

**VERTICALLY INTEGRATED
TEXTILE COMPANY
EARNINGS RELEASE
4Q17**



MESSAGE FROM THE CEO

Dear Investor,

The fourth quarter of 2017 posted a better EBITDA than we previously estimated reflecting a quarterly return of Us.26.2 million and a margin EBITDA/Sales of 10.7%. This was accomplished by reducing the pressure that we had in costs for the first nine months of the year. Despite these small improvements, we still carry the negative effects from the cost surge during the first three quarters, making 2017 a very disappointing year. In 2018 we are committed to continue implementing the needed measures to control costs, expenses and increase sales in order to return to the level of profitability that we had in prior years.

On our business segments:

- a) **Kaltex Textiles** posted stable revenues during the year and an increase in costs and in expenses related to the bond, which resulted in a lower EBITDA.
- b) **Kaltex Internacional** the EBITDA was affected by lower sales that were partly compensated with a reduction in costs and expenses.
- c) **Kaltex Comercial** reported record-high sales that were offset by higher maintenance expenses.
- d) **Energia MKKF** by fulfilling the 35% of our energy needs, helped us to mitigate the increase in the price of energy.

Moving into the consolidated results:

- e) **Revenue** decreased mainly due to a lower volume in Kaltex Internacional, while the other business segments had a positive behavior.
- f) **EBITDA** was affected by lower sales and the accumulated increase of costs at the beginning of the year.
- g) **Net Income** benefited from the non-cash related gains of the MXP vs. USD which offset the increase in interest expense related to the bond.

In closing, I would like to thank you once again for the trust in Kaltex during this first difficult year of results. I am confident that our strong foundations will allow us in 2018 deliver the results you expect and demand from us.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, February 7, 2018 – 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 fourth quarter ended December 31, 2017. The figures presented in this report are expressed in nominal Mexican pesos, are preliminary and in the process of being audited, prepared in accordance with IFRS and current interpretations, and may vary due to rounding.

4Q17 HIGHLIGHTS

Grupo Kaltex – Consolidated

- ✦ 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.
- ✦ 4Q17 Consolidated Net Revenue reached Ps.4,693 million, a decrease of 4.5% when compared to the Ps.4,917 million reported in 4Q16, while on a full year basis revenues amounted Ps.17,152 million, a decrease of 2.1% as a result of lower sales in Kaltex Internacional, mainly due on a one-time sales event in Kaltex America during 4Q16 for Ps.200 million, that did not repeat this quarter.
- ✦ 4Q17 Consolidated Cost of Goods Sold (COGS) decreased by -1.5% to Ps.3,580 million, compared to 4Q16, although for the full year they have increased by 3.6% to Ps.13,417million. Our costs remained high compared to the levels of 2016, although we began to see some improvements towards the end of the quarter.
- ✦ 4Q17 Gross Profit decreased by -14.4% on a quarterly basis and -21.1%, on a full year basis.
- ✦ 4Q17 EBITDA generation decreased by -22.6%, amounting Ps.503 million, compared to Ps.649 million during 4Q16, mainly due to lower revenues in Kaltex Internacional. Full year EBITDA was Ps.1,214 million, a decrease of -40.3%, of which Ps.471 million is explained by an increase in costs. Margin for the period stood at 10.7% compared to 13.2% recorded in the same quarter of last year.
- ✦ 4Q17 Consolidated Net Income reached a loss of Ps.509 million compared to the Ps.67 million loss recorded in the same period of last year, this is explained by the lower operating income and higher expenses related to the placement of the bond.

Kaltex Textiles Division

- ✦ 4Q17 Kaltex Textiles Net Revenues were Ps.2,435 million, a quarterly decrease of -6.9% or Ps.181 million. In terms of full year results, Kaltex Textiles revenues were Ps.10,463 million, practically unchanged with a Ps.11 million or -0.1% decrease, compared to the result of 2016.
- ✦ Feedstock costs of Kaltex Textiles (cotton, energy, fiber and chemicals) for the 4Q17 were 10.2% higher than in the 4Q16 and 14.8% higher in annual comparisons.
- ✦ 4Q17 Kaltex Textiles registered a loss of Ps.191 million of EBITDA, a decrease of Ps.438 from a positive Ps.247 million during the same quarter of 2016, mainly as a result of the increase of Ps.827 million in costs.

Kaltex Internacional Division

- 4Q17 Kaltex Internacional Net Revenue decreased -18.8% or Ps.368 million on a quarterly basis, amounting Ps.1,595 million, in line with the reduction of 21% or Ps.191 million in the revenues of Kaltex America, due to a 17.0% decrease in displaced volume in fabric. On a full year basis, revenues decreased -10.0% reaching Ps.6,586 as a result of an -8.6% reduction in Kaltex America.
- 4Q17 Kaltex Internacional EBITDA decreased -5.3% or Ps.13 million to Ps.235 million, compared to the same quarter of the prior year, due to lower revenues. For the full year 2017, the EBITDA was Ps.424 million, a decrease of -4.9%, compared to 2016.

Kaltex Comercial Division

- 4Q17 Kaltex Comercial Net Revenue reached Ps.1,484 million, 7.5% higher than that registered in 4Q16. On a full year basis, Kaltex Comercial revenues were Ps.3,842 million, an increase of 5.3%, compared to the same period of 2016. At quarter-end, our total commercial network was comprised of 422 units: 295 for Milano, with four stores opened; 117 for Melody, with one store opened; and 10 stores for Home&Fashion, with no new stores.
- 4Q17 Kaltex Comercial EBITDA was Ps.162 million, a decrease of -24.9% when compared to the 4Q16, mostly explained by 28.4% higher operational expenses in Milano due to maintenance cost. For the full year 2017, the EBITDA was Ps.211 million, which represents a -17.7% decrease versus 2016, mainly due to higher operational expenses.

Energía MKKF Division

- Kaltex Energía ended the quarter producing an average of 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 9.9%.

KEY CONSOLIDATED FINANCIAL INDICATORS

Indicator	Three months ended, December 31,			Twelve months ended, December 31,		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenue	4,693	4,917	-4.5%	17,152	17,519	-2.1%
Gross Profit	935	1,093	-14%	3,047	3,862	-21%
Gross Margin (%)	20%	22%	(230)bps	18%	22%	(428)bps
Operating Income	325	460	-29%	526	1,323	-60%
Operating Margin (%)	6.9%	9.4%	(244)bps	3.1%	7.6%	(448)bps
Consolidated Net Income	(509)	(67)	>100%	(577)	(447)	29%
Net Margin (%)	-11%	-1.4%	>100%	-3.4%	-2.5%	(81)bps
EBITDA	503	649	-23%	1,214	2,034	-40%
EBITDA margin (%)	11%	13%	(250)bps	7.1%	12%	(453)bps
CAPEX	92	375	-75%	491	561	12%
ROA	-2.6%	-2.0%	(61)bps	-2.6%	-2.0%	(61)bps
ROE	-8.7%	-6.3%	(232)bps	-8.7%	-6.3%	(232)bps
Total Debt / EBITDA	6.2	4.1	-	6.2	4.1	-
Net Debt / EBITDA	5.8	3.8	-	5.8	3.8	-
Interest Coverage	2.0	3.4	-	2.0	3.4	-
Working Capital	2,898	3,514	-18%	2,898	3,514	-18%
Free Cash Flow	(308)	206	-	(308)	206	-
Headcount (number)	19,035	19,850	-4.1%	19,035	19,850	-4.1%

Figures in MXN millions

SUMMARY OF FINANCIAL RESULTS BY BUSINESS DIVISION

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Consolidated Net Revenues	4,693	4,867	-3.6%	17,152	17,470	-1.8%
Kaltex Textiles	2,435	3,632	-33%	10,463	11,491	-8.9%
Kaltex Internacional	1,595	1,991	-20%	6,587	7,349	-10%
Kaltex Comercial	1,484	1,381	7.5%	3,842	3,650	5.3%
Energia MKKF	99	39	>100%	392	239	64%
GK ind & others	-	-	-	-	-	-
Elimination	(921)	(2,176)	-58%	(4,132)	(5,260)	-21%
Consolidated Operating Income	325	460	-29%	526	1,323	-60%
Kaltex Textiles	(313)	21	NA	(215)	728	NA
Kaltex Internacional	214	356	-40%	341	484	-30%
Kaltex Comercial	137	187	-27%	106	147	-28%
Energia MKKF	12	9	37%	53	28	89%
GK ind & others	275	(113)	NA	242	(65)	NA
Consolidated Operating Margin	6.9%	9.5%	(254)bps	3.1%	7.6%	(451)bps
Kaltex Textiles	-12.8%	0.6%	(1,342)bps	-2.1%	6.3%	(840)bps
Kaltex Internacional	13.4%	17.9%	(447)bps	5.2%	6.6%	(141)bps
Kaltex Comercial	9.2%	13.6%	(436)bps	2.7%	4.0%	(128)bps
Energia MKKF	11.7%	22.0%	(1,034)bps	13.5%	11.7%	181 bps
GK ind & others	-	-	-	-	-	-
Consolidated EBITDA	503	649	-23%	1,214	2,034	-40%
Kaltex Textiles	(191)	156	NA	255	1,215	-79%
Kaltex Internacional	235	378	-38%	424	575	-26%
Kaltex Comercial	162	216	-25%	211	257	-18%
Energia MKKF	21	13	66%	82	52	59%
GK ind & others	275	(113)	NA	242	(65)	NA
Consolidated EBITDA Margin	10.7%	13.3%	(263)bps	7.1%	11.6%	(456)bps
Kaltex Textiles	-7.8%	4.3%	(1,211)bps	2.4%	10.6%	(813)bps
Kaltex Internacional	14.7%	19.0%	(425)bps	6.4%	7.8%	(139)bps
Kaltex Comercial	10.9%	15.6%	(472)bps	5.5%	7.0%	(153)bps
Energia MKKF	21.4%	33.2%	(1,176)bps	20.9%	21.6%	(71)bps
GK ind & others	-	-	-	-	-	-

REPRESENTATIVE COSTS

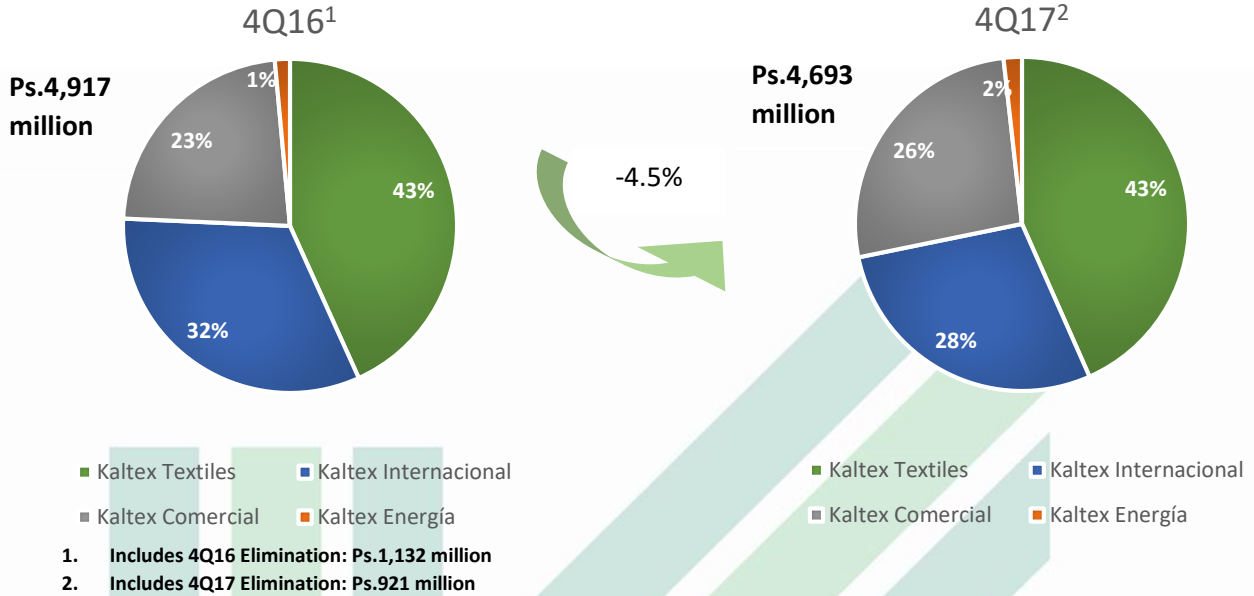
<i>Figures in MXN millions</i>	<i>Three months ended, December 31</i>			<i>Twelve months ended, December 31</i>		
	2017¹	2016²	Δ%	2017¹	2016²	Δ%
Cotton (US\$ per pound)	0.72	0.64	13%	0.76	0.66	15%
Energy (MXN\$ per kWh) – CFE	1.50	1.36	10%	1.49	1.14	31%
Energy (MXN\$ per MWh)	1.31	1.18	11%	1.39	1.03	35%
Gas (MXN\$ per GJ)	79.13	73.17	8.1%	80.82	61.10	32%
Fibers (MXN\$)	37.82	37.10	1.9%	38.22	34.05	12%
Chemicals (MXN\$)	22.59	17.49	29%	21.48	18.60	15%

¹ Exchange rate at Dec, 31 2017: 20,6640

² Exchange rate at Dec, 31 2016: 19,7354

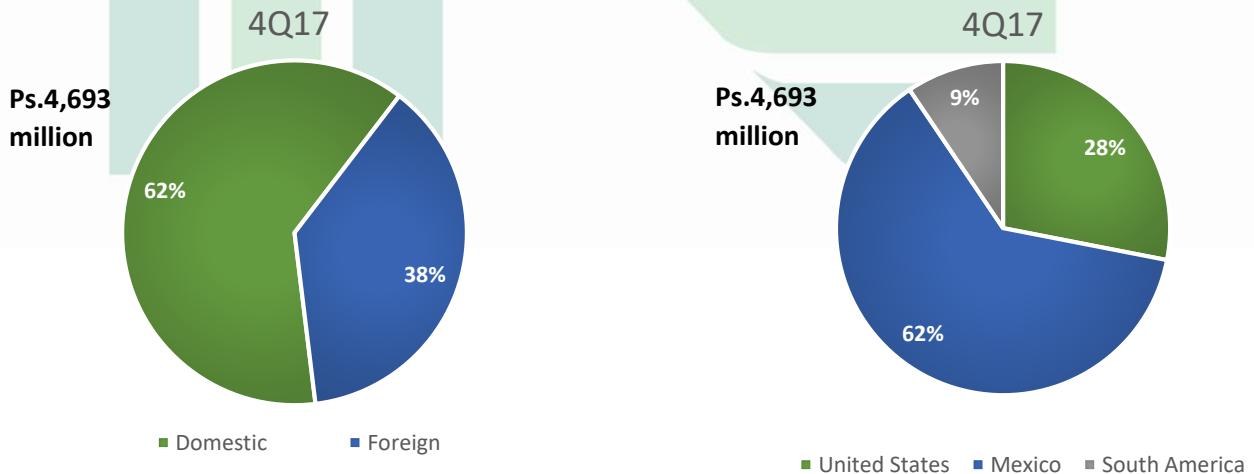
INCOME STATEMENT

Consolidated Net Revenue

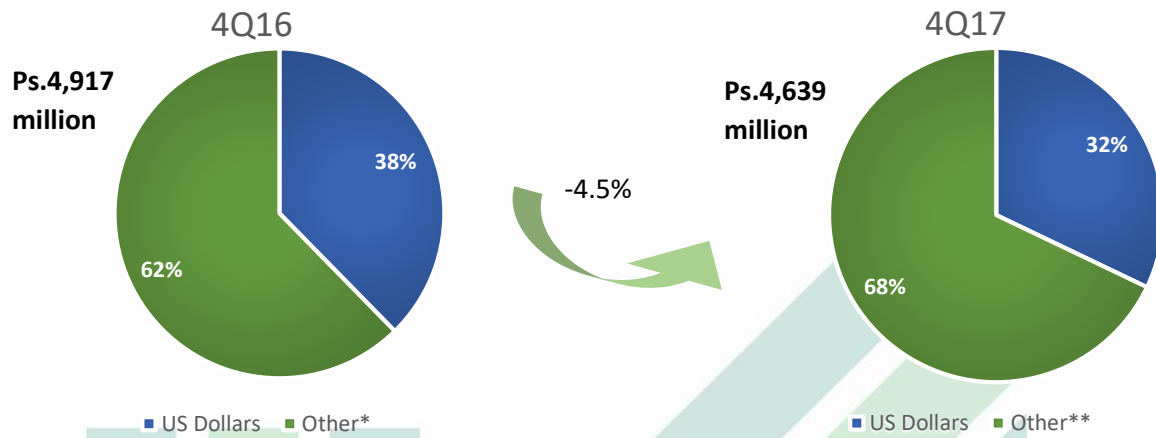


4Q17 Consolidated Net Revenue totaled Ps.4,693 million, which represents a reduction of -4.5% or Ps.224 million compared to the Ps.4,917 million recorded in 4Q16, a result of mixed performance across the segments, with sales increasing 7.5% Kaltex Comercial, while decreasing 6.9% in Kaltex Textiles and 18.8% in Kaltex Internacional. This was mainly due on a one-time sales event in Kaltex America during 4Q16 for Ps.200 million. On an annual basis, revenues totaled Ps.17,152 million, a reduction of -2.1% or Ps.367 million, due to a -2.2% reduction in volume and a 4.3% increase in price.

Revenue analysis



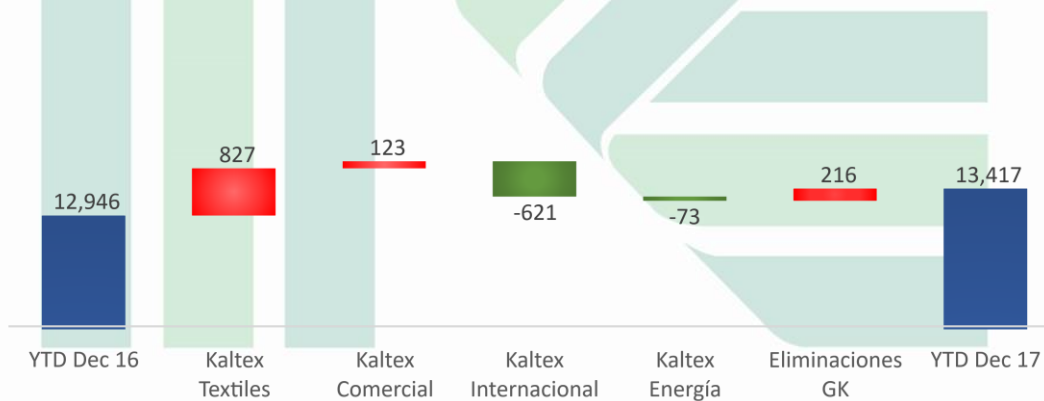
Exports accounted for 37.7% of net revenue in 4Q17, 722 bps, lower than those registered in 4Q16. This is due to the higher share of sales on Kaltex Comercial, which implemented a price increase of 10.7% during the quarter and only participates in the domestic market.



* 56.0% of our net revenue is denominated in MXP and 5.9% in COP
 ** 62.3% of our net revenue is denominated in MXP and 5.3% in COP

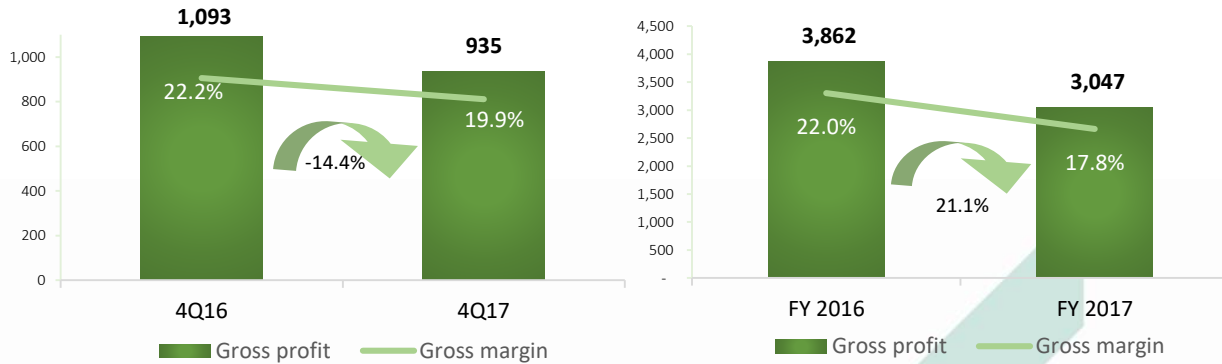
During 4Q17, dollar-denominated revenue reached Ps.1,507 million, accounted for 32.1% of net revenue, compared to 37.7% in 4Q16. For the full year it was Ps.6,686 million and accounted for 39.0% of net revenue, compared to 40.7% in 2016.

Cost of goods sold (COGS)



For the 4Q17 we recorded Ps.3,580 million of cost of sales, which is a quarterly decrease of Ps.55 million or -1.5%; the full year costs have increased 3.6% or Ps.471 million, which represents 57.5% of the annual decrease in EBITDA. Most of these increases were concentrated specifically in Manufacturas Kaltex, driven by an increase of 17.0% in cotton, 33.6% in energy and 9.5% in labor.

Gross profit



Consolidated Gross Profit amounted Ps.935 million for the 4Q17, which represents a quarterly decrease of Ps. 158 million or -14.4%, of this Ps.224 million came from a reduction in revenues and Ps.55 million from a reduction in costs. Gross margin for the 4Q17 stood at 19.9%, 230bps. below the 22.2% recorded in 4Q16. For the full year 2017, Gross Profit decreased -21.1% or Ps.816 million, meanwhile gross margin decreased by 428bps.

Selling, General and Administrative and Other Expenses

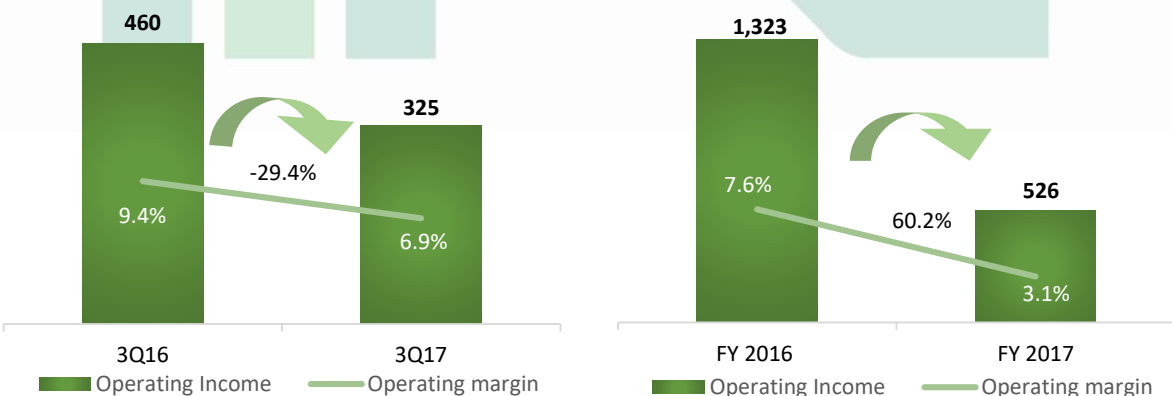
Figures in MXN millions

SG&A
Other Net Expenses
Total SG&A and other expenses
S&A and other expenses to sales

Three months ended, December 31,			Twelve months ended, December 31,		
2017	2016	Δ%	2017	2016	Δ%
769	792	-3.0%	2,675	2,651	0.9%
158	160	-1.0%	154	112	37%
610	633	-3.5%	2,521	2,540	-0.7%
13.0%	12.9%	14bps	14.7%	14.5%	20bps

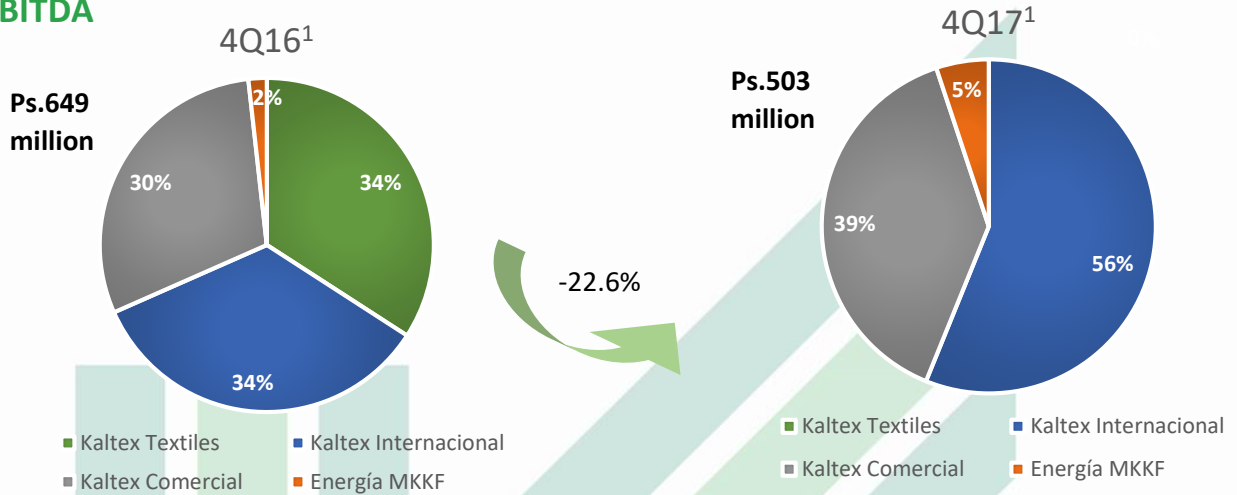
Sales expenses remained practically unchanged compared to the figures of 2016, both quarterly and annually. Administrative expenses for the 4Q17 decreased -8.4% to Ps.266 million, compared to the same quarter of 2016 due to a lower headcount, while on a full year basis, sales expenses amounted Ps.1,045 million, an increase of 2.8% or Ps.29 million due to higher labor costs during the first three quarters of 2017.

Operating Income



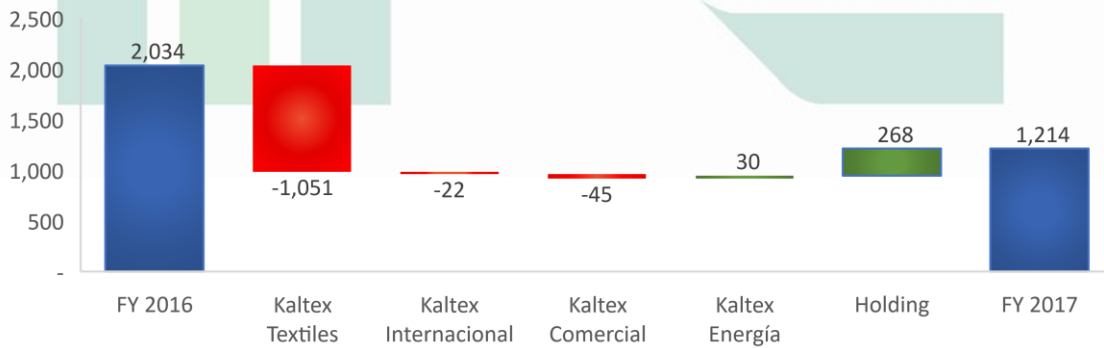
4Q17 Consolidated Operating Income was Ps.325 million, a decrease of -29.4% compared to 4Q16, driven by lower sales and a small reduction in costs and expenses. Operating margin decreased by 244bps. to 6.9% in 4Q17 from 9.4% in 4Q16. On a full year basis, Consolidated Operating Income decreased by Ps.797 million or -60.2%, to reach Ps. 526 million from Ps.1,323 million recorded during 2016.

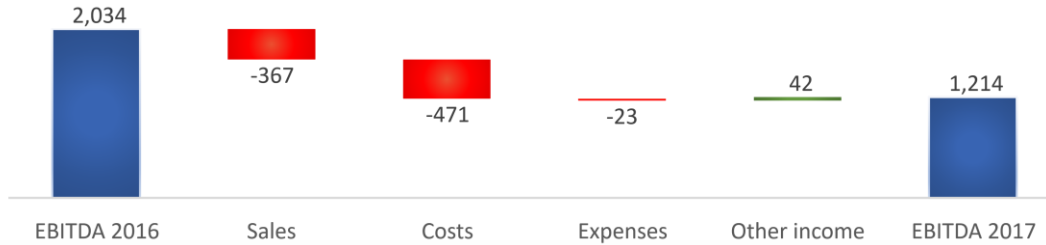
EBITDA



Includes Gk ind & others: 4Q16 Ps.-113 million and 4Q17 Ps.275 million
 Kaltex Textiles reported a loss for the 4Q17 of Ps.-191 million

Consolidated EBITDA totaled Ps.503 million in 4Q17, -22.6% lower than the Ps.649 million registered during the same period last year, driven by lower sales in Kaltex Internacional. EBITDA margin reached 10.7% in 4Q17 versus 13.2% in 4Q16. For the full year 2017, Consolidated EBITDA decreased by Ps.820 million or -40.3% to reach Ps.1,214 million and the EBITDA margin was reduced by 453bps reaching 7.1%.





Net interest Expense and Forex

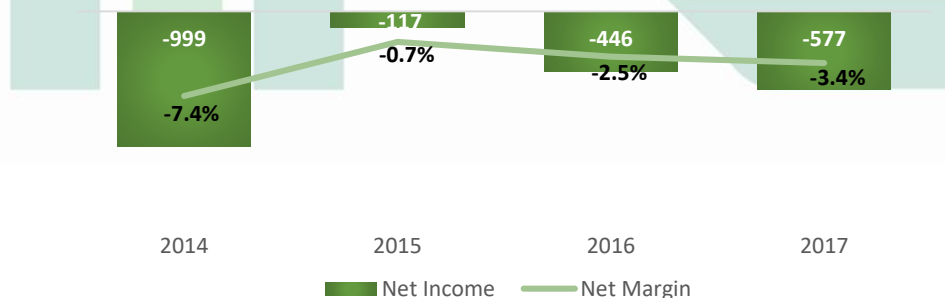
Concept	Three months ended, December 31			Twelve months ended, December 31		
	2017	2016	Δ%	2017	2016	Δ%
Interest income	2	2	30%	6	9	-32%
Interest expense	(255)	(188)	35%	(1,133)	(686)	65%
Foreign exchange result	(569)	(323)	76%	209	(960)	NA
Total CFR	(822)	(510)	61%	(919)	(1,637)	-44%

4Q17 Net Interest Expense was Ps.253 million, an increase of Ps.66 million or 35.4% as a result from higher interest expense related to the bond. The Forex expense increased 76.0% or Ps.246 million, due to the depreciation of the Mexican Peso during the last quarter of 2017, going from an average of Ps.17.92/US\$ during 3Q17 to an average of Ps.19.16/US\$ during 4Q17. For the full year 2017, Net Interest Expense was Ps.1,127 million, an increase of 66.5%, while Forex income increased Ps.1,169 million to Ps.209 million, going from an expense of Ps.960 million, due to an average stronger Mexican Peso during 2017.

Income Tax

Income Tax was Ps.12 million for 4Q17, a decrease of Ps.5 million or -29.7% when compared to 4Q16. On a full year basis, income tax has increased 39.3%, to Ps.184 million for 2017, from Ps.132 million for 2016.

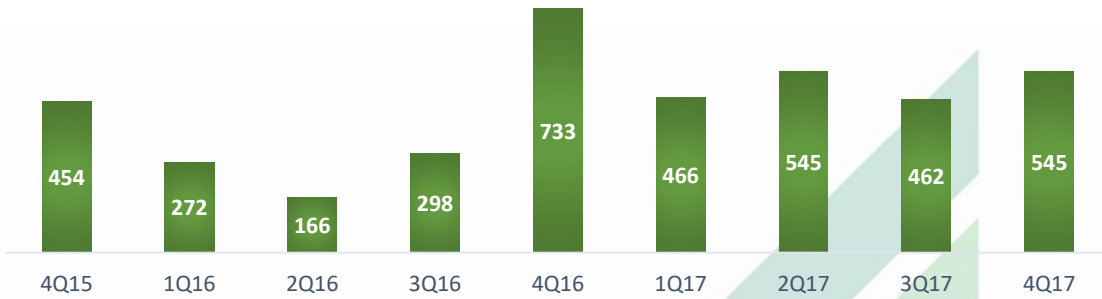
Net Income



4Q17 Consolidated Net Income for 2017 totaled a loss of Ps.577 million, a reduction from the Ps.447 million loss recorded in 2016. This is explained by a lower operating income and the expenses related to the placement of the bond.

FINANCIAL POSITION

Cash and Cash Equivalents

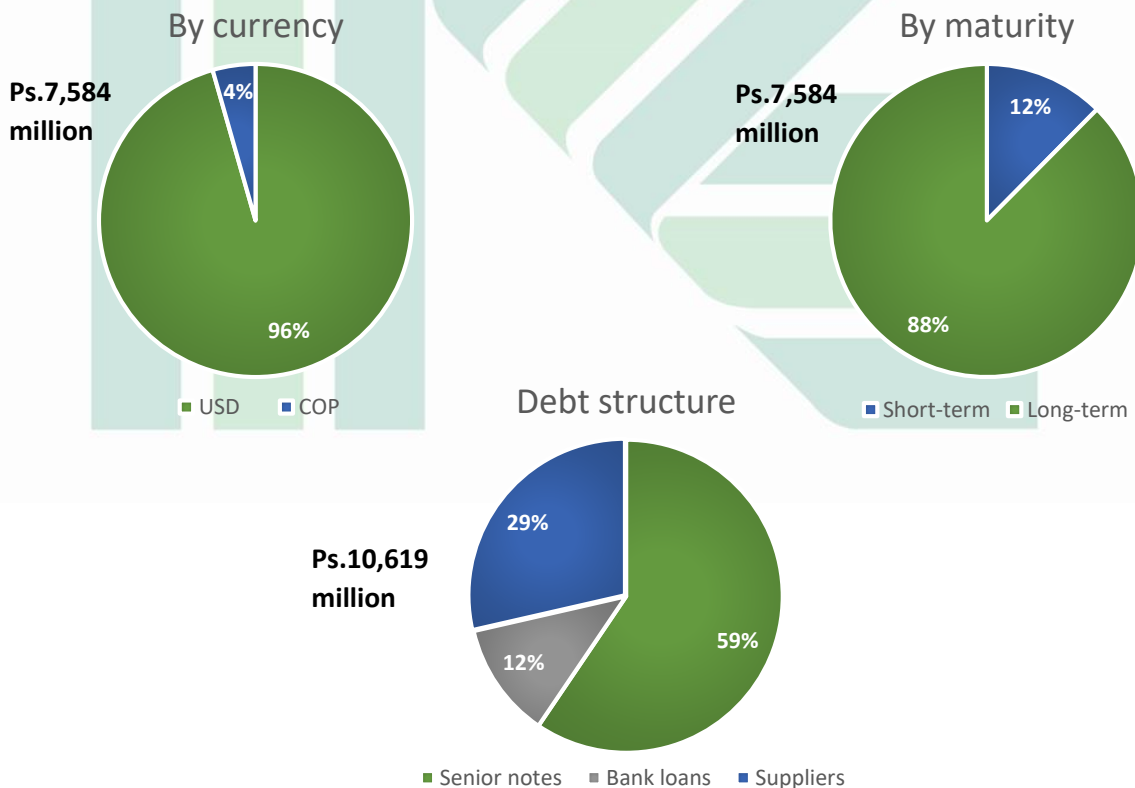


The balance in cash and cash equivalents totaled Ps.545 million as of December 31, 2017. This figure is 18.1% above the Ps.462 million reported in September 30, 2017.

Inventory

Inventory balance amounted Ps.3,586 million as of December 31, 2017, a decrease of -2.1% compared to Ps.3,662 million registered at the end of 3Q17.

Debt



Debt Structure

Concept	December 31,		
	2017	2016	Δ%
Short-term	943	3,753	-75%
Long-term	6,642	4,625	44%
Cash	545	733	-26%
Net Debt	7,039	7,646	-7.9%

Grupo Kaltex Net Debt amounted Ps.7,039 million as of December 31, 2017, of which 96% was denominated in US dollars, and the remaining 4% in Colombian pesos.

Maturity Profile

Division	December 31,			Total
	1 year	1-3 years	>3 years	
Kaltex Textiles	154	268	15	438
Kaltex Internacional	789	43	-	831
Kaltex Comercial	-	-	-	-
GK ind & others	-	-	6,315	6,315
Total	943	311	6,331	7,584
%Total	12.4%	4.1%	83.5%	100%

The average maturity of Grupo Kaltex's debt at the end of 2017 is 3.9 years, compared to the 2.9 years at the end of 2016. 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%	
Dec 2017										
Short-term	-	-	39.4	94.8%	7.8	35.2%	-	-	47.2	12.3%
Long-term	-	-	2.2	5.2%	14.4	64.8%	320	100%	336.5	87.7%
Total	-	-	41.6	100%	22.2	100%	320	100%	383.8	100%
Rate	-		7.5%		4.6%		8.9%		8.5%	
Av. Life (yrs)	-	-	0.8	-	3.8	-	4.3	-	3.9	-
Dec 2016 vs Dec 2017										
Short-term	(2.8)		(5.4)		(91.9)		(27.5)		(127.6)	
Long-term	(11.2)		(21.7)		(99.5)		237.5		105.0	
Total	(14.0)		(27.1)		(191.4)		210.0		(22.5)	

Debt Ratio	4Q17	4Q16
Gross Debt / EBITDA	6.24x	4.12x

Gross Debt / EBITDA ratio increased to 6.24x in 4Q17, from 4.12x in 4Q16. Since 96% 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.637 million, of which financial exposure amounts Us.367 million, and operation exposure amounts Us.269 million. We have a natural hedge through our sales in USD of Us.338 million and a financial hedge of Us.120 million, for a total net exposure Us.179 million and a hedge ratio of 71.9%.

Shareholders' Equity

Shareholders' Equity amounted Ps.6,284 million as of December 31, 2017.

FREE CASH FLOW

Concept	Three months ended, December 31,		
	2017	2016	Δ%
EBITDA	503	649	54%
CF from operating activities	535	701	>100%
CF from investing activities	(88)	(320)	>100%
CF from financing activities	(432)	(16)	>100%
Free Cash Flow	(308)	206	NA

CAPEX

For the 4Q17, investments in fixed assets reached Ps.92 million, mainly derived from investments in machinery and equipment. For 2017 the investment in fixed assets was Ps.491 million.

FINANCIAL INFORMATION BY DIVISION

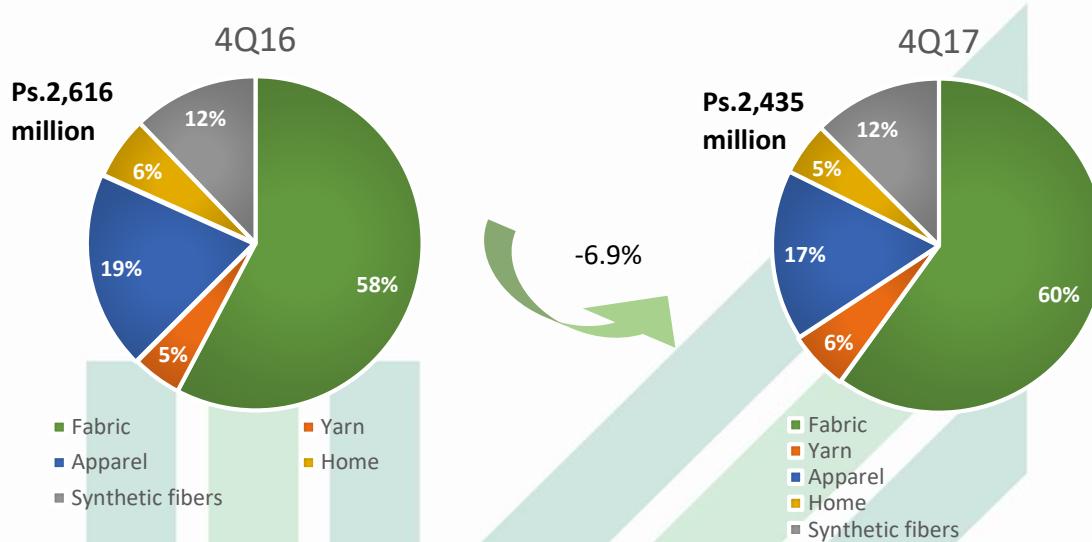
Kaltex Textiles

Income Statement

Concept	Three months ended, December 31,			Twelve months ended, December 31,		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenues	2,435	2,616	-6.9%	10,463	10,474	-0.1%
Cost of Sales	2,186	2,199	-0.6%	9,368	8,541	9.7%
Depreciation	122	115	6.3%	471	467	0.8%
Gross Profit	127	302	-58%	625	1,466	-57%
Operating Expenses	440	170	159%	840	626	34%
Operating Income	(313)	132	NA	97	707	-86%
EBITDA	(191)	247	NA	446	1,059	-58%

During 4Q17, the revenue of Kaltex Textiles division was Ps.2,435 million a -6.9% decrease compared to the Ps.2,616 million in 4Q16, mainly due to a -10.6% decrease in volume in apparel. In terms of full year results, Kaltex Textiles revenues were Ps.10,463 million, a reduction of -0.1%. Kaltex Textiles revenues represent 49.2% of Consolidated Net Revenues, above the 48.2% reached in 2016.

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



Regarding costs, on a full year results, the costs for 2017 increased 9.7% or Ps.827 million. Energy cost increased 33.6% or Ps. 184 million, even as this increase was partially mitigated by Kaltex Energía. We began to see some stabilization of this cost since the second quarter of 2017 at around Ps.1.4 per KW.

The cost of cotton for the full year increased 17.0% amounting Ps.2,021 million in 2017, that compares to Ps.1,727 million in 2016, closing the year with a price of 74 cents of dollar per pound.

4Q17 Kaltex Textiles Operating Loss was Ps.313 million, Ps.445 million lower than the positive Ps.132 million registered in 4Q16. The operating margin of 4Q17 was -12.8% compared to 9.4% reported in the same period of last year. On a full year basis, the Operating Loss for 2017 was Ps.215 that compares to an Operating Income of Ps.840 million in 2016.

Kaltex Textiles posted a loss of Ps.191 million of EBITDA for the 4Q17, which compares to a positive Ps.247 million of 4Q16. For the full year 2017, the EBITDA of the segment was Ps.255 million, a figure 80.5% below the one recorded in 2016, only representing 21.0% of Consolidated EBITDA compared to 64.2% in 2016. The decrease in EBITDA is mainly a result the increase of Ps.827 million in costs.

Kaltex Internacional

Income Statement

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenues	1,595	1,964	-19%	6,586	7,322	-10%
Cost of Sales	1,315	1,604	-18%	5,420	6,041	-10%
Depreciation	21	22	-5.1%	83	92	-9.2%
Gross Profit	259	337	-23%	1,084	1,190	-8.9%
Operating Expenses	45	111	-59%	743	836	-11%
Operating Income	214	226	-5.4%	341	354	-3.7%
EBITDA	235	248	-5.3%	424	446	-4.9%

Kaltex Internacional revenues for 4Q17 were Ps.1,595 million, a quarterly decrease of -18.8% mainly due on a one-time sales event in Kaltex America during 4Q16 for Ps.200 million, that did not repeat this year. Regarding Kaltex America, although there was a reduction in sales, it was mitigated by a reduction in costs and operating expenses to give an annual increase in EBITDA of 7.6%, going from Us.7.9 million in 2016 to Us.8.5 million in 2017. On a full year basis, Kaltex Internacional revenues were Ps.6,586 million, a decrease of -10.0%, representing 30.9% of Consolidated Net Revenue, below the 33.7% reached in 2016.

Kaltex Internacional reported Ps.235 million of EBITDA for the 4Q17, a -5.3% or Ps.13 million decrease, compared to the same quarter of the prior year, due a decrease in revenues of Ps.368 million, partially offset by a Ps.289 million decrease in cost and Ps.66 million in expenses.

For the full year 2017, EBITDA for Kaltex Internacional was Ps.424 million, a -4.9% decrease compared to 2016. In this segment, Revman reported flat sales along with to a reduction in costs and expenses, resulting in an increase of more than 100% in EBITDA, going from Us.3.1 million in 2016 to Us.6.6 million in 2017. Kaltex Internacional represented 34.9% of the total EBITDA of 2017, compared to 21.9% in 2016.

Kaltex Comercial

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenues	1,484	1,381	7.5%	3,842	3,650	5.3%
Cost of Sales	914	847	7.9%	2,397	2,274	5.4%
Depreciation	26	29	-11%	106	110	-3.5%
Gross Profit	545	506	7.8%	1,339	1,267	5.7%
Operating Expenses	409	318	28%	1,234	1,120	10%
Operating Income	137	187	-27%	106	147	-28%
EBITDA	162	216	-25%	211	257	-18%

Kaltex Comercial revenues for 4Q17 were Ps.1,484 million, an increase of 7.5% or Ps.103 million. Behind this performance we find the 8.1% revenue growth of Milano, as its 12.8% increase in prices more than offsets the 4.8% volume decrease. For the full year 2017, revenues were Ps.3,842 million a 5.3% increase accounting for 18.1% of Consolidated Net Revenue, above the 16.8% reached in 2016.

Kaltex Comercial EBITDA for the 4Q17 was Ps.162 million, a decrease of -24.9% when compared to Ps.216 million registered during the 4Q16, mostly explained by 28.4% higher operational expenses in Milano due to maintenance cost. For the full year of 2017 the EBITDA reached Ps.211 million, which represents a -17.7% decrease versus 2016. This increase is mainly due higher operational expenses. Kaltex Comercial represented 17.4% of the total EBITDA of 2017 higher than 12.6% in 2016.

MKKF

Kaltex Energía ended the quarter producing in average 35 Mega Watts, representing 35% of our energy needs; becoming of even greater support in the prevailing environment, partially mitigating the annual increase of Ps.184 million in energy.

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

Cost of Energy (Ps. KW/hour)	Three months ended, December 31,		
	2017	2016	Δ%
Energía MKKF	1.31	1.18	11%
CFE	1.50	1.36	10%
Difference (%)	0.19	0.18	-

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.

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4Q17 Conference Call



Conference Call

DATE: Thursday, February 08, 2018

TIME: 12:00 P.M. (GMT -6, Mexico City)
1:00 P.M. (GMT -5, N.Y.)

PHONE: +52 (55) 2881 4607

Presenters

Jaime Morales Vazquez, CFO

Humberto Flores Cervantes, Commercial Director

MP3 Recording Available on Friday, February 09, 2018 at www.irkaltex.com

**Additional Dial-in
number:**

USA / International:
+1 (833) 393 9566

**4Q17 Earnings
release date:**

Wednesday,
February 07, 2018
(after market close)

**Additional
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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, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2017	2016	Δ%	2017	2016	Δ%
Net Revenue	4,693,399	4,916,988	-4.5%	17,152,115	17,519,416	-2.1%
Cost of Goods Sold	3,758,166	3,823,946	-1.7%	14,105,329	13,657,021	3.3%
Gross Profit	935,233	1,093,042	-14%	3,046,786	3,862,395	-21%
Sales Expenses	502,262	501,683	0.1%	1,629,743	1,635,415	-0.3%
Administrative Expenses	266,269	290,732	-8.4%	1,044,795	1,015,897	2.8%
Other (expenses) income net	158,234	159,819	-1.0%	153,639	111,801	37%
Operating Profit	324,936	460,446	-29%	525,887	1,322,884	-60%
Comprehensive Financial Result	(821,762)	(510,101)	61%	(918,602)	(1,637,275)	-44%
Interest Income	2,043	1,567	30%	5,883	8,617	-32%
Interest Expense	(255,047)	(188,461)	35%	(1,133,044)	(685,525)	65%
Foreign Exchange Result	(568,758)	(323,207)	76%	208,559	(960,367)	NA
Income Tax	12,342	17,550	-30%	184,038	132,108	39%
Consolidated Net Result	(509,168)	(67,205)	>100%	(576,753)	(446,499)	29%

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

Figures in MXN thousands

	December 31, 2017	December 31 2016
Assets		
Cash & Cash Equivalents	545,204	733,143
Accounts Receivable, net	2,955,078	3,148,174
Accounts receivable to related parties	42,487	19,640
Inventories, net	3,586,478	3,347,117
Prepaid expenses	133,922	331,581
Current Assets	7,263,169	7,579,655
Property, Plant and Equipment, net	11,553,482	11,995,794
Investment in Properties	1,778,692	1,620,666
Deferred Income Tax	314,899	338,377
Other Assets, net	1,473,252	1,500,483
Non-current Assets	15,120,325	15,455,320
Total Assets	22,383,494	23,034,975
Liabilities		
Bank loans	942,747	3,753,465
Accounts Payable to suppliers	3,034,184	2,981,684
Accounts payable to related parties	1,289,559	150,598
Other accounts payable and accrued liabilities	1,165,355	1,446,474
Direct employee benefits	81,333	80,894
Advanced payments from customers	70,030	69,676
Current Liabilities	6,583,208	8,482,791
Long-term financial liabilities	6,641,637	4,625,435
Accounts payable to related parties	556,246	588,378
Employee benefits	442,747	445,168
Contingencies	55,002	55,002
Deferred Income Tax	1,820,096	1,823,983
Non-current Liabilities	9,515,728	7,537,966
Total Liabilities	16,098,936	16,020,757
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,082,903)	(601,759)
Accumulated other comprehensive loss	171,250	376,206
Controlling interest	3,106,337	3,792,437
Non-controlling interest	3,178,221	3,221,781
Total Equity	6,284,558	7,014,218
Total Liabilities and Equity	22,383,494	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, December 31,</i>		<i>Twelve months ended, December 31,</i>	
	2017	2016	2017	2016
Cash flows from operating activities:				
Consolidated net income (loss)	(509,168)	(67,205)	(576,753)	(446,499)
Adjustments for:				
Income tax expense recognized in net loss	12,342	17,550	184,038	132,108
Loss (gain) on disposal of property, plant and equipment	(1,172)	30,858	(1,172)	30,858
Depreciation and amortization	177,838	188,990	688,603	711,245
Contingencies	-	(1,708)	-	(1,708)
Fair value adjustment of investment properties	5,208	(198,214)	17,912	(191,991)
Interest income	(2,043)	(1,567)	(5,883)	(8,617)
Interest expense	255,047	188,461	1,133,044	685,525
Unrealized foreign exchange	324,737	42,413	(243,857)	293,540
	262,789	199,578	1,195,932	1,204,461
Changes in working capital:				
(Increase) decrease in:				
Accounts receivable, net	507,177	250,291	275,082	(47,572)
Accounts receivables to related parties	-	(9,133)	-	(9,133)
Inventories, net	72,133	378,545	(162,168)	(93,755)
Prepaid expenses	46,550	32,041	45,017	(27,678)
Other assets	(15,149)	80,718	(99,385)	6,844
(Increase) decrease in:				
Accounts payable to Suppliers	(535,039)	(90,933)	147,327	368,614
Accounts payable to related parties	-	83,837	-	83,837
Other accounts payable and accrued liabilities	77,264	(203,381)	97,123	46,671
Direct employee benefits	54,337	21,393	19,186	22,813
Advance payments from customers	64,090	12,530	25,921	33,474
Income taxes paid	(4,337)	(75,887)	(174,230)	(167,422)
Employee benefits	15,770	23,237	30,986	39,147
Contingencies	(10,996)	(1,904)	(10,903)	(12,220)
Net cash flows generated by operating activities	534,589	700,932	1,389,888	1,448,081
Cash flows from investing activities:				
Interest received	3,337	5,539	7,985	8,617
Acquisition of property, plant and equipment	(91,817)	(374,992)	(491,022)	(561,318)
Sale of property, plant and equipment	638	49,507	1,172	74,851
Net cash flows (generated by) used in investing activities	(87,842)	(319,946)	(481,865)	(477,850)
Cash flows from financing activities:				
Proceeds from debt	215,383	1,912,839	7,548,183	7,064,922
Payments of debt	(322,843)	(1,676,956)	(6,893,834)	(7,263,517)
Interest paid	(324,912)	(91,502)	(1,728,108)	(422,006)
Purchase of non-controlling interest	-	(160,538)	-	(160,538)
Capital increase	-	-	-	-
Dividends paid	-	-	-	-
Net cash flow (used in) generated by financing activities	(432,372)	(16,157)	(1,073,759)	(781,139)
Net increase (decrease) in cash and cash equivalents	14,375	364,829	(165,736)	189,092
Effects of exchange rate changes on cash flows	69,232	70,604	(22,203)	89,691
Cash and cash equivalents at end of year	461,597	297,710	733,143	454,360
Cash and cash equivalents at beginning of year	545,204	733,143	545,204	733,143