

**VERTICALLY INTEGRATED
TEXTILE COMPANY
EARNINGS RELEASE
3Q17**



MESSAGE FROM THE CEO

Dear Investor,

During the third quarter of 2017, revenues remained stable and costs had a small improvement, compared to the same quarter of last year. Nevertheless, we continue to be impacted with the costs increases experienced at the beginning of the year, that have caused a negative effect in our results. In the short term, we are totally committed and will take the needed measures to reverse this negative trend in costs.

Although we see a strong domestic market for the end of the year, we continue experiencing headwinds, such as the contraction in Mexican GDP that decreased -0.2% in the third quarter (first quarterly reduction since 2013), the soften demand in the United States mainly due to the noises coming from the NAFTA negotiations and higher costs in some of our feedstock mainly 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.

On our business segments:

- a) **Kaltex Textiles** recorded lower revenues coupled with higher costs, which resulted in a weak EBITDA
- b) **Kaltex Internacional** registered a lower EBITDA, as result of the performance of Kaltex America
- c) **Kaltex Comercial** has continued with the positive trend registered since the beginning of the year, following a sound operation from Milano
- d) **Energia MKKF** continues to partially mitigate the increase in energy, as it fulfils 35% of our power needs

Moving into the consolidated results:

- a) **Revenue** remains stable with mixed movements in volume and prices along our different business segments
- b) **EBITDA** was affected for the accumulated increase in costs during the first half of the year
- c) **Net Income** benefited from the non-cash related gains of the MXP vs. USD

In respect of the US\$320 million, 8.875% bond issued on April 11, 2017, we have paid the first interest payment on October 11, 2017. During September we have created and perfected the Guarantee Assessments as promised.

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

Naucalpan, Estado de Mexico, November 01, 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 third quarter ended September 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.

3Q17 HIGHLIGHTS

Grupo Kaltex – Consolidated

- ✦ Grupo Kaltex informed on October 4, that as of September 2017, and in accordance with the "Offering Memorandum" and "Indenture" Guarantee Documents, all Guarantee Assessments have been created and perfected.
- ✦ On Wednesday October 11, 2017, Grupo Kaltex paid the first interest payment of US\$14.2 million in respect of its US\$320 million, 8.875% bond issued on April 11, 2017.
- ✦ 3Q17 Consolidated Net Revenue reached Ps.4,137 million, a decrease of 6.9% when compared to the Ps.4,446 million reported in 3Q16, while year-over-year it decreased 1.1% as a result of mixed performance across the segments, with sales increasing 2.2% in Kaltex Textiles and 3.9% Kaltex Comercial, while decreasing 6.9% in Kaltex Internacional. The decrease in revenues was partially due to the last two weeks of September, as a result of the contraction in Mexico's GDP and the economic slowdown produced by the earthquake.
- ✦ 3Q17 Consolidated Cost of Goods Sold (COGS) decreased by -1.8% vs. 3Q16, although year-over-year they have increased 5.6% which went down from 16.5% at the beginning of the year. Most of these increases were concentrated in Kaltex Textiles, driven by an increase of 8.6% in labor, 39.2% in chemicals and 38.9% in energy costs. We continue under a high feedstock price environment, which started to show some signs towards normalization during the 2Q17.
- ✦ 3Q17 Gross Profit decreased quarterly by -25.9% and a decrease of -23.8%, year-over-year.
- ✦ 3Q17 EBITDA generation decreased by -53.7%, amounting Ps.213 million, compared to Ps.459 million during 3Q16, mainly due to the underperformance of Kaltex Textiles which is mostly as a result of the cost increases. Year-over-year basis EBITDA decreased by -48.6% which is mainly explained by the aforementioned increase in costs. Margin for the quarter stood at 5.1% vs. 10.3% recorded in the same period last year.
- ✦ 3Q17 Consolidated Net Income had a better performance with a total accumulated loss of Ps.68 million, better than the Ps.379 million loss recorded in the same period of last year, as the non-cash Foreign Exchange Gain recognized as a result of the 6.7% Mexican Peso appreciation more than offsets the decrease in Operating Income.

Kaltex Textiles Division

- ✦ 3Q17 Kaltex Textiles Net Revenue reported a quarterly decrease of -4.4% or Ps.121 million. In terms of year-over-year results, Kaltex Textiles revenues were Ps. 8,028 million, an increase of 2.2% where Manufacturas Kaltex increased 1% and Kaltex Fibers with 10.4%.
- ✦ Feedstock costs of Kaltex Textiles (cotton, energy, fiber and chemicals) remained 6.8% above in annual comparisons.
- ✦ 3Q17 Kaltex Textiles registered an EBITDA of Ps.105 million, a decrease of -63% compared to the same quarter of 2016, mainly as a result of the continuous high costs that were not fully matched by the increase in volume and/or prices.

Kaltex Internacional Division

- 3Q17 Kaltex Internacional Net Revenue decreased -14.8% or Ps.282 million in a quarterly basis, while in a year-over-year basis revenues decreased -6.9%. Both results are in line with Kaltex America's decrease in revenues.
- 3Q17 Kaltex Internacional EBITDA decreased -9.6% or Ps.9 million, compared to the same quarter of the prior year, due to lower revenues. Year-over-year, the decrease was of -4.3%, compared to 2016.

Kaltex Comercial Division

- 3Q17 Kaltex Comercial Net Revenue reached Ps.862 million, 4.9% higher than that registered in 3Q16, despite the earthquake that temporary affected the sales of 40 stores during the last two weeks of September. In a year-over-year basis, Kaltex Comercial revenues were Ps.2,358 million, an increase of 3.9%, compared to the same period of 2016. At quarter-end, our total commercial network was comprised of 419 units: 292 for Milano, 117 for Melody, and 10 for Home&Fashion.
- 3Q17 Kaltex Comercial EBITDA was Ps.25 million, a decrease of -8.3% when compared to the 3Q16, mostly explained by 13% higher operational expenses in Milano. In contrast, during the first nine months of 2017 a solid performance was achieved, with an EBITDA of Ps.49 million, which represents a 20.5% growth versus 2016, mainly due to the performance of Milano.

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 52%.

KEY CONSOLIDATED FINANCIAL INDICATORS

Indicator	Three months ended, September 30,			Nine months ended, September 30,		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenue	4,137	4,446	-7%	12,459	12,602	-1%
Gross Profit	708	957	-26%	2,112	2,769	-24%
Gross Margin (%)	17%	22%	(439)bps	17%	22%	(503)bps
Operating Income	43	289	-85%	201	862	-77%
Operating Margin (%)	1%	6%	(1) bps	2%	7%	(523)bps
Consolidated Net Income	(367)	(162)	127%	(68)	(379)	-82%
Net Margin (%)	-9%	-4%	1 bps	-1%	-3%	247 bps
EBITDA	213	459	-54%	712	1,385	-49%
EBITDA margin (%)	5%	10%	(1) bps	6%	11%	(527)bps
CAPEX	105	63	66.7%	399	186	114.5%
ROA	-0.6%	-1.0%	36 bps	-0.6%	-1.0%	36 bps
ROE	-2.0%	-3.0%	104 bps	-2.0%	-3.0%	104 bps
Total Debt / EBITDA	5.3	3.9	-	5.3	3.9	-
Net Debt / EBITDA	4.9	3.8	-	4.9	3.8	-
Interest Coverage	1.1	2.0	-	1.1	2.0	-
Working Capital	2,922	3,597	-19%	2,922	3,597	-19%
Free Cash Flow	(516)	(376)	-	(516)	(376)	-
Headcount (number)	18,955	19,647	-3.5%	18,955	19,647	-3.5%

Figures in MXN millions

SUMMARY OF FINANCIAL RESULTS BY BUSINESS DIVISION

<i>Figures in MXN millions</i>	<i>Three months ended, September 30,</i>			<i>Nine months ended, September 30,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Consolidated Net Revenues	4,137	4,446	-7%	12,459	12,602	-1%
Kaltex Textiles	2,638	2,759	-4%	8,028	7,858	2%
Kaltex Internacional	1,627	1,910	-15%	4,991	5,359	-7%
Kaltex Comercial	862	822	5%	2,358	2,269	4%
Energia MKKF	84	68	25%	293	201	46%
GK ind & others	-	-	-	-	-	-
Elimination	(1,075)	(1,112)	-3%	(3,211)	(3,084)	4%
Consolidated Operating Income	43	289	-85%	201	862	-77%
Kaltex Textiles	(10)	171	-106%	97	707	-86%
Kaltex Internacional	60	68	-11%	126	128	-1%
Kaltex Comercial	(2)	1	-386%	(31)	(40)	-23%
Energia MKKF	8	2	374%	41	19	113%
GK ind & others	(13)	48	-128%	(33)	48	-168%
Consolidated Operating Margin	0	0	(546)bps	0	0	(523)bps
Kaltex Textiles	-0.4%	6.2%	(657)bps	1.2%	9.0%	(779)bps
Kaltex Internacional	3.7%	3.6%	16 bps	2.5%	2.4%	15 bps
Kaltex Comercial	-0.2%	0.1%	(30) bps	-1.3%	-1.8%	45 bps
Energia MKKF	8.9%	2.3%	659 bps	14.1%	9.7%	441 bps
GK ind & others	-	-	-	-	-	-
Consolidated EBITDA	213	459	-54%	712	1,385	-49%
Kaltex Textiles	105	286	-63%	446	1,059	-58%
Kaltex Internacional	81	90	-10%	189	198	-4%
Kaltex Comercial	25	27	-8%	49	41	21%
Energia MKKF	14	8	70%	61	39	56%
GK ind & others	(13)	48	-128%	(33)	48	-168%
Consolidated EBITDA Margin	0	0	(518)bps	0	0	(527)bps
Kaltex Textiles	0	0	(636)bps	0	0	(793)bps
Kaltex Internacional	0	0	29 bps	0	0	10 bps
Kaltex Comercial	0	0	(41) bps	0	0	29 bps
Energia MKKF	0	0	448 bps	0	0	133 bps
GK ind & others	1	-	-	1	1	-

REPRESENTATIVE COSTS

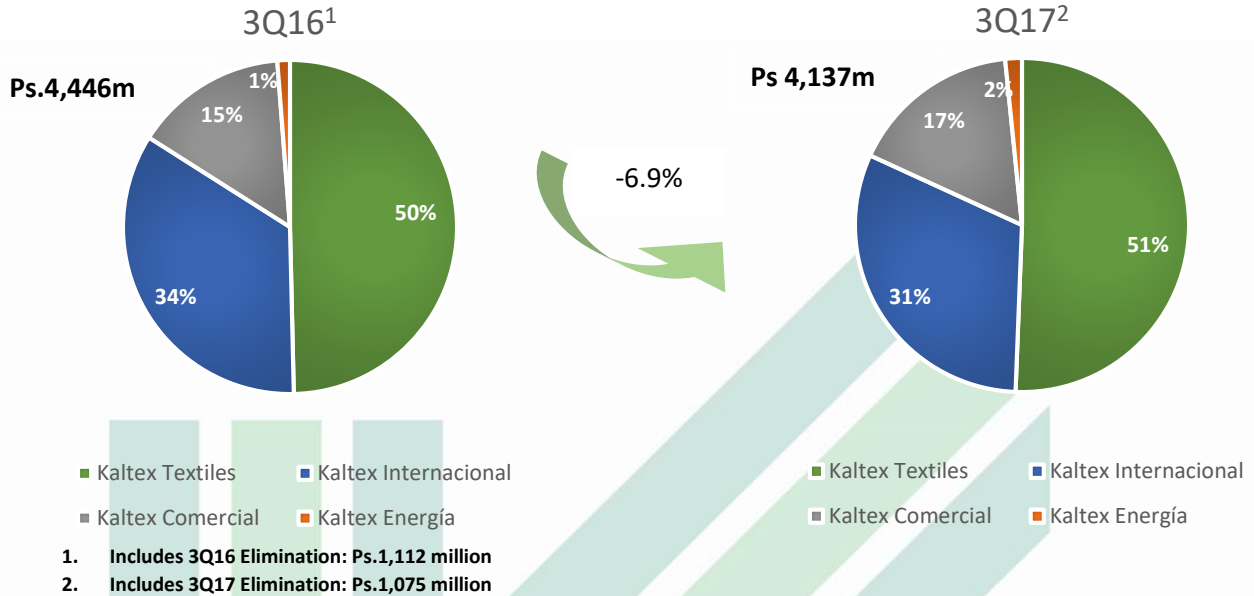
<i>Figures in MXN millions</i>	<i>Three months ended, September 30</i>			<i>Nine months ended, September 30</i>		
	2017¹	2016²	Δ%	2017¹	2016²	Δ%
Cotton (US\$ per pound)	0.79	0.77	2.6%	0.77	0.67	15%
Energy (MXN\$ per kWh) – CFE	1.47	1.16	27%	1.72	1.13	52%
Energy (MXN\$ per MWh)	1.30	1.04	26%	1.41	1.02	39%
Gas (MXN\$ per GJ)	78.57	65.46	20%	81.35	57.66	41%
Fibers (MXN\$)	35.98	32.51	11%	38.33	33.43	15%
Chemicals (MXN\$)	20.62	17.49	18%	21.15	18.90	12%

¹ Exchange rate at Sep. 30 2017: 18.1979

² Exchange rate at Sep. 30 2016: 19.5002

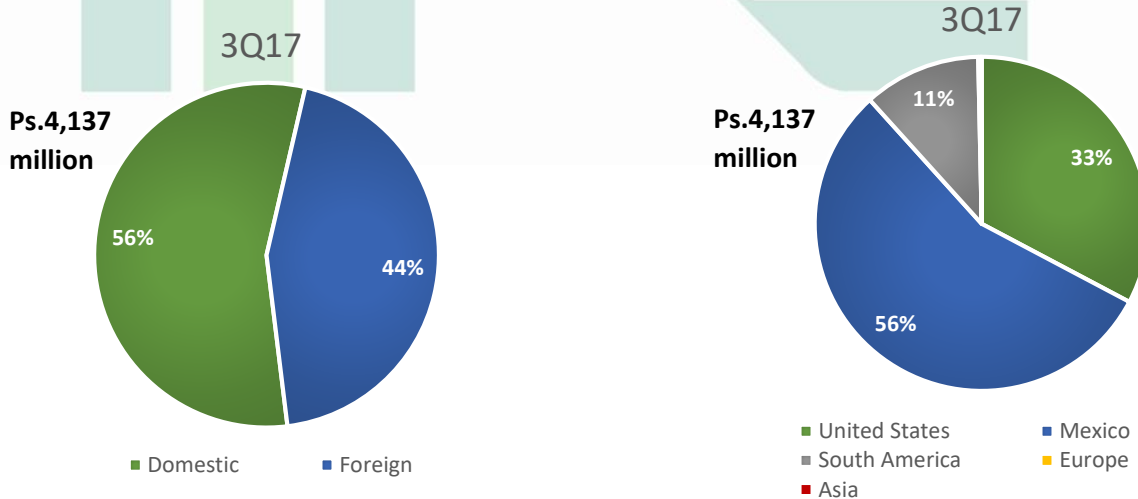
INCOME STATEMENT

Consolidated Net Revenue

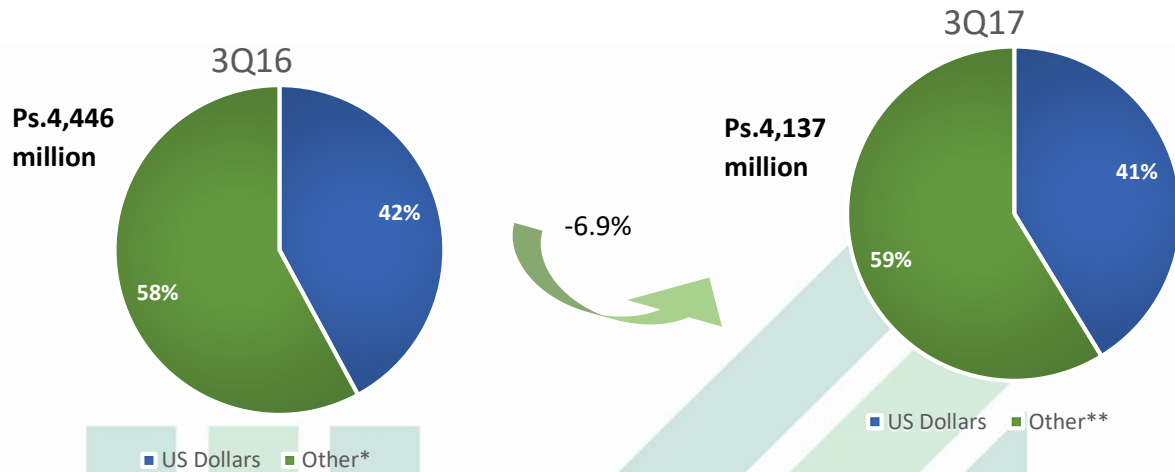


3Q17 Consolidated Net Revenue totaled Ps.4,137 million, which represents a decrease of -6.9% or Ps.309 million compared to the Ps.4,446 million recorded in 3Q16, a result of mixed performance across the segments, with sales increasing 4.9% Kaltex Comercial, while decreasing 4.4% in Kaltex Textiles and 14.8% in Kaltex Internacional. This was partially the result of the economic slowdown in Mexico, in which the GDP for Q3 reported a contraction of -0.2%, the first quarterly reduction since the second quarter of 2013, and the earthquake that affected the last two weeks of September. On annual basis, revenues totaled Ps.12,459 million, a reduction of -1.1% or Ps.143.7 million pesos, due to a -4.5% decrease in volume and a 3.2% increase in price.

Revenue analysis



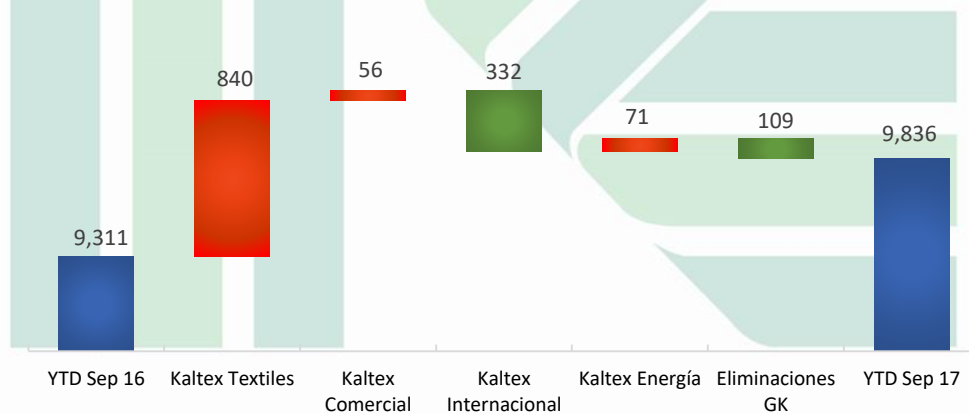
Exports accounted for 44.4% of net revenue in 3Q17, 482 bps. lower than those registered in 3Q16. It is important to mention that we have experienced better pricing in the domestic market and the demand in the international market has been weaker than expected due to the noises of the NAFTA renegotiation.



* 50.7% of our net revenue is denominated in MXP and 6.7% in COP
 ** 55.6% of our net revenue is denominated in MXP and 2.9% in COP

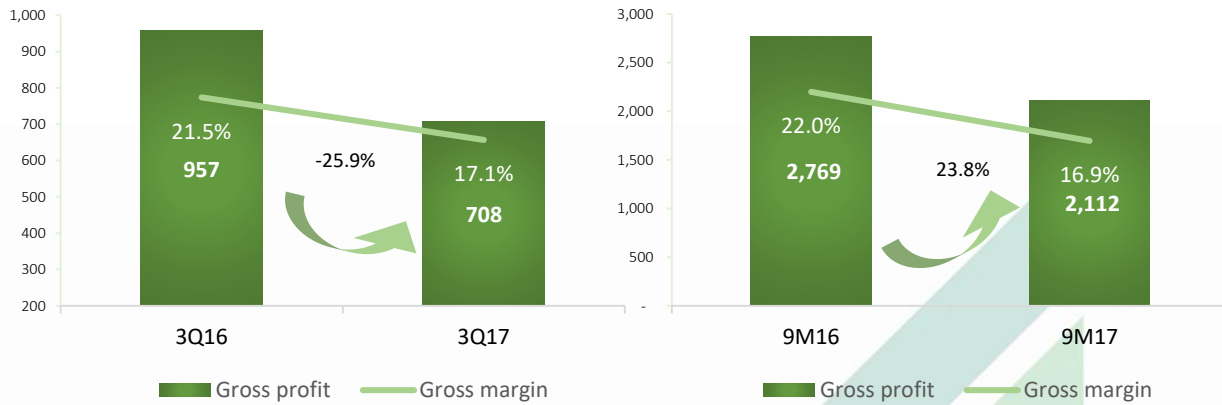
During 3Q17, dollar-denominated revenue reached Ps.1,707 million, accounting for 41.3% of net revenue, a decrease of 83bps. compared to 3Q16.

Cost of goods sold (COGS)



For the 3Q17 we recorded Ps.3,259 million of cost of sales, which is a quarterly decrease of Ps.60 million or -1.8%; the year-over-year costs have increased 5.6% or Ps.526 million pesos which represent 78% of the annual decrease in EBITDA. Most of these increases are concentrated in Kaltex Textilés, mainly in Manufacturas Kaltex, in the sub segments of Yarn-Fabric and Apparel, which reported a 13.2% and a 6.0% increase respectively, driven by an increase of 8.6% in labor, 39.2% in chemicals and 38.9% in energy costs.

Gross profit



Consolidated Gross Profit amounted Ps.708 million for the 3Q17, which represents a quarterly decrease of Ps. 248 million or -25.9%, driven by a decrease of Ps.309 million or 6.9% in revenues and a decrease of Ps.60 million or -1.8% in costs. Gross margin stood at 17.1%, 439bps. below the 21.5% recorded in 3Q16. On a year-over-year basis, Gross Profit decreased by Ps.658 million or -23.8%, meanwhile gross margin decreased by 503bps.

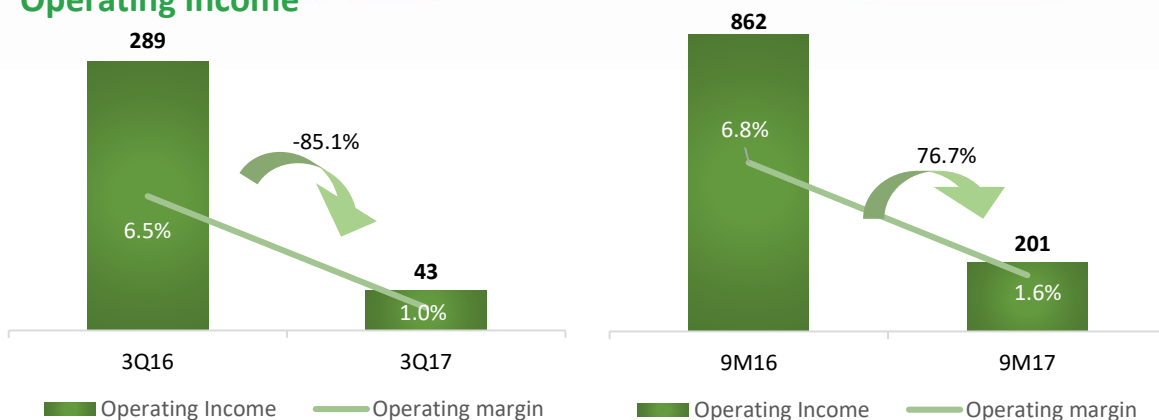
Selling, General and Administrative and Other Expenses

Figures in MXN millions

Concept	Three months ended, September 30,			Nine months ended, September 30,		
	2017	2016	Δ%	2017	2016	Δ%
SG&A	640	661	-3%	1,906	1,859	2.5%
Other Net Expenses	(25)	(7)	259%	(5)	(48)	-90%
Total SG&A and other expenses	665	636	0%	1,911	1,907	5.0%
S&A and other expenses to sales	16.1%	15.4%	106bps	15.3%	15.1%	20bps

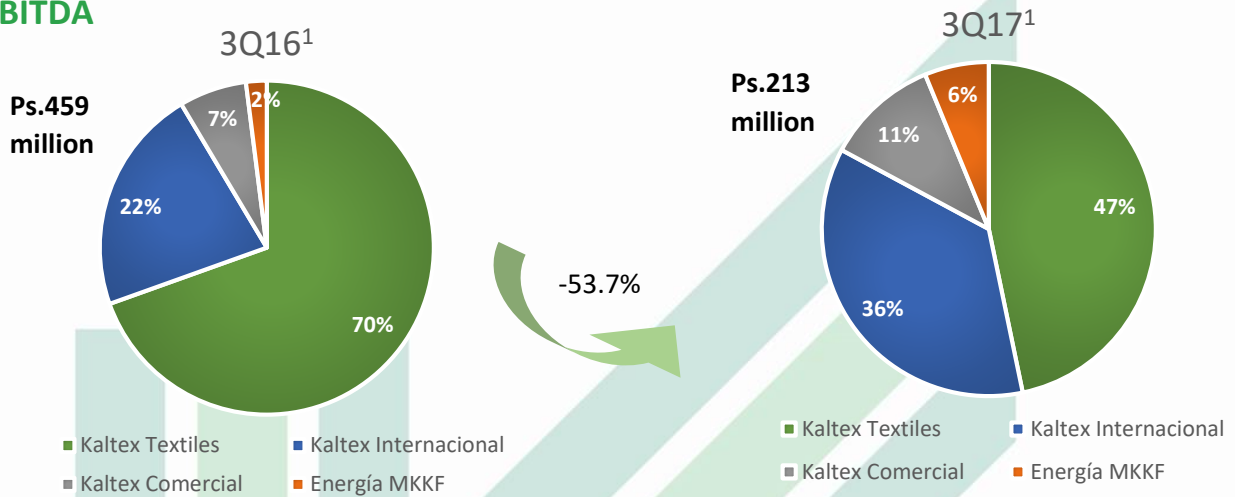
Kaltex has been gearing towards a leaner and more efficient structure as reflected in the execution of its sales expenses control strategies. This quarter sales expenses were reduced by Ps.11 million compared to the 3Q16. Although during the third quarter we reduced our headcount by -3.5%, year-over-year administrative expenses increased 7.4% to Ps.779 million, due to higher termination costs.

Operating Income



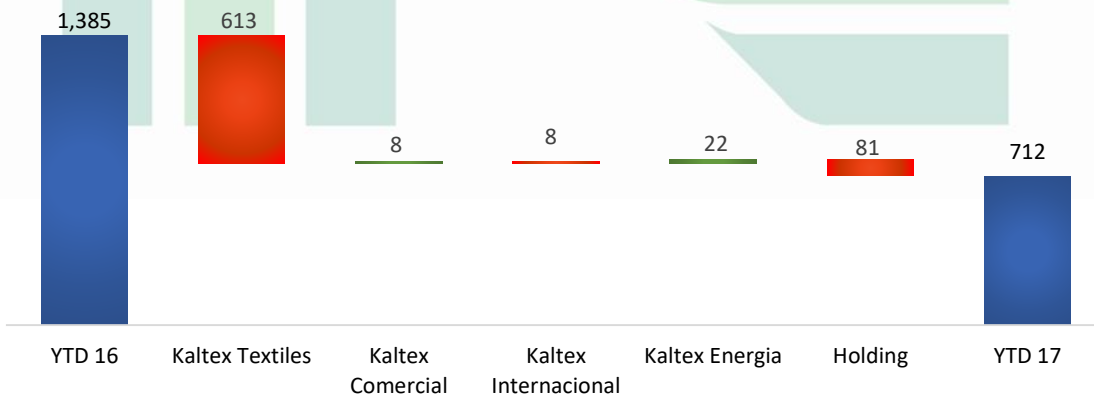
3Q17 Consolidated Operating Income was Ps.43 million, a decrease of -85.1% compared to 3Q16, driven by lower sales and a small reduction in costs. Operating margin decreased by 546bps. to 1.0% in 3Q17 from 6.5% in 3Q16. On a year-over-year basis, Consolidated Operating Income decreased by Ps.661 million or -76.7%, to reach Ps. 201 million from Ps.862 million recorded during the first nine months of 2016.

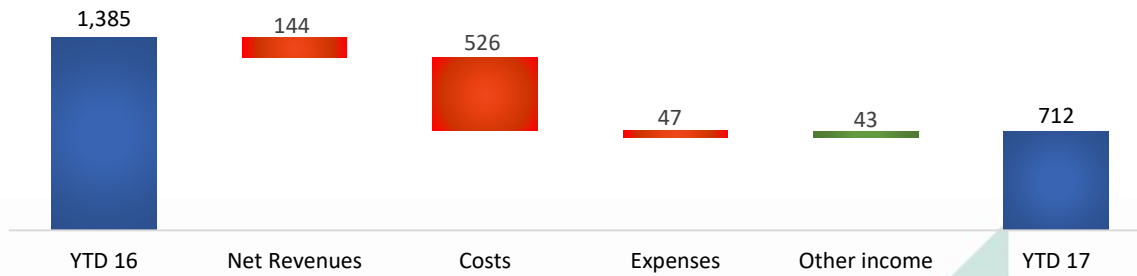
EBITDA



1. Includes Gk ind & others: 3Q16 Ps.48 million and 3Q17 Ps.-13 million

Consolidated EBITDA totaled Ps.213 million in 3Q17, -53.7% lower than the Ps.459 million registered during the same period last year, driven by the underperformance of Kaltex Textiles, which is mostly a result of the cost increases. EBITDA margin reached 5.1% in 3Q17 versus 10.3% in 3Q16. On a year-over-year basis, Consolidated EBITDA decreased by Ps.673 million or -48.6% to reach Ps.712 million and the EBITDA margin was reduced by 527bps.





Comprehensive Financial Result

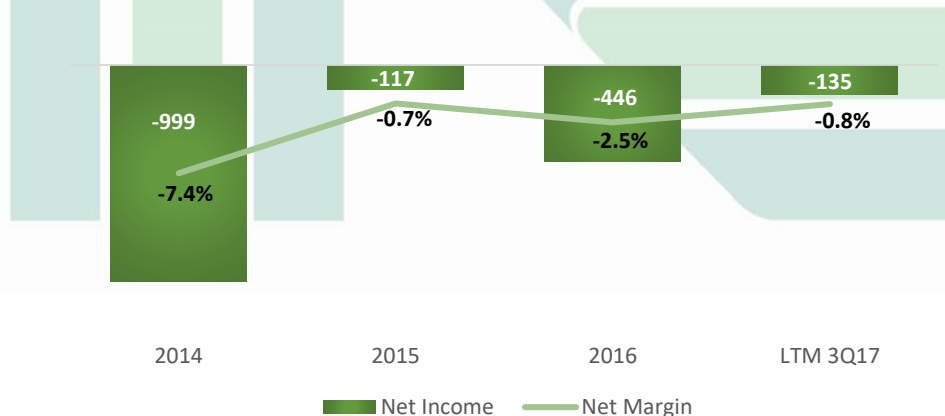
Concept	Three months ended, September 30			Nine months ended, September 30		
	2017	2016	Δ%	2017	2016	Δ%
Interest income	1	3	-66%	4	7	-46%
Interest expense	(201)	(226)	-11%	(878)	(497)	77%
Foreign exchange result	(159)	(181)	-12%	777	(637)	-222%
Total CFR	(359)	(405)	-11%	(97)	(1,127)	-91%

3Q17 CFR increased Ps.46 million when compared to 3Q16, as a result from a combination of our debt reduction and the appreciation of the Mexican Peso, which has been strengthening in the recent months, going from an average of Ps.19.89/US\$ during 1Q17 to an average of Ps.17.92/US\$ during 3Q17.

Income Tax

Income Tax was Ps.52 million for 3Q17, an increase of Ps.6 million or 11.9% when compared to 3Q16. In a year-over-year basis, income tax has increased 49.9%, to Ps.172 million for the first nine months of 2017, from Ps. 115 million for the same period of 2016.

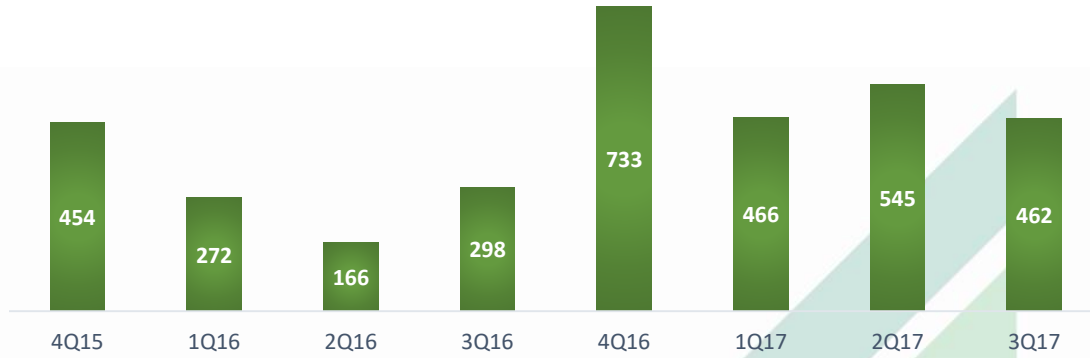
Net Income



3Q17 Consolidated Net Income for the first nine months of 2017 totaled a loss of Ps.68 million, an improvement from the Ps.379 million loss recorded in the same period of last year, as the non-cash Foreign Exchange Gain recognized as a result of the 6.7% Mexican Peso appreciation more than offsets the decrease in Operating Income.

FINANCIAL POSITION

Cash and Cash Equivalents

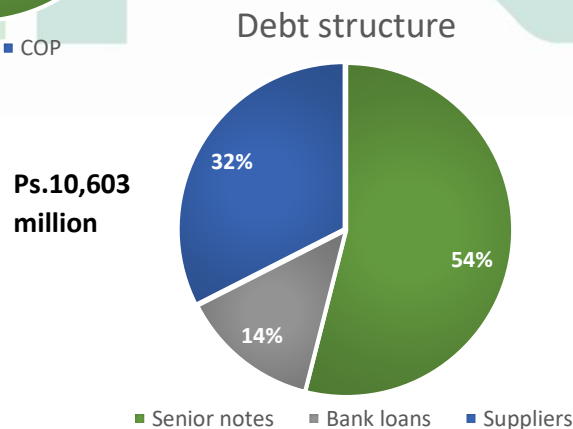
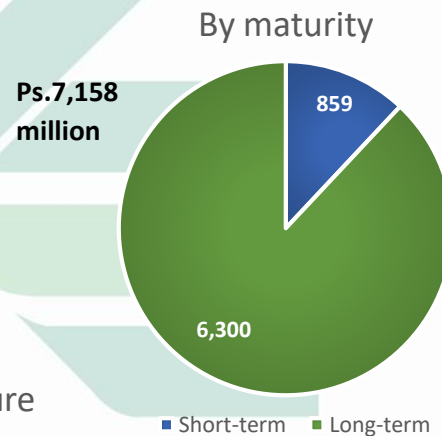
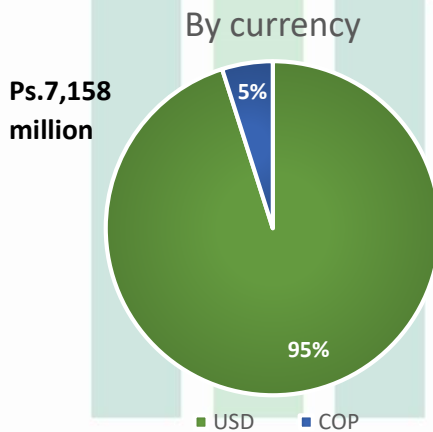


The balance in cash and cash equivalents totaled Ps.462 million as of September 30, 2017. This figure is 55.0% above the Ps.298 million reported in September 30, 2016.

Inventory

Inventory balance amounted to Ps.3,662 million as of September 30, 2017, a decrease of -5.4% compared to Ps.3,872 million registered at the end of 3Q16.

Debt



Debt Structure

Concept	Month ended, September 30,		
	2017	2016	Δ%
Short-term	859	3,093	-72%
Long-term	6,300	4,979	27%
Cash	462	298	55%
Net Debt	6,697	7,774	-14%

Grupo Kaltex's Net Debt amounts to Ps.6,697 million as of September 30, 2017, of which 95% is denominated in US dollars, and the remaining 5% in Colombian pesos.

Maturity Profile

Division	1 year	1-3 years	>3 years	Total
Kaltex Textiles	88	316	28	432
Kaltex Internacional	159	744	-	903
Kaltex Comercial	-	-	-	-
GK ind & others	-	-	5,823	5,823
Total	247	1,060	5,851	7,158
%Total	3.4%	14.8%	81.7%	100%

The average maturity of Grupo Kaltex's debt is 4.1 years, compared to the 2.8 years at the end of 3Q16. This is explained by the debt refinancing made with the net placement of the international senior notes issuance and the normal amortization of existing debt, resulting in a more favorable debt maturity profile. The following table presents the details of the debt refinancing.

Figures in USD millions

Division	Kaltex Comercial		Kaltex Internacional		Kaltex Textiles		Grupo Kaltex (Bond)		Consolidated	
Dec 2016										
Short-term	2.8	20%	44.8	65.2%	99.7	46.7%	27.5	25.0%	174.8	43.0%
Long-term	11.2	80%	23.9	34.8%	113.9	53.3%	82.5	75.0%	231.5	57.0%
Total	14.0	100%	68.7	100%	213.6	100%	110.0	100%	406.3	100%
Rate	8.9%		8.7%		6.7%		8.5%		7.6%	
Sep 2017										
Short-term	-	-	45.6	94.5%	8.2	34.4%	-	-	53.8	13.7%
Long-term	-	-	2.7	5.5%	15.6	65.6%	320.0	100%	338.2	86.3%
Total	-	-	48.3	100%	23.7	100%	320.0	100%	392.0	100%
Rate	-	-	7.4%		4.6%		8.9%		8.4%	
Av. Life (yrs)	-	-	0.8		4.1		4.6		4.1	
Dic 2016 vs Sep 2017										
Short-term	(2.8)		0.8		(91.5)		(27.5)		(121.0)	
Long-term	(11.2)		(21.2)		(98.3)		237.5		106.7	
Total	(14.0)		(20.4)		(189.9)		210.0		(14.3)	

Debt Ratio	3Q17	4Q16	3Q16
Gross Debt / EBITDA	5.26x	4.12x	3.92x

Gross Debt / EBITDA ratio increased to 5.26x in 3Q17, from 4.12x in 4Q16. Since 95% of the debt is denominated in US dollars, it is important to mention that the company has a natural and a financial currency hedge. Our gross FX exposure was Us.648 million, of which financial exposure amounts Us.374 million, and operation exposure amounts Us.274 million. We have a natural hedge through our sales in USD of Us.353 million and a financial hedge of Us.120 million, for a total net exposure Us.175 million and a hedge ratio of 73%.

Shareholders' Equity

Shareholders' Equity amounted Ps.6,524 million as of September 30, 2017, a decrease of -7.0% vs. the Ps.7,014 million registered as of December 31, 2016.

FREE CASH FLOW

Concept	Three months ended, September 30,		
	2017	2016	Δ%
EBITDA	213	459	54%
CF from operating activities	386	109	254%
CF from investing activities	(100)	(36)	178%
CF from financing activities	(296)	(25)	1084%
Free Cash Flow	(516)	(376)	-37%

CAPEX

For the 3Q17, investments in fixed assets reached Ps.105 million, mainly derived from investments in machinery and equipment. For the first nine months of 2017 the investment in fixed assets has been of Ps.399 million.

FINANCIAL INFORMATION BY DIVISION

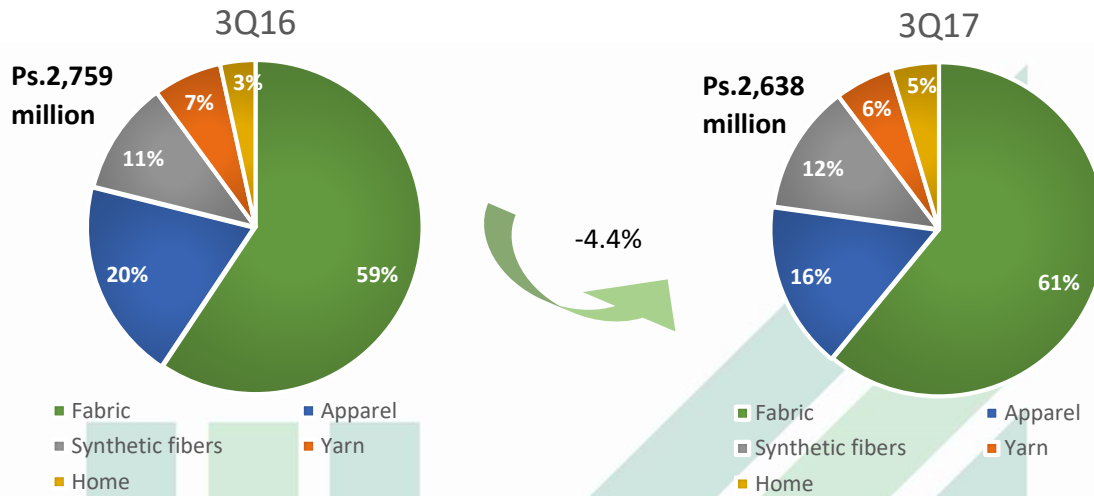
Kaltex Textiles

Income Statement

Figures in MXN millions	Three months ended, September 30,			Nine months ended, September 30,		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenues	2,638	2,759	-4.4%	8,028	7,858	2.2%
Cost of Sales	2,393	2,269	5.4%	7,182	6,342	13%
Depreciation	115	115	0.4%	348	352	-1.0%
Gross Profit	130	375	-65%	498	1,164	-57%
Operating Expenses	140	204	-31%	400	457	-12%
Operating Income	-10	171	-106%	97	707	-86%
EBITDA	105	286	-63%	446	1,059	-58%

3Q17 Kaltex Textiles Net Revenue accounted for 63.8% of Consolidated Net Revenue, above the 62.1% reached in 3Q16.

The revenue by product of this division is integrated as follows:



During 3Q17, the revenue of Kaltex Textiles division recorded Ps.2,638 million a -4.4% decrease compared to the Ps.2,759 million in 3Q16, mainly due to a -32.5% decrease in volume in yarn. In terms of year-over-year results, Kaltex Textiles revenues were Ps.8,028 million, an increase of 2.2% of which Manufacturas Kaltex increased 1% and Kaltex Fibers 10.4%.

Regarding costs, the average price of Megawatt, decreased -7.9% from the second to the third quarter, and it increased 38.1% on an annual basis, generating higher costs, even when this has been mitigated by our integrated cogeneration activities. These increases have been the result of the adjustment of electric tariffs from the grid, which was conducted by the Federal Energy Commission “Comision Federal de Electricidad”.

Regarding the price of chemicals, the same tendency occurs, with a decrease of -2.6% between the second and third quarters of 2017, and an increase of 11% on an annual basis. As percentage of our total costs, chemicals represented 7.9% in 3Q17, an increase from 6.6% in 2Q17 and 6.2% in 3Q16.

Moving into cotton, prices recorded a 2.6% annual increase, closing the quarter with a price of 79 cents of dollar per pound. In this context, cotton, our main raw material, recorded a lower share in our 3Q17 cost of goods sold, going from 23.8% to 21.7%. We continue to expect a better outlook on the price of this important feedstock for the remaining of the year.

Fibers cost decreased -7.3% during this quarter compared to 2Q17, but increased 15% year-over-year. Its cost participation continued to be relatively stable due to a small reduction going from 6.7% during 2Q17 to 6.0% in 3Q17.

Finally, although during the third quarter we reduced our headcount by -3.5%, our labor costs for the 3Q17 were Ps.462 million, a quarterly increase of 7.0% and a year-over-year increase of 8.6%. The increase of labor costs represents Ps.30 million of the total cost for the 3Q17 and was mainly

due to the temporary mismatch between expected production versus sales and increased termination costs.

3Q17 Kaltex Textiles Operating Loss was Ps.10 million, Ps.181 million lower than Ps.171 million Operating Income registered in 3Q16. The operating margin of 3Q17 was -0.4% compared to 6.2% reported in the same period of last year. In a year-over-year basis, the Operating Income passed to Ps.97 million in the first nine months of 2017, from Ps.707 million 2016.

The division's EBITDA for the 3Q17 reached Ps.105 million, accounting for 49.6% of Consolidated EBITDA. This result represents a decrease of Ps.180 million or -63.1% compared to the same quarter of 2016. In a year-over-year basis, Kaltex Textiles EBITDA decreased by -57.9% to Ps.446 million, compared to the Ps.1,059 million in the same period of 2016. These decreases are a result of the continuous high costs that were not fully matched by the increase in volume and/or prices.

Kaltex Internacional

Income Statement

Figures in MXN millions	Three months ended, September 30,			Nine months ended, September 30,		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenues	1,627	1,910	-15%	4,991	5,359	-6.9%
Cost of Sales	1,308	1,574	-17%	4,105	4,436	-7.5%
Depreciation	21	22	-5.1%	63	70	-11%
Gross Profit	298	314	-5.0%	824	852	-3.3%
Operating Expenses	237	246	-3.4%	698	725	-3.7%
Operating Income	60	68	-11%	126	128	-0.8%
EBITDA	81	90	-9.6%	189	198	-4.3%

3Q17 Kaltex Internacional Net Revenue accounted for 39.3% of Consolidated Net Revenue, below the 43.0% reached in 3Q16. Kaltex Internacional revenues were Ps.1,627 million, a quarterly decrease of -14.8% explained by a reduction of 21.3% or Ps.205 million in the revenues of Kaltex America. This was particularly due to a -27.9% decrease in displaced volume in apparel, coupled with a reduction of -11.3% in the average price of apparel.

In a year-over-year basis, Kaltex Internacional revenues were Ps.4,991 million, a decrease of -6.9% due to a -4.2% reduction in Kaltex America, that was not offset by an increase of 4.4% in Revman.

It is also important to mention that the demand in the international markets was weaker than expected due to the noises of the NAFTA renegotiation.

Kaltex Internacional reported Ps.81 million of EBITDA for the 3Q17, a -9.6% or Ps.9 million decrease, compared to the same quarter of the prior year, due a decrease in revenues of Ps.282 million, partially offset by a Ps.265 million decrease in cost.

In a year-over-year basis, EBITDA for Kaltex Internacional was Ps.189 million, a -4.3% decrease compared to 2016. In this segment, Revman made a significant annual advancement in EBITDA, due to 4.4% higher sales and -6.8% lower administrative expenses during 2017, this boosted its year-over-year EBITDA to Ps.75 million, a figure 2.4 times higher compared to the same period of last year.

Kaltex Comercial

<i>Figures in MXN millions</i>	<i>Three months ended, September 30,</i>			<i>Nine months ended, September 30,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenues	862	822	4.9%	2,358	2,269	3.9%
Cost of Sales	544	5291	4.5%	1,483	1,427	3.3%
Depreciation	27	26	1.3%	80	81	-0.8%
Gross Profit	291	274	6.0%	794	761	4.3%
Operating Expenses	293	274	7.0%	825	801	3.0%
Operating Income	-2	1	-403%	-31	-40	-23%
EBITDA	25	27	-8.2%	49	41	21%

3Q17 Kaltex Comercial Net Revenue accounted for 20.8% of Consolidated Net Revenue, above the 18.5% reached in 3Q16. Kaltex Comercial revenues were Ps.862 million a 4.9% increase compared to Ps.822 million for the 3Q16.

In a year-over-year basis, Kaltex Comercial revenues were Ps.2,358 million, an increase of 3.9% or Ps.89 million. Behind this performance we find the 7.9% revenue growth of Milano, as its 13.7% increase in prices more than offsets the 6.0% volume decrease.

Kaltex Comercial EBITDA for the 3Q17 was Ps.25 million, a decrease of -8.3% when compared to Ps.27 million registered during the 3Q16, mostly explained by 13.4% higher operational expenses in Milano. In contrast, during the first nine months of 2017 a solid performance was achieved, with an EBITDA of Ps.49 million, which represents a 20.5% growth versus 2016. This increase is mainly due to the increase of 28% in Milano's EBITDA as a result of higher sales.

MKKF

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 38%.

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

<i>Cost of Energy (Ps. KW/hour)</i>	<i>Month ended, September 30,</i>		
	2017	2016	Δ%
Energía MKKF	1.30	1.04	26%
CFE	1.47	1.16	27%
Difference (%)	0.17	0.12	-

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

Division	e-mail	Telephone
Montserrat Valenzuela Marín	investors@kaltex.com.mx	+(52) 55 5726 5668
Elizabeth Ávila Maravilla	investors@kaltex.com.mx	+(52) 55 5726 5767

3Q17 Conference Call



THIRD QUARTER EARNINGS RELEASE 2017

Conference Call

DATE: Thursday, November 02, 2017

TIME: 11:00 A.M. (GMT -7, Mexico City)
1:00 P.M. (GMT -5, N.Y.)

PHONE: +52 (55) 2881 4607

Presenters

Adolfo Kalach Mizrahi, COO

Jaime Morales Vazquez, CFO

MP3 Recording Available on Friday, November 03, 2017 at www.irkaltex.com

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, September 30,</i>			<i>Nine months ended, September 30,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenue	4,137,088	4,445,616	-7%	12,458,716	12,602,428	-1%
Cost of Goods Sold	3,428,715	3,489,037	-2%	10,347,163	9,833,075	5%
Gross Profit	708,373	956,579	-26%	2,111,553	2,769,353	-24%
Sales Expenses	381,567	391,313	-2%	1,127,481	1,133,732	-1%
Administrative Expenses	258,818	269,587	-4%	778,526	725,165	7%
Other (expenses) income net	25,081	6,991	259%	4,595	48,018	-90%
Operating Profit	42,907	288,688	-85%	200,951	862,438	-77%
Comprehensive Financial Result	360,780	410,711	-11%	104,520	1,141,274	-91%
Interest Income	1,057	3,064	-79%	3,840	7,050	-58%
Interest Expense	200,584	226,307	-12%	877,997	497,064	76%
Foreign Exchange Result	159,139	181,340	-12%	(777,317)	637,160	-222%
Income Tax	51,717	46,200	12%	171,696	114,558	50%
Consolidated Net Result	(367,476)	(162,095)	127%	(67,585)	(379,294)	-82%

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

Figures in MXN thousands

	September 30, 2017	December, 31 2016
Assets		
Cash & Cash Equivalents	461,597	733,143
Accounts Receivable, net	3,447,810	3,148,174
Accounts receivable to related parties	37,948	19,640
Inventories, net	3,661,977	3,347,117
Prepaid expenses	158,733	331,581
Current Assets	7,768,065	7,579,655
Property, Plant and Equipment, net	11,390,982	11,995,794
Investment in Properties	1,494,591	1,620,666
Deferred Income Tax	355,079	338,377
Other Assets, net	1,469,407	1,500,483
Non-current Assets	14,710,059	15,455,320
Total Assets	22,478,124	23,034,975
Liabilities		
Bank loans	858,934	3,753,465
Accounts Payable to suppliers	3,444,479	2,981,684
Accounts payable to related parties	958,429	150,598
Other accounts payable and accrued liabilities	1,453,217	1,446,474
Direct employee benefits	58,133	80,894
Advance payments from customers	72,030	69,676
Current Liabilities	6,845,222	8,482,791
Long-term financial liabilities	6,299,502	4,625,435
Accounts payable to related parties	514,842	588,378
Employee benefits	457,721	445,168
Contingencies	55,002	55,002
Deferred Income Tax	1,782,112	1,823,983
Non-current Liabilities	9,109,179	7,537,966
Total Liabilities	15,954,401	16,020,757
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(602,550)	(601,759)
Accumulated other comprehensive loss	(106,777)	376,206
Controlling interest	3,308,663	3,792,437
Non-controlling interest	3,215,060	3,221,781
Total Equity	6,523,723	7,014,218
Total Liabilities and Equity	22,478,124	23,034,975

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

<i>Figures in MXN thousands</i>	<i>Three months ended, September 30,</i>		<i>Nine months ended, September 30,</i>	
	2017	2016	2017	2016
Cash flows from operating activities:				
Consolidated net income (loss)	(367,476)	(162,095)	(67,585)	(379,294)
Adjustments for:				
Income tax expense recognized in net loss	51,717	46,200	171,696	114,558
Loss (gain) on disposal of property, plant and equipment	-	-	-	-
Depreciation and amortization	169,617	170,162	510,765	522,255
Contingencies	-	-	-	-
Fair value adjustment of investment properties	7,691	-	12,704	6,223
Interest income	(1,057)	(3,064)	(3,840)	(7,050)
Interest expense	200,584	226,307	877,997	497,064
Unrealized foreign exchange	203,623	(238,666)	(568,594)	251,127
	264,699	38,844	933,143	1,004,883
Changes in working capital:				
(Increase) decrease in:				
Accounts receivable, net	60,824	219,436	(232,095)	(297,863)
Accounts receivables to related parties	-	-	-	-
Inventories, net	(142,025)	(229,491)	(234,301)	(472,300)
Prepaid expenses	91,055	80,734	(1,533)	(59,719)
Other assets	4,299	(34,731)	(84,236)	(73,874)
(Increase) decrease in:				
Accounts payable to Suppliers	151,249	63,096	682,366	459,547
Accounts payable to related parties	-	-	-	-
Other accounts payable and accrued liabilities	(49,906)	(62,802)	19,859	250,052
Direct employee benefits	(8,124)	39,662	(35,151)	1,420
Advance payments from customers	13,682	20,119	(38,169)	20,944
Income taxes paid	(8,756)	(30,665)	(169,893)	(91,535)
Employee benefits	4,524	8,453	15,216	15,910
Contingencies	4,835	(3,241)	93	(10,316)
Net cash flows generated by operating activities	386,356	109,414	855,299	747,149
Cash flows from investing activities:				
Interest received	1,331	2,268	4,648	3,078
Acquisition of property, plant and equipment	(105,374)	(63,124)	(399,205)	(186,326)
Sale of property, plant and equipment	4,046	25,003	534	25,344
Net cash flows (generated by) used in investing activities	(99,997)	(35,853)	(394,023)	(157,904)
Cash flows from financing activities:				
Proceeds from debt	202,054	2,933,288	7,332,800	5,152,083
Payments of debt	(450,375)	(2,806,057)	(6,570,991)	(5,586,561)
Interest paid	(47,985)	(152,467)	(1,403,196)	(330,504)
Purchase of non-controlling interest	-	-	-	-
Capital increase	-	-	-	-
Dividends paid	-	-	-	-
Net cash flow (used in) generated by financing activities	(296,306)	(25,236)	(641,387)	(764,982)
Net increase (decrease) in cash and cash equivalents	(9,947)	48,325	(180,111)	(175,737)
Effects of exchange rate changes on cash flows	(73,889)	14,771	(91,435)	19,087
Cash and cash equivalents at end of year	545,433	234,614	733,143	454,360
Cash and cash equivalents at beginning of year	461,597	297,710	461,597	297,710