



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
2Q20**

MESSAGE FROM THE CEO

Dear Investor,

During the second quarter of 2020 the world experienced an unprecedented health issue that resulted in a grave economic disruption with a high present uncertainty regarding the status of our current economic scenario.

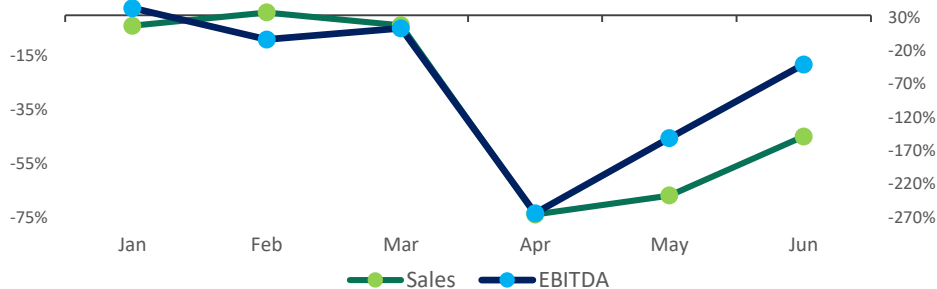
One of the industries that has been more negatively impacted is the apparel retail, where most of our customers and ourselves operate. Despite this negative economic landscape, we are starting to see early signs of recovery in our revenues and EBITDA as the local and global economy are gradually reopening.

For most part of the second quarter 2020 our manufacturing operating capacity ran below 40% due that our local and global customer postponed most of the orders that were placed at the beginning of the quarter. At the same time, our retail stores remained closed, resulting in virtually no income from that segment.

As a result, the second quarter 2020 revenue decreased 62% compared to the same quarter of last year, reaching MXN1,682 million. Our EBITDA for the quarter posted a loss of MXN133 million which represented a decrease of 122% compared to the same quarter of last year. This numbers were better than initially expected and it reflects the increase of economic activity.

In order to protect our liquidity, during the quarter we implemented some measure to reduce costs and expenses while ensuring that we follow government’s restrictions. We put a special focus on the optimization in the use of our inventories, therefore reducing raw material purchases. We also took de difficult decision to reduce our headcount across all segments of the business. As a result of these strategies, we finished the quarter with a cash balance of MXN291 million, which is MXN30 million higher than the cash balance registered in the second quarter of last year.

Analyzing the following graph, we expect a V-shaped recovery in our business. We also expect significant challenges and a high level of uncertainty, which makes difficult foreseeing the full year outcome.



In our 95 years of existence we have faced several crises and, although this one may be unprecedented, we have always risen stronger, as we have reacted in a timely manner making difficult but necessary decisions that allow us to continue operating and growing in the new economic and social environment.

Allow me to express my gratitude, once again, for your interest and continued trust in Kaltex.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, July 31, 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 second quarter of 2020 ended June 30, 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.

2Q20 HIGHLIGHTS

- ✎ In Mexico, the GDP during the second quarter decreased -18.9% the largest reduction recorded in the history of this indicator (since 1981). Under this scenario second quarter consolidated net revenue reached MXN1,682 million, a decrease of 61.6% or MXN2,694 million when compared to the MXN4,376 million reported in the second quarter of 2019 due to the economic disruption originated by the COVID-19 pandemic. Year to date, net revenue amounted MXN5,571 million, a decrease of MXN2,787 million or 33.3% compared to MXN8,359 million for the same period of 2019.
- ✎ Second quarter consolidated cost of goods sold were MXN\$1,379 million, a year over year decrease of 58.9% or MXN\$1,974 million, compared to 2Q19. For the first six months of 2020 cost of goods sold was MXN4,355 million a decrease of MXN2,068 million or 32.2% compared to MXN6,422 million posted in the same period of last year.
- ✎ Second quarter gross profit margin for the quarter decreased to 18.0% of net revenues compared to 23.4% in 2Q19, reaching MXN302 million, which represents a decrease of MXN720 million or 70.4%, in connection with the COVID-19 pandemic impact. Year to date, gross profit margin was 21.8% compared to 23.2% in the same period of 2019.
- ✎ EBITDA generation for the second quarter decreased by 44.6% reaching a loss of MXN133 million, a reduction of MXN728 or -122.3% compared to a positive MXN595 million in 2Q19 due to the negative effect of the COVID-19. Due to the good results reflected during the first quarter of the year, we were able to generate a positive year to date EBITDA of MXN302 million, that represents a decrease of MXN592 million or 66.3% compared to MXN894 reached during the first six months of 2019.
- ✎ EBITDA margin for the second quarter stood at -7.9% compared to 13.6% recorded in the same quarter of last year. On an accumulated basis EBITDA margin was 5.4% of sales, compared to 10.7% for the same period of 2019.
- ✎ Second quarter consolidated net loss for the quarter reached MXN221 million compared to a loss of MXN94 million recorded in the same quarter of 2019, explained by the lower operating income related to the global pandemic. For the first six months of 2020, net loss amounted MXN2,600 million, compared to a loss of MXN81 million in the same period of 2019, 91% of these losses are explained by the FX losses reported during the 1Q20.

KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, June 30,</i>			<i>Six months ended, June 30,</i>		
	2020	2019	Δ%	2020	2019	Δ%
Net Revenue	1,682	4,376	-62 %	5,571	8,359	-33%
Gross Profit	302	1,023	-70%	1,217	1,936	-37%
Gross Margin (%)	18%	23%	-539bps	22%	23%	-133bps
Operating Expenses	472	573	-18%	872	989	-12%
Operating Expenses / Sales	28%	13%	1498bps	16%	12%	382bps
Operating Income	(285)	320	-189%	(49)	458	-111%
Operating Margin (%)	-17.0%	7.3%	-2428bps	-0.9%	5.5%	-635bps
Consolidated Net Income	(221)	(94)	135%	(2,600)	(81)	3108%
Net Margin (%)	-13.2%	-2.2%	-1100bps	-46.7%	-1.0%	-4569bps
EBITDA	(133)	595	-122%	302	894	-66.3%
EBITDA margin (%)	-7.9%	13.6%	-2151bps	5%	10.7%	-528bps
CAPEX	54	24	128%	72	70	2.4%
ROA (LTM)	-10.8%	-1.0%	-985bps	-10.8%	-1.0%	-985bps
ROE (LTM)	-88.3%	-4.2%	-8409bps	-88.3%	-4.2%	-8409bps
Total Debt / EBITDA (LTM)	6.32	4.36	-	6.32	4.36	-
Net Debt / EBITDA (LTM)	6.08	4.19	-	6.08	4.19	-
Interest Coverage	(0.43)	1.40	-	(0.43)	1.40	-
Working Capital	3,008	2,431	24%	3,008	2,431	24%
Free Cash Flow	834	(113)	-836%	834	(113)	-836%
Headcount (number)	14,754	16,839	-12%	14,754	16,839	-12%

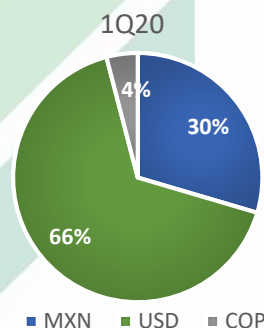
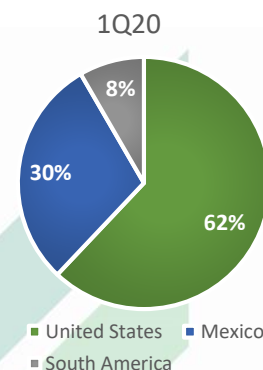
INCOME STATEMENT

Revenues

Second quarter consolidated net revenue totaled MXN1,682 million, a decrease of 61.6% or MXN2,694 million compared to the MXN4,376 million recorded in second quarter of 2019. Year to date, net revenue amounted MXN5,571 million a decrease of MXN2,787 million or 33.3% compared to the same months of 2019.

For the second quarter the share of Dollar-denominated revenue reached MXN1,115 million representing 66.3% of net revenues, compared to 40.8% in the second quarter of 2019, while Mexican Peso denominated revenue reached MXN496 million or 29.5% of net revenues, coming from 54.6% in the same period of 2019.

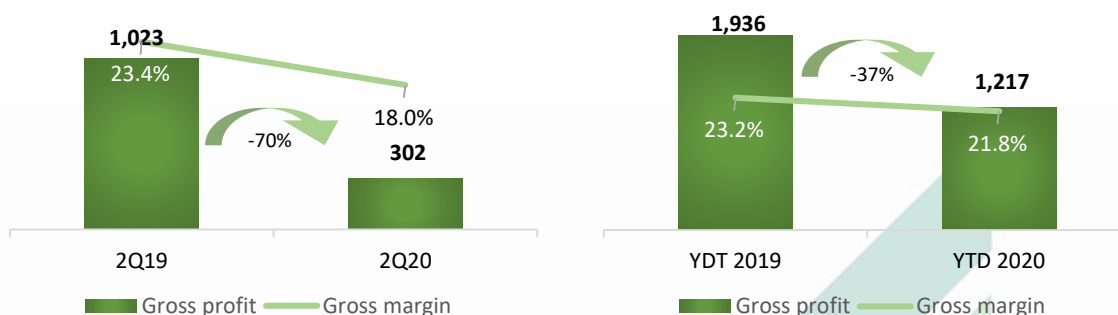
Similarly, exports accounted for 70.5% of net revenue in the second quarter, compared to 45.5% registered in the second quarter of 2019. For the first six months of 2020, Dollar-denominated revenue represented 50.7% and exports represented 55.5% of net revenues compared to 42.8% and 47.5% during the same period of last year. The decrease of local revenues is explained by the delay of the reopening of the Mexican economy compared to the US.



Cost of goods sold

For the second quarter we recorded MXN1,379 million of cost of sales, which represents a decrease of MXN1,974 million or 58.9% compared to MXN3,353 million reached in the same period of 2019. On an accumulated basis, cost of goods sold reached MXN4,355 million, a decrease of MXN2,068 million or 32.2% compared to MXN6,422 million for 2019.

Gross profit



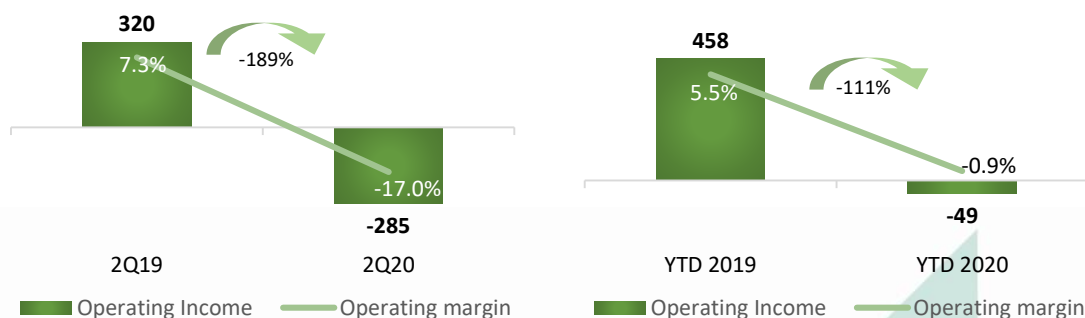
Consolidated Gross Profit amounted MXN302 million for the second quarter, which represents a decrease of MXN720 million compared to MXN1,023 million reached second quarter of 2019. Gross margin for the second quarter stood at 18.0% of net sales, compared to 23.4% recorded in the same period of 2019. Year to date, gross profit amounted MXN1,217 million a decrease of MXN270 million or 37.2% compared to MXN1,936 million posted on 2019. Gross margin for the first half of 2020 represented 21.8% of net revenues compared to 23.2% for the first half of 2019.

Operating and Other Expenses

Concept	Three months ended, June 30,			Six months ended, June 30,		
	2020	2019	Δ%	2020	2019	Δ%
SG&A	400	416	-3.9%	872	989	-12%
Other income (expenses), net	(35)	(11)	>100%	(43)	(53)	-19%
Total SG&A and other expenses	435	427	1.9%	915	1,042	-12%

Operating expenses for the second quarter amounted MXN400 million, a decrease of 3.9% or MXN16 million compared to MXN416 million recorded during the second quarter of 2019, while the ratio of operational expenses to sales for the second quarter was 23.8%, compared to 9.5% in the same period of 2019 due to lower revenues. Year to date, operating expenses reached MXN872 million, a decrease of MXN117 million or 11.8% compared to MXN989 million reached in 2019.

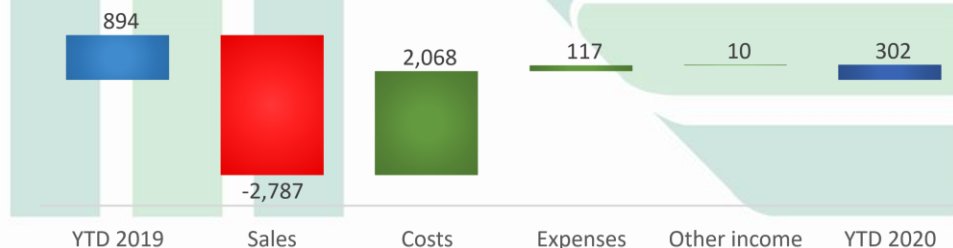
Operating Income



Second quarter consolidated operating loss was MXN285 million, a decrease of MXN606 million or 189% from MXN320 million reported on the second quarter of 2019. Operating margin for the second quarter decreased to -17.0% of net revenues coming from 7.3% in the second quarter of 2019. For the first six months of 2020 operating loss amounted MXN49 million, compared to an operating income of MXN458 million reached in the same period of 2019. This represented a decrease of MXN507 million or 111%. Operating margin for the first half of 2020 represented -0.9% of net revenues, compared to 5.5% in the same period of last year.

EBITDA

Consolidated EBITDA loss totaled MXN133 million in the second quarter, 122% or MXN728 million lower than the MXN595 million registered in the same period of 2019. EBITDA margin stood at -7.9% of net revenues for the second quarter, which represents a decrease compared to 13.6% for the same quarter of 2019. Year to date, EBITDA reached MXN302 million, a decrease of MXN592 million or 66.3% compared to MXN894 million registered in the first six months of 2019. For the first half of 2020 EBITDA represented 5.4% of net revenues compared to 10.7% in the first half of 2019.



Net Interest Expense and Forex

Concept	Three months ended, June 30,			Six months ended, June 30,		
	2020	2019	Δ%	2020	2019	Δ%
Interest income	6.8	1.4	>100%	10.9	4.3	>100%
Interest expense	(310)	(427)	-27%	(635)	(662)	-4.0%
Foreign exchange result	392	79	>100%	(1,988)	191	NA
Total Consolidated Financial Result	88	(346)	NA	(2,613)	(466)	461%

Second quarter net interest expense was MXN303 million, a decrease of MXN122 million or 28.7% compared to MXN425 million in the second quarter of 2019. We recorded a Forex income of MXN392 million during the quarter, due to the 2.3% revaluation of the Mexican Peso during the quarter, going from MXN23.51/US\$ at the end of March 2020 to MXN22.97/US\$ at the end of June. On an accumulated basis, net interest expense amounted MXN625 million, a decrease of MXN33 million or 5.0% compared to the same period of 2019, while FX loss amounted MXN1,988 million compared to an income of MXN191 million for 2019 due to the devaluation of the Mexican Peso registered in the first quarter of 2019.

Income Tax

The second quarter recorded an income tax expense of MXN24 million, a decrease of MXN44 million or 64.3% when compared to a MXN68 million income tax for the second quarter of 2019. Year to date, income tax income was MXN62 million due to deferred income taxes recorded during the first quarter of 2019, while for the first six months of 2019 income tax expense was MXN73 million.

Net Income

Second quarter consolidated net loss totaled MXN221 million, which compares to a loss of MXN94 million recorded in the second quarter of 2019. Year to date net loss amounted MXN2,662 million compared to MXN81 million registered in the same period of 2019. The loss is mainly due to the large FX loss recorded during the first quarter of 2019.

BALANCE SHEET

Cash and Cash Equivalents

The balance in cash and cash equivalents totaled MXN291 million as of June 30, 2020, which is MXN30 million higher than MXN261 million recorded at June 30, 2019.



Debt

Grupo Kaltex gross debt amounted MXN7,723 million as of June 30, 2020, compared to MXN6,797 million at the same period of last year due the depreciation of 19.8% the Mexican Peso during the last 12 months.

In dollar terms, gross debt was USD336 million, a decrease of MXN18 million or 5.2% compared to USD355 million as of June 30, 2019 due to the normal amortization of the debt and the reclassification of the factoring of our US subsidiaries.

In currency terms, 98.9% was denominated in US dollars, and the remaining 1.1% in Colombian pesos.

Maturity Profile

Figures in MXN millions

	1 year	1-3 years	Total
Total Debt	338	7,385	7,723

Debt Structure

Division	June 30, 2020	June 30, 2019	Δ%
Short-term	14.7	30.3	-51%
Amortizing	7.3	10.2	-29%
Revolving	7.4	20.2	-63%
Long-term	321.5	324.2	-0.8%
Amortizing	1.5	4.2	-65%
Senior Notes	320	320	0.0%
Total	336.2	354.6	-5.2%
Average rate	8.8%	8.6%	20 bps
Average life (years)	1.8	2.8	-1.0

At 30 June 2020 long term debt represented 95.6% of total debt compared to 91.4% at the end of the second quarter of 2019. As a result, the average maturity of Grupo Kaltex's debt at the end of the second quarter was 1.8 years, a decrease from 2.8 years at the end of the second quarter of 2019.

Debt Ratio	2Q20	2Q19
Gross Debt / EBITDA	6.08x	4.51x

Gross Debt / EBITDA ratio increased to 6.08x in 2Q20 from 4.51x in the second quarter of 2019, due to lower sales. Our gross FX exposure was USD523 million, of which financial exposure amounts USD332 million, and operative exposure amounts USD199 million. We have a natural hedge through our sales in US Dollars of USD322 million, for a total net exposure USD210 million and a hedge ratio of 61%.

Shareholders' Equity

Shareholders' Equity amounted MXN1,526 million as of June 30, 2020.

CASH FLOW

<i>Figures in MXN millions</i>	<i>Three months ended, June 30,</i>			<i>Six months ended, June 30,</i>		
	2020	2019	Δ%	2020	2019	Δ%
Concept						
EBITDA	(133)	595	-122%	302	894	-66%
Interest paid	383	299	28%	410	362	13%
Taxes paid	73	38	91%	79	59	34%
Working capital variation	(846)	(52)	1537%	(1,278)	276	-563%
Free Cash Flow	257	310	-17%	1,091	197	454%

CAPEX

For the second quarter, investment in fixed assets reached MXN54 million or USD2.3 million, while for second quarter of 2019 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

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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, June 30,</i>			<i>Six months ended, June 30,</i>		
	2020	2019	Δ%	2020	2019	Δ%
Net revenue	1,681,771	4,375,694	-62%	5,571,441	8,358,650	-33%
Cost of goods sold	1,531,739	3,628,260	-58%	4,705,304	6,858,558	-31%
Gross profit	150,032	747,434	-80%	866,137	1,500,092	-42%
Sales expenses	232,309	196,378	18%	503,699	572,665	-12%
Administrative expenses	167,743	219,899	-24%	368,368	416,395	-12%
Other (expenses) income net	(35,195)	(10,830)	>100%	(42,981)	(53,303)	-19%
Operating profit	(285,215)	320,327	-189%	(48,911)	457,729	-111%
Comprehensive financial result	88,461	(346,157)	NA	(2,612,930)	(466,131)	>100%
Interest income	6,838	1,399	>100%	10,868	4,268	>100%
Interest expense	310,246	426,648	-27%	635,497	661,728	-4%
Foreign exchange result	391,869	79,092	>100%	(1,988,301)	191,329	-1,139%
Income tax	24,448	68,436	-64%	(62,187)	72,627	-186%
Consolidated net result	(221,202)	(94,266)	>100%	(2,599,654)	(81,029)	>100%
Depreciation	152,311	275,088	-45%	350,543	436,153	-20%
EBITDA	(132,904)	595,415	-122%	301,632	893,882	-66%

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

Figures in MXN thousands

	June 30, 2019	June 30, 2020
Assets		
Cash & Cash Equivalents	261,315	291,278
Accounts Receivable, net	3,899,693	2,733,560
Accounts receivable to related parties	92,155	237,068
Inventories, net	3,788,800	3,681,005
Prepaid expenses	190,497	129,684
Current Assets	8,232,460	7,072,595
Property, Plant and Equipment, net	10,750,286	10,447,869
Investment in Properties	1,719,124	1,958,454
Deferred Income Tax	328,181	891,438
Right of use asset	-	2,937,426
Other Assets, net	4,637,558	1,461,642
Non-current Assets	17,435,149	17,696,829
Total Assets	25,667,609	24,769,424
Liabilities		
Bank loans	581,629	337,830
Accounts Payable to suppliers	3,718,321	3,244,244
Short term lease liability	-	131,624
Accounts payable to related parties	1,631,130	399,588
Other accounts payable and accrued liabilities	4,724,287	2,090,846
Direct employee benefits	80,774	72,218
Advanced payments from customers	108,790	7,586
Current Liabilities	10,844,931	6,283,936
Long-term financial liabilities	6,215,259	7,385,057
Accounts payable to related parties	1,927,592	3,882,763
Lease liability	-	2,917,000
Employee benefits	436,938	527,566
Contingencies	8,805	10,101
Deferred Income Tax	1,703,501	2,237,487
Non-current Liabilities	10,292,095	16,959,974
Total Liabilities	21,137,026	23,243,910
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,880,518)	(3,977,636)
Accumulated other comprehensive loss	130,566	(165,583)
Controlling interest	2,268,038	(125,229)
Non-controlling interest	2,262,545	1,650,743
Total Equity	4,530,583	1,525,514
Total Liabilities and Equity	25,667,609	24,769,424

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

<i>Figures in MXN thousands</i>	<i>Three months ended, June 30,</i>		<i>Six months ended, June 30,</i>	
	2020	2019	2020	2019
Cash flows from operating activities				
Consolidated net income (loss)	(221,202)	(94,266)	(2,599,654)	(81,029)
<i>Adjustments for:</i>				
Income tax expense recognized in net loss	24,448	68,436	(62,187)	72,627
Loss (gain) on disposal of property, plant and equipment	-	-	-	2,640
Depreciation and amortization	152,311	275,088	350,543	436,153
Contingencies	-	-	-	-
Fair value adjustment of investment properties	-	-	-	-
Interest income	(6,838)	(1,399)	(10,868)	(4,268)
Interest expense	310,246	408,880	635,497	645,349
Unrealized foreign exchange	(400,989)	(33,515)	1,668,311	(140,023)
	(142,024)	623,224	(18,358)	931,449
Changes in working capital				
<i>(Increase) decrease in:</i>				
Accounts receivable, net	574,049	(873)	384,658	(380,315)
Accounts receivables to related parties	-	-	-	-
Inventories, net	(59,584)	(5,705)	(369,947)	(72,521)
Prepaid expenses	122,975	(247,568)	85,165	(116,713)
Other assets	(49,698)	(3,364,332)	(91,792)	(3,362,609)
<i>(Increase) decrease in:</i>				
Accounts payable to suppliers	(97,342)	82,605	364,970	77,813
Accounts payable to related parties	-	-	-	-
Other accounts payable and accrued liabilities*	73,016	3,052,695	101,677	3,108,609
Direct employee benefits	(1,274)	(27,397)	44	(37,961)
Advance payments from customers	(107,122)	(53,515)	(85,809)	(57,622)
Income taxes paid	(73,193)	(38,315)	(79,368)	(59,324)
Employee benefits	24,672	(1,022)	(1,859)	2,359
Contingencies	-	13,523	-	13,523
Net cash flows generated by operating activities	264,475	33,320	289,381	46,688
<i>Cash flows from investing activities:</i>				
Interest received	876	8,515	876	8,515
Acquisition of property, plant and equipment	(54,428)	(23,892)	(72,008)	(70,343)
Sale of property, plant and equipment	-	2,011	-	4,564
Net cash flows (generated by) used in investing activities	(53,552)	(13,366)	(71,132)	(57,264)
<i>Cash flows from financing activities:</i>				
Proceeds from debt	147,693	287,225	176,458	504,322
Payments of debt	(22,027)	(22,663)	(45,470)	(270,937)
Proceeds from related parties	-	30,871	-	(15,307)
Interest paid	(383,348)	(298,658)	(409,580)	(361,530)
Purchase of non-controlling interest	-	-	-	-
Capital increase	-	-	-	-
Dividends paid	(34,600)	-	(49,000)	-
Expenses associated with bond issue	-	-	-	-
Net cash flow (used in) generated by financing activities	(292,282)	(3,225)	(327,592)	(143,452)
Net increase (decrease) in cash and cash equivalents	(81,359)	16,729	(109,343)	(154,028)
Effects of exchange rate changes on cash flows	(12,407)	(934)	1,125	(1,948)
Cash and cash equivalents at beginning of year	385,044	245,520	385,044	417,291
Cash and cash equivalents at end of year	291,278	261,315	276,826	261,315