



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
3Q18**

MESSAGE FROM THE CEO

Dear Investor,

The third quarter of 2018 posted an increase of 12.5% in sales, compared to the third quarter of 2017, driven by an increase in volume and in price.

In EBITDA terms, the third quarter of 2018 reached MXN274 million, an increase of 29.1% compared to MXN213 million generated during the third quarter of 2017. This was a result of a higher margins despite higher sales expenses due to the renovation of some of our retail stores. During the quarter in US Dollar terms revenues increased by 7.2% and EBITDA increased 23.0%.

- a) **Revenues** were MXN4,653 million, an increase of MXN516 million or 12.5% compared to the third quarter of 2017, due to a combination of an increase of 12.5% in volume and 13.0% in prices in all segments.
- b) **EBITDA** was MXN274 million an increase of 29.1% compared to MXN213 generated during the third quarter of 2017 as a result of a gross margin of MXN\$794, which is 12.0% higher than the same period of 2017 and a small increase in operating expenses.
- c) **Net Income** increased due to the exchange income as a result of the quarterly 3.6% revaluation of the Mexican Peso.

On October 11 we executed the third coupon payment for US\$14.2 million on the bond issued in 4/11/2017.

Finally, On the subject of the negotiation of the USMCA, the agreement establishes stricter rules of origin for the textile industry (yarn), which once signed could give Kaltex a potential competitive advantage against products coming from China.

Finally, 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 5, 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 third quarter of 2018 ended September 30, 2018. 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.

3Q18 HIGHLIGHTS

- ✦ 3Q18 Consolidated Net Revenue reached MXN4,653 million, an increase of 12.5% when compared to the MXN4,137 million reported in 3Q17. The increase was a result of an increase in volume and price across products: Fabric: 8.0% in price and 2.1% in volume, yarn: 8.2% in price and 55.1% in volume, fibers: 26.5% in price and 7.9% in volume, apparel: 3.2% in price and 22.1% in volume and home: 25.7% in price and 2.1% in volume. Year-to-date revenues were MXN13,396 million, an increase of 7.5% compared to MXN12,459 million for the same period of 2017.
- ✦ 3Q18 Consolidated Cost of Goods Sold (COGS) were MXN\$3,697 million, a year over year increase of 13.4%, driven by a bigger purchases of raw materials, and an increase of 39.5% in energy, compared to 3Q17. In a year-to-date basis costs were MXN10,600 million, an increase of MXN763 million or 7.8% compared to MXN9,836 million for the first nine months of 2017 due mainly to higher prices in acrylonitrile.
- ✦ 3Q18 Gross Profit increased by 12.0% on a quarterly basis and 8.1% on a full year basis, while the margin remained without change at 17.0% in both time frames.
- ✦ 3Q18 EBITDA generation increased by 29.1% reaching MXN274 million compared to MXN213 million in 3Q17. Margin for the period stood at 5.9% compared to 5.1% recorded in the same quarter of last year. For the first nine months of 2018, the EBITDA amounted MXN870 million, an increase of MXN158 million or 22.3%, compared to MXN712 million in for the same period of 2017.
- ✦ 3Q18 Consolidated Net Income reached MXN218 million compared to a loss of MXN367 million recorded in the same period of last year, explained by the increase in the EBITDA and the exchange gain of MXN385 million during the quarter.

KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, September 30,</i>			<i>Nine months ended, September 30,</i>		
	2018	2017	Δ%	2018	2017	Δ%
Net Revenue	4,653	4,137	12%	13,396	12,459	7.5%
Gross Profit	794	708	12%	2,283	2,112	8.1%
Gross Margin (%)	17%	17%	-6.6bps	17%	17%	9bps
Operating Income	112	43	>100%	356	201	77%
Operating Margin (%)	2.4%	1.0%	137bps	2.7%	1.6%	105bps
Consolidated Net Income	218	(367)	NA	(123)	(68)	81%
Net Margin (%)	4.7%	-8.9%	1356bps	-0.9%	-0.5%	-37bps
EBITDA	274	213	29%	870	712	22%
EBITDA margin (%)	5.9%	5.1%	76bps	6.5%	5.7%	78bps
CAPEX	(139)	(105)	32%	(427)	(399)	6.9%
ROA (LTM)	-2.8%	-0.6%	-217bps	-2.8%	-0.6%	-217bps
ROE (LTM)	-9.9%	-2.0%	-796bps	-9.9%	-2.0%	-796bps
Total Debt / EBITDA (LTM)	5.0x	5.3x	-	5.0x	5.3x	-
Net Debt / EBITDA (LTM)	4.9x	4.9x	-	4.9x	4.9x	-
Interest Coverage	1.1x	1.1x	-	1.1x	0.8x	-
Working Capital	3,944	3,665	7.6%	3,944	3,665	7.6%
Free Cash Flow	81	338	-	(131)	(886)	-
Headcount (number)	18,459	19,735	-6.5%	18,459	19,735	-6.5%

REPRESENTATIVE COSTS

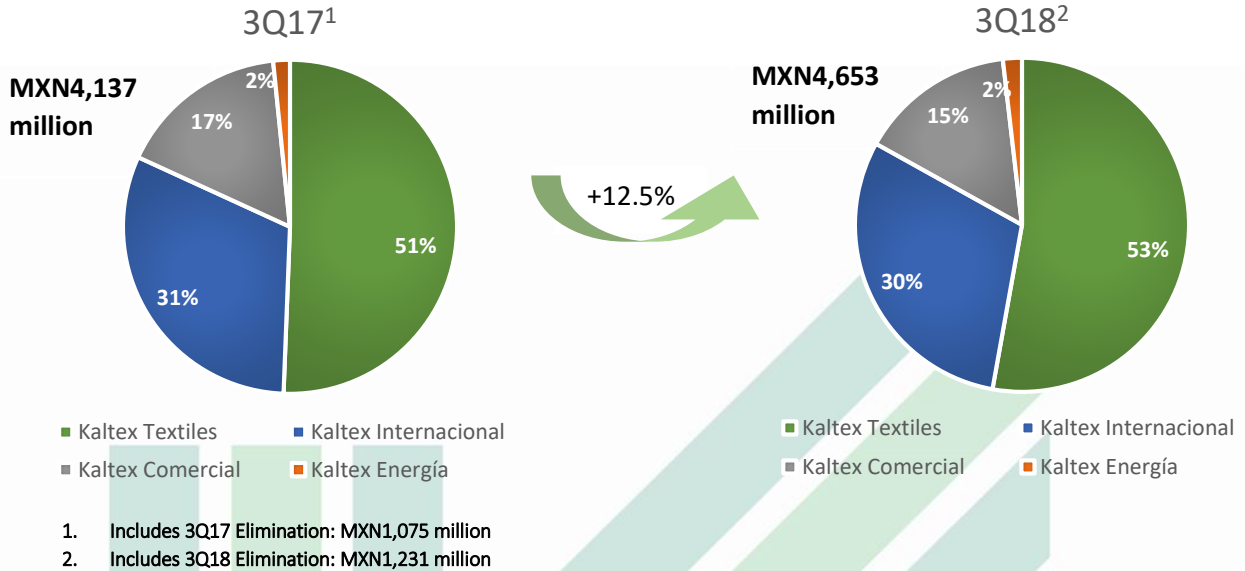
<i>Figures in MXN millions</i>	<i>Three months ended, September 30</i>			<i>Nine months ended, September 30</i>		
	2018¹	2017²	Δ%	2018¹	2017²	Δ%
Cotton (US\$ per pound) – Market	0.83	0.69	19%	0.83	0.73	13.7%
Cotton (US\$ per pound) – Kaltex	0.85	0.77	10%	0.81	0.74	8.9%
Energy (MXN\$ per KWh) – CFE	2.03	1.40	45%	1.68	1.56	7.2%
Energy (MXN\$ per MWh) – Kaltex	1.55	1.30	19%	1.44	1.46	-1.2%
Gas (MXN\$ per GJ)	80.92	78.57	3.0%	84.15	88.90	-5.3%

¹ Exchange rate at September 30, 2018: 18.8120

² Exchange rate at September 30, 2017: 18.1979

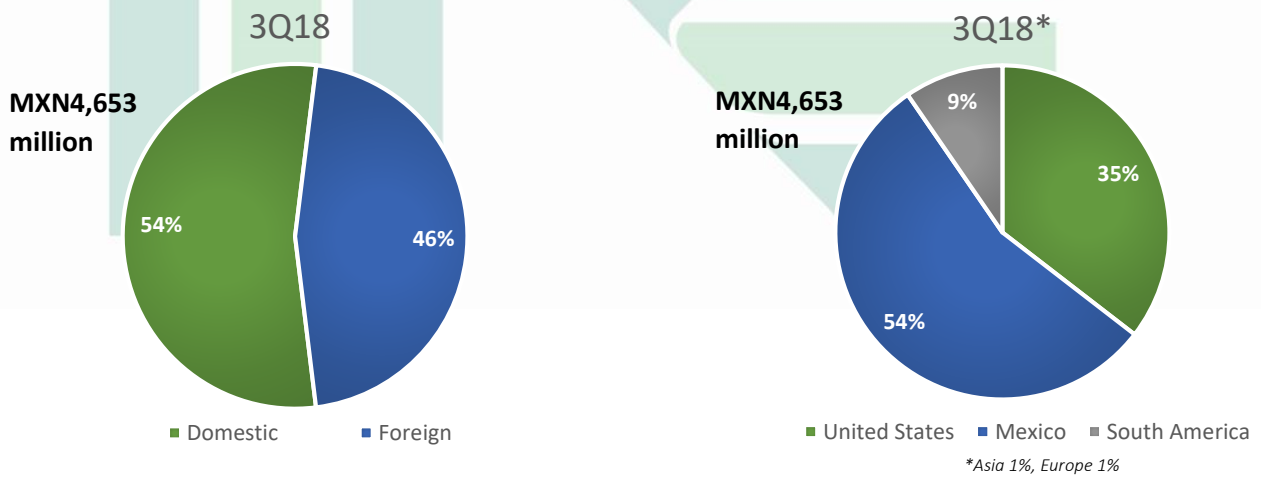
INCOME STATEMENT

Consolidated Net Revenue

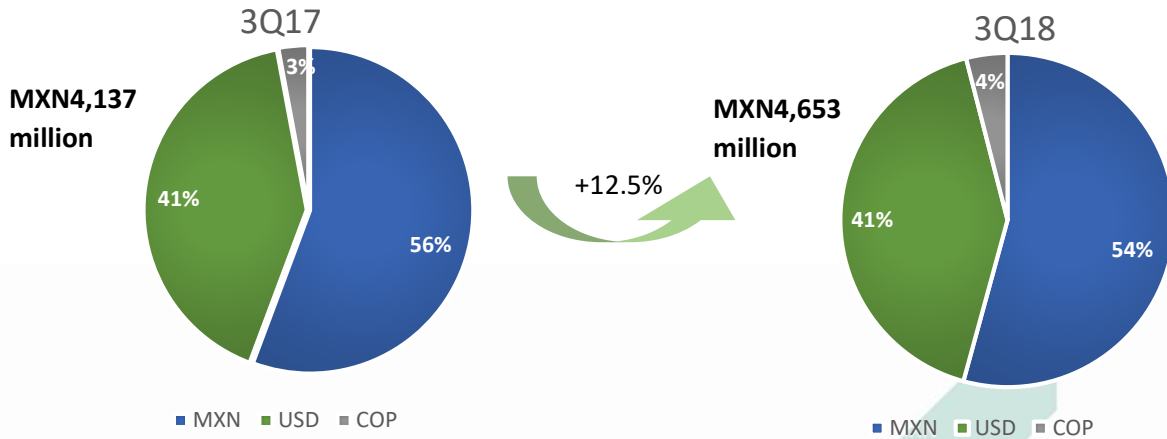


3Q18 Consolidated Net Revenue totaled MXN4,653 million, an increase of 12.5% or MXN516 million compared to the MXN4,137 million recorded in 3Q17, a result of higher volume 12.5% and higher prices 13.0%. On a year to date basis, revenues reached MXN13,396 million, an increase of 7.5% or MXN937 million.

Revenue analysis



Exports accounted for 46.1% of net revenue in 3Q18, 166 bps higher than those registered in 3Q17. The lower share of foreign income was due to increased sales to United States, specially fabric.



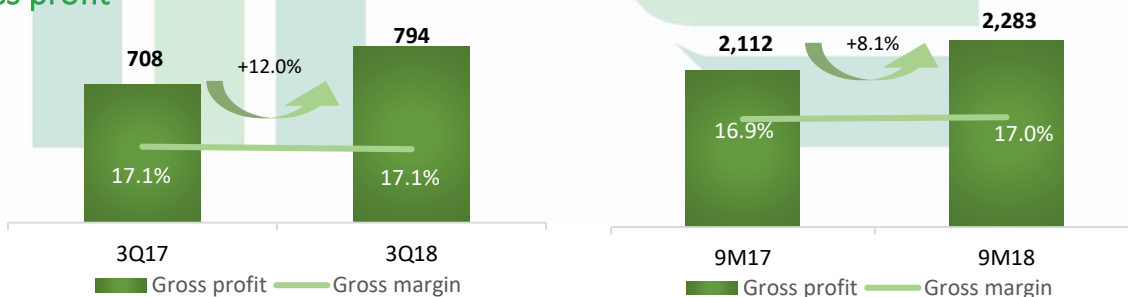
During 3Q18, the share of Dollar-denominated revenue reached 41.5% or MXN1,931 million, compared to 41.3% in 3Q17. For the first nine months of 2018 it was MXN5,483 million and accounted for 40.9% of net revenue, compared to 41.6% in 2017.

Cost of goods sold (COGS)

For the 3Q18 we recorded MXN3,697 million of cost of sales, which represents an increase of MXN438 million or 13.4%. The increase in costs was mainly due to higher acrylonitrile and energy price. In a year-to-date basis costs were MXN10,600 million, while the increase amounted MXN763 million or 7.8% compared to MXN9,836 million for the first nine months of 2017 driven by an increase of 57.0% in acrylonitrile and 6.0% in energy, which was 1% lower than the market price due to our cogeneration plant.

Regarding cotton, during the 3Q18 the average international price was 19.1%, higher than in 3Q17, while our cost increased 10.4%. Year to date, the average international price of cotton is up by 13.7%, while our cost has increased 8.9%. Most of this increase has been transferred to the selling price resulting in a gross margin of 17.1%.

Gross profit



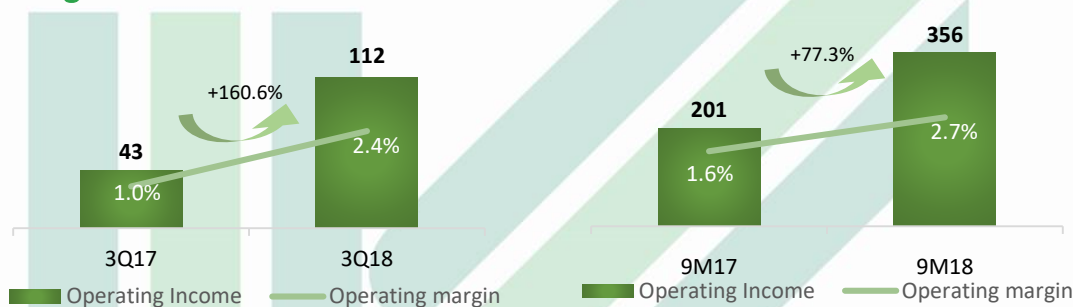
Consolidated Gross Profit amounted MXN794 million for the 3Q18, which represents an increase of MXN85 million or 12.0% compared to 3Q17. This results from an increase of MXN516 million in revenues and of MXN438 million in costs. Gross margin for the 3Q18 stood at 17.1%, equal as the one recorded in 3Q17. For the first nine months of 2018, Gross Profit increased 8.1% or MXN171 million and gross margin remained practically unchanged at 17.0% coming from 16.9%.

Operating and Other Expenses

Figures in MXN millions	Three months ended, September 30,			Nine months ended, September 30,		
	2018	2017	Δ%	2018	2017	Δ%
Concept						
SG&A	679	640	6.0%	1,999	1,906	4.9%
Other Net Expenses	(3)	(25)	-88%	73	(5)	NA
Total SG&A and other expenses	682	665	2.5%	1,926	1,911	0.8%
S&A and other expenses to sales	15%	16%	-143bps	14%	15%	-95bps

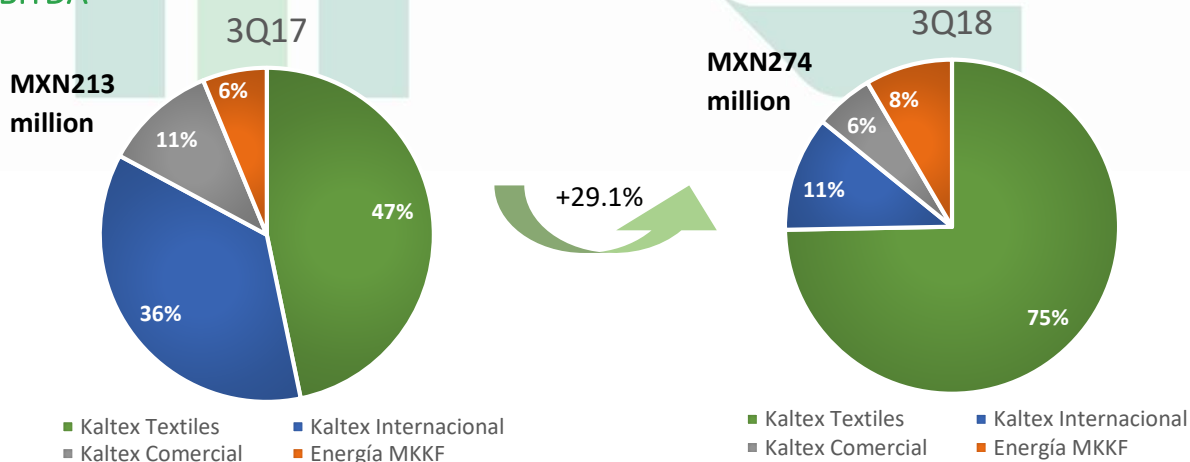
Operating expenses for the 3Q18 increased 2.5% or MXN16 million compared to 3Q17, mainly to the renovation of our retail stores. The ratio of operational expenses to sales for 3Q18 was 14.7%, compared to 16.1% in 3Q17. Administrative expenses for the 3Q18 were MXN253 million a decrease of 2.1% or MXN5 million compared to 3Q17, while sales expenses amounted MXN425 million, an increase of 11.5% or MXN44 million compared to 3Q17. Year to date, operating expenses amounted MXN1,926 million, an increase of 0.8% or MXN16 million compared to the same period of 2017.

Operating Income

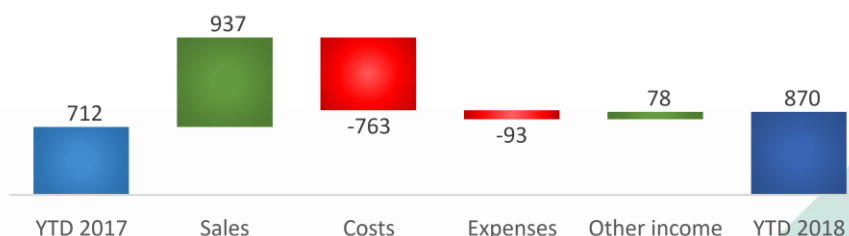


3Q18 Consolidated Operating Income was MXN112 million, an increase of MXN69 million from MXN43 million reported on 3Q17, mainly driven by a higher gross profit. Operating margin increased by 137bps to 2.4% in 3Q18 from 1.0% in 3Q17. On a full year basis, Consolidated Operating Income increased by MXN158 million or 22.3% coming from MXN\$201 million in 2017 and reaching MXN\$356 million in 2018.

EBITDA



Consolidated EBITDA totaled MXN274 million in 3Q18, 29.1% higher than the MXN213 million registered in 3Q17. For the first nine months of 2018, the EBITDA amounted MXN870 million, an increase of MXN158 million or 22.3%, compared to MXN712 million for the same period of 2017.



Net Interest Expense and Forex

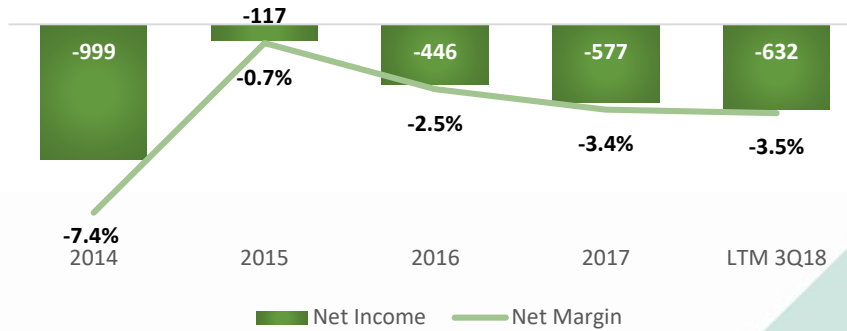
Concept	Three months ended, September 30			Nine months ended, September 30		
	2018	2017	Δ%	2018	2017	Δ%
Interest income	0.8	1.1	-27%	3	4	-18%
Interest expense	(253)	(201)	26%	(765)	(878)	-13%
Foreign exchange result	385	(159)	NA	347	777	-55%
Total Consolidated Financial Result	132	(359)	NA	(415)	(97)	>100%

3Q18 Net Interest Expense was MXN253 million, an increase of MXN53 million or 26.6%, which was offset by a Forex income of MXN385 million during the quarter, due to the 5.2% revaluation of the Mexican Peso during 3Q18, going from MXN19.86/US\$ at the end of June 2018 to MXN18.81/US\$ at the end of September 2018. For the first nine months of 2018, Net Interest Expense was MXN762 million, a decrease of 12.8% or MXN112 million, while Forex income amounted MXN345 million, coming from MXN777 million, in 2017.

Income Tax

Income Tax was MXN19 million for 3Q18, a decrease of MXN32 million or 62.5% when compared to MXN52 million for the 3Q17. On a full year basis, income tax expense amounted MXN64 million, a decrease of MXN108 million or 63.0% compared to MXN172 million reached in 3Q17.

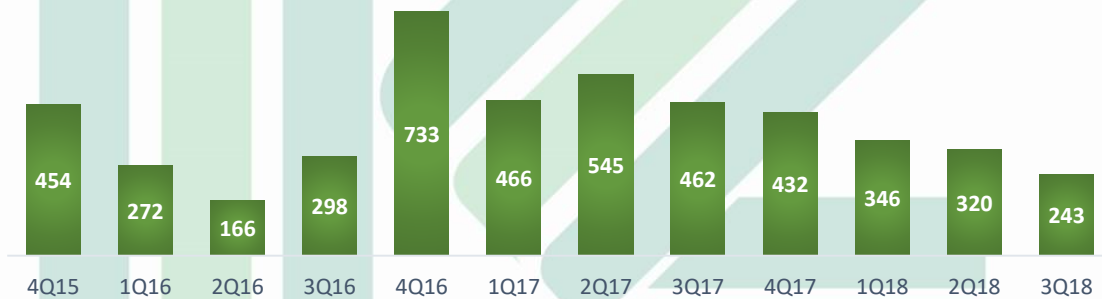
Net Income



3Q18 Consolidated Net Income totaled MXN225 million, an increase from the Net Loss of MXN367 million recorded in 3Q17, representing an increase of MXN592 million, explained mainly by the quarterly exchange income of MXN385 million.

FINANCIAL POSITION

Cash and Cash Equivalents



The balance in cash and cash equivalents totaled MXN243 million as of September 30, 2018.

Inventory

Inventory balance amounted MXN4,161 million as of September 30, 2018, an increase of 9.6% compared to MXN\$3,796 million as of June 30, 2018.

Debt

Debt Structure

Concept	Month ended, September 30,		
	2018	2017	Δ%
Short-term	754	859	-12%
Long-term	6,163	6,300	-2.2%
Gross Debt	6,918	7,158	-3.4%
Cash	243	462	-47%
Net Debt	6,675	6,697	-0.3%

Grupo Kaltex Net Debt amounted MXN6,697 million as of September 30, 2018, of which 97.3% was denominated in US dollars, and the remaining 2.7% in Colombian pesos. On a year-to-date basis, Net Debt was reduced by 3.4%.

Maturity Profile

Division	Figures in MXN millions			
	1 year	1-3 years	>3 years	Total
Kaltex Textiles	126	203	-	329
Kaltex Internacional	653	17	-	670
Kaltex Comercial	-	-	-	-
GK ind & others	-	-	6,020	6,020
Amortization Sr. Notes	(25)	(76)	-	(101)
Total	754	144	6,020	6,918
%Total	11%	2%	87%	100%

The average maturity of Grupo Kaltex's debt at the end of the 3Q18 was 3.4 years, a decrease from 4.1 years at the end of 3Q17. The following table presents the details of the debt by segment.

Figures in USD millions

Division	Kaltex Comercial	Kaltex Internacional	Kaltex Textiles	Grupo Kaltex (Bond)	Consolidated
Dec 2017					
Short-term	-	39.4	7.8	-	46.1
Long-term	-	2.2	14.4	320	331.7
Total	-	41.6	22.2	320	377.8
Rate	-	7.5%	4.6%	8.9%	8.5%
Sep 2018					
Short-term	-	34.7	6.7	-	40.1
Long-term	-	0.9	10.8	320	327.7
Total	-	35.6	17.5	320	367.7
Rate	-	6.2%	5.5%	8.9%	8.5%
Av. Life (yrs)	-	1.4	3.0	3.6	3.4
Dec 2017 vs Sep 2018					
Short-term	-	(4.7)	(1.1)	-	(6.0)
Long-term	-	(1.2)	(3.6)	-	(4.0)
Total	-	(5.9)	(4.7)	-	(10.0)

Debt Ratio	3Q18	4Q17
Gross Debt / EBITDA	5.0x	6.1x

Gross Debt / EBITDA ratio decreased to 5.0x in 3Q18 from 6.1x in 4Q17, as a result of a higher EBITDA and the deleveraging of the company through the normal amortization of the debt.

Our gross FX exposure was USD640 million, of which financial exposure amounts USD358 million, and operative exposure amounts Us.282 million. We have a natural hedge through our sales in US Dollars of USD361 million and a financial hedge of USD120 million, for a total net exposure USD159 million and a hedge ratio of 75%.

Shareholders' Equity

Shareholders' Equity amounted MXN6,135 million as of September 30, 2018.

NET CASH FLOW

Concept	Three months ended, September 30,		
	2018	2017	Δ%
EBITDA	274	213	29%
CF from operating activities	181	386	-53%
CF from investing activities	(139)	(100)	39%
CF from financing activities	(119)	(296)	-60%
Net Cash Flow	(77)	(10)	-76%

CAPEX

For the 3Q18, investments in fixed assets reached MXN139 million, while for 3Q17 it was MXN105 million. Year to date, CAPEX reached MXN427 million, an increase of MXN28 million compared to the same period of 2017.

About Grupo Kaltex

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

Forward looking statements

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

Investor Relations

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3Q18 Conference Call



Conference Call

DATE: Tuesday, November 06, 2018
TIME: 12:00 P.M. (GMT -6, Mexico City)
 1:00 P.M. (GMT -5, N.Y.)
PHONE: +52 (55) 2881 4607
 +1 (833) 393 9566

Presenters

Jaime Morales Vazquez, CFO
 Alfredo Mora Arana, Kaltex Fibers Director

MP3 Recording Available on Wednesday, November 07, 2018 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>		
	2018	2017	Δ%	2018	2017	Δ%
Net Revenue	4,653,333	4,137,088	12%	13,396,047	12,458,716	7.5%
Cost of Goods Sold	3,859,621	3,428,715	13%	11,113,289	0,347,163	7.4%
Gross Profit	793,712	708,373	12%	2,282,758	2,111,553	8.1%
Sales Expenses	425,366	381,567	11%	1,244,559	1,127,481	10%
Administrative Expenses	253,491	258,818	-2.1%	754,914	778,526	-3.0%
Other (expenses) income net	(3,047)	(25,081)	-88%	73,041	(4,595)	NA
Operating Profit	111,808	42,907	>100%	356,326	200,951	77%
Comprehensive Financial Result	132,361	(358,666)	NA	(415,262)	(96,840)	>100%
Interest Income	777	1,057	-26%	3,155	3,840	-18%
Interest Expense	253,288	200,584	26%	765,041	877,997	-13%
Foreign Exchange Result	384,872	(159,139)	NA	346,624	777,317	-55%
Income Tax	19,411	51,717	-62%	63,563	171,696	-63%
Consolidated Net Result	224,758	(367,476)	NA	(122,499)	(67,585)	81%
Depreciation	162,558	169,617	-4.2%	513,785	510,765	0.6%
EBITDA	274,366	212,524	29%	870,111	711,716	22%

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

Figures in MXN thousands

	September 30, 2018	December, 31 2017
Assets		
Cash & Cash Equivalents	242,981	431,734
Accounts Receivable, net	3,342,074	2,928,582
Accounts receivable to related parties	60,142	42,249
Inventories, net	4,160,675	3,533,342
Prepaid expenses	285,018	260,430
Current Assets	8,090,890	7,196,337
Property, Plant and Equipment, net	11,140,446	11,546,903
Investment in Properties	1,688,590	1,771,103
Deferred Income Tax	326,917	309,320
Other Assets, net	2,040,395	1,527,561
Non-current Assets	15,196,348	15,154,887
Total Assets	23,287,238	22,351,224
Liabilities		
Bank loans	754,412	907,684
Accounts Payable to suppliers	3,558,970	2,879,940
Accounts payable to related parties	1,614,199	1,187,985
Other accounts payable and accrued liabilities	1,810,916	1,347,018
Direct employee benefits	21,093	23,198
Advanced payments from customers	48,217	50,520
Current Liabilities	7,807,807	6,396,345
Long-term financial liabilities	6,163,397	6,545,840
Accounts payable to related parties	885,394	653,624
Employee benefits	476,792	487,542
Contingencies	29,679	30,771
Deferred Income Tax	1,788,986	1,815,633
Non-current Liabilities	9,344,248	9,533,410
Total Liabilities	17,152,055	15,929,755
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,200,653)	(826,699)
Accumulated other comprehensive loss	236,207	236,207
Controlling interest	3,053,544	3,427,498
Non-controlling interest	3,081,639	2,993,971
Total Equity	6,135,183	6,421,469
Total Liabilities and Equity	23,287,238	22,351,224

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

<i>Figures in MXN thousands</i>	<i>Three months ended, September 30,</i>		<i>Nine months ended, September 30,</i>	
	2018	2017	2018	2017
Cash flows from operating activities				
Consolidated net income (loss)	224,758	(367,476)	(122,499)	(67,585)
<i>Adjustments for:</i>	-	-	-	-
Income tax expense recognized in net loss	19,411	51,717	63,563	171,696
Loss (gain) on disposal of property, plant and equipment	1,207	-	2,878	-
Depreciation and amortization	162,558	169,617	513,785	510,765
Contingencies	-	-	-	-
Fair value adjustment of investment properties	-	7,691	-	12,704
Interest income	(777)	(1,057)	(3,155)	(3,840)
Interest expense	253,288	200,584	765,041	877,997
Unrealized foreign exchange	325,622	203,623	(327,683)	(568,594)
	334,823	264,699	891,930	933,143
Changes in working capital				
<i>(Increase) decrease in:</i>				
Accounts receivable, net	(288,144)	60,824	(765,788)	(232,095)
Accounts receivables to related parties	-	-	-	-
Inventories, net	(477,402)	(142,025)	(773,321)	(234,301)
Prepaid expenses	(62,181)	91,055	(205,001)	(1,533)
Other assets	11,397	4,299	11,372	(84,236)
<i>(Increase) decrease in:</i>				
Accounts payable to Suppliers	349,040	151,249	747,913	682,366
Accounts payable to related parties	-	-	-	-
Other accounts payable and accrued liabilities	347,532	(49,906)	712,573	19,859
Direct employee benefits	-	(8,124)	-	(35,151)
Advance payments from customers	(17,488)	13,682	(27,765)	(38,169)
Income taxes paid	(19,883)	(8,756)	(58,028)	(169,893)
Employee benefits	9,049	4,524	(4,479)	15,216
Contingencies	(5,966)	4,835	(9,392)	93
Net cash flows generated by operating activities	180,777	386,356	520,014	855,299
<i>Cash flows from investing activities:</i>				
Interest received	27	1,331	1,362	4,648
Acquisition of property, plant and equipment	(138,660)	(105,374)	(426,781)	(399,205)
Sale of property, plant and equipment	-	4,046	-	534
Net cash flows (generated by) used in investing activities	(138,633)	(99,997)	(425,419)	(394,023)
<i>Cash flows from financing activities:</i>				
Proceeds from debt	263,446	202,054	663,608	7,332,800
Payments of debt	(305,136)	(450,375)	(1,030,322)	(6,570,991)
Proceeds from related parties	22,772	-	653,521	-
Interest paid	(99,810)	(47,985)	(569,977)	(1,403,196)
Purchase of non-controlling interest	-	-	-	-
Capital increase	-	-	-	-
Dividends paid	-	-	-	-
Expenses associated with bond issue	-	-	-	-
Net cash flow (used in) generated by financing activities	(118,728)	(296,306)	(283,170)	(641,387)
Net increase (decrease) in cash and cash equivalents	(76,584)	(9,947)	(188,575)	(180,111)
Effects of exchange rate changes on cash flows	-	(73,889)	(176)	(91,435)
Cash and cash equivalents at end of year	319,567	545,433	431,734	733,143
Cash and cash equivalents at beginning of year	242,983	461,597	242,983	461,597