the end of 2024 and the beginning of 2025, a period traditionally marked by the lowest sales. As a result, we are left with limited cash for the first half of 2025.

Another significant problem for Kaltex's recovery is the rise in domestic wages. Over the past five years, the nominal hourly wage in Mexican manufacturing has nearly doubled in U.S. dollar terms. This has directly impacted our profit margins, as wages have risen significantly without a corresponding increase in product prices.

Looking ahead, 2025 is expected to see even lower factory utilization rates and higher wages, with a 12% increase in the minimum wage scheduled for January 1, 2025. The uncertainty in consumer spending, combined with ongoing global supply chain challenges and shifting trade policies driven by geopolitical issues, suggests that Kaltex will continue to face difficulties in reaching the levels of profitability we once enjoyed. The first quarter of 2025 already presents an unfavorable outlook, with low order volumes awaiting confirmation from the U.S. government on whether the 25% tariff will be imposed.

On September 11, we launched a tender offer to purchase the Senior Notes due in September 2025, funded through a credit line provided by Bancomext and NAFIN. The offer included amendments to the Indenture, removing all restrictive covenants and releasing the collateral securing the Notes, allowing it to be used as part of the collateral for the Bancomext-NAFIN loan.

As of today, the new credit line from Bancomext and NAFIN constitutes our primary debt, with quarterly payments of both interest and principal due in March, June, September, and December. We have a remaining balance of US\$10.3 million on this line, which is conditioned for repurchasing the outstanding Notes, and represents the only available funding we have to settle the remaining Notes.

While we have faced challenges in the past and successfully navigated them, the current outlook presents many more variables beyond our control. Although we remain confident that we will eventually overcome these challenges, it is the short-term obstacles that concern us most.

*Rafael Kalach Mizrahi*  
Chairman of the Board & CEO

## REVENUES

Consolidated net revenues for the third quarter totaled Ps.1,857 million, reflecting a 0.2% decrease, or Ps.3 million, compared to Ps.1,861 million recorded in the same period last year. This decline was primarily due to lower manufacturing activity. Year-to-date, net revenues reached Ps.5,369 million, down by 7.4% or Ps.429 million from Ps.5,797 million during the same period in 2023.

For the third quarter of 2024, sales to the United States accounted for 38% of total sales, while sales to Mexico represented 61%, with the remainder (less than 1%) coming from other countries.

## FINANCIAL PERFORMANCE

The cost of sales for the third quarter amounted to Ps.1,542 million, representing a decrease of 2.3% compared to Ps.1,598 million in the same period of 2023.

The consolidated gross profit for the quarter was Ps.296 million, reflecting an increase of 12.9% compared to the same quarter in 2023. The gross margin for the quarter stood at 15.9% of net sales, up from 14.1% in the prior year. Year-to-date, gross profit totaled Ps.430 million, a decrease of 9.0% compared to Ps.472 million during the same period of last year. Despite the relatively strong margin, the nominal amount remains low compared to pre-pandemic levels.

Operating expenses for the quarter amounted to Ps.152 million, a 10.7% increase compared to the same quarter of 2023. The ratio of operating expenses to sales for the quarter was 8.2%, up from 7.4% in the same period of 2023. Year-to-date, operating expenses totaled Ps.499 million, a 15.3% increase compared to the same period last year, with the ratio of operating expenses to sales rising to 9.3%, compared to 7.5% in the previous year.

Consolidated EBITDA for the third quarter of 2024 was Ps.101 million, a decrease of 57.9% from Ps.241 million in the same quarter of 2023. The EBITDA margin for the quarter was 5.5% of net revenues, compared to 13.0% in the third quarter of 2023. On a year-to-date basis, EBITDA was Ps.94 million, a decrease of Ps.189 million or 66.7% compared to Ps.284 million during the first nine months of 2023.

The net interest expense for the third quarter was Ps.163 million, an 11.5% increase compared to the same period in 2023. Year-to-date, net interest expense totaled Ps.468 million, almost unchanged from Ps.465 million in the first nine months of last year.

The consolidated net loss for the third quarter was Ps.571 million, an increase compared to the loss of Ps.177 million in the same quarter of 2023. This was due to lower operating income and exchange rate losses resulting from the devaluation of the Mexican peso. Year-to-date, the consolidated net loss was Ps.1,510 million, compared to a net income of Ps.7 million during the same period last year.

## FINANCIAL POSITION

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Cash and cash equivalents amounted Ps.73 million as of September 30, 2024, compared to Ps.159 million at 31 December 2023.

Grupo Kaltex debt totaled Ps.4,147 million as of September 30, 2024, up from Ps.3,810 million as of December 31, 2023. In dollar terms, debt stood at US\$211.3 million, compared to US\$225.5 million as of December 31, 2023. This decrease was primarily due to the amortization of the Bancomext loan and the conversion of the Dollar tranche from Bancomext into Pesos.

Regarding debt by currency, 55% was denominated in US Dollars, corresponding to the Senior Notes due 30 September 2025; while the remaining 45% was denominated in Mexican Pesos, related to the Bancomext loan, which as of September 30, 2024 was entirely in Pesos.

## About Grupo Kaltex

Grupo Kaltex S.A. de C.V. is a 100% Mexican textile Company, vertically integrated with a business model that grants the highest standards of quality and service, which are also certified by international organizations. For almost a century, Grupo Kaltex has been dedicated to the manufacturing and marketing of textile and apparel products, processes in which innovation and growth are the main differentiators that currently place it as a leader in America.

## Forward looking statements

The information presented by the Company in this report may contain statements regarding future events and/or projected financial results. The results obtained in the future could differ from those projected in this document, since past results do not guarantee future performance. Therefore, the Company does not assume liability nor obligation for external or indirect factors occurring in Mexico or abroad.

## Investor Relations

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**CONSOLIDATED FINANCIAL STATEMENTS**
**Grupo KALTEX S.A. de C.V. and Subsidiaries  
Consolidated Income Statement**

| <i>Figures in MXN thousands</i>       | <i>Three months ended,<br/>September 30,</i> |             |           | <i>Nine months ended,<br/>September 30,</i> |             |           |
|---------------------------------------|--|-------------|-----------|---|-------------|-----------|
|                                       | <b>2024</b>                                  | <b>2023</b> | <b>Δ%</b> | <b>2024</b>                                 | <b>2023</b> | <b>Δ%</b> |
| Net revenue                           | 1,857,499                                    | 1,860,535   | -0.2%     | 5,368,592                                   | 5,797,372   | -7.4%     |
| Cost of goods sold                    | 1,561,548                                    | 1,598,436   | -2.3%     | 4,938,699                                   | 5,325,023   | -7.3%     |
| <b>Gross profit</b>                   | 295,951                                      | 262,099     | 13%       | 429,893                                     | 472,349     | -9.0%     |
| Sales expenses                        | 46,913                                       | 50,781      | -7.6%     | 128,915                                     | 167,823     | -23%      |
| Administrative expenses               | 104,858                                      | 86,267      | 22%       | 369,738                                     | 264,484     | 40%       |
| Other (expenses) income net           | (120,200)                                    | 5,330       | -2355%    | (79,896)                                    | (52,109)    | 53%       |
| <b>Operating profit</b>               | 23,980                                       | 130,381     | -82%      | (148,656)                                   | (12,067)    | 1132%     |
| <b>Comprehensive financial result</b> | (613,996)                                    | (304,018)   | 102%      | (1,342,463)                                 | 84,456      | -1690%    |
| Interest income                       | (1,782)                                      | (13,380)    | -87%      | 606   | (13,439)    | -105%     |
| Interest expense                      | 161,635                                      | 133,165     | 21%       | 468,721                                     | 451,688     | 3.8%      |
| Foreign exchange result               | (450,579)                                    | (157,473)   | 186%      | (874,348)                                   | 549,583     | -259%     |
| Income tax                            | (18,887)                                     | 3,492       | -641%     | 18,428                                      | 65,026      | -72%      |
| <b>Consolidated net result</b>        | (571,129)                                    | (177,129)   | 222%      | (1,509,547)                                 | 7,363       | -20602%   |
| Depreciation                          | 77,468                                       | 110,615     | -30%      | 243,152                                     | 296,018     | -18%      |
| <b>EBITDA</b>                         | 101,448                                      | 240,996     | -58%      | 94,496                                      | 283,951     | -67%      |

**Grupo KALTEX S.A. de C.V. and Subsidiaries**  
**Consolidated Statement of Financial Position**

*Figures in MXN thousands*

|  | September 30,<br>2024 | December 31,<br>2023 |
|--|-----------------------|----------------------|
| <b>Assets</b>                                  |                       |                      |
| Cash & cash equivalents                        | 72,713                | 163,383              |
| Accounts receivable, net                       | 1,759,330             | 1,921,085            |
| Accounts receivable from related parties       | 36,154                | 34,166               |
| Inventories, net                               | 205,434               | 52,339               |
| Prepaid expenses                               | 1,342,950             | 1,931,991            |
| <b>Current Assets</b>                          | <b>3,416,581</b>      | <b>4,102,964</b>     |
| Property, plant and equipment, net             | 9,411,822             | 9,625,717            |
| Investment properties                          | 933,591               | 933,591              |
| Right of use asset                             | 116,092               | 62,195               |
| Other assets                                   | 133,781               | 136,543              |
| <b>Non-current Assets</b>                      | <b>10,595,286</b>     | <b>10,758,046</b>    |
| <b>Total Assets</b>                            | <b>14,011,867</b>     | <b>14,861,010</b>    |
| <b>Liabilities</b>                             |                       |                      |
| Bank loans                                     | 59,474                | 3,809,953            |
| Accounts Payable to suppliers                  | 1,199,454             | 1,352,487            |
| Short term lease liability                     | 142                   | 12,827               |
| Accounts payable to related parties            | 169,609               | 98,385               |
| Other accounts payable and accrued liabilities | 2,390,376             | 2,249,480            |
| <b>Current Liabilities</b>                     | <b>3,819,055</b>      | <b>7,523,132</b>     |
| Long-term financial liabilities                | 4,087,407             | -                    |
| Accounts payable to related parties            | 2,120,368             | 1,968,525            |
| Lease liability                                | 125,469               | 66,234               |
| Employee benefits                              | 547,730               | 563,516              |
| Deferred Income Tax                            | 1,587,158             | 1,628,685            |
| <b>Non-current Liabilities</b>                 | <b>8,468,132</b>      | <b>4,226,960</b>     |
| <b>Total Liabilities</b>                       | <b>12,287,187</b>     | <b>11,750,092</b>    |
| Capital stock                                  | 5,315,829             | 5,295,829            |
| Accumulated (losses) earnings                  | (3,591,149)           | (2,184,911)          |
| <b>Total Equity</b>                            | <b>1,724,680</b>      | <b>3,110,918</b>     |
| <b>Total Liabilities and Equity</b>            | <b>14,011,867</b>     | <b>14,861,010</b>    |

**Grupo KALTEX S.A. de C.V. and Subsidiaries**  
**Consolidated Statement of Cash Flow**

| <i>Figures in MXN thousand</i>                                    | <i>Three months ended<br/>September 30, 2024</i> | <i>Nine months ended<br/>September 30, 2024</i> |
|---|--|---|
| <b>Cash flows from operating activities</b>                       |  |   |
| Consolidated net income (loss)                                    | (571,129)  | (1,509,547)                                     |
| <i>Adjustments for:</i>   |  |   |
| Income tax expense recognized in net loss                         | (18,887)   | 18,428  |
| Depreciation and amortization                                     | 77,468   | 243,152   |
| Interest income   | 1,782  | (606)   |
| Interest expense  | 161,635  | 468,721   |
| Unrealized foreign exchange                                       | 450,579  | 874,348   |
|   | <b>101,448</b>                                   | <b>94,496</b>                                   |
| <b>Changes in working capital</b>                                 |  |   |
| <i>(Increase) decrease in:</i>                                    |  |   |
| Accounts receivable, net  | (30,375)   | 161,755   |
| Inventories, net  | 107,574  | 589,041   |
| Prepaid expenses  | 36,929   | (153,095)                                       |
| Other assets  | 205  | 2,794   |
| <i>(Increase) decrease in:</i>                                    |  |   |
| Accounts payable to suppliers                                     | (18,776)   | (153,033)                                       |
| Accounts payable to related parties                               | 22,527   | 69,236  |
| Other accounts payable and accrued liabilities                    | 123,220  | 227,084   |
| <b>Net cash flows generated by operating activities</b>           | <b>342,752</b>                                   | <b>838,278</b>                                  |
| <i>Cash flows from investing activities:</i>                      |  |   |
| Interest received   | (1,782)  | 606   |
| Acquisition of property, plant and equipment, net                 | (61,917)   | (83,186)  |
| Capital increase  | 8,500  | 20,000  |
| <b>Net cash flows (generated by) used in investing activities</b> | <b>(55,199)</b>                                  | <b>(62,580)</b>                                 |
| <i>Cash flows from financing activities:</i>                      |  |   |
| Payments of debt, net   | (71,111)   | (95,204)  |
| Proceeds from related parties, net                                | 95,315   | 151,843   |
| Interest paid   | (131,567)  | (333,354)                                       |
| Lease payments  | (36,792)   | (54,212)  |
| <b>Net cash flow (used in) generated by financing activities</b>  | <b>(144,155)</b>                                 | <b>(330,927)</b>                                |
| <b>Net increase (decrease) in cash and cash equivalents</b>       | <b>143,398</b>                                   | <b>444,771</b>                                  |
| Effects of exchange rate changes on cash flows                    | (111,672)  | (535,441)                                       |
| <b>Cash and cash equivalents at beginning of period</b>           | <b>40,987</b>                                    | <b>163,383</b>                                  |
| Cash and cash equivalents at end of period                        | 72,713   | 72,713  |