

**VERTICALLY INTEGRATED
TEXTILE COMPANY
EARNINGS RELEASE
2Q17**



Naucaipan, Estado de Mexico, August 02, 2017 – Grupo Kaltex S.A. de C.V. and subsidiaries (Ticker: KLTXMX), a leading company in the manufacture and marketing of textile products, today announced its results for the second quarter ended June 30, 2017. The figures presented in this report are expressed in nominal Mexican pesos, are preliminary and non-audited, prepared in accordance with IFRS and current interpretations, and may vary due to rounding.

2Q17 HIGHLIGHTS

Grupo Kaltex – Consolidated

- ✦ On April 7, 2017, Grupo Kaltex placed an international offering of Senior Notes due 2022 (with semi-annual coupon payments on April 11 and October 11 of each year beginning on October 11, 2017), thus obtaining net proceeds for US\$313 million, of which US\$72 million was used to the payment of short-term maturities (the short-term portion of the debt has been decreased to 12.2% from 48.6% as of 30 June 2017), US\$236 to the amortization of long-term debt (our maturity profile extended from 2.7 years to 4.3years), and US\$5 million for general corporate purposes
- ✦ 2Q17 Consolidated Net Revenue reached Ps.4,123 million, a decrease of 1.6% when compared to the Ps.4,191 million reported in 2Q16, although year-to-date they increased 2.0% with mixed movements in sales volume and prices, and a solid retail operation that continued advancing in its growth path
- ✦ 2Q17 Consolidated Cost of Goods Sold (COGS) increased by 2.8% vs. 2Q16, although they decreased by 8.3% vs 1Q17 mainly explained by higher feedstock prices, outstanding the surge in energy and gas prices
- ✦ 2Q17 Gross Profit registered a sequential recovery of 37.6%, but lower than that recorded in 2Q16
- ✦ 2Q17 EBITDA generation went up 2.2 times higher than 1Q17 by Ps.189 million in a sequential basis, but down in a year-over-year basis as a result of higher-than-expected costs, which are expected to be mitigated towards the 2H17, in order to strengthen our generation of FCFs that this quarter amounted to Ps.313 million reflecting a Net Working Capital improvement for the period, even as we expended Ps.150 million in Machinery. EBITDA Margin stood at 8.3% vs. 11.5% recorded in the same period last year.
- ✦ 2Q17 Consolidated Net Income was Ps.32 million, an increase of 9.3 times YoY from a negative Ps.267 million, mainly following the non-cash FX gain related to the appreciation of the MXP vs. USD.

Kaltex Textiles Division

- ✦ 2Q17 Kaltex Textiles Net Revenue remained almost flat quarter-on-quarter, and up 1.7% in an annual basis, with mixed movements in volume and prices along its portfolio of products, where Apparel continued recording a subpar performance
- ✦ 2Q17 Kaltex Textiles EBITDA registered a solid sequential recovery of Ps.150 million, but down in an annual basis.

Kaltex Internacional Division

- ✎ 2Q17 Kaltex Internacional Net Revenue decreased in an annual and sequential basis, in line with Kaltex America's results
- ✎ 2Q17 Kaltex Internacional EBITDA decreased QoQ but increased YoY

Kaltex Comercial Division

- ✎ 2Q17 Kaltex Comercial Net Revenue reached Ps.884 million, 6.6% higher than those registered in 2Q16, and 44.5% higher than 1Q17, mainly driven by the solid performance of Milano. We recorded 5 openings in our commercial network, 4 under the Milano format and 1 under Melody, thus achieving 420 units
- ✎ 2Q17 Kaltex Comercial EBITDA increased 48.6% YoY, and quarterly went from a negative figure of Ps.32 million in 1Q17 to a positive record of Ps.57 million as a result of better average margins boosted by Milano higher pricing

Energía MKKF Division

- ✎ Kaltex Energía ended the quarter producing 35 Mega Watts. This subsidiary proved to be a good instrument to cover our exposition to power cost surges as it satisfies 35% of our energy needs; becoming of even greater support in the prevailing environment as the Kilo Watt purchase cost from the grid has gone up almost 64.5%.

KEY CONSOLIDATED FINANCIAL INDICATORS (MMXP)

Indicator	2Q17	1Q17	Δ%	2Q16	Δ%	1H17	1H16	Δ%
Net Revenue	4,123	4,199	(1.8%)	4,191	(1.6%)	8,322	8,157	2.0%
Gross Profit	813	591	37.6%	971	(16.3%)	1,403	1,813	(22.6%)
Gross Margin (%)	19.7%	14.1%	560bps	23.2%	(350bps)	16.9%	22.2%	(530bps)
Operating Income	177	(19)	>100%	305	(42.1%)	158	574	(72.5%)
Operating Margin (%)	4.3%	(0.5%)	470bps	7.3%	(300bps)	1.9%	7.0%	(510bps)
Consolidated Net Income	32	268	(88.2%)	(267)	(111.9%)	300	(217)	238.1%
Net Margin (%)	0.8%	6.4%	(560bps)	(6.4%)	720bps	3.6%	(2.7%)	630bps
EBITDA	344	155	121.0%	481	(28.5%)	499	926	(46.1%)
EBITDA margin (%)	8.3%	3.7%	460bps	11.5%	(320bps)	6.0%	11.4%	(540bps)
CAPEX	(150)	(144)	(4.2%)	(63)	(138.1%)	(294)	(123)	(139.0%)
ROA	0.3%	(1.0%)	130bps	(1.3%)	160bps	0.3%	(1.3%)	160bps
ROE	1.0%	(3.3%)	430bps	(4.2%)	520bps	1.0%	(4.2%)	520bps
Total Debt / EBITDA	4.49	4.39	-	3.68	-	4.49	3.68	-
Net Debt / EBITDA	4.15	4.12	-	3.60	-	4.15	3.60	-
Interest Coverage	0.80	0.62	-	3.47	-	0.74	3.42	-
Working Capital	2,603	2,639	(1.4%)	3,213	(19.0%)	2,603	3,213	(19.0%)
Free Cash Flow	313	16	-	454	-	329	702	-

HEADCOUNT INDICATOR

Indicator	2Q17	1Q17	Δ%	2Q16	Δ%	1H17	1H16	Δ%
Headcount (number)	19,735	19,586	0.8%	19,699	0.2%	19,735	19,699	0.2%

SUMMARY OF FINANCIAL RESULTS BY BUSINESS DIVISION

Ps. Million	2Q17	1Q17	Δ%	2Q16	Δ%	1H17	1H16	Δ%
Consolidated Net Revenue	4,123	4,199	(1.8%)	4,191	(1.6%)	8,322	8,157	2.0%
Kaltex Textiles	2,616	2,773	(5.7%)	2,573	1.7%	5,390	5,100	5.7%
Kaltex Internacional	1,498	1,866	(19.7%)	1,723	(13.1%)	3,364	3,449	(2.5%)
Kaltex Comercial	884	612	44.5%	829	6.6%	1,496	1,447	3.3%
Energia MKKF	102	106	(3.8%)	58	75.9%	209	133	57.1%
Elimination	(978)	(1,159)	15.6%	(991)	1.3%	(2,136)	(1,972)	(8.3%)
Consolidated Operating Income	177	(19)	>100.0%	305	(42.1%)	158	574	(72.5%)
Kaltex Textiles	129	(22)	686.4%	279	(53.7%)	107	537	(80.0%)
Kaltex Internacional	17	49	(65.3%)	9	88.9%	66	60	10.0%
Kaltex Comercial	31	(60)	151.7%	12	158.3%	(29)	(41)	(29.3%)
Energia MKKF	19	14	35.7%	5	280%	34	18	88.9%
GK ind & others	(20)	(0)	>(100.0%)	1	>(100.0%)	(20)	0	>(100.0%)
Consolidated Operating Margin	4.3%	(0.4%)	470bps	7.3%	(300bps)	1.9%	7.0%	(510bps)
Kaltex Textiles	4.9%	(0.8%)	570bps	10.8%	(590bps)	2.0%	10.5%	(850bps)
Kaltex Internacional	1.1%	2.6%	(150bps)	0.5%	60bps	2.0%	1.7%	30bps
Kaltex Comercial	3.5%	(9.8%)	1,330bps	1.4%	210bps	(1.9%)	(2.8%)	90bps
Energia MKKF	19.0%	13.4%	560bps	8.0%	1,100bps	16.2%	13.4%	280bps
Consolidated EBITDA	344	155	121.9%	481	(28.5%)	499	926	(46.1%)
Kaltex Textiles	245	95	157.9%	398	(38.3%)	340	773	(56.0%)
Kaltex Internacional	37	71	(47.9%)	33	12.1%	108	107	0.9%
Kaltex Comercial	57	(32)	278.1%	38	50.0%	25	14	78.6%
Energia MKKF	24	22	9.1%	11	118.2%	46	31	48.4%
GK ind & others	(20)	(0)	>100.0%	1	>(100.0%)	(20)	0	>(100.0%)
Consolidated EBITDA Margin	8.3%	3.7%	460bps	11.5%	(320bps)	6.0%	11.4%	(540bps)
Kaltex Textiles	9.4%	3.4%	600bps	15.5%	(610bps)	6.3%	15.2%	(890bps)
Kaltex Internacional	2.5%	3.8%	(130bps)	1.9%	60bps	3.2%	3.1%	10bps
Kaltex Comercial	6.4%	(5.3%)	1,170bps	4.6%	180bps	1.6%	1.0%	60bps
Energia MKKF	23.9%	20.8%	310bps	18.9%	500bps	22.3%	23.0%	(70bps)

REPRESENTATIVE COSTS

Inputs ¹	2Q17 ²	2Q16 ³	Δ%	1H17 ²	1H16 ³	Δ%
Cotton (US\$ per pound)	0.73	0.62	17.7%	0.76	0.63	20.6%
Energy (MXN KW/h) CFE	1.76	1.07	64.5%	1.72	1.13	52.2%
Energy (MXN\$ per MWh)	1.52	1.02	49.1%	1.54	1.05	46.7%
Gas (MXN\$ per GJ)	76.5	53.4	43.2%	82.7	53.8	53.7%
Fibers (MXN\$)	38.8	33.3	16.6%	39.3	34.1	15.3%
Chemicals (MXN\$)	21.2	18.6	14.0%	21.4	19.8	8.2%

1 Amounts in dollars

2 Exchange rate at Jun, 30 2017: 17.8973

3 Exchange rate at Jun, 30 2016: 18.9113

MESSAGE FROM THE CEO

Dear Investor,

This quarter marks the initial recovery period for Kaltex as our revenue remains stable and the operational margins normalized from the non-recurrent effect of 1Q17, partly supported by the cost reduction started this quarter and gradual pass-through of higher costs, which is clearly reflected in almost all lines of our sequential comparisons (versus 1Q17).

We were able to move forward in spite of the prevailing headwinds, such as the soften demand in the United States and the yet high cost of some feedstock (energy, gas and chemicals).

Shedding broader color on the feedstock pricing environment, energy and gas costs have surged in more than 60% and 40%, respectively, thus temporary pressuring our margins. We expect normalization for the 2H17, meanwhile we started the execution of a number of strategic initiatives in the expenses front as it was reflected in the 6.3% and 8.3% reduction in sales expenses vs. 2Q16 and 1Q17, respectively, following the adjustment in travel expenses and refining the efficiency of the variable compensation system. It is also important to recall that administrative expenses reflected a Ps.24 million non-recurrent effect derived from the issuance expenses of our Senior Notes due 2022.

On our business segment:

- i) **Kaltex Textiles** recorded a sequential recovery with mix movements in volume and prices, with a still weak performance in Apparel.
- ii) **Kaltex Internacional** registered a subpar performance in line with Kaltex America
- iii) **Kaltex Comercial** advances strong in all lines of the P&L following a sound operation from Milano
- iv) **Energia MKKF** reaffirms the right decision taken when we decided to participate in cogeneration activities as it moved forward in its power generation ramp fulfilling 35% of our power needs

Moving into the consolidated results:

- i) **Revenue** remains stable with mixed movements in volume and prices along our different business segments
- ii) **EBITDA** posted a significant sequential improvement of Ps.189 million vs. 1Q17
- iii) **Net Income** benefited from the non-cash related gains of the MXP vs. USD

Regarding the industry developments, cotton prices plunged to their lowest level since last January as supply outside China significantly increased, while the implementation of Goods and Services Tax (GST) regime greatly affected cotton demand in India. Furthermore, textile activity in the United States and Mexico is gaining new ground partly thanks to their both governments' continuous efforts to eliminate illegal commerce and other unfair business practices.

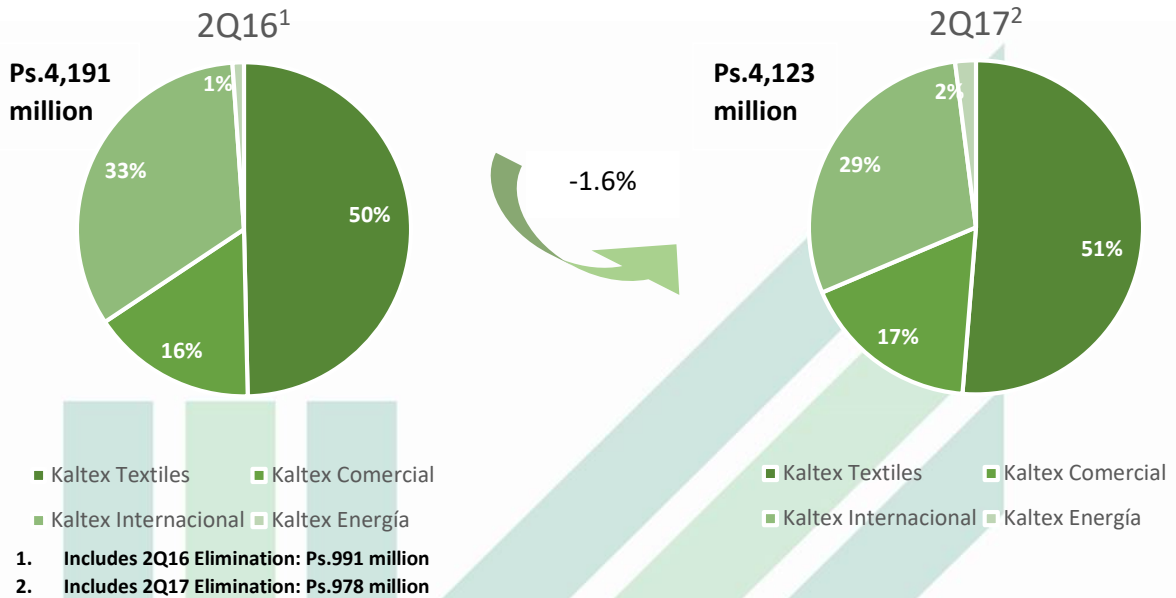
In relation to our financial position, with the US\$313 million net proceeds from the issuance of our Senior Notes due 2022 we amortized short- and long-term liabilities with different financial institutions, such as Sabadell Bank, HSBC, Banorte, JP Morgan Chase, among others. As a result, the portion of short-term maturities in our total debt decreased 36.4%, and the term of our debt expanded 1.6 years, thus helping us to have a better match between our financial position and operation.

Finally, please do let me reassure our commitment with the highest standard of service to the financial markets, and allow me to express my gratitude, once again, for your interest in Kaltex.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

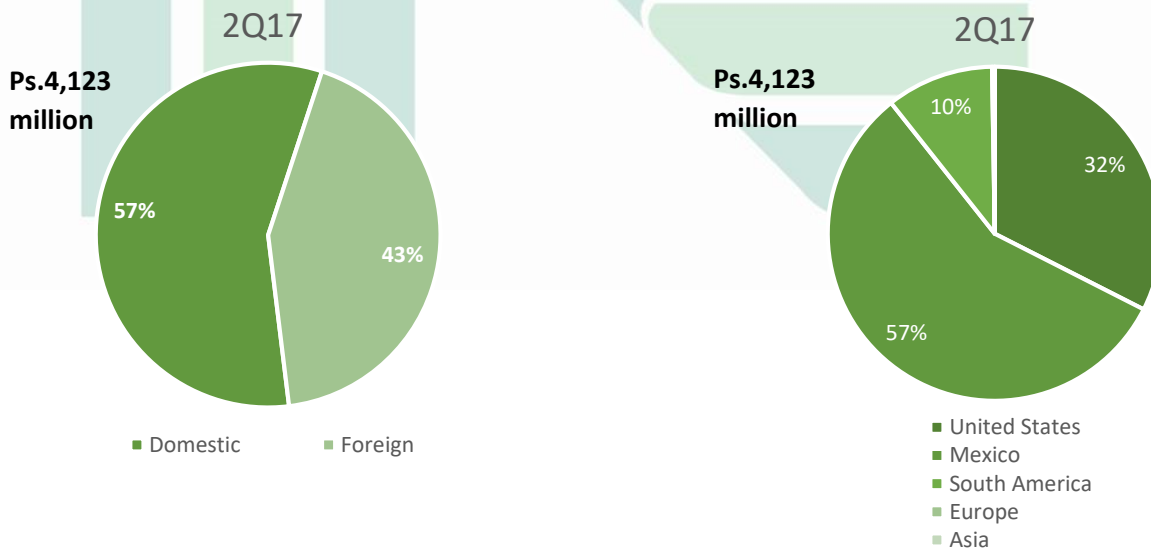
INCOME STATEMENT

Consolidated Net Revenue

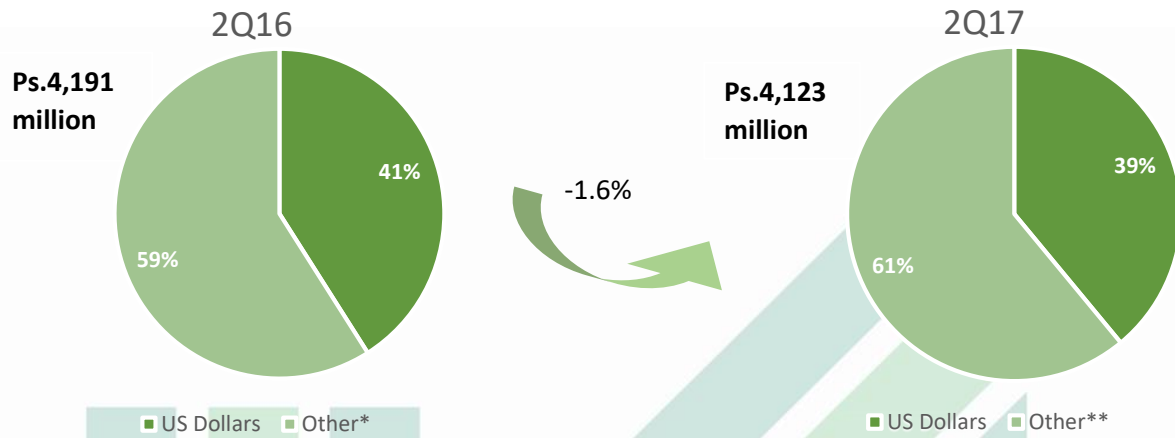


2Q17 Consolidated Net Revenue totaled Ps.4,123 million, which represented a decrease of 1.6% YoY compared to the Ps.4,191 million recorded in 2Q16 as we achieved a lower dynamism in sales in both Kaltex Textiles and Kaltex Internacional, while Kaltex Comercial partially offset these effects. We expect greater dynamism from the 2H17 following the Company's normal cycle of business.

Revenue analysis



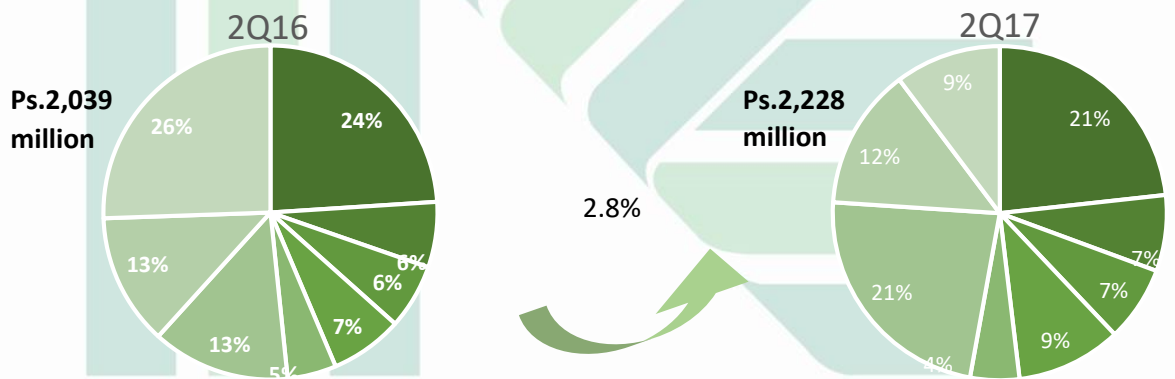
Exports accounted for 43.1% of net revenue in 2Q17, 510 bps. lower than those registered in 2Q16. We expect a higher demand in the Mexican market for the following quarters.



* 51.8% of our net revenue are denominated in MXP and 7.2% in COP
 ** 56.9% of our net revenue are denominated in MXP and 4.3% in COP

During 2Q17, dollar-denominated revenue reached USD\$1,592 million, accounting for 38.6% of net revenue, a decrease of 218 bps. compared to 2Q16.

Cost of goods sold (COGS)*

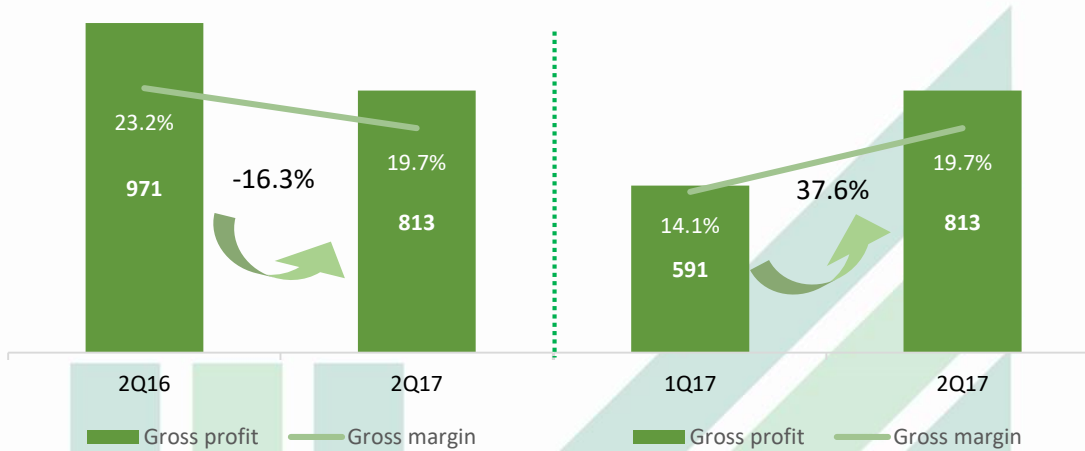


- | | | | |
|-------------------------|--------------|-------------------------|--------------|
| ■ Cotton | ■ Fibers | ■ Cotton | ■ Fibers |
| ■ Chemicals | ■ Energy | ■ Chemicals | ■ Energy |
| ■ Machinery repairation | ■ Work force | ■ Machinery repairation | ■ Work force |
| ■ Fabric | ■ Others | ■ Fabric | ■ Others |

*COGS corresponding to Kaltex Textiles. COGS of other subsidiaries amount Ps.1,181 million for the 2Q16 and Ps.1,082 million for the 2Q17.

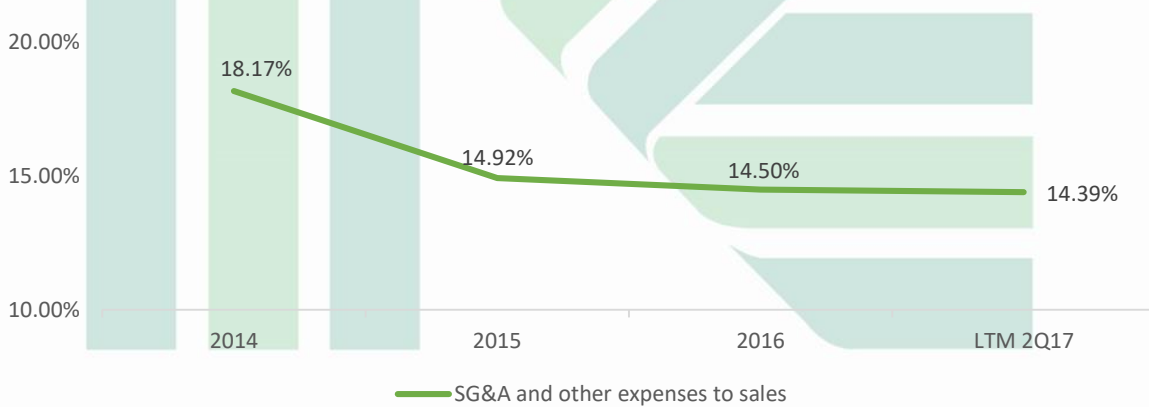
2Q17 Consolidated Cost of Goods Sold was Ps.3,310 million, increasing 2.8% vs. the Ps.3,220 registered in 2Q16. This variation is mainly due to the increase in energy, gas and chemical prices, which are expected to stabilize as stated by the quotations in the derivative markets.

Gross profit



Consolidated Gross Profit amounted to Ps.813 million for the 2Q17, which represents a decrease of 16.3% YoY, driven by higher raw material prices. On the other hand, gross margin stood at 19.7%, 350 bps. below the 23.2% recorded in 2Q16. On a quarterly basis, Gross Profit increased by 37.6%, meanwhile gross margin increased by 560 bps.

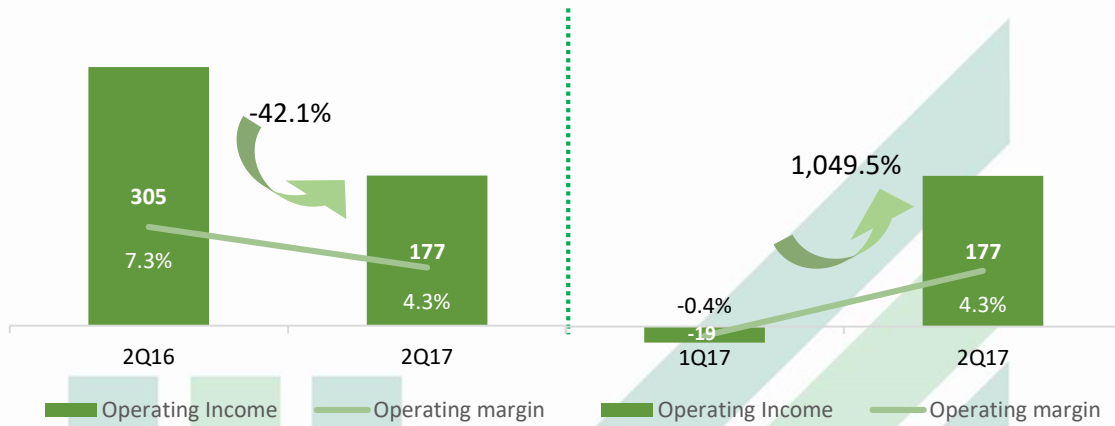
Selling, General and Administrative and Other Expenses



Concept (Ps.million)	2Q17	2Q16	Δ%
SG&A	637	618	3.1%
Other Net Expenses	(1)	49	(101.4%)
Total SG&A and other expenses	636	666	(4.6%)
SG&A and other expenses to sales	15.4%	15.9%	(50bps)

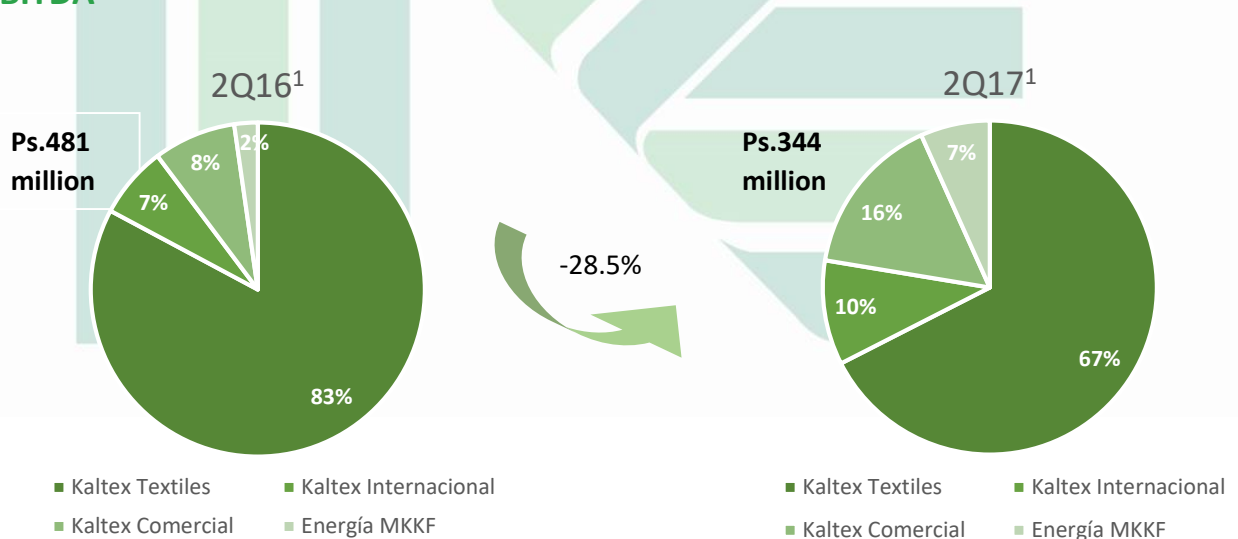
Kaltex is gearing towards a leaner and more efficient structure as reflected in the execution of its sales expenses control strategies. This quarter sales expenses were reduced by Ps.30 million compared to the 2Q16.

Operating Income



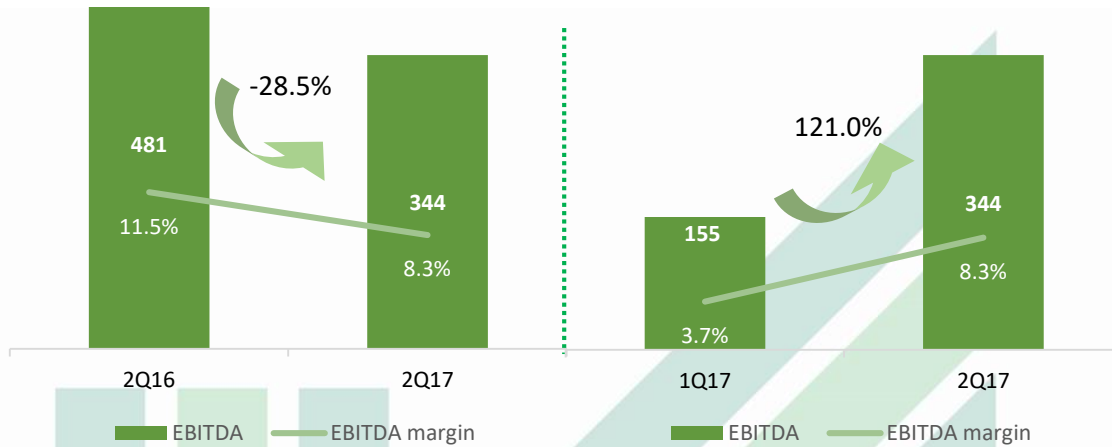
2Q17 Consolidated Operating Income was Ps.177 million, a decrease of 42.1% YoY, driven by lower margins resulting from higher feedstock prices, mostly energy, gas and transformation chemicals. Operating margin decreased by 300 bps. from 7.3% in 2Q16 to 4.3% in 2Q17. On a quarterly basis, 2Q17 Consolidated Operating Income strongly increased by Ps.196, to reach Ps. 177 million from the Ps.19 negative figure recorded last quarter.

EBITDA



1. Includes Gk ind & others: 2Q16 Ps.1 million and 2Q17 Ps.-20 million

Consolidated EBITDA totaled Ps.344 million in 2Q17, 28.5% lower than the Ps.481 million registered during the same period last year, driven by the increase in certain feedstock costs as mentioned lines above. EBITDA margin reached 8.3% vs. 11.5% in 2Q16. On a quarterly basis, Consolidated EBITDA increased by Ps.189 million and the EBITDA margin improved by 463 bps.



COMPREHENSIVE FINANCIAL RESULT

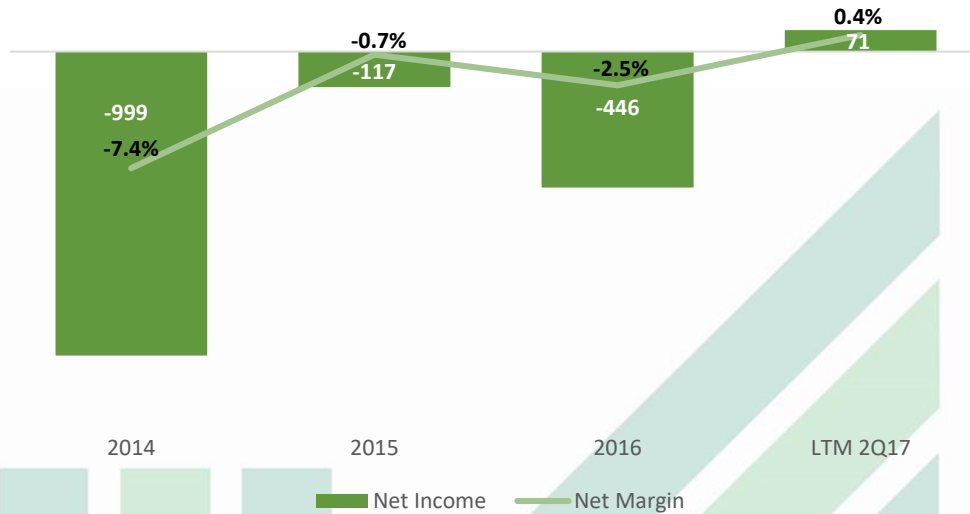
CFR	2Q17	2Q16	Δ%
Interest income	1	2	(61.8%)
Interest expense	(427)	(138)	(208.7%)
Foreign exchange result	350	(403)	186.7%
Total CFR	(76)	(539)	85.8%

2Q17 CFR increased Ps.463 million when compared to 2Q16, mainly due to the appreciation of the MXN, which has been strengthened in the recent months as it has bounced back to the Ps.18/US\$ mark after reaching historical highs of Ps.21.0/US\$ on January 2017.

Income Tax

Income Tax was Ps.68 million at the end of 2Q17, an increase of 106.8% when compared to 2Q16, following the improvement in income before taxes.

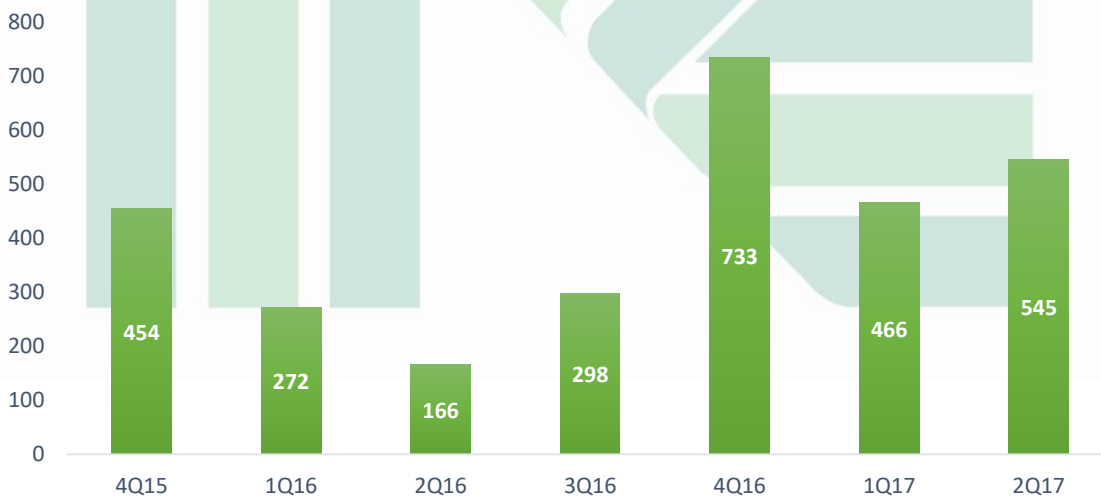
Net Income



2Q17 Consolidated Net Income reached Ps.32 million, an increase of 111.9% vs. the Ps.267 million loss registered in 2Q16 as a result of the appreciation of the MXP against the USD.

FINANCIAL POSITION

Cash and Cash Equivalents

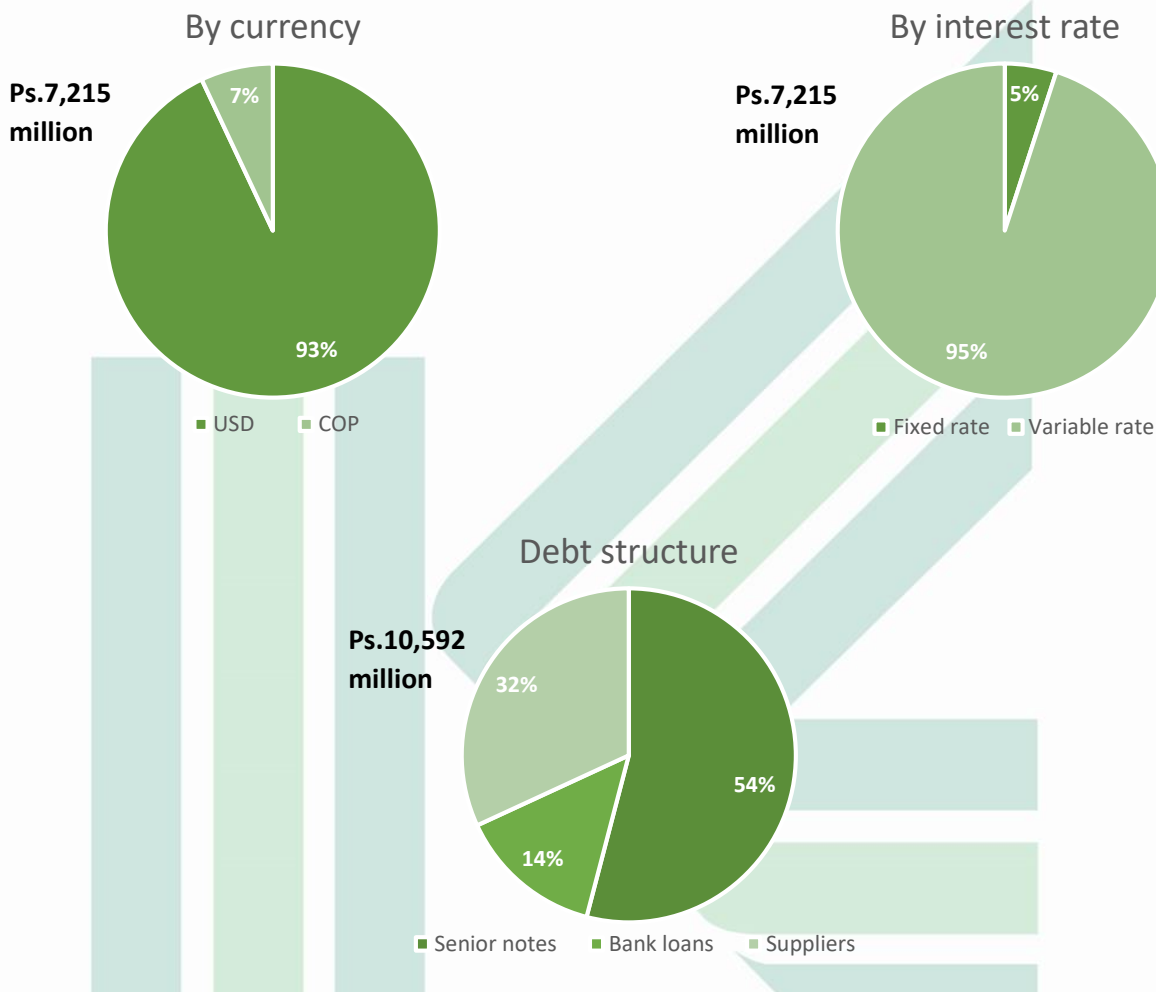


The balance in cash and cash equivalents totaled Ps.545 million as of June 30, 2017. This figure is 17.0% above the Ps.466 million reported in 1Q17 reflecting the addition of US\$5 million from the Senior Notes placement in 2Q17 after settle down US\$72.2 million of short term debt and US\$236.2 million of long term debt.

Inventory

Inventory balance amounted to Ps.3,342 million as of June 30, 2017, almost in line with the Ps.3,347 million registered at the end of 4Q16.

Debt



Net Debt (Ps. million)				
Concept	2Q17	2Q16	Δ\$	Δ%
Short-term	884	3,771	(2,888)	(76.6%)
Long-term	6,331	3,985	2,346	58.9%
Cash	545	166	380	229.3%
Net Debt	6,669	7,591	(921)	(12.1%)

Grupo Kaltex's Net Debt amounts to Ps.6,669 million as of June 30, 2017, of which 93% is denominated in US dollars, and the remaining 7% in Colombian pesos.

Maturity Profile as of June 30, 2017 (Ps. million)				
Division	1 year	1-3 years	> 3 years	Total
Kaltex Textiles	44	322	85	452
Kaltex Internacional	150	885	-	1,036
Kaltex Comercial	-	-	-	-
Energía MKKF	-	-	-	-
GK ind & others	-	-	5,727	5,727
Total	195	1,208	5,812	7,215
%Total	2.7%	16.7%	80.6%	100%

The average maturity of Grupo Kaltex's debt is 4.3 years, compared to the 2.8 in 1Q17. This is mainly explained by the debt refinancing made with the net proceeds from the international senior notes issuance, resulting in a more favorable debt maturity profile.

Debt Ratio	2Q17	4Q16	2Q16
Gross Debt / EBITDA	4.49x	4.12x	3.68x

Gross Debt / EBITDA ratio increased from 4.12x in 4Q16 to 4.49x in 2Q17. Since 93% of the debt is denominated in US dollars, it is important to mention again that the company has a natural currency hedge from its 39% dollarized revenue and Us.120 million from a financial hedge.

Shareholders' Equity

Shareholders' Equity amounted to Ps.6,742 million as of June 30, 2017, a decrease of 3.9% vs. the Ps.7,014 million registered as of December 31, 2016.

Free Cash Flow

(Ps. Million)	2Q17	1Q17	2Q16
EBITDA	344	155	481
CF from operating activities	155	314	452
CF from investing activities	(148)	(146)	(52)
CF from financing activities	(38)	(307)	(553)
Free Cash flow	313	16	399

We generated Ps.313 million of FCFs reflecting a Net Working Capital improvement for the period, even as we expended Ps.150 million in Machinery. We anticipate higher dynamism in our generation of cash towards the 2H17.

CAPEX

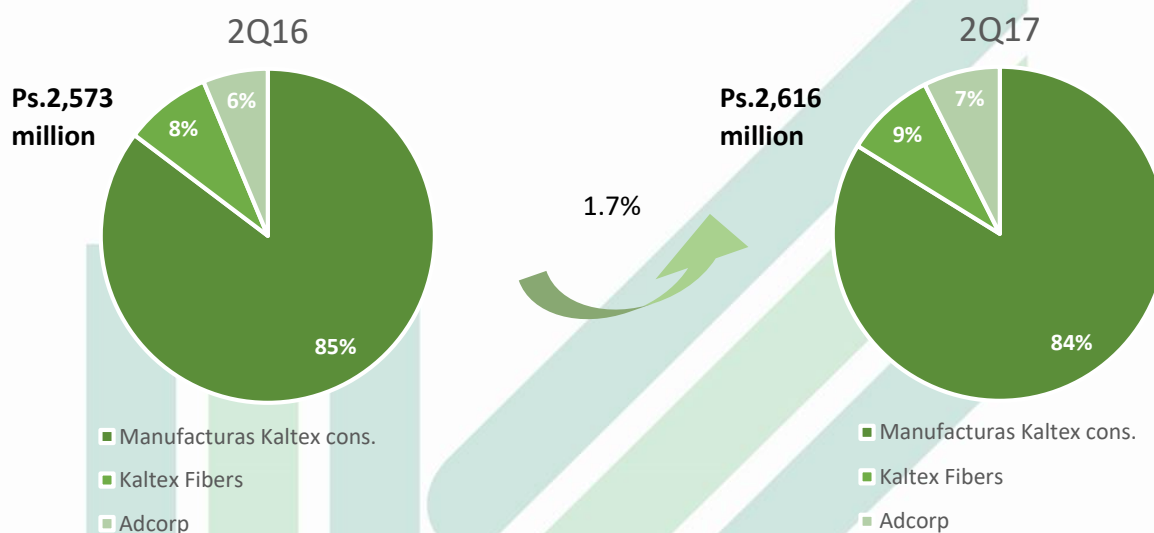
At the end of 2Q17, investments in fixed assets reached Ps.150 million, mainly derived from the purchase of machinery.

FINANCIAL INFORMATION BY DIVISION

Kaltex Textiles

2Q17 Kaltex Textiles Net Revenue accounted for 51.3% of Consolidated Net Revenue, above the 50.4% reached in 2Q16.

The segment revenue of this division is integrated as follows:



Net Revenue

Segment	Revenue (Ps. million)			Revenue (Ps. million)	
	2Q17	1Q17	Δ%	2Q16	Δ%
Manufacturas Kaltex cons.	2,361	2,422	(2.5%)	2,354	0.3%
Kaltex Fibers	247	346	(28.6%)	232	6.4%
Adcorp	209	171	22.1%	173	20.4%
Intercompany sales	(201)	(166)	(21.0%)	(187)	(7.0%)
Kaltex Textiles	2,616	2,773	(5.7%)	2,573	1.7%

During 2Q17, the revenue of Kaltex Textiles division recorded a 1.7% growth compared to the Ps.2,573 million in 2Q16.

Underlying the results of this division was the contribution of Adcorp and Kaltex Fibers recording annual growth rates of 20.4% and 6.4%, reaching the Ps.209 million and Ps.247 million, respectively. Manufacturas Kaltex registered a slight increase of 0.3% YoY.

In a sequential basis, the net revenue of Kaltex Textiles division decreased by 5.7% compared to the Ps.2,773 million in 1Q17.

Sales Volume

Sales Volume						
Products	2Q17	2Q16	Δ%	1H17	1H16	Δ%
Yarn (kilos)	3,568	3,362	6.1%	6,942	6,521	6.5%
Fabric (meters)	35,195	36,582	(3.8%)	71,839	72,111	(0.4%)
Apparel (units)	3,439	3,369	2.1%	6,378	6,435	(0.9%)
Home (units)	550	524	4.9%	1,083	1,068	1.4%
Synthetic fibers (tons)	6,239	5,974	4.4%	15,162	14,049	7.9%

End-of-Period Prices

Products	2Q17	2Q16	Δ%	1Q17	Δ%
Fabric (per meter)	45.65	44.87	1.7%	44.84	1.8%
Apparel (per piece)	104.98	130.07	-19%	89.76	17.0%
Home (per piece)	173.17	203.95	-15%	195.35	-11.4%
Synthetic fibers (per piece)	47.97	39.99	20.0%	45.71	4.9%

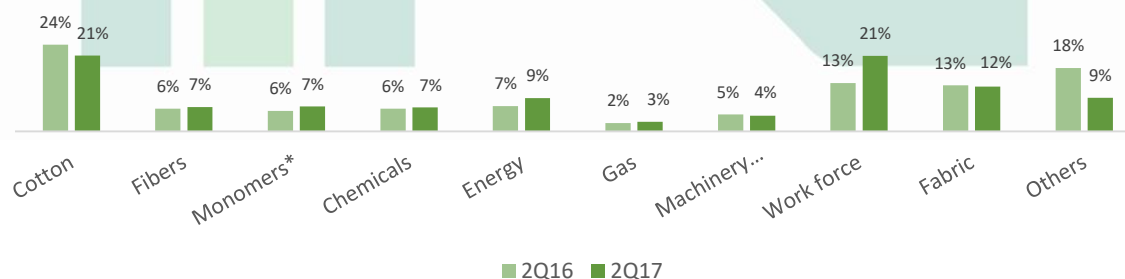
Operating Income

Operating Income (Ps. million)						
Segment	2Q17	1Q17	Δ%	2Q16	Δ%	Operating margin
Manufacturas Kaltex cons.	125	(31)	506.1%	242	(48.4%)	5.3%
Kaltex Fibers	(8)	13	(163.0%)	21	(138.5%)	(3.3%)
Adcorp	14	(5)	362.3%	16	(9.3%)	6.8%
KT ind	(1)	-	-	0	(392.2%)	-
Kaltex Textiles	129	(22)	685.9%	279	(53.7%)	4.9%

2Q17 Kaltex Textiles Operating Income was Ps.129 million, 53.7% lower than in 2Q16, resulting in an operating margin of 4.9% that compares to the 10.9% reported in the same period last year.

In a sequential basis, the Operating Income passed from a negative figure of Ps.22 million in 1Q17 to Ps.129 million in 2Q17.

Margins to cost of goods sold of our main inputs



* Acrylonitrile and methyl acrylate

EBITDA

Segment	EBITDA (Ps. million)					
	2Q17	1Q17	Δ%	2Q16	Δ%	EBITDA margin
Manufacturas Kaltex cons.	221	68	224.4%	344	(35.7%)	9.4%
Kaltex Fibers	11	30	(64.4%)	37	(71.1%)	4.3%
Adcorp	16	(4)	475.2%	17	(8.5%)	7.4%
KT ind	(2)	1	(248.4%)	0	-	-
Kaltex Textiles	245	95	158.5%	398	(38.3%)	9.4%

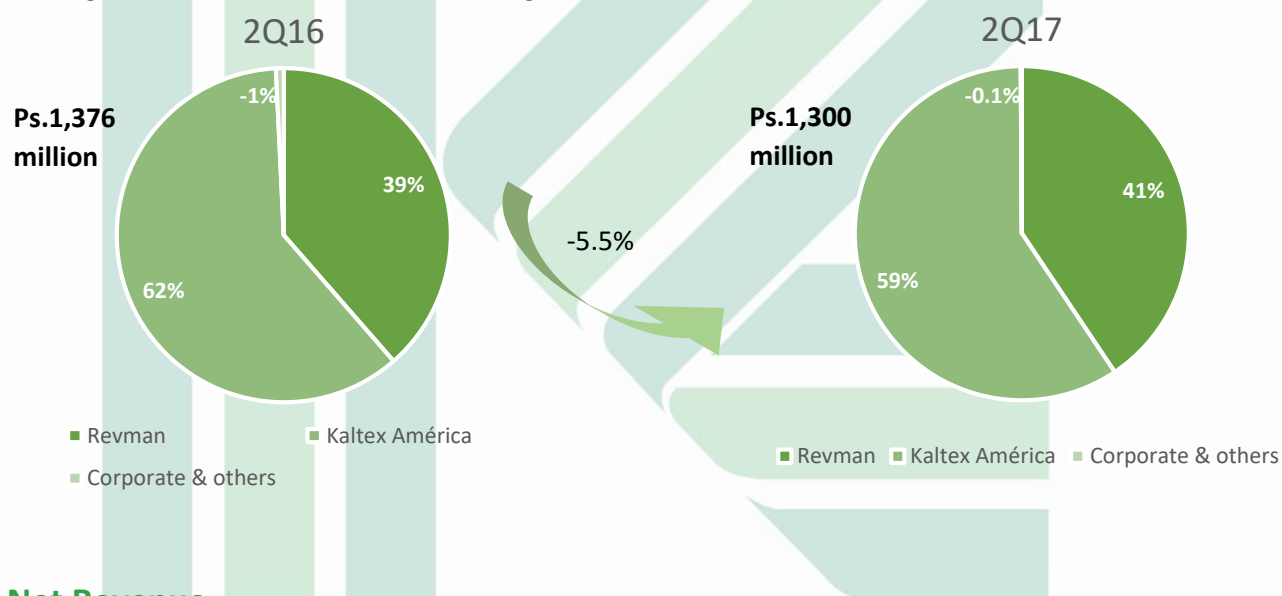
The division's EBITDA reached Ps.245 million, accounting for 67.5% of Consolidated EBITDA. All segments presented decreases when compared with 2Q16, attributed to higher raw material prices.

In a sequential basis, Kaltex Textiles EBITDA increased by 158.5% compared to the Ps.95 million in 1Q17.

Kaltex Internacional

2Q17 Kaltex Internacional Net Revenue accounted for 29.4% of Consolidated Net Revenue, below the 33.8% reached in 2Q16.

The segment revenue of this division is integrated as follows:



Net Revenue

Segment	Revenue (Ps. million)				
	2Q17	1Q17	Δ%	2Q16	Δ%
Revman	529	658	(19.6%)	539	(1.9%)
Kaltex América	772	949	(18.6%)	848	(8.9%)
Corporate & others	(1)	(22)	93.5%	(11)	86.8%
Kaltex Internacional*	1,498	1,866	(19.7%)	1,723	(13.1%)

*The difference between Kaltex Internacional and the sum of Revman, Kaltex America and Corporate & Others corresponds to Coltejer, which was designated as an Unrestricted Subsidiary under the Indenture.

During 2Q17, the revenues of Kaltex America and Revman recorded a 6.1% decrease compared to the Ps.1,387 million in 2Q16, following a lower sales volume.

In a sequential basis, the net revenue of Kaltex America and Revman decreased by 19.0% compared to the Ps.1,607 million in 1Q17 being the appreciation of the MXN of 5.4% one of the factors.

Sales Volume

Sales Volume						
Products	2Q17	2Q16	Δ%	1H17	1H16	Δ%
Fabric (yards)	11,187	12,321	(9.2%)	23,566	23,813	(1.0%)
Apparel (units)	1,115	1,020	9.3%	2,400	1,980	21.2%

End-of-period Prices

End-of-period Prices (Ps.)					
Products	2Q17	2Q16	Δ%	1Q17	Δ%
Fabric (per yard)	2.83	2.88	(1.8%)	2.82	0.5%
Apparel (per unit)	9.32	10.23	(8.9%)	9.60	10.12

Operating Income

Operating Income (Ps. million)						
Segment	2Q17	1Q17	Δ%	2Q16	Δ%	Operating margin
Revman	(2)	30	(106.7%)	(0)	(789.4%)	(0.4%)
Kaltex América	31	46	(34.3%)	16	89.3%	4.0%
Corporate & others	0	0	-	0	-	-
Kaltex Internacional*	17	49	(65.2%)	9	85.3%	1.1%

*The difference between Kaltex Internacional and the sum of Revman, Kaltex America and Corporate & Others corresponds to Coltejer, which was designated as an Unrestricted Subsidiary under the Indenture.

2Q17 Kaltex America and Revman Operating Income was Ps.29 million, 79.5% higher than in 2Q16, resulting in an operating margin of 2.2% that compares to the 1.1% reported in the same period last year.

In a sequential basis, the Operating Income of Kaltex America and Revman decreased by 62.6% compared to the Ps.76 million in 1Q17.

EBITDA

EBITDA (Ps. million)						
Segment	2Q17	1Q17	Δ%	2Q16	Δ%	EBITDA margin
Revman	5	37	(86.6%)	7	(22.8%)	0.9%
Kaltex América	36	53	(31.1%)	22	64.9%	4.7%
Corporate & others	0	(0)	224.5%	0	128.9%	-
Kaltex Internacional	37	71	(48.1%)	33	10.5%	2.5%

*The difference between Kaltex Internacional and the sum of Revman, Kaltex America and Corporate & Others corresponds to Coltejer, which was designated as an Unrestricted Subsidiary under the Indenture.

Kaltex America and Revman's EBITDA reached Ps.41 million, accounting for 11.9% of Consolidated EBITDA. The EBITDA registered a 44.9% YoY growth.

In a sequential basis, the EBITDA decreased by 54.1% compared to the Ps.90 million in 1Q17.

Kaltex Comercial

2Q17 Kaltex Comercial Net Revenue accounted for 17.3% of Consolidated Net Revenue, above the 16.3% reached in 2Q16.

Net Revenue

During 2Q17, the revenue of Kaltex Comercial division recorded a 6.6% growth compared to the Ps.829 million in 2Q16, supported by the strong performance of Milano.

In a sequential basis, the net revenue of Kaltex Comercial division increased by 44.5% compared to the Ps.612 million in 1Q17.

Sales Volume

Sales Volume (units)						
Segment	2Q17	2Q16	Δ%	1H17	1H16	Δ%
Milano	13,015	13,692	(4.9%)	22,967	24,236	(5.2%)
Melody	1,394	1,509	(7.7%)	2,311	2,701	(14.4%)
Home&fashion	94	79	19.0%	180	149	21.4%
Kaltex Comercial	14,502	15,281	(5.1%)	25,458	27,085	(6.0%)

End-of-period Prices

End-of-period Prices (Per Piece)					
Segment	2Q17	2Q16	Δ%	1Q17	Δ%
Milano	56.95	49.55	14.9%	55.00	3.5%

Operating Income

Operating Income (Ps. million)						
Segment	2Q17	1Q17	Δ%	2Q16	Δ%	Operating margin
Milano	42	(21)	303.3%	17	142.5%	5.9%
Melody	(14)	(41)	66.3%	(7)	(84.6%)	(8.6%)
Home&fashion	2	2	53.1%	2	26.9%	13.9%
Kaltex Comercial	31	(60)	151.3%	12	166.4%	3.5%

2Q17 Kaltex Comercial Operating Income was Ps.31 million, 166.7% higher than in 2Q16, resulting in an operating margin of 3.5% that compares to the 1.4% reported in the same period last year.

In a sequential basis, the Operating Income passed from a Ps.60 million negative figure in 1Q17 to Ps.31 million in 2Q17.

EBITDA

EBITDA (Ps. million)						
Segment	2Q17	1Q17	Δ%	2Q16	Δ%	EBITDA margin
Milano	62	0	>100.0%	38	64.4%	8.7%
Melody	(8)	(35)	76.8%	(1)	(539.8%)	(5.1%)
Home&fashion	3	3	27.6%	2	61.8%	18.7%
Kaltex Comercial	57	(32)	276.2%	38	48.5%	6.4%

The EBITDA reached Ps.57 million, an increase of 48.5% YoY, accounting for 15.7% of Consolidated EBITDA, mainly due to the expansion in margins that followed a strong pricing in Milano.

In a sequential basis, the EBITDA of Kaltex Comercial division increased by almost 2.8 times vs. the Ps.32 million negative figure of 1Q17.

Energia MKKF

Kaltex Energia ended the quarter producing 35 Mega Watts. This subsidiary proved to be a good instrument to cover our exposition to power cost surges as it satisfies 35% of our energy needs; becoming of even greater support in the prevailing environment as the Kilo Watt purchase cost from the grid has gone up almost 64.5%.

The average cost of Kilo Watt/hour in MXN of Energia MKKF and CFE are as follows:

Cost of Energy (Ps. KW/hour)					
Segment	2Q17	1Q17	Δ%	2Q16	Δ%
Energia MKKF	1.44	1.47	-2.3%	0.96	45.1%
CFE	1.76	1.67	5.4%	1.07	64.5%
Difference (%)	-18%	-12%	-	-10%	-

About Grupo Kaltex

Grupo Kaltex S.A. de C.V. is a 100% Mexican textile Company, vertically integrated with a business model that grants it 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.

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2Q17 Conference Call



+ CONFERENCE CALL

Date: Thursday, August 03, 2017
 Time: 12:00 P.M. "noon" (CST, Mexico City)
 1:00 P.M. (EST, N.Y.)

+ Presenters:

Rafael Kalach Mizrahi – CEO
 Jaime Morales Vazquez – CFO
 Adolfo Kalach Mizrahi – COO

MP3 Recording:
 Available 60 min. after
 the conference call at:
www.irkaltex.com

Dial-in number:
 USA / International:
 Tel: 1-334-323-7224
 Mexico:
 Tel: +001 334-323-7224
Passcode: KALTEX

**2Q17 Earnings
 release date:**
 Wednesday,
 August 02, 2017
 (after market close)

Additional information:
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 ext. 5767

CONSOLIDATED FINANCIAL STATEMENTS

Grupo KALTEX S.A. de C.V. y subsidiarias
 Consolidated Income Statements
 Figures in thousands of Mexican pesos

	2Q17	2Q16	Δ%	1H17	1H16	Δ%
Net Revenue	4,122,593	4,191,333	(1.6%)	8,321,628	8,156,812	2.0%
Cost of Goods Sold	3,310,073	3,220,149	2.8%	6,918,448	6,344,038	9.1%
Gross Profit	812,520	971,184	(16.3%)	1,403,180	1,812,774	(22.6%)
Sales Expenses	356,784	380,691	(6.3%)	745,914	742,419	0.5%
Administrative Expenses	279,748	236,445	18.3%	519,708	455,578	14.1%
Other (expenses) income net	661	(48,680)	(101.4%)	20,486	(41,027)	(149.9%)
Operating Profit	176,649	305,368	(42.2%)	158,044	573,750	(72.5%)
Comprehensive Financial Result	(76,405)	(539,243)	(85.8%)	261,826	(722,591)	(136.2%)
Interest Income	897	2,349	(61.8%)	2,783	3,986	(30.2%)
Interest Expense	(426,975)	(138,333)	208.7%	(677,413)	(270,757)	150.2%
Foreign Exchange Result	349,673	(403,259)	(186.7%)	936,456	(455,820)	(305.4%)
Income Tax	68,486	33,116	106.8%	119,979	68,358	75.5%
Consolidated Net Result	31,758	(266,991)	(111.9%)	299,891	(217,199)	(238.1%)

Grupo KALTEX S.A. de C.V. y subsidiarias
Consolidated Statement of Financial Position
As of June 30, 2017 and December 31, 2016
Figures in thousands of Mexican pesos

	Jun-17	Dec-16	Δ%
Assets			
Cash & Cash Equivalents	545,433	733,143	(25.6%)
Accounts Receivable, net	3,327,256	3,148,174	5.7%
Accounts receivable to related parties	31,931	19,640	62.6%
Inventories, net	3,341,946	3,347,117	(0.2%)
Recoverable Taxes	-	-	-
Prepaid expenses	220,744	331,581	(33.4%)
Current Assets	7,467,310	7,579,655	(1.5%)
Property, Plant and Equipment, net	11,319,417	11,995,794	(5.6%)
Investment in Properties	1,392,565	1,620,666	(14.1%)
Deferred Income Tax	357,712	338,377	5.7%
Other Assets, net	1,475,180	1,500,483	(1.7%)
Non-current Assets	14,544,874	15,455,320	(5.9%)
Total Assets	22,012,184	23,034,975	(4.4%)
Liabilities			
Bank loans	883,752	3,753,465	(76.5%)
Accounts Payable to suppliers	3,376,976	2,981,684	13.3%
Accounts payable to related parties	403,163	150,598	167.7%
Tax Payable	-	-	-
Other Current Liabilities	-	-	-
Other accounts payable and accrued liabilities	1,432,609	1,446,474	(1.0%)
Direct employee benefits	10,111	80,894	(87.5%)
Advance payments from customers	54,198	69,676	(22.2%)
Current Liabilities	6,160,809	8,482,791	(27.4%)
Long-term financial liabilities	6,331,105	4,625,435	36.9%
Accounts payable to related parties	507,260	588,378	(13.8%)
Employee benefits	461,652	445,168	3.7%
Contingencies	55,002	55,002	0.0%
Deferred Income Tax	1,754,313	1,823,983	(3.8%)
Non-current Liabilities	9,109,332	7,537,966	20.8%
Total Liabilities	15,270,141	16,020,757	(4.7%)
Capital stock	4,017,990	4,017,990	0.0%
Accumulated (losses) earnings	(311,017)	(601,759)	(48.3%)
Accumulated other comprehensive loss	(195,860)	376,206	(152.1%)
Controlling interest	3,511,113	3,792,437	(7.4%)
Non-controlling interest	3,230,930	3,221,781	0.3%
Total Equity	6,742,043	7,014,218	(3.9%)
Total Liabilities and Equity	22,012,184	23,034,975	(4.4%)

Grupo KALTEX S.A. de C.V. y subsidiarias
Cash Flow Statement
For the quarter ended June 30, 2017 and June 30, 2016
Figures in thousands of Mexican pesos

	2Q17	2Q16
Cash flows from operating activities:		
Consolidated net income (loss)	31,758	(266,991)
Adjustments for:		
Income tax expense recognized in net loss	68,486	33,116
Loss (gain) on disposal of property, plant and equipment	-	-
Depreciation and amortization	167,051	175,682
Contingencies	-	-
Fair value adjustment of investment properties	(607)	6,223
Interest income	(897)	(2,349)
Interest expense	426,975	138,333
Unrealized foreign exchange	(116,058)	459,586
	576,708	543,603
Changes in working capital:		
(Increase) decrease in:		
Accounts receivable, net	(353,334)	(277,632)
Accounts receivables to related parties	(2,031)	-
Inventories, net	(194,775)	(176,001)
Prepaid expenses	29,759	(21,131)
Other assets	(91,519)	8,584
(Increase) decrease in:		
Accounts payable to Suppliers	282,071	(174,804)
Accounts payable to related parties	-	-
Other accounts payable and accrued liabilities	82,239	435,195
Direct employee benefits	(19,751)	(32,060)
Advance payments from customers	(29,784)	12,040
Income taxes paid	(129,337)	(38,186)
Employee benefits	18,149	4,343
Contingencies	(13,575)	(3,951)
Net cash flows generated by operating activities	154,820	280,000
Cash flows from investing activities:		
Interest received	1,431	810
Acquisition of property, plant and equipment	(149,545)	(62,721)
Sale of property, plant and equipment	235	341
Net cash flows (generated by) used in investing activities	(147,879)	(61,570)
Cash flows from financing activities:		
Proceeds from debt	6,417,677	1,177,857
Payments of debt	(5,239,561)	(1,279,986)
Interest paid	(1,215,769)	(142,705)
Purchase of non-controlling interest	-	-
Capital increase	-	-
Dividends paid	-	-
Net cash flow (used in) generated by financing activities	(37,653)	(244,834)
Net increase (decrease) in cash and cash equivalents	(30,712)	(26,404)
Effects of exchange rate changes on cash flows	110,386	(10,094)
Cash and cash equivalents at end of year	465,759	271,112
Cash and cash equivalents at beginning of year	545,433	234,614