



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
1Q19**

MESSAGE FROM THE CEO

Dear Investor,

EBITDA for the first quarter of 2019 posted an increase of 19% reaching MXN298 million compared to MXN252 million for the same period of 2018. This increase was achieved through a better management of costs and expenses, which decreased 4% and 10%, respectively. This reflects the compromise of the company on the recovery of the profitability.

Sales for the first quarter of 2019 reduced by 1.2% reaching MXN3,983 million, compared to MXN4,031 million for the first quarter of 2018. The decrease was driven by lower sales from our retail stores due to seasonality, while revenues from our textile division increased by 4%.

Net Income for the quarter decreased to MXN13 million compared to MXN342 million for the same period of last year, due to a lower FX income as a result of a weaker Mexican Peso, when compared to the first quarter of 2018.

In respect of the US\$320 million, 8.875% bond issued on April 11, 2018, we executed the fourth interest payment on April 11, 2019 through funds from our operation.

This year presents relevant challenges: In the economic front the economy contracted 0.2% during the first quarter of 2019 compared to the last quarter of 2018 and the growth expectation consensus for Mexico is around 1.5% for the 2019. On the international trade subject, the trade war between the US and China could bring an opportunity for Kaltex, while on the other side the USMCA is still under negotiation. With these effects, Kaltex has to continue working on the recovery of its own profitability, amid low economic activity and an uncertain business environment. We remain confident on our ability and knowledge to overcome all these challenges.

Lastly, I sincerely appreciate your trust in Kaltex during these years. We will keep working on improving our performance to reach the results expected from us.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, May 22, 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 first quarter of 2019 ended March 31, 2019. 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.

1Q19 HIGHLIGHTS

- 1Q19 consolidated net revenue reached MXN3,983 million, a decrease of 1.2% when compared to the MXN4,031 million reported in 1Q18 due to lower revenues in our retail stores that was not compensated by the increase in the textile division.
- 1Q19 consolidated cost of goods sold were MXN\$3,069 million, a year over year decrease of 4.0% or MXN\$126 million, compared to 1Q18, mainly driven by a decrease in labor cost and an overall improvement in cost management.
- 1Q19 gross profit increased by 9.4% on a quarterly basis reaching MXN914 million compared to MXN836 million for 1Q18, while the gross margin for the quarter increased to 22.9% from 20.7%.
- EBITDA generation for the 1Q19 increased by 18.7% reaching MXN298 million compared to MXN252 million in 1Q18 due to a decline in costs and expenses. Margin for the period stood at 7.5% compared to 6.2% recorded in the same quarter of last year.
- 1Q19 consolidated net income for the quarter reached MXN13 million compared to MXN342 million recorded in the 1Q18, explained by a decrease of MXN414 million in the FX income as a result of a weaker Mexican Peso, compared to 1Q18.

KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, March 31,</i>		
	2019	2018	Δ%
Net Revenue	3,983	4,031	-1.2%
Gross Profit	914	836	9.4%
Gross Margin (%)	23%	16%	657bps
Operating Income	137	76	81%
Operating Margin (%)	3.4%	1.9%	157bps
Consolidated Net Income	13	342	-96%
Net Margin (%)	0.3%	8.5%	-814bps
EBITDA	298	252	19%
EBITDA margin (%)	7.5%	6.2%	125bps
CAPEX	(46)	(132)	-65%
ROA (LTM)	-3.8%	-1.4%	-239bps
ROE (LTM)	-15%	-4.7%	-988bps
Total Debt / EBITDA (LTM)	5.08	5.20	-
Net Debt / EBITDA (LTM)	4.90	4.93	-
Interest Coverage	1.27	1.03	-
Working Capital	4,051	3,930	3.1%
Free Cash Flow	(50)	(16)	-
Headcount (number)	17,068	18,071	-5.6%

REPRESENTATIVE COSTS

<i>Figures in MXN millions</i>	<i>Three months ended, March 31</i>		
	2019¹	2018²	Δ%
Cotton (US\$ per pound) – Average	0.76	0.81	-5.6%
Energy (MXN\$ per KWh) – Average	1.85	1.25	48%

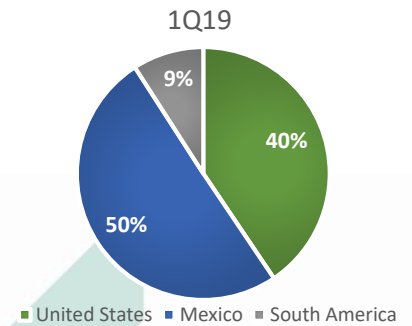
¹ Exchange rate at March 31, 2019: 19.3793

² Exchange rate at March 31, 2018: 19.3445

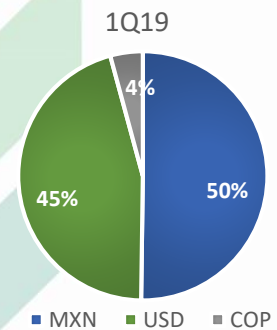
INCOME STATEMENT

Revenues

1Q19 consolidated net revenue totaled MXN3,983 million, a decrease of 1.2% or MXN48 million compared to the MXN4,031 million recorded in 1Q18, as a result of lower sales in our retail stores that was not completely compensated with the increase in the textile division.



Exports accounted for 49.8% of net revenue in 1Q19, 121 bps higher than those registered in 1Q18. The higher share of foreign income is due to a good performance in our US sales which went from 35.8% of total sales in 1Q18 to 40.0% in 1Q19.

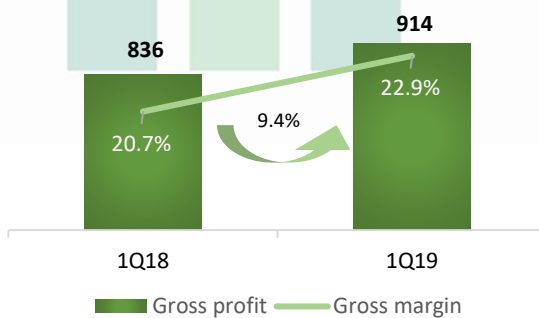


During 1Q19, the share of Dollar-denominated revenue reached 45.0% or MXN1,792 million, compared to 42.3% in 1Q18, while Mexican Peso denominated revenue reached 50.0%, coming from 51.4% in 1Q18.

Cost of goods sold

For the 1Q19 we recorded MXN3,069 million of cost of sales, which represents a decrease of MXN126 million or 4.0% compared to MXN3,196 million reached in 1Q18. The decrease in costs was mainly due to lower workforce cost and an overall improvement in cost management.

Gross profit



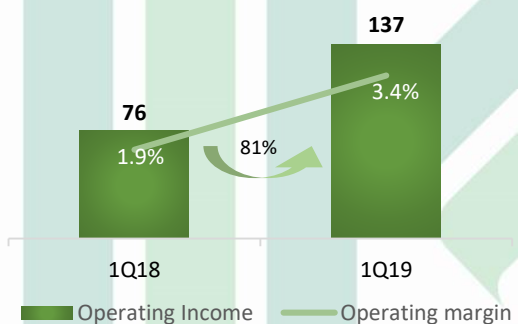
Consolidated Gross Profit amounted MXN914 million for the 1Q19, which represents an increase of MXN78 million or 9.4% compared to 1Q18. Gross margin for the 1Q19 stood at 22.9%, compared to 20.7% recorded in 1Q18, which represents an increase of 221 bps.

Operating and Other Expenses

Concept	Three months ended, March 31,		
	2019	2018	Δ%
SG&A	573	637	-10%
Other net (expenses) income	(42)	53	NA
Total SG&A and other expenses	615	584	5.4%

Operating expenses for the 1Q19 amounted MXN573 million, a decrease of 10.1% or MXN65 million compared to 1Q18 and the ratio of operational expenses to sales for 1Q19 was 14.4%, compared to 15.8% in 1Q18, due to higher other net expenses. Administrative expenses for the 1Q19 were MXN196 million a decrease of 19.8% or MXN48 million compared to MXN245 million in 1Q18, while sales expenses amounted MXN376 million, a decrease of 4.1% or MXN16 million compared to MXN392 million in 1Q18.

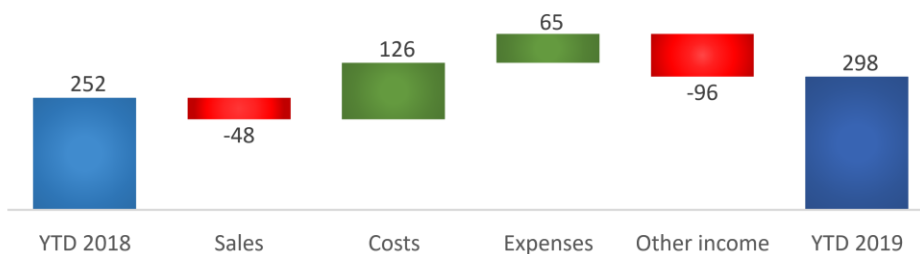
Operating Income



1Q19 consolidated operating income was MXN137 million, an increase of MXN62 million or 81.4% from MXN76 million reported on 1Q18, mainly driven by lower costs and operating expenses. Operating margin increased by 157 bps to 3.4% in 1Q19 from 1.9% in 1Q18.

EBITDA

Consolidated EBITDA totaled MXN298 million in 1Q19, 18.7% or MXN47 million higher than the MXN252 million registered in 1Q18. EBITDA margin stood at 7.5% for the 1Q19, which represents an increase of 125 bps compared to 6.2% for the 1Q18.



Net Interest Expense and Forex

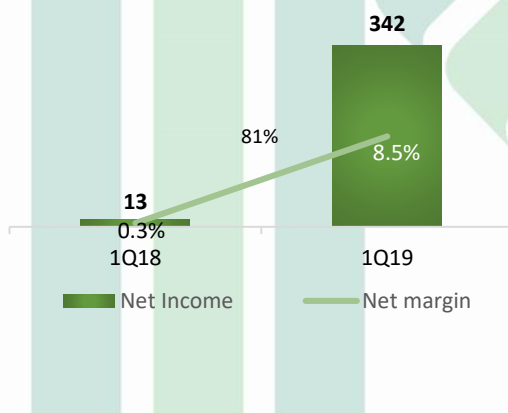
Concept	Three months ended, March 31		
	2019	2018	Δ%
Interest income	3	1	>100%
Interest expense	(235)	(244)	-3.5%
Foreign exchange result	112	527	-79%
Total Consolidated Financial Result	(120)	284	NA

1Q19 net interest expense was MXN232 million, a decrease of MXN10 million or 4.2%. We recorded a Forex income of MXN112 million during the quarter, due to the 1.5% revaluation of the Mexican Peso during 1Q19, going from MXN19.68/US\$ at the end of 2018 to MXN19.38 and the end of March 2019. For the 1Q18, the Forex income was MXN414 million higher, as the Mexican Peso revaluated 7.0% during that quarter.

Income Tax

Income Tax expense was MXN4 million for 1Q19, a decrease of MXN14 million when compared to a MXN18 million income tax for the 1Q18.

Net Income

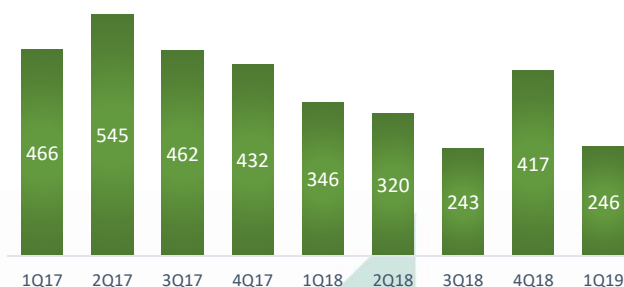


1Q19 consolidated net income totaled MXN13 million, which compares to MXN342 million recorded in 1Q18, representing a decrease of MXN328 million, explained mainly by a lower Forex income due to a weaker revaluation of Mexican Peso when compared to 1Q18.

BALANCE SHEET

Cash and Cash Equivalents

The balance in cash and cash equivalents totaled MXN246 million as of March 31, 2019, that compares to MXN346 million at March 31, 2018.



Inventory

Inventory balance amounted MXN4,025 million as of March 31, 2019, an increase of 14.1% or MXN499 million, compared to MXN\$3,526 million as of March 31, 2018.

Debt

Grupo Kaltex gross debt amounted MXN6,947 million as of March 31, 2019, compared to MXN6,770 at the same date of last year due to FX depreciation. In dollar terms, gross debt was USD358 million, a decrease of MXN11 million or 2.9% compared to USD369 million as of March 31, 2018. In currency terms, 97.9% was denominated in US dollars, and the remaining 2.1% in Colombian pesos.

Maturity Profile

Figures in MXN millions

	1 year	1-3 years	Total
Total Debt	643	6,304	6,947

Debt Structure

Division	March 31, 2019	March 31, 2018	Δ%
Short-term	33.4	40.2	-17
Amortizing	11.1	12.9	-14
Revolving	22.2	27.3	-18
Long-term	325.1	328.9	-1.1
Amortizing	5.1	8.9	-42
Senior Notes	320	320	0.0
Total	358.5	369.0	-2.9
Average rate	7.8%	8.4%	65 bps
Average life (years)	3.0	3.9	0.9

The average maturity of Grupo Kaltex's debt at the end of the 1Q19 was 3.0 years, a decrease from 3.9 years at the end of 1Q18.

Debt Ratio	1Q19	1Q18
Gross Debt / EBITDA	5.08x	5.20x

Gross Debt / EBITDA ratio decreased to 5.08x in 1Q19 from 5.20x in 1Q18, as a result a higher EBITDA during the 1Q19.

Our gross FX exposure was USD661 million, of which financial exposure amounts USD351 million, and operative exposure amounts USD310 million. We have a natural hedge through our sales in US Dollars of USD378 million and a financial hedge of USD120 million, for a total net exposure USD163 million and a hedge ratio of 75%.

Shareholders' Equity

Shareholders' Equity amounted MXN5,691 million as of March 31, 2019.

CASH FLOW

<i>Figures in MXN millions</i>	<i>Three months ended, March 31</i>		
	2019	2018	Δ%
Concept			
EBITDA	298	2512	19%
CF from operating activities	13	44	-69%
CF from investing activities	(44)	(131)	-67%
CF from financing activities	(140)	2	NA
Net Cash Flow	(171)	(86)	99%

CAPEX

For the 1Q19, investment in fixed assets reached MXN46 million or USD2.4 million, while for 1Q18 it was MXN132 million or USD7.1 million.

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

Name	e-mail	Telephone
Montserrat Valenzuela Marín	investors@kaltex.com.mx	+(52) 55 5726 5668

1Q19 Conference Call



Conference Call

DATE: Thursday, May 23, 2019
TIME: 12:00 P.M. (GMT -5, Mexico City)
 1:00 P.M. (GMT -4, N.Y.)
PHONE: +52 (55) 2881 4607
 +1 (833) 393 9566

Presenters

Jaime Morales Vazquez, CFO
 Nuri Kalach Massry, Kaltex Fibers Commercial Director

MP3 Recording Available on Friday, May 24, 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, March 31,</i>		
	2019	2018	Δ%
Net Revenue	3,982,956	4,031,229	-1.2%
Cost of Goods Sold	3,230,298	3,371,461	-4.2%
Gross Profit	752,658	659,768	14%
Sales Expenses	376,287	392,410	-4.1%
Administrative Expenses	196,496	244,888	-20%
Other (expenses) income net	(42,473)	53,287	NA
Operating Profit	137,402	75,757	81%
Comprehensive Financial Result	(119,974)	284,159	NA
Interest Income	2,869	1,268	>100%
Interest Expense	235,080	243,632	-3.5%
Foreign Exchange Result	112,237	526,523	-79%
Income Tax	4,191	18,327	-77%
Consolidated Net Result	13,237	341,589	-96%
Depreciation	161,065	175,782	-8.4%
EBITDA	298,467	251,539	19%

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

Figures in MXN thousands

	March 31, 2019	March, 31 2018
Assets		
Cash & Cash Equivalents	245,520	346,074
Accounts Receivable, net	3,412,913	3,313,759
Accounts receivable to related parties	90,603	50,060
Inventories, net	4,024,547	3,525,706
Prepaid expenses	148,428	180,747
Current Assets	7,922,011	7,416,346
Property, Plant and Equipment, net	10,957,999	11,362,232
Investment in Properties	1,745,588	1,758,041
Deferred Income Tax	280,515	333,184
Other Assets, net	1,477,691	1,503,195
Non-current Assets	14,461,793	14,956,652
Total Assets	22,383,804	22,372,998
Liabilities		
Bank loans	646,650	736,725
Accounts Payable to suppliers	3,386,810	2,909,096
Accounts payable to related parties	1,658,354	1,489,161
Other accounts payable and accrued liabilities	1,475,638	1,430,460
Direct employee benefits	81,145	8,717
Advanced payments from customers	112,340	47,277
Current Liabilities	7,360,937	6,621,436
Long-term financial liabilities	6,300,547	6,032,789
Accounts payable to related parties	928,093	641,777
Employee benefits	449,204	507,645
Contingencies	9,110	29,345
Deferred Income Tax	1,645,098	1,813,130
Non-current Liabilities	9,332,052	9,024,686
Total Liabilities	16,692,989	15,646,122
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,384,489)	(670,084)
Accumulated other comprehensive loss	130,566	236,207
Controlling interest	2,764,067	3,584,113
Non-controlling interest	2,926,748	3,142,763
Total Equity	5,690,815	6,726,876
Total Liabilities and Equity	22,383,804	22,372,998

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>March 31,</i>	
	2019	2018
Cash flows from operating activities		
Consolidated net income (loss)	13,237	341,589
<i>Adjustments for:</i>	-	-
Income tax expense recognized in net loss	4,191	18,327
Loss (gain) on disposal of property, plant and equipment	2,640	185
Depreciation and amortization	161,065	175,782
Contingencies	-	-
Fair value adjustment of investment properties	-	-
Interest income	(2,869)	(1,268)
Interest expense	236,469	235,515
Unrealized foreign exchange	(106,508)	(311,940)
	308,225	458,190
Changes in working capital		
<i>(Increase) decrease in:</i>		
Accounts receivable, net	(379,442)	(152,472)
Accounts receivables to related parties	-	-
Inventories, net	(66,816)	(72,982)
Prepaid expenses	130,855	(79,123)
Other assets	1,723	18,721
<i>(Increase) decrease in:</i>		
Accounts payable to Suppliers	(4,792)	(136,932)
Accounts payable to related parties	-	-
Other accounts payable and accrued liabilities	55,914	98,449
Direct employee benefits	(10,564)	-
Advance payments from customers	(4,107)	(20,421)
Income taxes paid	(21,009)	(60,366)
Employee benefits	3,381	(9,942)
Contingencies	-	398
Net cash flows generated by operating activities	13,368	43,520
<i>Cash flows from investing activities:</i>		
Interest received	-	1,314
Acquisition of property, plant and equipment	(46,451)	(132,401)
Sale of property, plant and equipment	2,553	-
Net cash flows (generated by) used in investing activities	(43,898)	(131,087)
<i>Cash flows from financing activities:</i>		
Proceeds from debt	217,097	186,774
Payments of debt	(248,274)	(408,134)
Proceeds from related parties	(46,178)	282,604
Interest paid	(62,872)	(59,337)
Purchase of non-controlling interest	-	-
Capital increase	-	-
Dividends paid	-	-
Expenses associated with bond issue	-	-
Net cash flow (used in) generated by financing activities	(140,227)	1,907
Net increase (decrease) in cash and cash equivalents	(170,757)	(85,660)
Effects of exchange rate changes on cash flows	(1,014)	-
Cash and cash equivalents at beginning of year	417,291	431,734
Cash and cash equivalents at end of year	245,520	346,074