



**VERTICALLY INTEGRATED
TEXTILE COMPANY**

**EARNINGS RELEASE
4Q20**

MESSAGE FROM THE CEO

Dear Investor,

According to the preliminary estimates published by the Mexican Institute of Statistics and Geography (INEGI), during the fourth quarter the Mexican economy reflected a year-over-year reduction of -4.6%, while for full year 2020, the Mexican GDP is estimated to decrease -8.5%. As reported by the IMF, Mexico is the only country out of the major developed and emerging economies with a negative growth during the past two years. (in 2019 the GDP contracted -0.1%)

Under this scenario, Grupo Kaltex is reporting sales of \$4,358 million pesos for the fourth quarter 2020 which represented a reduction of -8.6% year-over-year. Compared to the third quarter 2020, sales recorded an increase of 18.9%.

For the full year 2020 sales were \$13,596 million pesos or a -23.4% reduction compared to the \$17,751 million pesos reached during 2019. Regarding sales by country, sales to the United States were \$2,044 million pesos, an increase of 32.1% or \$496 million pesos compared to 2019. Sales in Mexico amounted \$2,203 million pesos, a decrease of 22.3% or \$632 million pesos, related to the slow recovery of the Mexican economy and the shutdown of our retail stores during most part of the year.

In terms of EBITDA, during the fourth quarter the company recorded \$268 million pesos (excluding IFRS16) and \$356 million pesos (including IFRS16), which respectively correspond to a decrease on an annual basis of -43.7% and -37.9%, compared to the \$476 million pesos and \$574 million pesos obtained during the fourth quarter of 2019.

For 2020 EBITDA was \$922 million pesos (excluding IFRS16) and \$1,242 million pesos (including IFRS16), a reduction of -36.2% and -33.4%, respectively, compared to \$1,444 million pesos (excluding IFRS16) \$1,865 million pesos (including IFRS16).

Regarding our cash position, it amounted \$242 million pesos at the end of the year compared to the \$399 million pesos at the end of 2019.

Finally, our debt stood at \$328.6 million dollars at the end of 2020, this represents a \$3.2 million dollars reduction compared to the \$331.8 million dollars at the end of 2019.

Thank you once more for your trust in Kaltex.

Sincerely,

Rafael Kalach Mizrahi
Chairman of the Board & CEO

Naucalpan, Estado de Mexico, February 12, 2021 – 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 2020 ended December 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.

4Q20 HIGHLIGHTS

- ✦ Fourth quarter consolidated net revenue reached MXN4,358 million, a decrease of 8.6% or MXN412 million when compared to the MXN4,771 million reported for the fourth quarter of 2019, as a result of the lower sales in our retail division due to the measures implemented to limit the spread of the COVID-19. On a sequential basis, revenues were 18.9% or MXN693 million higher than the MXN3,666 million reached during the third quarter, continuing with the recovery we started to see last period. Year to date, net revenue amounted MXN13,596 million, a decrease of MXN4,155 million or 23.4% compared to MXN17,751 million for the same period of 2019.
- ✦ Fourth quarter consolidated cost of goods sold was MXN\$3,308 million, a year-over-year decrease of 6.1% or MXN\$216 million, compared to MXN\$3,524 million for the same quarter of 2019. For 2020 cost of goods sold was MXN10,255 million a decrease of MXN3,335 million or 24.5% compared to MXN13,590 million posted in 2019.
- ✦ Fourth quarter gross profit margin represented 24.1% of net revenues compared to 26.1% for the same quarter of 2019, reaching MXN1,051 million, a decrease of MXN196 million or 15.7%. Full year gross profit margin was 24.6%, an increase of 113bsp compared to 23.4% for 2019, amounting MXN3,341 million, a decrease of 19.7% or MXN820 million.
- ✦ EBITDA generation for the fourth quarter decreased 37.9% reaching MXN356 million, a decrease of MXN217 million compared to MXN574 million in the fourth quarter of 2019. For 2020 EBITDA was MXN1,242 million, that represented a decrease of MXN623 million or 33.4% compared to MXN1,865 million reached during 2019.
- ✦ EBITDA margin for the fourth quarter stood at 8.2% compared to 12.0% recorded in the same quarter of last year. On an accumulated basis EBITDA margin was 9.1% of sales, compared to 10.5% for 2019.
- ✦ Fourth quarter consolidated net income reached MXN930 million compared to MXN183 million recorded in the same quarter of 2019, explained by a positive effect from the revaluation of the Mexican peso during the quarter. Year to date, net loss amounted MXN1,462 million, compared to a loss of MXN275 million in 2019, this loss is explained by the FX loss of MXN2,380 million reported during the first quarter of 2020.

KEY CONSOLIDATED FINANCIAL INDICATORS

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2020	2019	Δ%	2020	2019	Δ%
Net Revenue	4,358	4,771	-8.6%	13,596	17,751	-23%
Gross Profit	1,051	1,247	-16%	3,341	4,161	-20%
Gross Margin (%)	24%	26%	-203bps	25%	23%	113bps
Operating Expenses	536	799	-33%	1,870	2,324	-20%
Operating Expenses / Sales	12%	17%	-445bps	14%	13%	66bps
Operating Income	89	298	-70%	435	939	-54%
Operating Margin (%)	2.0%	6.3%	-420bps	3.2%	5.3%	-209bps
Consolidated Net Income	930	183	>100%	(1,462)	(275)	>100%
Net Margin (%)	21%	3.8%	1751bps	-11%	-1.6%	-920bps
EBITDA	356	574	-38%	1,242	1,865	-33%
EBITDA margin (%)	8.2%	12%	-385bps	9.1%	11%	-137bps
CAPEX	106	264	-60%	250	396	-37%
ROA (LTM)	-5.9%	-1.1%	-477bps	-5.9%	-1.1%	-477bps
ROE (LTM)	-69%	-6.1%	-6314bps	-69%	-6.1%	-6314bps
Total Debt / EBITDA (LTM)	5.28	3.35	-	5.28	3.35	-
Net Debt / EBITDA (LTM)	5.08	3.14	-	5.08	3.14	-
Interest Coverage	0.90	1.48	-	0.93	1.35	-
Working Capital	3,011	2,652	14%	3,011	2,652	14%
Free Cash Flow	(585)	834	N/A	(109)	1,077	N/A
Headcount (number)	13,945	17,455	-20%	13,945	17,455	-20%

INCOME STATEMENT

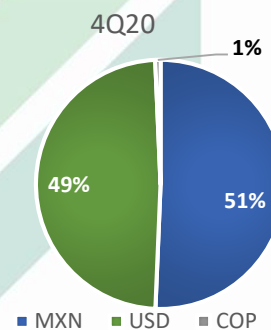
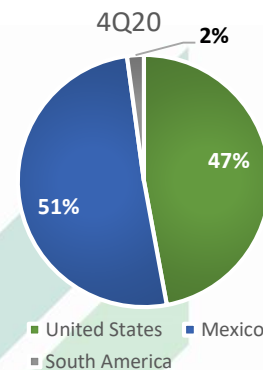
Revenues

Fourth quarter consolidated net revenue totaled MXN4,358 million, a decrease of 8.6% or MXN412 million compared to the MXN4,771 million recorded in fourth quarter of 2019. Year to date, net revenue amounted MXN13,596 million a decrease of MXN4,155 million or 23.4% compared to 2019.

For the fourth quarter Dollar-denominated revenue reached MXN2,115 million representing 48.5% of net revenues, compared to 37.1% for the same quarter of 2019, while Mexican Peso denominated revenue reached MXN2,203 million or 50.5% of net revenues, coming from 59.4% for the same period of 2019.

For 2020, Dollar-denominated revenue represented 52.1% of net revenues compared to 41.4% during 2019. Mexican Peso revenue represented 44.8% in 2020 compared to 54.2% in 2019.

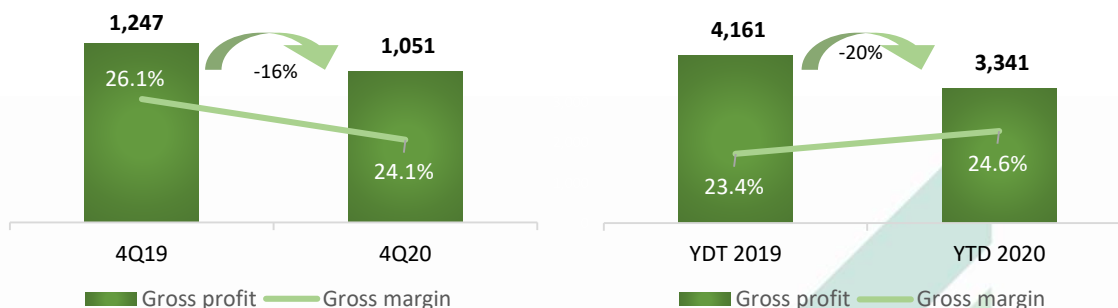
Regarding sales by country, quarterly sales to the United States were \$2,044 million pesos, an increase of 32.1% or \$496 million pesos compared to the same quarter of 2019. Sales in Mexico for the quarter amounted \$2,203 million pesos, a decrease of 22.3% or \$632 million pesos, related to the slow recovery of the Mexican economy and the shutdown of our retail stores during most part of the year.



Cost of goods sold

For the fourth quarter we recorded MXN3,308 million of cost of sales, which represented a decrease of MXN216 million or 6.1% compared to MXN3,524 million reached in the same period of 2019. On an accumulated basis, cost of goods sold reached MXN10,255 million, a decrease of MXN3,335 million or 24.5% compared to MXN13,590 million for 2019.

Gross profit



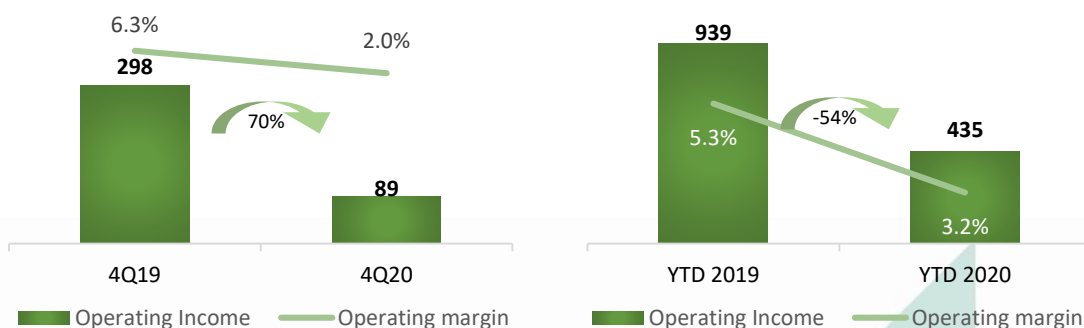
Consolidated Gross Profit amounted MXN1,051 million for the fourth quarter, which represents a decrease of MXN196 million or 15.7% compared to MXN1,247 million reached during the fourth quarter of 2019. Gross margin for the fourth quarter stood at 24.1% of net sales, compared to 26.1% recorded in the same period of 2019. Year to date, gross profit amounted MXN3,341 million a decrease of MXN820 million or 19.7% compared to MXN4,161 million posted on 2019. Gross margin for 2020 represented 24.6% of net revenues compared to 23.4% for 2019.

Operating and Other Expenses

Concept	Three months ended, December 31,			Twelve months ended, December 31,		
	2020	2019	Δ%	2020	2019	Δ%
SG&A	536	799	-33%	1,870	2,324	-20%
Other income (expenses), net	(159)	125	-227%	(229)	28	-922%
Total SG&A and other expenses	694	673	3.2%	2,099	2,296	-8.6%

Operating expenses for the fourth quarter amounted MXN536 million, a decrease of 32.9% or MXN263 million compared to MXN799 million recorded during the fourth quarter of 2019, while the ratio of operational expenses to sales for the fourth quarter was 12.3%, compared to 16.7% in the same period of 2019. Year to date, operating expenses reached MXN1,870 million, a decrease of MXN454 million or 19.5% compared to MXN2,324 million posted in 2019.

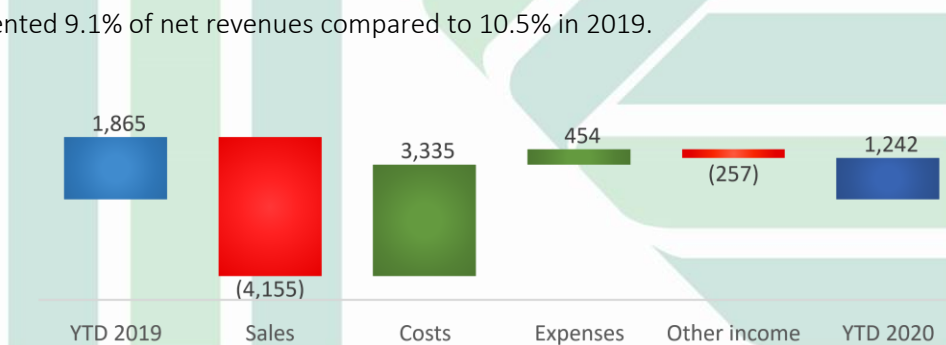
Operating Income



Fourth quarter consolidated operating income was MXN89 million, a decrease of MXN209 million or 70.1% from MXN298 million reported on the fourth quarter of 2019. Operating margin for the quarter decreased to 2.0% of net revenues coming from 6.3% for the fourth quarter of 2019. For 2020 operating income amounted MXN435 million, compared to MXN939 million reached in the same period of 2019. This represented a decrease of MXN504 million or 53.7%. Operating margin for 2020 represented 3.2% of net revenues, compared to 5.3% in 2019.

EBITDA

Consolidated EBITDA totaled MXN356 million in the fourth quarter 2020, which is 37.9% or MXN217 million lower than the MXN574 million registered in the same period of 2019. EBITDA margin stood at 8.2% of net revenues for the quarter, which represents a decrease from 12.0% registered during the same quarter of 2019. Year to date, EBITDA reached MXN1,242 million, a decrease of MXN623 million or 33.4% compared to MXN1,865 million registered during 2019. For 2020, EBITDA represented 9.1% of net revenues compared to 10.5% in 2019.



Net Interest Expense and Forex

Concept	Three months ended, December 31,			Twelve months ended, December 31,		
	2020	2019	Δ%	2020	2019	Δ%
Interest income	16.1	16.6	-2.5%	56.0	21.9	>100%
Interest expense	(395)	(388)	2.0%	(1,340)	(1,377)	-2.7%
Foreign exchange result	1,296	380	>100%	(528)	351	N/A
Total Consolidated Financial Result	917	8.5	>100%	(1,812)	(1,004)	80%

Fourth quarter net interest expense was MXN379 million, an increase of MXN8 million or 2.2% compared to MXN371 million for the fourth quarter of 2019. We recorded a Forex income of MXN1,296 million during the quarter, due to the 11.2% revaluation of the Mexican Peso during the quarter, going from MXN22.46/US\$ at the end of September 2020 to MXN19.95/US\$ at the end of December 2020. On an accumulated basis, net interest expense amounted MXN1,284 million, a decrease of MXN71 million or 5.3% compared to the same period of 2019, while FX loss amounted MXN528 million compared to an income of MXN351 million for 2019 due to the devaluation of the Mexican Peso registered in the first quarter of 2020.

Income Tax

The fourth quarter recorded an income tax expense of MXN76 million, a decrease of MXN48 million when compared to a MXN124 million income tax for the fourth quarter of 2019. Year to date, income tax income was MXN85 million due to deferred income taxes recorded during the first quarter of 2020, while for 2019 income tax expense was MXN210 million.

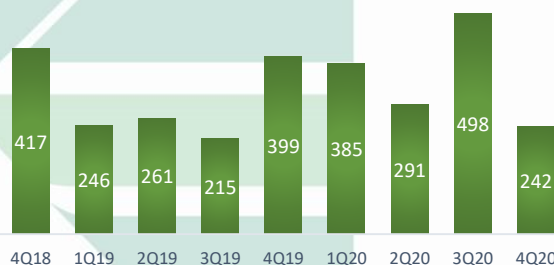
Net Income

Fourth quarter consolidated net income totaled MXN930 million, which compares to MXN183 million recorded in the same quarter of 2019. Year to date net loss amounted MXN1,462 million compared to a loss of MXN275 million registered in 2019. The loss is due to the large FX loss recorded during the first quarter of 2020 and lower sales as a result of the global pandemic.

BALANCE SHEET

Cash and Cash Equivalents

The balance in cash and cash equivalents totaled MXN242 million as of December 31, 2020, compared to the MXN399 million pesos at the end of 2019.



Debt

Grupo Kaltex gross debt amounted MXN6,556 million as of December 31, 2020, compared to MXN6,253 million at the same date of last year due to the 5.9% devaluation of the Mexican Peso during 2020.

In dollar terms, gross debt was USD329 million, a decrease of USD3 million or 1.0% compared to USD332 million as of December 31, 2019 due to the amortization of the bank debt. In currency terms, 99.3% was denominated in US dollars and 0.7% in Mexican pesos.

Maturity Profile

Figures in MXN millions

	1 year	1-3 years	Total
Total Debt	168	6,388	6,556

Debt Structure

Division	December 31, 2020	December 31, 2019	Δ%
Short-term	8.4	9.3	-10%
Amortizing	5.4	7.9	-31%
Revolving	3.0	1.4	>100%
Long-term	320.2	322.6	-0.7%
Amortizing	0.2	2.6	-91%
Senior Notes	320	320	0.0%
Total	328.6	331.8	-0.1%
Average rate	8.7%	8.5%	17 bps
Average life (years)	1.4	2.2	-0.8

At 31 December 2020 long term debt represented 97.4% of total debt compared to 97.2% at the end of 2019. As a result, the average maturity of Grupo Kaltex's debt at the end of 2020 was 1.4 years, a decrease from 2.2 years at the end of 2019.

Debt Ratio	4Q20	4Q19
Gross Debt / EBITDA	5.28x	3.35x

Gross Debt / EBITDA ratio increased to 5.28x in the fourth quarter of 2020 from 3.35x in the same quarter of 2019, mainly due to a lower EBITDA during the second quarter of 2020.

Our gross FX exposure was USD510 million, of which financial exposure amounts USD329 million, and operative exposure amounts USD182 million. We have a natural hedge through our sales in US Dollars of USD330 million, for a total net exposure USD184 million and a hedge ratio of 64%.

Shareholders' Equity

Shareholders' Equity amounted MXN2,395 million as of December 31, 2020.

CASH FLOW

<i>Figures in MXN millions</i>	<i>Three months ended, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2020	2019	Δ%	2020	2019	Δ%
Concept						
EBITDA	356	574	-38%	1,242	1,865	-33%
Interest paid	304	(383)	N/A	756	25	>100%
Taxes paid	46	183	-75%	237	265	-11%
Working capital variation	592	(60)	N/A	359	497	-28%
Free Cash Flow	(585)	834	N/A	(109)	1,077	>100%

CAPEX

For the fourth quarter, investment in fixed assets reached MXN106 million or USD5.2 million, while for fourth quarter of 2019 it was MXN264 million or USD13.7 million. For full year 2020 CAPEX was MXN250 million, a reduction of 36.8% or MXN146 million, compared to MXN396 million posted on 2019.

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, December 31,</i>			<i>Twelve months ended, December 31,</i>		
	2020	2019	Δ%	2020	2019	Δ%
Net revenue	4,358,470	4,770,609	-8.6%	13,595,839	17,750,852	-23%
Cost of goods sold	3,574,731	3,799,253	-5.9%	11,061,974	14,515,575	-24%
Gross profit	783,739	971,356	-19%	2,533,865	3,235,277	-22%
Sales expenses	306,644	589,249	-48%	1,075,611	1,474,658	-27%
Administrative expenses	229,062	209,339	9.4%	794,218	849,291	-6.5%
Other (expenses) income net	(158,754)	125,486	-227%	(228,806)	27,848	-922%
Operating profit	89,279	298,254	-70%	435,230	939,176	-54%
Comprehensive financial result	916,584	8,541	>100%	(1,811,601)	(1,004,320)	80%
Interest income	16,141	16,554	-2.5%	56,001	21,892	>100%
Interest expense	395,366	387,708	13%	1,339,975	1,377,094	-2.7%
Foreign exchange result	1,295,809	379,695	>100%	(527,627)	350,882	-250%
Income tax	75,549	123,851	-39%	85,153	210,247	-59%
Consolidated net result	930,314	182,944	>100%	(1,461,524)	(275,391)	>100%
Depreciation	267,193	275,655	-3.1%	807,249	926,058	-13%
EBITDA	356,472	573,909	-38%	1,242,479	1,865,234	-33%

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

Figures in MXN thousands

	December 31, 2019	December 31, 2020
Assets		
Cash & Cash Equivalents	398,730	242,375
Accounts Receivable, net	2,368,255	2,777,508
Accounts receivable to related parties	127,745	228,528
Inventories, net	3,624,040	3,397,213
Prepaid expenses	191,895	61,027
Current Assets	6,710,665	6,706,651
Property, Plant and Equipment, net	10,329,507	10,085,101
Right of use asset	3,542,349	2,911,420
Investment in Properties	1,806,191	1,582,688
Deferred Income Tax	756,074	821,072
Derivative financial instruments	67	-
Other Assets, net	1,461,576	1,458,490
Non-current Assets	17,895,764	16,858,771
Total Assets	24,606,429	23,565,422
Liabilities		
Bank loans	258,658	167,826
Accounts Payable to suppliers	3,097,864	2,990,754
Short term lease liability	169,615	140,919
Accounts payable to related parties	369,679	401,238
Other accounts payable and accrued liabilities	1,424,571	2,034,106
Direct employee benefits	79,343	80,117
Advanced payments from customers	7,111	7,080
Current Liabilities	5,406,841	5,822,040
Long-term financial liabilities	5,994,134	6,388,147
Accounts payable to related parties	3,215,381	3,275,993
Lease liability	3,464,071	2,989,428
Employee benefits	545,617	571,472
Contingencies	13,303	12,109
Deferred Income Tax	1,934,253	2,111,578
Non-current Liabilities	15,166,759	15,348,727
Total Liabilities	20,573,600	21,170,767
Capital stock	4,017,990	4,017,990
Accumulated (losses) earnings	(1,775,366)	(3,040,618)
Accumulated other comprehensive loss	(143,412)	(165,583)
Controlling interest	2,099,212	811,789
Non-controlling interest	1,933,617	1,582,866
Total Equity	4,032,829	2,394,655
Total Liabilities and Equity	24,606,429	23,565,422

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

<i>Figures in MXN thousands</i>	<i>Three months ended, December 31,</i>		<i>Twelve months ended, December 31,</i>	
	2020	2019	2020	2019
Cash flow from operating activities				
Consolidated net income (loss)	930,314	182,944	(1,461,524)	(275,391)
<i>Adjustments for:</i>				
Income tax expense recognized in net loss	75,549	123,851	85,153	210,247
Loss (gain) on disposal of property, plant and equipment	11,629	30,711	11,629	33,351
Depreciation and amortization	267,193	275,655	807,249	926,058
Contingencies	-	-	-	-
Fair value adjustment of investment properties	-	(157,942)	-	(157,942)
Interest income	(4,719)	(16,554)	(44,579)	(21,892)
Interest expense	383,944	382,498	1,328,553	1,355,568
Unrealized foreign exchange	(1,050,576)	(429,577)	531,823	(519,255)
	613,334	391,586	1,258,304	1,550,744
Changes in working capital				
<i>(Increase) decrease in:</i>				
Accounts receivable, net	(98,119)	887,520	(269,560)	334,206
Accounts receivables to related parties	-	-	-	-
Inventories, net	181,228	569,405	283,861	343,133
Prepaid expenses	115,470	288,201	233,203	99,158
Other assets	(49,337)	3,366,270	(71,752)	6,009
<i>(Increase) decrease in:</i>				
Accounts payable to suppliers	(288,386)	(544,076)	(27,534)	(289,299)
Accounts payable to related parties	-	33,932	-	33,932
Other accounts payable and accrued liabilities	(25,076)	(3,441,439)	180,045	(236,725)
Direct employee benefits	(2,772)	37,434	(2,706)	(527)
Advance payments from customers	4,225	(45,972)	(86,539)	(103,594)
Income taxes paid	(45,740)	(182,799)	(237,255)	(265,319)
Employee benefits	1,351	41,296	(15,280)	43,922
Contingencies	-	7,212	-	4,197
Net cash flow generated by operating activities	406,178	1,408,570	1,244,787	1,519,837
<i>Cash flows from investing activities:</i>				
Interest received	(22,035)	13,377	1,605	21,892
Acquisition of property, plant and equipment	(106,375)	(264,285)	(250,482)	(396,019)
Sale of property, plant and equipment	-	107,876	-	127,424
Net cash flow (generated by) used in investing activities	(128,410)	(143,032)	(248,877)	(246,703)
<i>Cash flows from financing activities:</i>				
Proceeds from debt	(89,950)	(265,751)	260,991	277,002
Payments of debt	(62,660)	182,124	(537,983)	(145,684)
Proceeds from related parties	-	15,307	-	-
Interest paid	(303,847)	382,762	(755,922)	(25,210)
Purchase of non-controlling interest	-	(551,346)	-	(551,346)
Capital increase	-	(705,091)	-	(705,091)
Dividends paid	(54,200)	(141,200)	(110,400)	(141,200)
Expenses associated with bond issue	-	-	-	-
Net cash flow (used in) generated by financing activities	(510,657)	(1,083,195)	(1,143,314)	(1,291,529)
Net increase (decrease) in cash and cash equivalents	(232,889)	182,343	(147,404)	(18,395)
Effects of exchange rate changes on cash flows	(22,748)	1,352	(8,951)	(166)
Cash and cash equivalents at beginning of year	498,012	215,035	398,730	417,291
Cash and cash equivalents at end of year	242,375	398,730	242,375	398,730