



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
4Q18**

MESSAGE FROM THE CEO

Dear Investor,

Sales for the fourth quarter of 2018 remained strong, posting an increase of 10.0%, compared to the fourth quarter of 2017. This increase was driven by an increase in price across our products and reassures our strong position in the market. In terms of annual sales, we increased revenues by 8.2% going from MXN17,624 million in 2017 to MXN18,528 million in 2018.

In EBITDA terms, the fourth quarter of 2018 reached MXN449 million, representing a decrease of 9.1% compared to MXN494 million generated during the fourth quarter of 2017. The EBITDA was negatively impacted by an increase in raw materials such as energy, cotton, chemicals and acrylonitrile. In US Dollar terms quarterly revenues increased by 4.9% and EBITDA decreased by 14.3%. For the entire year, we reflected an increase of 9.4%, going from MXN1,206 in 2017 to MXN1,319 in 2018.

- a) **Revenues** were MXN5,132 million, an increase of MXN467 million or 10.0% compared to the fourth quarter of 2017, due to an average increase of 11.1% in volume in prices in all segments.
- b) **EBITDA** was MXN449 million a decrease of 9.1% compared to MXN494 generated during the fourth quarter of 2017 as a result of a reduction of 5.6% in gross margin when compared to the same period of 2017 and a decrease of 10.4% in operating expenses.
- c) **Net Loss** was larger due to the higher interest expense and mitigated by a lower foreign expense loss.

In respect of the US\$320 million, 8.875% bond issued on April 11, 2017, we executed the third interest payment on October 11, 2018.

Finally, allow me to express my gratitude, once again, for your interest in Kaltex and for your trust during these two years since we issued the bond, we will continue working firmly on delivering the results expected from us.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, February 6, 2019 – 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 of 2018 ended December 31, 2018. 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.

4Q18 HIGHLIGHTS

- ✿ 4Q18 Consolidated Net Revenue reached MXN5,132 million, an increase of 10.0% when compared to the MXN4,665 million reported in 4Q17 due to an average price increase of 11.1% across our products. For full year 2018, revenues were MXN18,528 million, an increase of 8.2% compared to MXN17,124 million for 2017.
- ✿ 4Q18 Consolidated Cost of Goods Sold (COGS) were MXN\$4,131 million, a year over year increase of 14.6% compared to 4Q17, driven by an increase in energy, cotton, chemicals and acrylonitrile. For 2018 costs were MXN14,731 million, an increase of MXN1,289 million or 9.6% compared to MXN13,441 million for 2017 due mainly to higher prices in acrylonitrile (used for synthetic fibers) and chemicals (used for textiles). A large part of these increases was transferred through our selling price.
- ✿ 4Q18 Gross Profit decreased by 5.6% on a quarterly basis while the gross margin for the quarter decreased to 19.5% from 22.7%. On a full year basis, Gross Profit increased 3.1% or MXN115 million, while the gross margin decreased to 20.5% from 21.5%.
- ✿ 4Q18 EBITDA generation decreased by 9.1% reaching MXN449 million compared to MXN494 million in 4Q17. Margin for the period stood at 8.8% compared to 10.6% recorded in the same quarter of last year. For 2018, the EBITDA amounted MXN1,319 million, an increase of MXN114 million or 9.4%, compared to MXN1,206 million for 2017.
- ✿ 4Q18 Consolidated Net Loss for the quarter reached MXN412 million compared to a loss of MXN317 million recorded in the same period of last year, explained by the decrease in the EBITDA and the exchange loss of MXN361 million during the quarter.

KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2018	2017	Δ%	2018	2017	Δ%
Net Revenue	5,132	4,665	10.0%	18,528	17,124	8.2%
Gross Profit	840	896	-6.2%	3,123	3,007	3.8%
Gross Margin (%)	16%	19%	-283bps	17%	18%	-71bps
Operating Income	289	330	-12%	645	531	22%
Operating Margin (%)	5.6%	7.1%	-144bps	3.5%	3.1%	38bps
Consolidated Net Income	(412)	(317)	-30%	(535)	(384)	-39%
Net Margin (%)	-8.0%	-6.8%	-125bps	-2.9%	-2.2%	-64bps
EBITDA	449	494	-9%	1,319	1,206	9.4%
EBITDA margin (%)	8.8%	10.6%	-184bps	7.1%	7.0%	8bps
CAPEX	(6)	(67)	-92%	(432)	(467)	-7.3%
ROA (LTM)	-2.3%	-1.7%	-62bps	-2.3%	-1.7%	-62bps
ROE (LTM)	-8.7%	-5.7%	-294bps	-8.7%	-5.7%	-294bps
Total Debt / EBITDA (LTM)	5.3x	6.2x	-	5.35x	6.2x	-
Net Debt / EBITDA (LTM)	5.0x	5.8x	-	5x	5.8x	-
Interest Coverage	1.5x	4.4x	-	1.2x	1.2x	-
Working Capital	3,912	3,582	9.2%	3,912	3,582	9.2%
Free Cash Flow	741	(91)	-	691	(639)	-
Headcount (number)	18,459	19,735	-6.5%	18,459	19,735	-6.5%

REPRESENTATIVE COSTS

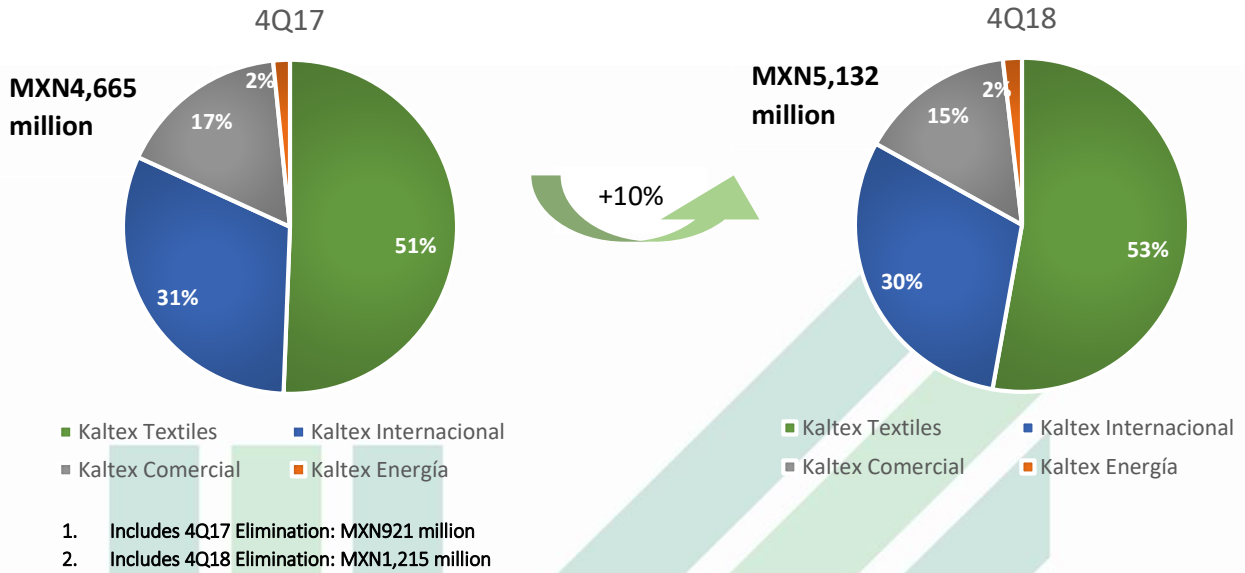
<i>Figures in MXN millions</i>	<i>Three months ended, December 31</i>			<i>Twelve months ended, December 31</i>		
	2018¹	2017²	Δ%	2018¹	2017²	Δ%
Cotton (US\$ per pound) – Market	0.80	0.79	8.0%	0.82	0.82	12%
Cotton (US\$ per pound) – Kaltex	0.83	0.70	22%	0.84	0.73	12%
Energy (MXN\$ per KWh) – CFE	2.32	1.50	55%	1.83	1.56	17%
Energy (MXN\$ per MWh) – Kaltex	2.66	1.35	97%	1.49	1.43	4.0%

¹ Exchange rate at December 31, 2018: 19.6829

² Exchange rate at December 31, 2017: 19.7354

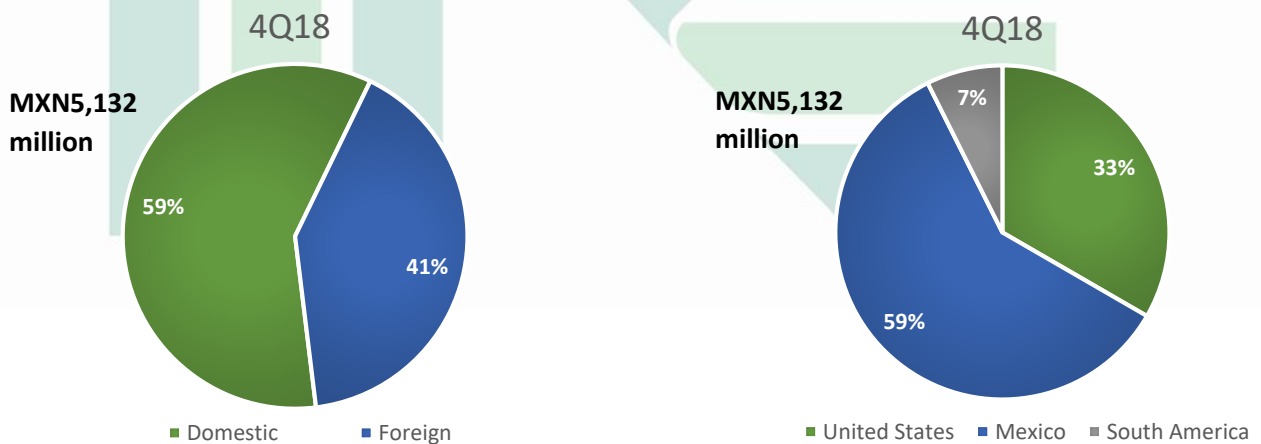
INCOME STATEMENT

Consolidated Net Revenue

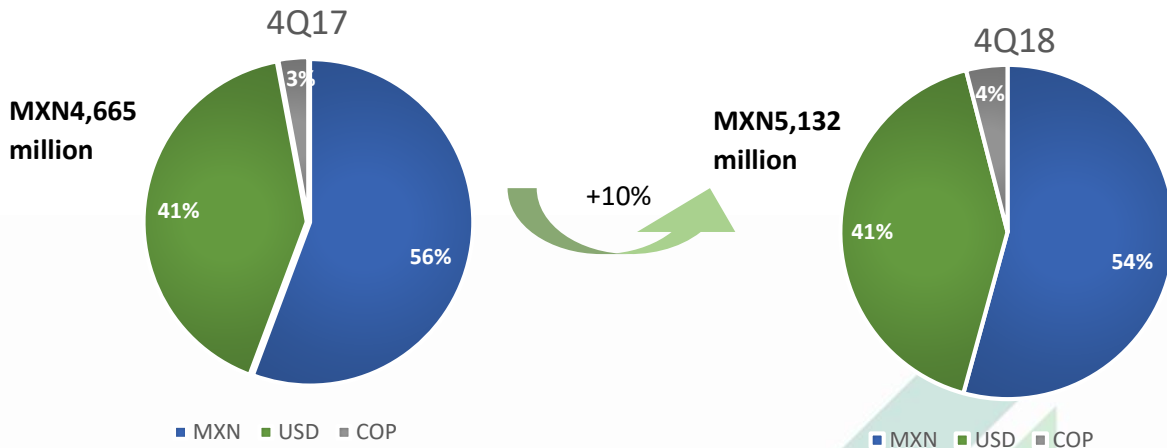


4Q18 Consolidated Net Revenue totaled MXN5,132 million, an increase of 10.0% or MXN467 million compared to the MXN4,665 million recorded in 4Q17, as a result of an average price increase of 11.1%. For full year 2018, revenues reached MXN18,528 million, an increase of 8.2% or MXN1,404 million compared to MXN17,124 million.

Revenue analysis



Exports accounted for 40.9% of net revenue in 4Q18, 230 bps higher than those registered in 4Q17. The higher share of foreign income is due to an increase of 28.6% in our international business.

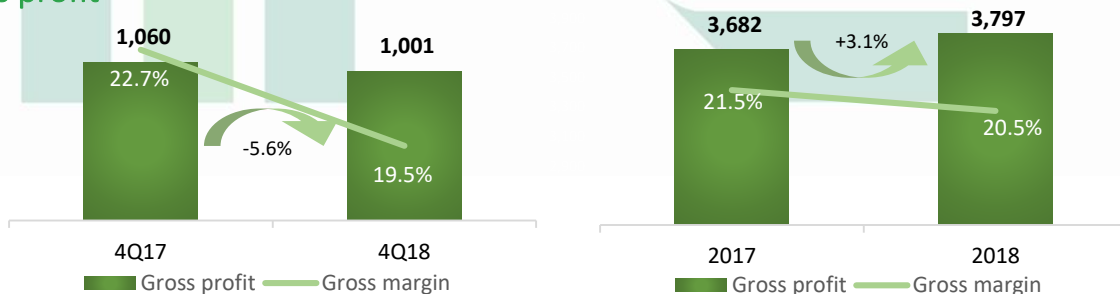


During 4Q18, the share of Dollar-denominated revenue reached 36.7% or MXN1,882 million, compared to 32.1% in 4Q17. For 2018 it was MXN7,365 million and accounted for 39.8% of net revenue, compared to 39.0% in 2017.

Cost of goods sold (COGS)

For the 4Q18 we recorded MXN4,131 million of cost of sales, which represents an increase of MXN526 million or 14.6% compared to MXN3,605 million reached in 4Q17. The increase in costs was mainly due to higher energy, cotton, chemicals and acrylonitrile price. For 2018 costs were MXN14,731 million, while the increase amounted MXN1,289 million or 9.6% compared to MXN13,441 million for 2017 driven by an increase of 46.0% in acrylonitrile, which is used in synthetic fibers and 22.8% in chemicals used in the textile division.

Gross profit



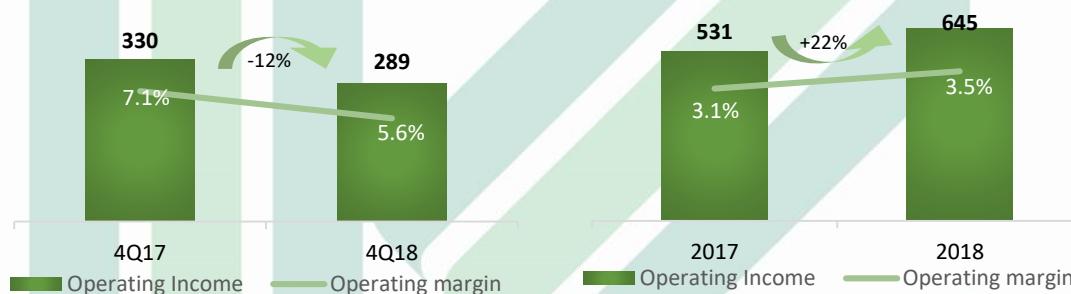
Consolidated Gross Profit amounted MXN1,001 million for the 4Q18, which represents a decrease of MXN59 million or 5.6% compared to 4Q17. Gross margin for the 4Q18 stood at 19.5%, compared to 22.7% recorded in 4Q17. For 2018, Gross Profit increased 3.1% or MXN115 million and gross margin decreased to 20.5% coming from 21.5%.

Operating and Other Expenses

Concept	Three months ended, December 31,			Twelve months ended, December 31,		
	2018	2017	Δ%	2018	2017	Δ%
SG&A	668	746	-10%	2,668	2,652	0.6%
Other Net Expenses	117	180	-35%	190	175	8.4%
Total SG&A and other expenses	551	566	-2.6%	2,478	2,476	0.1%
S&A and other expenses to sales	11%	12%	-139bps	13%	15%	-109bps

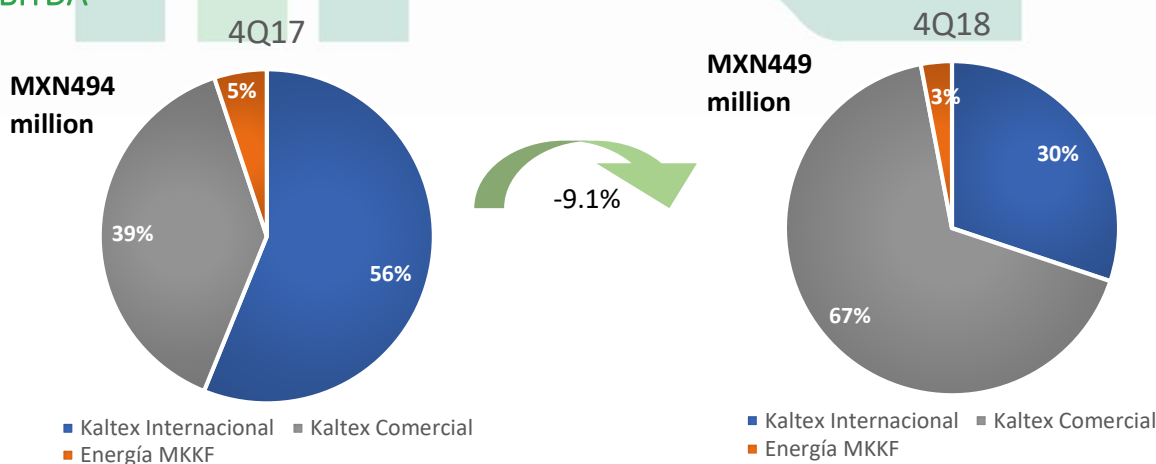
Operating expenses for the 4Q18 decreased 10.4% or MXN77 million compared to 4Q17, and the ratio of operational expenses to sales for 4Q18 was 10.7%, compared to 12.1% in 4Q17. Administrative expenses for the 4Q18 were MXN188 million a decrease of 21.5% or MXN51 million compared to 4Q17, while sales expenses amounted MXN480 million, a decrease of 5.1% or MXN26 million compared to 4Q17. For 2018, operating expenses amounted MXN2,668 million, an increase of 0.6% or MXN16 million compared to 2017.

Operating Income



4Q18 Consolidated Operating Income was MXN289 million, a decrease of MXN41 million from MXN330 million reported on 4Q17, mainly driven by higher costs. Operating margin decreased by 144 bps to 5.6% in 4Q18 from 7.1% in 4Q17. For full year 2018, Consolidated Operating Income increased by MXN114 million or 21.5% coming from MXN\$531 million in 2017 and reaching MXN\$645 million in 2018.

EBITDA



Consolidated EBITDA totaled MXN449 million in 4Q18, 9.1% or MXN45 million lower than the MXN494 million registered in 4Q17. For 2018, the EBITDA amounted MXN1,319 million, an increase of MXN114 million or 9.4%, compared to MXN1,206 million for 2017.



Net Interest Expense and Forex

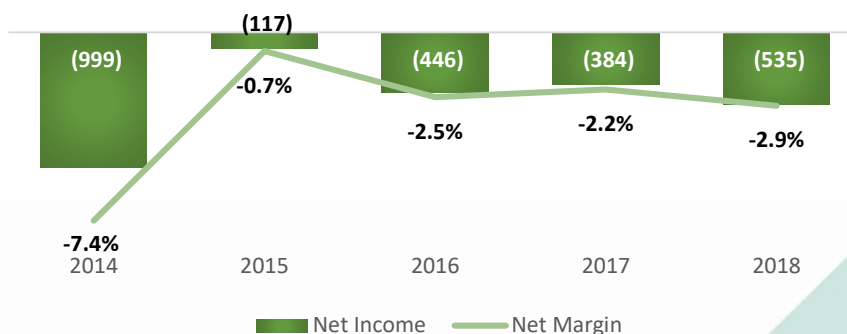
Concept	Three months ended, December 31			Twelve months ended, December 31		
	2018	2017	Δ%	2018	2017	Δ%
Interest income	2.5	6.4	-60%	6	10	-45%
Interest expense	(301)	(113)	167%	(1,066)	(991)	7.6%
Foreign exchange result	(361)	(543)	-34%	(15)	234	-106%
Total Consolidated Financial Result	(660)	(650)	1.5%	(1,075)	(746)	44%

4Q18 Net Interest Expense was MXN298 million, an increase of MXN192 million or 181%, while we recorded a Forex loss of MXN361 million during the quarter, due to the 4.6% devaluation of the Mexican Peso during 4Q18, going from MXN18.81/US\$ at the end of September 2018 to MXN19.68 and the end of December 2018. For the full year 2018, Net Interest Expense was MXN1,060 million, an increase of 8.1% or MXN80 million, while Forex loss amounted MXN15 million, coming from an income of MXN234 million in 2017.

Income Tax

Income Tax expense was MXN42 million for 4Q18, an increase of MXN45 million when compared to a MXN3 million income for the 4Q17. On a full year basis, income tax expense amounted MXN105 million, a decrease of MXN64 million or 37.6% compared to MXN169 million reached in 4Q17.

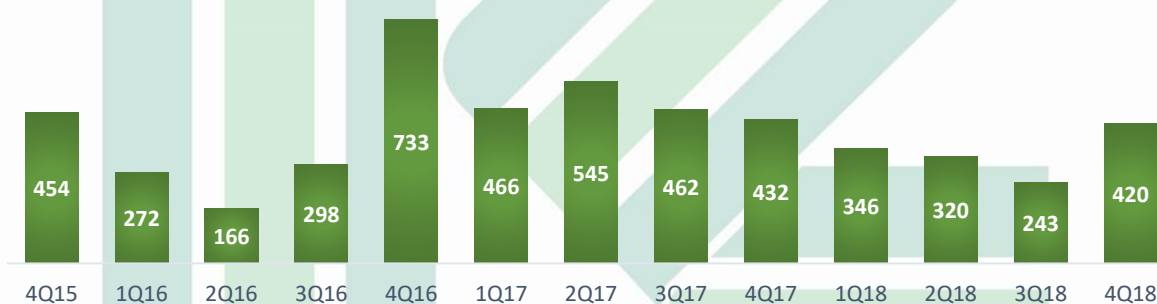
Net Income



4Q18 Consolidated Net Loss totaled MXN412 million, which compares to the Net Loss of MXN317 million recorded in 4Q17, representing a higher loss of MXN96 million or 30.2%, explained mainly by a higher interest expense. For full year 2018, Net Loss amounted MXN535 million compared to MXN384 million mainly due to higher interest expenses and the FX loss for the year.

FINANCIAL POSITION

Cash and Cash Equivalents



The balance in cash and cash equivalents totaled MXN420 million as of December 31, 2018, that compares to MXN432 million at the end of 2017. In Dollar terms, cash amounted \$21.3 million dollars for 2018, which is similar to the 21.9 million dollars posted in 2017.

Inventory

Inventory balance amounted MXN3,961 million as of December 31, 2018, an increase of 12.1% or MXN427 million, compared to MXN\$3,533 million as of December 31, 2017.

Debt

Debt Structure

Concept	Month ended, December 31,		
	2018	2017	Δ%
<i>Figures in MXN millions</i>			
Short-term	633	908	-30%
Long-term	6,423	6,546	-1.9%
Gross Debt	7,056	7,454	-5.3%
Cash	420	432	-2.8%
Net Debt	6,636	7,022	-5.5%

Grupo Kaltex Net Debt amounted MXN6,636 million as of December 31, 2018, of which 97.7% was denominated in US dollars, and the remaining 2.3% in Colombian pesos. During 2018, Net Debt was reduced by 5.5% or MXN385 million.

Maturity Profile

Division	Figures in MXN millions			
	1 year	1-3 years	>3 years	Total
Kaltex Textiles	109	188	-	297
Kaltex Internacional	550	6	-	556
Kaltex Comercial	-	-	-	-
GK ind & others	-	-	6,299	6,299
Amortization Sr. Notes	-26	-70	-	-95
Total	633	124	6,299	7,056
%Total	9.0%	1.8%	89.3%	100%

The average maturity of Grupo Kaltex's debt at the end of the 4Q18 was 3.3 years, a decrease from 4.1 years at the end of 4Q17. 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	94.8%	7.8	35.2%	-	-	46.1	12.2%
Long-term	-	-	2.2	5.2%	14.4	64.8%	320	100%	331.7	87.8%
Total	-	-	41.6	100%	22.2	100%	320	100%	377.8	100%
Rate	-	-	7.5%		4.6%		8.9%		8.5%	
Dec 2018										
Short-term	-	-	27.9	99.0%	5.5	36.6%	-	-	32.2	9.0%
Long-term	-	-	0.3	1.0%	9.6	63.4%	320	100%	326.3	91.0%
Total	-	-	28.2	100%	15.1	100%	320	100%	358.5	100%
Rate	-	-	5.4%		5.5%		8.9%		8.5%	
Av. Life (yrs)	-	-	1.3		2.9		3.4		3.3	
Dec 2017 vs Dec 2018										
Short-term	-	-	(11.5)		(2.3)		-		(13.9)	
Long-term	-	-	(1.9)		(4.8)		-		(5.4)	
Total	-	-	(13.4)		(7.1)		-		(19.3)	

Debt Ratio	4Q18	4Q17
Gross Debt / EBITDA	5.3x	6.2x

Gross Debt / EBITDA ratio decreased to 5.3x in 4Q18 from 6.2x in 4Q17, as a result of the deleveraging of the company through the normal amortization of the debt.

Our gross FX exposure was USD628 million, of which financial exposure amounts USD358 million, and operative exposure amounts USD270 million. We have a natural hedge through our sales in US Dollars of USD346 million and a financial hedge of USD120 million, for a total net exposure USD162 million and a hedge ratio of 74%.

Shareholders' Equity

Shareholders' Equity amounted MXN5,654,605 million as of December 31, 2018.

NET CASH FLOW

Concept	Three months ended, December 31			Twelve months ended, December 31		
	2018	2017	Δ%	2018	2017	Δ%
EBITDA	394	494	-20%	1,264	1,206	5%
CF from operating activities	879	(382)	NA	1,399	474	>100%
CF from investing activities	(110)	(56)	95%	(536)	(450)	19%
CF from financing activities	(596)	346	NA	(880)	(296)	>100%
Net Cash Flow	172	(92)	NA	(16)	(273)	-94%

CAPEX

For the 4Q18, investment in fixed assets reached MXN110 million, while for 4Q17 it was MXN67 million. Year to date, CAPEX reached MXN537 million, an increase of MXN70 million compared to MXN467 million invested in 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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4Q18 Conference Call



Conference Call

DATE: Thursday, February 07, 2019
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 Friday, February 08, 2019 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, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2018	2017	Δ%	2018	2017	Δ%
Net Revenue	5,131,666	4,664,914	10%	18,527,713	17,123,630	8.2%
Cost of Goods Sold	4,291,464	3,769,168	14%	15,404,753	14,116,331	9.1%
Gross Profit	840,202	895,746	-6.2%	3,122,960	3,007,299	3.8%
Sales Expenses	480,091	506,080	-5.1%	1,724,650	1,633,561	5.6%
Administrative Expenses	188,180	239,586	-22%	943,094	1,018,112	-7.4%
Other (expenses) income net	116,968	179,853	-35%	190,009	175,258	8.4%
Operating Profit	288,899	329,933	-12%	645,225	530,884	22%
Comprehensive Financial Result	(659,576)	649,607)	1.5%	(1,074,838)	(746,447)	44%
Interest Income	2,536	6,411	-60%	5,691	10,251	-44%
Interest Expense	300,639	112,582	167%	1,065,680	990,579	7.6%
Foreign Exchange Result	(361,474)	(543,436)	-33%	(14,849)	233,881	-106%
Income Tax	41,741	(2,851)	NA	105,304	168,845	-38%
Consolidated Net Result	(412,419)	316,823)	30%	(534,918)	(384,408)	39%
Depreciation	160,394	164,198	-2.3%	674,179	674,963	-0.1%
EBITDA	449,293	494,131	-9.1%	1,319,404	1,205,847	9.4%

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

Figures in MXN thousands

	December 31, 2018	December, 31 2017
Assets		
Cash & Cash Equivalents	419,569	431,734
Accounts Receivable, net	3,382,885	2,928,582
Accounts receivable to related parties	89,353	42,249
Inventories, net	3,960,518	3,533,342
Prepaid expenses	124,185	260,430
Current Assets	7,976,510	7,196,337
Property, Plant and Equipment, net	11,053,448	11,546,903
Investment in Properties	1,740,681	1,771,103
Deferred Income Tax	283,391	309,320
Other Assets, net	1,469,640	1,527,561
Non-current Assets	14,547,160	15,154,887
Total Assets	22,523,670	22,351,224
Liabilities		
Bank loans	633,314	907,684
Accounts Payable to suppliers	3,388,298	2,879,940
Accounts payable to related parties	1,612,152	1,187,985
Other accounts payable and accrued liabilities	1,537,102	1,347,018
Direct employee benefits	25,018	23,198
Advanced payments from customers	53,217	50,520
Current Liabilities	7,249,101	6,396,345
Long-term financial liabilities	6,422,677	6,545,840
Accounts payable to related parties	943,109	653,624
Employee benefits	452,693	487,542
Contingencies	32,118	30,771
Deferred Income Tax	1,769,367	1,815,633
Non-current Liabilities	9,619,964	9,533,410
Total Liabilities	16,869,065	15,929,755
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,513,739)	(826,699)
Accumulated other comprehensive loss	236,207	236,207
Controlling interest	2,740,458	3,427,498
Non-controlling interest	2,914,147	2,993,971
Total Equity	5,654,605	6,421,469
Total Liabilities and Equity	22,523,670	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,</i> <i>December 31,</i>		<i>Twelve months ended,</i> <i>December 31,</i>	
	2018	2017	2018	2017
Cash flows from operating activities				
Consolidated net income (loss)	(412,418)	(316,823)	(543,917)	(384,408)
<i>Adjustments for:</i>	-	-	-	-
Income tax expense recognized in net loss	41,741	(2,851)	105,304	168,845
Loss (gain) on disposal of property, plant and equipment	(3,253)	-	(375)	-
Depreciation and amortization	160,394	164,198	674,179	674,963
Contingencies	-	11,704	-	11,704
Fair value adjustment of investment properties	(122,535)	(226,970)	(122,535)	(214,266)
Interest income	(2,536)	(6,411)	(5,691)	(10,251)
Interest expense	300,639	112,582	1,065,680	990,579
Unrealized foreign exchange	199,858	399,987	(127,825)	(168,607)
	161,890	135,416	1,053,820	1,068,559
Changes in working capital				
<i>(Increase) decrease in:</i>				
Accounts receivable, net	515,499	178,913	(250,289)	(53,182)
Accounts receivables to related parties	-	-	-	-
Inventories, net	201,265	15,591	(572,056)	(218,710)
Prepaid expenses	(28,945)	75,831	(233,946)	74,298
Other assets	(37,586)	112,421	(26,214)	28,185
<i>(Increase) decrease in:</i>				
Accounts payable to Suppliers	(6,978)	(848,724)	740,935	(166,358)
Accounts payable to related parties	-	-	-	-
Other accounts payable and accrued liabilities	147,899	(71,295)	860,472	(51,436)
Direct employee benefits	-	7,795	-	(27,356)
Advance payments from customers	3,008	16,453	(24,757)	(21,716)
Income taxes paid	(45,135)	(44,426)	(103,163)	(214,319)
Employee benefits	3,218	19,350	(1,261)	34,566
Contingencies	(35,237)	(21,473)	(44,629)	(21,380)
Net cash flows generated by operating activities	878,898	(381,646)	1,398,912	473,653
<i>Cash flows from investing activities:</i>				
Interest received	38	5,603	1,400	10,251
Acquisition of property, plant and equipment	(110,145)	(67,322)	(536,926)	(466,527)
Sale of property, plant and equipment	-	5,281	-	5,815
Net cash flows (generated by) used in investing activities	(110,107)	(56,438)	(535,526)	(450,461)
<i>Cash flows from financing activities:</i>				
Proceeds from debt	191,527	81,977	855,135	7,414,777
Payments of debt	(351,822)	(973,542)	(1,382,144)	(7,544,533)
Proceeds from related parties	(98,535)	1,128,777	554,986	1,128,777
Interest paid	(337,610)	290,711	(907,587)	(1,112,485)
Purchase of non-controlling interest	-	(63,384)	-	(63,384)
Capital increase	-	-	-	-
Dividends paid	-	-	-	-
Expenses associated with bond issue	-	(118,878)	-	(118,878)
Net cash flow (used in) generated by financing activities	(596,440)	345,661	(879,610)	(295,726)
Net increase (decrease) in cash and cash equivalents	172,351	(92,423)	(16,224)	(272,534)
Effects of exchange rate changes on cash flows	4,235	62,559	4,059	(28,876)
Cash and cash equivalents at beginning of year	242,983	461,597	431,734	733,143
Cash and cash equivalents at end of year	419,569	431,733	419,569	431,733