



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
1Q20**

MESSAGE FROM THE CEO

Dear Investor,

The combination of the current economic and health challenges are the greatest we have faced during most of our lifetimes. The COVID-19 containment measures have led to a pause in the global economic activity, which has impacted all sectors. In short the term the company's strategy is to focus in maintaining the company liquidity, reduce costs and expenses as we wait the economy to reopen.

EBITDA for the first quarter of 2020 posted an increase of 46% reaching MXN435 million compared to MXN298 million for the same period of 2019. Without IFRS 16 effects, EBITDA for the quarter was MXN336 million. This increase is larger than the registered by the companies listed in the Mexican Stock Exchange, which in average increased 3% during the same period.

Sales for the first quarter of 2020 decreased by 2% reaching MXN3,890 million, compared to MXN3,983 million for the first quarter of 2019. The decrease was driven by lower sales across all our segments. Costs of goods sold decreased 3% driven by lower raw material, while operating expenses decreased 18%. As a result, our gross margin for the first quarter increased to 23.5% in 2020 coming from 22.9% in 2019.

As most companies in Mexico, we recorded a large FX loss as a result of the 25% depreciation of the Mexican Peso during the quarter, which resulted in a net loss of MXN2,378 million compared to an income of MXN13 million for the same period of last year.

In respect of the US\$320 million, 8.875% bond issued on April 11, 2018, we executed the sixth interest payment on April 11, 2020 through funds from our operation.

Finally, all challenges represent opportunities for the companies who are prepared and capable of materializing them.

As always, I would like to thank you for your continued trust in Kaltex.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, May 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 first quarter of 2020 ended March 31, 2020. The figures presented in this report are expressed in nominal Mexican pesos, are preliminary, non-audited, prepared in accordance with IFRS and current interpretations, and may vary due to rounding.

1Q20 HIGHLIGHTS

- ✎ 1Q20 consolidated net revenue reached MXN3,890 million, a decrease of 2.3% or MXN93 million when compared to the MXN3,983 million reported in 1Q19 due to lower revenues across all divisions.
- ✎ 1Q20 consolidated cost of goods sold were MXN\$2,975 million, a year over year decrease of 3.1% or MXN\$94 million, compared to 1Q19, mainly driven by a decrease in raw materials and lower costs in our retail stores.
- ✎ 1Q20 gross profit margin for the quarter increased to 23.5% compared to 22.9% in 1Q19, reaching MXN914 million, which represents an increase of MXN0.6 million.
- ✎ EBITDA generation for the 1Q20 increased by 45.6% reaching MXN435 million compared to MXN298 million in 1Q19 due to a decline in costs and expenses. Without IFRS16, EBITDA was \$336 million. Margin for the period stood at 11.2% compared to 7.5% recorded in the same quarter of last year.
- ✎ 1Q20 consolidated net loss for the quarter reached MXN2,378 million compared to an income of MXN13 million recorded in the 1Q19, explained by a FX loss of MXN2,380 as a result of the 24.8% devaluation of the Mexican Peso during the quarter.

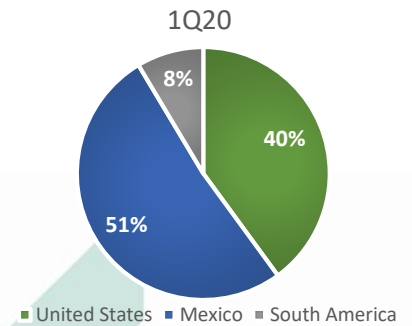
KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, March 31,</i>		
	2020	2019	Δ%
Net Revenue	3,890	3,983	-2.3%
Gross Profit	914	914	0.1%
Gross Margin (%)	24%	23%	57bps
Operating Expenses	472	573	-18%
Operating Expenses / Sales	12%	14%	-225bps
Operating Income	236	137	72%
Operating Margin (%)	6.1%	3.4%	263bps
Consolidated Net Income	(2,378)	13	N/A
Net Margin (%)	-61.1%	0.3%	N/A
EBITDA	435	298	46%
EBITDA margin (%)	11.2%	7.5%	368bps
CAPEX	18	46	-62%
ROA (LTM)	-9.9%	-3.6%	-626bps
ROE (LTM)	-61.9%	-14.0%	-4721bps
Total Debt / EBITDA (LTM)	4.17	5.31	-
Net Debt / EBITDA (LTM)	3.98	5.12	-
Interest Coverage	1.34	1.27	-
Working Capital	2,220	2,483	-11%
Free Cash Flow	658	(113)	N/A
Headcount (number)	16,086	17,068	-5.8%

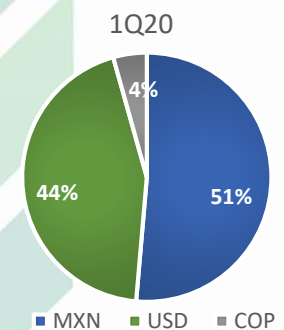
INCOME STATEMENT

Revenues

1Q20 consolidated net revenue totaled MXN3,890 million, a decrease of 2.3% or MXN93 million compared to the MXN3,983 million recorded in 1Q19, as a result of lower revenues across all our divisions.



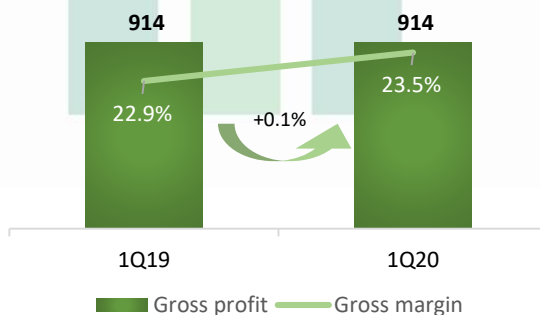
Exports accounted for 49.0% of net revenue in 1Q20, compared to 49.8% registered in 1Q19. The share of Dollar-denominated revenue reached 43.9% or MXN1,709 million, compared to 45.0% in 1Q19, while Mexican Peso denominated revenue reached 51.0%, coming from 50.2% in 1Q19.



Cost of goods sold

For the 1Q20 we recorded MXN2,975 million of cost of sales, which represents a decrease of MXN94 million or 3.1% compared to MXN3,069 million reached in 1Q19. The decrease was driven by lower raw materials costs and lower costs in our retail stores.

Gross profit



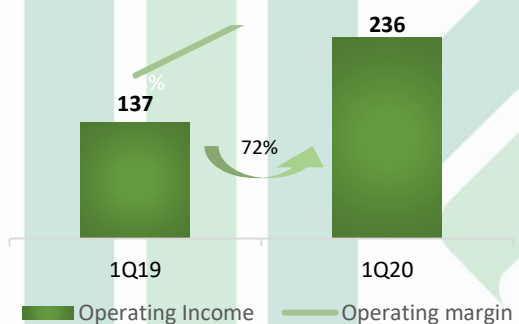
Consolidated Gross Profit amounted MXN914 million for the 1Q19, which represents an increase of MXN0.6 million compared to 1Q19. Gross margin for the 1Q20 stood at 23.5%, compared to 22.9% recorded in 1Q19, which represents an increase of 225 bps.

Operating and Other Expenses

Concept	Three months ended, March 31,		
	2020	2019	Δ%
SG&A	472	573	-18%
Other net (expenses) income	(8)	(42)	-82%
Total SG&A and other expenses	480	615	-22%

Operating expenses for the 1Q20 amounted MXN472 million, a decrease of 17.6% or MXN101 million compared to 1Q19 and the ratio of operational expenses to sales for 1Q20 was 12.1%, compared to 14.4% in 1Q19, due to higher other net expenses. Administrative expenses for the 1Q20 were MXN201 million an increase of 2.1% or MXN4 million compared to MXN196 million in 1Q19, while sales expenses amounted MXN271 million, a decrease of 27.9% or MXN105 million compared to MXN376 million in 1Q19.

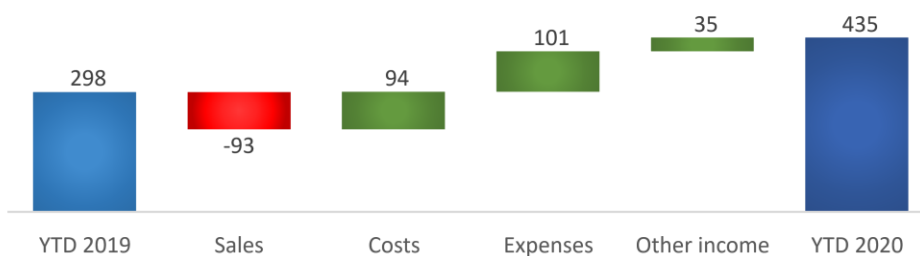
Operating Income



1Q20 consolidated operating income was MXN236 million, an increase of MXN99 million or 72.0% from MXN137 million reported on 1Q19, mainly driven by lower costs and operating expenses. Operating margin increased by 263 bps to 6.1% in 1Q20 from 3.4% in 1Q19.

EBITDA

Consolidated EBITDA totaled MXN435 million in 1Q20, 45.6% or MXN136 million higher than the MXN298 million registered in 1Q19. Without IFRS16 EBITDA amounted MXN336 million. EBITDA margin stood at 11.2% for the 1Q20, which represents an increase of 368 bps compared to 7.5% for the 1Q19.



Net Interest Expense and Forex

<i>Figures in MXN millions</i>	<i>Three months ended, March 31</i>		
	2020	2019	Δ%
Concept			
Interest income	4.0	2.9	40%
Interest expense	(325)	(235)	38%
Foreign exchange result	(2,380)	112	NA
Total Consolidated Financial Result	(2,701)	(120)	>100%

1Q20 net interest expense was MXN321 million, an increase of MXN89 million or 38.3%. We recorded a Forex loss of MXN2,380 million during the quarter, due to the 24.8% devaluation of the Mexican Peso during 1Q20, going from MXN18.85/US\$ at the end of 2019 to MXN23.51 at the end of March 2020. For the 1Q19, the Forex income was MXN112 million, as the Mexican Peso revaluated 1.5% during that quarter.

Income Tax

For 1Q20 we recorded an income tax income of MXN87 million, a decrease of MXN91 million when compared to a MXN4 million income tax for the 1Q19. The income is due to deferred income taxes.

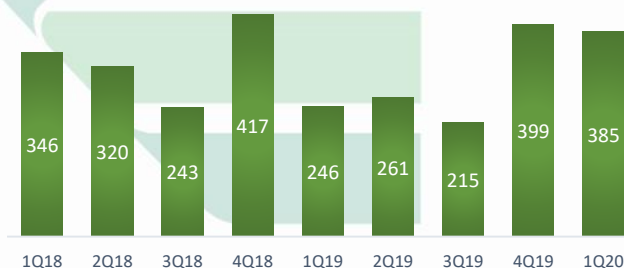
Net Income

1Q20 consolidated net loss totaled MXN2,465 million, which compares to an income of MXN17 million recorded in 1Q19, explained by the Forex loss due to the devaluation of the Mexican Peso during the first quarter of 2020.

BALANCE SHEET

Cash and Cash Equivalents

The balance in cash and cash equivalents totaled MXN385 million as of March 31, 2020, which is MXN140 million higher than MXN246 million at March 31, 2019.



Debt

Grupo Kaltex gross debt amounted MXN8,333 million as of March 31, 2020, compared to MXN6,947 at the same date of last year due to FX depreciation. In dollar terms, gross debt was USD354 million, a decrease of MXN4 million or 1.1% compared to USD358 million as of March 31, 2019. In currency terms, 98.9% was denominated in US dollars, and the remaining 1.2% in Colombian pesos.

Maturity Profile

Figures in MXN millions

	1 year	1-3 years	Total
Total Debt	760	7,573	8,333

Debt Structure

Division	March 31, 2020	March 31, 2019	Δ%
Short-term	32.3	33.4	-3.2%
Amortizing	7.9	11.1	-29%
Revolving	24.4	22.2	10%
Long-term	322.1	325.1	-0.9%
Amortizing	2.1	5.1	-59%
Senior Notes	320	320	0.0%
Total	354.4	358.5	-1.1%
Average rate	8.4%	7.8%	66 bps
Average life (years)	2.0	3.0	-1.1

The average maturity of Grupo Kaltex's debt at the end of the 1Q20 was 2.0 years, a decrease from 3.0 years at the end of 1Q19.

Debt Ratio	1Q20	1Q19
Gross Debt / EBITDA	4.17x	5.31x

Gross Debt / EBITDA ratio decreased to 4.17x in 1Q20 from 5.31x in 1Q19. Our gross FX exposure was USD606 million, of which financial exposure amounts USD358 million, and operative exposure amounts USD248 million. We have a natural hedge through our sales in US Dollars of USD367 million, for a total net exposure USD239 million and a hedge ratio of 61%.

Shareholders' Equity

Shareholders' Equity amounted MXN2,990 million as of March 31, 2020.

CASH FLOW

<i>Figures in MXN millions</i>	<i>Three months ended, March 31</i>		
	2020	2019	Δ%
Concept			
EBITDA	435	298	46%
Interest paid	26	63	-58%
Taxes paid	6	21	-71%
Working capital var	(223)	328	N/A
Free Cash Flow	625	(113)	N/A

CAPEX

For the 1Q19, investment in fixed assets reached MXN17 million or USD 0.8 million, while for 1Q19 it was MXN46 million or USD2.4 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

CONSOLIDATED FINANCIAL STATEMENTS

Due to the current health contingency the Audited Financial Statements will be published during the last week of May.

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>		
	2020	2019	Δ%
Net Revenue	3,889,670	3,982,956	-2.3%
Cost of Goods Sold	3,173,565	3,230,298	-1.8%
Gross Profit	716,105	752,658	-4.9%
Sales Expenses	271,390	376,287	-28%
Administrative Expenses	200,625	196,496	2.1%
Other (expenses) income net	(7,786)	(42,473)	-82%
Operating Profit	236,304	137,402	72%
Comprehensive Financial Result	(2,701,391)	(119,974)	>100%
Interest Income	4,030	2,869	40%
Interest Expense	325,251	235,080	38%
Foreign Exchange Result	(2,380,170)	112,237	NA
Income Tax	(86,635)	4,191	NA
Consolidated Net Result	(2,378,452)	13,237	NA
Depreciation	198,232	161,065	23%
EBITDA	434,536	298,467	46%

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

Figures in MXN thousands

	March 31, 2020	March, 31 2019
Assets		
Cash & Cash Equivalents	385,044	245,520
Accounts Receivable, net	3,588,792	3,412,913
Accounts receivable to related parties	140,164	90,603
Inventories, net	3,906,263	4,024,547
Prepaid expenses	126,175	148,428
Current Assets	8,146,438	7,922,011
Property, Plant and Equipment, net	11,723,709	10,957,999
Investment in Properties	1,836,096	1,745,588
Deferred Income Tax	832,557	280,515
Other Assets, net	4,506,796	1,477,691
Non-current Assets	18,899,158	14,461,793
Total Assets	27,045,596	22,383,804
Liabilities		
Bank loans	759,921	646,650
Accounts Payable to suppliers	3,325,860	3,386,810
Accounts payable to related parties	2,088,861	1,658,354
Other accounts payable and accrued liabilities	5,048,632	1,475,638
Direct employee benefits	72,218	81,145
Advanced payments from customers	107,586	112,340
Current Liabilities	11,403,078	7,360,937
Long-term financial liabilities	7,573,385	6,300,547
Accounts payable to related parties	2,269,554	928,093
Employee benefits	523,878	449,204
Contingencies	8,824	9,110
Deferred Income Tax	2,277,287	1,645,098
Non-current Liabilities	12,652,928	9,332,052
Total Liabilities	16,692,989	16,692,989
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(3,338,178)	(1,384,489)
Accumulated other comprehensive loss	130,566	130,566
Controlling interest	810,378	2,764,067
Non-controlling interest	2,179,212	2,926,748
Total Equity	2,989,590	5,690,815
Total Liabilities and Equity	27,045,596	22,383,804

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>	
	2020	2019
Cash flows from operating activities		
Consolidated net income (loss)	(2,378,452)	13,237
<i>Adjustments for:</i>		
Income tax expense recognized in net loss	(86,635)	4,191
Loss (gain) on disposal of property, plant and equipment	-	2,640
Depreciation and amortization	198,232	161,065
Contingencies	-	-
Fair value adjustment of investment properties	-	-
Interest income	(4,030)	(2,869)
Interest expense	325,251	236,469
Unrealized foreign exchange	2,069,300	(106,508)
	123,666	308,225
Changes in working capital		
<i>(Increase) decrease in:</i>		
Accounts receivable, net	(189,391)	(379,442)
Accounts receivables to related parties	-	-
Inventories, net	(310,363)	(66,816)
Prepaid expenses	(37,810)	130,855
Other assets	(42,094)	1,723
<i>(Increase) decrease in:</i>		
Accounts payable to Suppliers	462,312	(4,792)
Accounts payable to related parties	-	-
Other accounts payable and accrued liabilities	28,661	55,914
Direct employee benefits	1,318	(10,564)
Advance payments from customers	21,313	(4,107)
Income taxes paid	(6,175)	(21,009)
Employee benefits	(26,531)	3,381
Contingencies	-	-
Net cash flows generated by operating activities	24,906	13,368
<i>Cash flows from investing activities:</i>		
Interest received	-	-
Acquisition of property, plant and equipment	(17,580)	(46,451)
Sale of property, plant and equipment	-	2,553
Net cash flows (generated by) used in investing activities	(17,580)	(43,898)
<i>Cash flows from financing activities:</i>		
Proceeds from debt	28,765	217,097
Payments of debt	(23,443)	(248,274)
Proceeds from related parties	-	(46,178)
Interest paid	(26,232)	(62,872)
Purchase of non-controlling interest	-	-
Capital increase	-	-
Dividends paid	(14,400)	-
Expenses associated with bond issue	-	-
Net cash flow (used in) generated by financing activities	(35,310)	(140,227)
Net increase (decrease) in cash and cash equivalents	(27,984)	(170,757)
Effects of exchange rate changes on cash flows	13,532	(1,014)
Cash and cash equivalents at beginning of year	399,496	417,291
Cash and cash equivalents at end of year	385,044	245,520