



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
4Q19**

MESSAGE FROM THE CEO

Dear Investor,

During 2019 the Mexican economy experienced a slowdown resulting in a year-over-year decrease of 0.3% in the gross domestic product for the fourth quarter, while for full year it was 0.1% lower. As a consequence, analysts are estimating that the companies listed in the Mexican Stock Exchange will report annual average increase of 1.2% in sales and 5.5% in EBITDA.

Despite these adverse economic conditions, Kaltex EBITDA for the quarter increased 21% reaching MXN473 million due to a reduction of 9% in costs and 12% in operating expenses, that helped offset the decrease of 6% in sales. For full year 2019 the EBITDA was 14% higher as a result of a decrease of 4% in sales, 6% in costs and 10% in administrative expenses.

This recovery in profitability is reflected in the increased EBITDA margin, coming from 7.7% in the fourth quarter of 2018 to 9.8% in the same quarter of 2019 and demonstrates the continuous effort put by the company into achieving the margins reached in prior years. For full year 2019 the EBITDA margin was 8.1% compared to 6.8% in 2018.

Net income for the quarter was MXN275 million compared to a net loss of MXN375 million for the same period of last year, explained mainly by the FX income as a result of the average appreciation of the Mexican Peso, of 3.4% during the last quarter of 2019.

Lastly, I would like to express my gratitude for your trust in Kaltex and reiterate our commitment with the delivery of the results expected from our company.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, February 12, 2020—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 2019 ended December 31, 2019. 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.

The company has adopted IFRS 16 leases standard, but for analysis purposes its effects are excluded in the comments below. Since we adopted IFRS 16 leases standard at the beginning of 2019, this will be the last report where the comments will be excluding these effects.

4Q19 HIGHLIGHTS

- 4Q19 consolidated net revenue reached MXN4,805 million, a decrease of 5.7% when compared to the MXN5,097 million reported in 4Q18 driven by lower sales in our domestic market and the appreciation of the Mexican Peso that resulted in lower revenues from our US subsidiaries.
- 4Q19 consolidated cost of goods sold was MXN\$3,712 million, a year-over-year decrease of 9.2% or MXN\$374 million, compared to 4Q18, mainly driven by a decrease in overall costs.
- Gross profit increased by 8.1% on a quarterly basis reaching MXN1,093 million compared to MXN1,011 million for 4Q18, while the gross margin for the quarter increased to 22.7% from 19.8% in 4Q18.
- EBITDA generation for the 4Q19 increased by 20.7% reaching MXN473 million compared to MXN392 million in 4Q18 due to a decline in costs and expenses. Margin for the period stood at 9.8% versus 7.7% recorded in the same quarter of last year.
- 4Q19 consolidated net income for the quarter reached MXN275 million compared to a net loss of MXN375 million recorded in the 4Q18, explained by a higher FX income as a result of the 3.4% average appreciation of the Mexican Peso during 4Q19.

KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2019	2018	Δ%	2019	2018	Δ%
Indicator						
Net Revenue	4,805	5,097	-5.7%	17,785	18,493	-3.8%
Gross Profit	1,093	1,011	8.1%	3,979	3,807	4.5%
Gross Margin (%)	23%	20%	291bps	22%	21%	178bps
Operating Expenses	631	713	-12%	2,451	2,712	-10%
Operating Expenses / Sales	13%	14%	-86bps	14%	15%	-89bps
Operating Income	324	234	39%	814	590	38%
Operating Margin (%)	6.7%	4.6%	215bps	4.6%	3.2%	139bps
Consolidated Net Income	275	(375)	NA	(103)	(498)	-79%
Net Margin (%)	5.7%	-7.4%	NA	-0.6%	-2.7%	211bps
EBITDA	473	392	21%	1,441	1,262	14%
EBITDA margin (%)	9.8%	7.7%	216bps	8.1%	6.8%	128bps
CAPEX	(231)	(87)	>100%	(363)	(514)	-29%
ROA (LTM)	-0.4%	-2.2%	177bps	-0.4%	-2.2%	177bps
ROE (LTM)	-2.1%	-8.1%	594bps	-2.1%	-8.1%	594bps
Total Debt / EBITDA (LTM)	4.63	5.59	-	4.63	5.59	-
Net Debt / EBITDA (LTM)	4.35	5.26	-	4.35	5.26	-
Interest Coverage	1.70	2.43	-	1.70	2.43	-
Working Capital	2,443	2,155	13%	2,443	2,155	13%
Free Cash Flow	338	425	-20%	258	713	-64%
Headcount (number)	17,455	16,839	3.7%	17,455	16,839	3.7%

REPRESENTATIVE COSTS

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2019¹	2018²	Δ%	2019¹	2018²	Δ%
Indicator						
Cotton (US\$ per pound) – Average	0.66	0.88	-25%	0.69	0.84	-19%
Energy (MXN\$ per MWh) – Average	2.10	2.32	-9.6%	1.89	1.83	3.5%

¹ Exchange rate at December 31, 2019: 18.8452

² Exchange rate at December 31, 2018: 19.6829

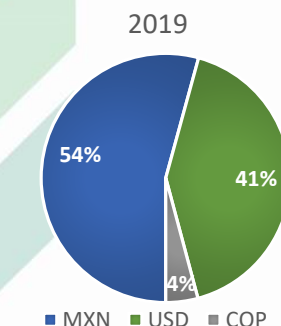
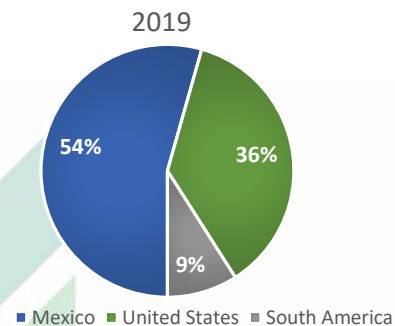
INCOME STATEMENT

Revenues

4Q19 consolidated net revenues totaled MXN4,805 million, a decrease of 5.7% or MXN292 million compared to MXN5,097 million recorded in 4Q18, driven by lower sales in our domestic market and the appreciation of the Mexican Peso that resulted in lower revenues from our US subsidiaries.

For full year 2019, net revenues reached MXN17,785 million compared to MXN18,493 million for last year, representing a decrease of MXN708 million or 3.8%. Domestic revenues for the year decreased by 6.0% while US revenues increased by 3.5%, representing 36.4% of total revenues, compared to 33.7% in 2018.

During 2019, the share of Dollar denominated revenue reached 41.4% versus 39.8% in 4Q18, while the share of Mexican Peso denominated revenue reached 54.0%, coming from 55.3% in 2018.

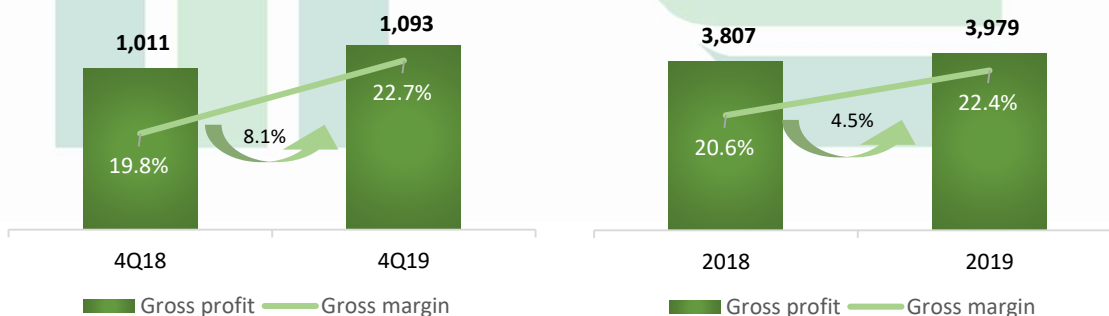


Cost of goods sold

For the 4Q19 we recorded MXN3,712 million of cost of sales, which represents a decrease of MXN374 million or 9.2% compared to MXN4,086 million reached in 4Q18.

The decrease was due to an overall reduction in costs, in particular in acrylonitrile which decreased 26.7% and in general expenses in our retail stores which decreased 7.2%. For 2019 costs reached MXN13,807 million compared to MXN14,686 million registered during 2018, representing a decrease of MXN879 million or 6.0%.

Gross profit



Gross profit for the 4Q19 amounted MXN1,093 million, an increase of MXN82 million or 8.1% versus MX1,011 recorded in 4Q18, while gross margin for the 4Q19 increased by 291 bps reaching 22.7%, compared to 19.8% in 4Q18. For full year 2019 gross profit was MXN3,979 million, an increase of 4.5% or MXN171 million compared to MXN3,807 million for last year, while gross margin stood at 22.4% an increase of 178 bps compared to 20.6% for 2018.

Operating and Other Expenses

Concept	Three months ended, December 31,			Twelve months ended, December 31,		
	2019	2018	Δ%	2019	2018	Δ%
SG&A	631	713	-12%	2,451	2,712	-9.6%
Other income (expenses), net	11	94	-88%	(87)	167	NA
Total SG&A and other expenses	620	619	0.1%	2,538	2,546	-0.3%
S&A and other expenses to sales	12.9%	12.1%	75bps	14.3%	13.8%	50bps

Operating expenses for the 4Q19 reached MXN631 million, a decrease of 11.5% or MXN82 million compared to MXN713 million recorded in 4Q18, while the ratio of operational expenses to sales for 4Q19 was 13.1%, compared to 14.0% in 4Q18. Year-to-date, operating expenses amounted MXN2,451 million, representing a decrease of 9.6% or MXN262 million compared to 2018.

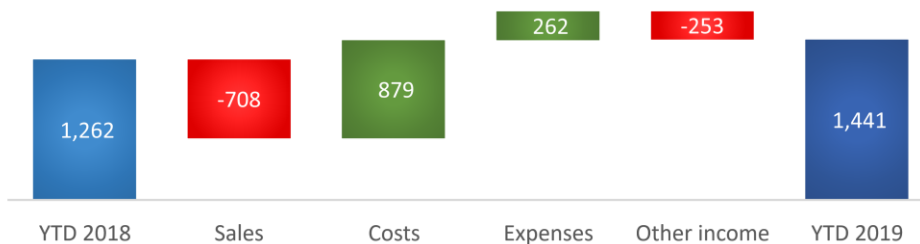
Operating Income



4Q19 consolidated operating income was MXN324 million, an increase of MXN90 million or 38.6% from MXN234 million reported on 4Q18, due to lower costs of goods sold and sales expenses. Operating margin increased to 6.7% for 4Q19 from 4.6% in 4Q18. For 2019 operating income reached MXN814 million, compared to MXN590 million recorded during 2018, while operating margin for the year increased to 4.6% from 3.2% in 2018.

EBITDA

Consolidated EBITDA reached MXN473 million in 4Q19, an increase of MXN81 million or 20.7% compared to MXN392 million registered in 4Q18. EBITDA margin for the quarter stood at 9.8% representing an increase of 216 bps compared 7.7% for the 4Q18. For 2019 EBITDA amounted MXN1,441 million, compared to MXN1,262 million for last year, representing an increase of MXN179 million or 14.2%.



Net Interest Expense and Forex

Concept	Three months ended, December 31,			Twelve months ended, December 31,		
	2019	2018	Δ%	2019	2018	Δ%
Interest income	9.1	11.8	-24%	14.4	15.0	-4.0%
Interest expense	(278)	(161)	73%	(1,038)	(926)	12%
Foreign exchange result	371	(436)	NA	342	(90)	NA
Total Consolidated Financial Result	102	(586)	-117%	(681)	(1,001)	-32%

4Q19 net interest expense was MXN269 million, an increase of MXN120 million or 80.6% versus MXN149 million in 4Q18. In a year-to-date basis, net interest expense increased MXN112 million, or 12.3% reaching MXN1,023 million compared to MXN911 million during 2018. We recorded a Forex income of MXN371 million during the quarter, due to the 3.4% average revaluation of the Mexican Peso during 4Q19, going from an average of MXN19.42/US\$ during the 3Q19 to MXN19.28/US\$.

Income Tax

Income Tax expense was MXN150 million for the 4Q19, an increase of MXN127 million when compared to MXN23 million for the 4Q18. For 2019 income tax reached MXN237 million, compared to MXN87 million for last year, representing an increase of MXN150 million.

Net Income

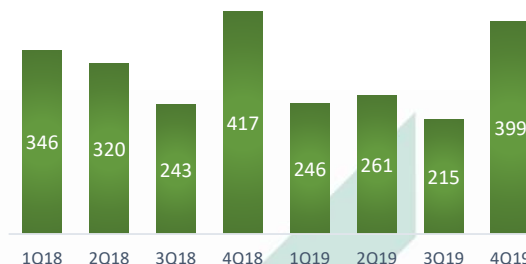


4Q19 consolidated net income totaled MXN275 million, versus a net loss of MXN375 million recorded for 4Q18, representing an increase of MXN650 million, explained mainly by the Forex income due to the strengthening of the Mexican Peso during the quarter. For 2019, net loss amounted MXN103 million compared to a net loss of MXN498 million during 2018.

BALANCE SHEET

Cash and Cash Equivalents

The balance in cash and cash equivalents totaled MXN399 million as of December 31, 2019, that compares to MXN417 million at December 31, 2018.



Debt

Grupo Kaltex gross debt amounted MXN6,671 million as of December 31, 2019, versus MXN7,056 million at the same date of last year, due to the amortization of our bank debt. In dollar terms, gross debt was USD354 million, a decrease of MXN4 million or 1.2% compared to USD358 million as of December 31, 2018. In currency terms, 98.3% was denominated in US dollars, and the remaining 1.7% in Colombian pesos.

Maturity Profile

Figures in MXN millions

	1 year	1-3 years	Total
Total Debt	593	6,079	6,671

Debt Structure

	December 31, 2019	December 31, 2018	Δ%
Short-term	31.5	30.5	3.3%
Amortizing	7.9	9.6	-18%
Revolving	23.6	20.9	13%
Long-term	322.6	328.0	-1.7%
Amortizing	2.6	8.0	-68%
Senior Notes	320.0	320.0	0.0%
Total	354.0	358.5	-1.2%
Average rate	8.5%	8.5%	2bps
Average life (years)	2.2	3.4	1.2

The average maturity of Grupo Kaltex's debt at the end of the 4Q19 was 2.2 years, a decrease from 3.4 years at the end of 4Q18.

Debt Ratio	2019	2018
Gross Debt / EBITDA	4.63x	5.35x

Gross Debt / EBITDA ratio decreased to 4.63x in 4Q19 from 5.59x in 4Q18, as a result a higher EBITDA during the 2019 and the normal amortization of debt.

Our gross FX exposure was USD614 million, of which financial exposure amounts USD348 million, and operative exposure amounts USD266 million. We have a natural hedge through our sales in US Dollars of USD376 million and a financial hedge of USD120 million, for a total net exposure USD118 million and a hedge ratio of 81%.

Shareholders' Equity

Shareholders' Equity amounted MXN5,356 million as of December 31, 2019.

CASH FLOW

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2019	2018	Δ%	2019	2018	Δ%
Concept						
EBITDA	571	392	46%	1,862	1,262	48%
Interest paid	342	140	144%	750	710	6%
Taxes paid	61	62	-0.3%	144	120	20%
Working capital variation	(287)	(265)	8.2%	303	97	>100%
Free Cash Flow	454	455	-0.2%	665	335	98%

CAPEX

For the 4Q19, investment in fixed assets reached MXN231 million or USD12 million, while for 4Q18 it amounted MXN87 million or USD4.4 million which represented an increase of MXN144 million. Year-to-date, Capex reached MXN363 million that compares to MXN514 million in the same period of last year, a reduction of 29.4%.

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, 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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4Q19 Conference Call



Conference Call

DATE: Thursday, February 13, 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
 Montserrat Valenzuela, IR Manager

MP3 Recording Available on Friday, February 14, 2020 at www.irkaltex.com

CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are presented considering the effects of the IFRS 16 leases standard.

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>		
	2019	2018	Δ%	2019	2018	Δ%
Net revenue	4,805,039	5,097,231	-5.7%	17,785,282	18,493,278	-3.8%
Cost of goods sold	3,909,642	4,244,459	-7.9%	14,625,964	15,357,748	-4.8%
Gross profit	895,397	852,772	5.0%	3,159,318	3,135,530	0.8%
Sales expenses	340,565	490,947	-31%	1,225,974	1,735,506	-29%
Administrative expenses	194,803	222,021	-12%	834,755	976,935	-15%
Other (expenses) income net	10,897	93,698	-88%	(86,741)	166,739	NA
Operating profit	370,926	233,502	59%	1,011,848	589,828	72%
Comprehensive financial result	27,899	(585,557)	NA	(984,962)	(1,000,819)	-1.6%
Interest income	9,051	11,840	-24%	14,389	14,995	-4.0%
Interest expense	352,304	161,033	>100%	1,341,690	926,074	45%
Foreign exchange result	371,152	(436,364)	NA	342,339	(89,740)	NA
Income tax	150,451	23,149	>100%	236,847	86,712	>100%
Consolidated net result	248,374	(375,204)	NA	(209,961)	(497,703)	-58%
Depreciation	200,041	158,099	27%	850,444	671,884	27%
EBITDA	570,967	391,601	46%	1,862,292	1,261,712	48%

Results without IFRS 16 effect

Figures in MXN thousands

	4Q 2019	FY 2019
Cost of goods sold	3,861,522	14,433,415
Sales expenses	435,999	1,616,069
Administrative expenses	194,819	834,817
Interest expense	278,484	1,037,552
Consolidated net result	274,864	(103,431)
Depreciation	149,163	626,633
EBITDA	472,759	1,440,873

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

Figures in MXN thousands

	December 31, 2019	December 31, 2018
Assets		
Cash & cash equivalents	399,496	417,291
Accounts receivable, net	3,491,830	3,098,760
Accounts receivable to related parties	127,746	88,360
Inventories, net	3,523,738	3,967,173
Prepaid expenses	90,031	291,053
Current assets	7,632,841	7,862,637
Property, plant and equipment, net	11,758,827	11,036,901
Investment in properties	1,821,661	1,736,974
Deferred income tax	709,621	268,849
Other assets, net*	4,531,481	1,472,715
Non-current assets	18,821,590	14,515,439
Total assets	26,454,431	22,378,076
Liabilities		
Bank loans	592,713	599,374
Accounts payable to suppliers	3,033,999	3,387,163
Accounts payable to related parties	1,665,833	1,612,126
Other accounts payable and accrued liabilities	5,029,653	1,415,678
Direct employee benefits	80,001	79,870
Advanced payments from customers	108,419	110,705
Current liabilities	10,510,618	7,204,916
Long-term financial liabilities	6,078,566	6,456,617
Accounts payable to related parties	1,919,227	943,109
Employee benefits	532,526	442,591
Contingencies	10,104	9,106
Deferred income tax	2,047,729	1,642,368
Non-current liabilities	10,588,152	9,493,791
Total liabilities	21,098,770	16,698,707
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,343,104)	(1,228,251)
Accumulated other comprehensive loss	130,566	130,566
Controlling interest	2,805,452	2,920,305
Non-controlling interest	2,550,209	2,759,064
Total equity	5,355,661	5,679,369
Total liabilities and equity	26,454,431	22,378,076

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>	
	2019	2018	2019	2018
Cash flows from operating activities				
Consolidated net income (loss)	248,374	(375,204)	(209,961)	(497,703)
<i>Adjustments for:</i>				
Income tax expense recognized in net loss	150,451	23,149	236,847	86,712
Loss (gain) on disposal of property, plant and equipment	29,228	(1,629)	31,868	1,249
Depreciation and amortization	200,041	158,099	850,444	671,884
Contingencies	-	985	-	985
Fair value adjustment of investment properties	(13,200)	(110,702)	(13,200)	(110,702)
Interest income	(9,051)	(11,840)	(14,389)	(14,995)
Interest expense	368,621	161,033	1,341,691	926,074
Unrealized foreign exchange	7,219	432,932	(82,459)	105,249
	994,883	387,525	2,154,041	1,279,455
Changes in working capital				
<i>(Increase) decrease in:</i>				
Accounts receivable, net	(11,092)	546,197	(564,406)	(219,591)
Accounts receivables to related parties	-	-	-	-
Inventories, net	237,972	339,722	11,700	(433,599)
Prepaid expenses	171,881	125,944	(17,162)	(79,057)
Other assets*	(46,286)	(25,850)	(3,406,547)	(14,478)
<i>(Increase) decrease in:</i>				
Accounts payable to suppliers	63,244	(266,207)	318,021	481,706
Accounts payable to related parties	-	-	-	-
Other accounts payable and accrued liabilities	(59,191)	(196,751)	3,145,523	515,822
Direct employee benefits	(22,068)	(528)	(60,029)	(528)
Advance payments from customers	(5,651)	3,008	(63,273)	(24,757)
Income taxes paid	(61,399)	(61,554)	(143,919)	(119,582)
Employee benefits	(50,187)	14,462	(47,561)	9,983
Contingencies	(23,000)	(13,258)	(26,015)	(22,650)
Net cash flows generated by operating activities	1,175,906	742,008	1,287,173	1,262,022
<i>Cash flows from investing activities:</i>				
Interest received	1,001	13,633	9,516	14,995
Acquisition of property, plant and equipment	(231,000)	(87,265)	(362,734)	(514,046)
Sale of property, plant and equipment	(14,273)	3,026	5,275	3,026
Net cash flows (generated by) used in investing activities	(244,272)	(70,606)	(347,943)	(496,025)
<i>Cash flows from financing activities:</i>				
Proceeds from debt	51,549	(8,473)	594,302	655,135
	(441,268)	(248,509)	(769,076)	
Payments of debt				(1,278,831)
Proceeds from related parties	-	(106,610)	(15,307)	546,911
Interest paid	(342,431)	(140,210)	(750,403)	(710,187)
Purchase of non-controlling interest	-	-	-	-
Capital increase	-	-	-	-
Dividends paid	-	-	-	-
Expenses associated with bond issue	-	-	-	-
Net cash flow (used in) generated by financing activities	(732,150)	(503,802)	(940,484)	(786,972)
Net increase (decrease) in cash and cash equivalents	199,484	167,600	(1,254)	(20,975)
Effects of exchange rate changes on cash flows	(15,023)	6,708	(16,541)	6,532
Cash and cash equivalents at beginning of year	215,035	242,983	417,291	431,734
Cash and cash equivalents at end of year	399,496	417,291	399,496	417,291