Grupo Kaltex, S. A. de C. V.
and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements as of June 31, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021, and Independent Accountant's Review Report Dated September 14, 2022

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2022 and December 31, 2021 and for the six-month periods ended June 30, 2022 and 2021

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Independent Accountant's Review Report to the Board of Directors and Stockholders of Grupo Kaltex, S.A. de C.V.

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim statement of financial position of Grupo Kaltex, S.A. de C. V. and Subsidiaries (the "Entity") as of June 30, 2022, and the unaudited condensed consolidated interim statements of comprehensive income, changes in stockholders' equity and cash flows for the six-month periods ended June 30, 2022 and 2021.

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, of the International Standards on Auditing. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainty Related to Going Concern

The accompanying interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1a to the consolidated financial statements, the declaration of the COVID-19 pandemic in 2020 had a negative impact on the Entity's industry and operations. In the six-month periods ended June 30, 2022 and June 30, 2021, the Entity suffered consolidated net (losses) income of $(204,711) and $277,924, respectively; in addition, at those dates it has accumulated deficits of $4,237,114 and $3,851,230 and at June 30, 2022 and December 31, 2021 shows a negative working capital of $4,062,550 and $4,195,961. And it has lost all of its capital stock, which according to the General Law of Commercial Companies could be cause for dissolution of the Entity at the request of an interested third party. Additionally, the Entity has short-term financial obligations at June 30, 2022 and December 31, 2021 for $4,356,665 and $4,533,422.

According to the Entity's management, this situation has not affected, nor will affect the continuity of its operations; nor the Entity's operating plans for the year 2022 and subsequent years, which are described in Note 1d. The Entity's ability to continue as a going concern depends 100% on the successful implementation of Management's plans to improve operating results, to be able to exercise the loan resources with the Financial Institution and partially repay the Senior Bond, as well as the renegotiation of the Senior Bond remainder. Additionally, the majority shareholder has expressed through a letter of financial support and its clear intention to support the company, in the event that any negotiation is not completed. Our opinion has not been modified with respect to this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements do not give a true and fair view of the consolidated financial position of the Entity as of June 30, 2022, and of their consolidated financial performance and their consolidated cash flows for the six-month periods ended June 30, 2022 and 2021, in accordance with IAS 34, *Interim Financial Reporting*.

Other matters

We have previously audited, in accordance with International Standards on Auditing, the consolidated financial statements of the Entity, as of and for the year ended December 31, 2021, and we expressed an unqualified opinion on such audited consolidated financial statements in our report dated July 29, 2022. Such consolidated financial statements are not included in this report, except for the condensed consolidated statement of financial position for comparative purposes. For a comprehensive understanding, the accompanying unaudited condensed consolidated interim financial statements, should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2021.

As mentioned in Note 2d to the consolidated financial statements, the declaration of the COVID-19 pandemic that emerged in 2020 had a major impact on the textile industry, adversely affecting the financial results of the Entity and, consequently, primarily on operating results and cash flows.

For the six months ended June 30, 2022, the operating income decreased 4% compared for the same period in 2021, mainly driven by the COVID-19 effects in the markets where the Entity operates.

The Entity has undertaken a series of internal actions to ensure the viability and the results of its operations will depend upon the continuity of the pandemic and the measures taken by different governments with respect to the operation of the Entity, as well as the ability of management to generate positive income and liquidity.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Juan Carlos Reynoso Degollado
Ciudad de México, México
September 14, 2022

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Financial Position

As of June 30, 2022 and December 31, 2021
(In thousands of Mexican pesos)

	Note	As of June 30, 2022	As of December 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	5	$ 198,607	$ 225,755
Accounts receivables, net	6	2,863,147	2,488,871
Due from related parties	13	2,040	2,383
Inventories, net	7	1,947,971	1,861,285
Prepaid expenses		294,548	287,183
Total current assets		5,306,313	4,865,477
Non-current assets:			
Property, plant and equipment, net	8	8,398,963	8,717,270
Right-of-use asset		332,207	333,567
Investment properties		989,008	1,015,037
Deferred income tax		84,472	76,923
Other assets, net		3,644	3,735
Total non-current assets		9,808,294	10,146,532
Total assets		$ 15,114,607	$ 15,012,009
Liabilities and stockholders' equity			
Current liabilities:			
Bank loans and current portion of long-term debt	10	$ 4,356,665	$ 4,533,422
Accounts payable to suppliers		2,199,343	1,677,881
Short-term lease liability		79,172	78,552
Due to related parties	13	511,379	488,339
Other accounts payable and accrued liabilities		2,055,391	2,087,720
Direct employee benefits		98,065	143,076
Advance payments from customers		68,848	52,448
Total current liabilities		9,368,863	9,061,438
Non- current liabilities:			
Accounts payable to related parties	13	2,700,770	2,645,423
Lease liability		275,408	279,872
Retirement employee benefits		576,423	569,630
Deferred income tax		1,400,681	1,458,473
Total non - current liabilities		4,953,282	4,953,398
Total liabilities		14,322,145	14,014,836

	Note	As of June 30, 2022	As of December 31, 2021
Stockholders' equity:			
Capital stock	11	4,017,990	4,017,990
Accumulated deficit		(4,237,114)	(3,851,230)
Other comprehensive income		(651,781)	(556,823)
Controlling interest		(870,905)	(390,063)
Non-controlling interest	12	1,663,367	1,387,236
Total stockholders' equity		792,462	997,173
Total liabilities and stockholders' equity		$ 15,114,607	$ 15,012,009

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Income or Loss and Other Comprehensive Loss

For the six-month periods ended June 30, 2022 and 2021
(In thousands of Mexican pesos)

	Note	June 30, 2022	June 30, 2021
Net sales	16	$ 6,714,354	$ 6,960,625
Cost of sales	14	6,056,772	5,745,302
Gross profit		657,582	1,215,323
Sales expenses	14	96,069	283,174
Administrative expenses	14	242,915	397,366
Other expenses (income), net		25,557	(936,973)
Operating profit		293,041	1,471,756
Interest expense		299,139	426,077
Interest income		(1,463)	(1,898)
Exchange (gain) loss, net		(110,273)	81,621
Income before tax		105,638	965,956
Income tax expense		215,391	429,886
Net consolidated (loss) income		(109,753)	536,070
Other comprehensive income (loss), net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on employee benefits		26,197	2,680
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment		(121,155)	(260,826)
Other comprehensive loss for the period, net of income tax		(94,958)	(258,146)
Consolidated comprehensive (loss) income		$ (204,711)	$ 277,924
Consolidated net (loss) income attributable to:			
Controlling interest		$ (385,884)	$ 130,829
Non-controlling interest	12	276,131	405,241
		$ (109,753)	$ 536,070
Consolidated comprehensive net (loss) income attributable to:			
Controlling interest		$ (480,842)	$ (127,317)
Non-controlling interest	12	276,131	405,241
		$ (204,711)	$ 277,924

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity

For the six-month periods ended June 30, 2022 and 2021
(In thousands of Mexican pesos)

	Capital stock	Accumulated deficit	Other comprehensive income (loss): Cumulative translation adjustment	Other comprehensive income (loss): Actuarial gain on employee benefits	Controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2021	$ 4,017,990	$ (2,926,080)	$ (50,142)	$ 64,835	$ 1,106,603	$ 1,331,576	$ 2,438,179
Comprehensive income (loss) for the period	-	130,829	(260,826)	2,680	(127,317)	405,241	277,924
Loss on sale of subsidiary to shareholders	-	(799,630)	-	-	(799,630)	-	(799,630)
Balances as of June 30, 2021	$ 4,017,990	$ (3,594,881)	$ (310,968)	$ 67,515	$ 179,656	$ 1,736,817	$ 1,916,473
Balances as of January 1, 2022	$ 4,017,990	$ (3,851,230)	$ (647,890)	$ 91,067	$ (390,063)	$ 1,387,236	$ 997,173
Comprehensive income (loss) for the period	-	(385,884)	(121,155)	26,197	(480,842)	276,131	(204,711)
Balances as of June 30, 2022	$ 4,017,990	$ (4,237,114)	$ (769,045)	$ 117,264	$ (870,905)	$ 1,663,367	$ 792,462

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Grupo Kaltex, S. A. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six-month periods ended June 30, 2022 and 2021
(In thousands of Mexican pesos)

	June 30, 2022	June 30, 2021
Cash flows from operating activities:		
Net consolidated (loss) income	$ (109,753)	$ 536,070
Adjustments for:		
Income tax expense recognized in net income (loss)	215,391	429,886
Depreciation and amortization	200,430	229,602
Gain on sale of Revman	-	(954,920)
Fair value adjustment of investment properties	-	(2,344)
Interest income	(1,463)	(1,898)
Interest expense	292,935	407,031
Interest expense lease liability	6,204	19,046
Unrealized foreign exchange, net	(43,498)	(45,066)
	560,246	617,407
Changes in working capital:		
(Increase) decrease in:		
Accounts receivables, net	(374,276)	(326,346)
Due from related parties	343	(334,087)
Inventories, net	(86,686)	382,896
Prepaid expenses	(7,365)	24,903
Assets available for sale	-	6,565,571
Receivable for sale of Revman	-	(1,306,978)
Other assets, net	91	7,680
Increase (decrease) in:		
Accounts payable to suppliers	521,462	(271,116)
Due to related parties	23,040	123,926
Other accounts payable and accrued liabilities	(82,511)	77,466
Direct employee benefits	(45,011)	955
Advance payments from customers	16,400	2,383
Income taxes paid	(301,538)	(27,000)
Employee retirement benefits	6,793	8,768
Net cash flows generated by operating activities	230,988	5,546,428
Cash flows from investing activities:		
Interest received	1,463	1,898
Disposals	69,723	51,359
Acquisition of property, plant and equipment	(78,203)	(72,444)
Proceeds from sale of Milano	-	(4,165,941)
Net cash flows used in investing activities	(7,017)	(4,185,128)

	June 30, 2022	June 30, 2021
Cash flows from financing activities:		
Proceeds from related parties	116,970	198,779
Loans paid to financial institutions	(57,361)	(1,253,647)
Lease payments and interest	(17,606)	(9,318)
Interest paid	(292,935)	(323,924)
Net cash flows used in financing activities	(250,932)	(1,388,110)
Net decrease in cash and cash equivalents	(26,961)	(71,510)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(187)	(424)
Cash and cash equivalents at the beginning of the period	225,755	180,392
Cash and cash equivalents at the end of the period	$ 198,607	$ 108,458

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As of June 30, 2022 and December 31, 2021, and for the six-month periods ended June 30, 2022 and 2021
(In thousands of Mexican pesos, except where otherwise indicated)

1. Activities and significant events:

Grupo Kaltex, S. A. de C. V. and Subsidiaries ("Kaltex" or the "Entity") is the majority shareholder of a group of entities principally engaged in the manufacturing and distribution of yarns and fabrics of all kinds of natural and synthetic fibers, the maquila and marketing of clothing and bedding for home, logistics services, as well as the operation of clothing stores.

The address of the Entity is Av. Ingenieros Militares No. 2, Colonia Empleado Municipal, C.P. 53380, Naucalpan de Juárez, Estado de México, México.

Going concern –

The consolidated financial statements have been prepared on the basis of ongoing business, which assumes that the Entity will continue to operate as a going concern. To address this uncertainty, the Entity's management will continue to execute strategies to reduce costs and expenses annually and will continue with the restructuring plan initiated in 2021, which consisted of selling some less profitable plants (see subparagraphs a and b of this Note).

a. ***Implications resulted from COVID-19 –*** Net sales in 2022 decreased by 4% to $6,714,354, compared to $6,960,625 the previous year.

   Earnings before taxes plus / minus interest, exchange rate fluctuations, and the effect of derivatives on financial costs, depreciation and amortization (EBITDA) in the period ended as of June 30, 2022 decreased 71% to reach $493,471, compared to $1,701,358 the previous period year. The decrease in EBITDA of $1,207,887 was mainly due to the sale of some assets.

b. ***Amortization of Senior Bonds 2021*** - During fiscal year 2021, the Company amortized $2,158.2 million of the Senior Notes and its accrued interest, from the sale of assets (see subsections a and b).

c. ***Senior Bond Default 2022*** - On April 11, 2022, Kaltex defaulted on the principal of the Senior Bonds ("Bonds"), which constituted a default event. This event was duly informed by the Company to the holders of the bonds in accordance with the applicable provisions, without the Entity having received any communication to date regarding the acceleration of the debt. The total amount of this debt was reclassified in the short term in the Consolidated Statement of Financial Position as of June 30, 2022 and December 31, 2021 for an amount of $4,356,665 and $4,533,422 million pesos, respectively, causing short-term liabilities to significantly exceed current assets at that date. From that time to date, the Company has continued in discussions with bondholders to determine the terms and conditions under which the Senior Bonds will be paid and renegotiated.

d. ***The Company's plan to partially repay the bonds and renegotiate the missing bonds is as follows:***

   Part A - Bank Loan - In order to be able to face the partial liquidation of the bonds, the Entity requested and obtained a bank loan for a term of 10 years with 3 months of grace, for an amount of $100 million dollars, which can be disposed of either up to 40% in dollars or up to a minimum of 60% in national currency at an interest rate of TIIE at 91 days + 285 basis points, with quarterly payments.

   As of the date of these condensed consolidated financial statements, the term sheet has already been signed and the contract is in the process of being prepared.

During the term of the contract, the Company must comply with the following points:

- Verification of resources and accounting movements;
- The Company may contract financial liabilities and/or pay dividends as long as it has the prior written approval of the Financial Institution;
- Submit quarterly internal financial statements (March, June, September and December) under IFRS signed by the legal representative;
- Submit annual financial statements including opinion and its notes in accordance with IFRS within 180 calendar days after the end of the year;
- Monitoring and rating will be done on the Consolidated Financial Statements of Manufacturas Kaltex and its subsidiaries;
- Keep insured the assets that guarantee the credit up to 100% of the value recognized for the purposes of coverage;
- Submit bank appraisals of the guarantees of movable and immovable property which must be updated every two years from the date of contracting and validity of the credit;
- It will be cause for early maturity when the Company, without prior written consent to the Financial Institution, modifies its shareholding structure and the foregoing implies that the current majority shareholders cease to control 51% of the shares.

Part B Agreement with Bondholders -The remaining $118 million will be replaced through a rollover of the previous debt with the exchange of a new bond issue. Among the bondholders, the Company identified five major bondholders, who together hold approximately 45% of the prevailing bond. This group of bondholders ("Ad Hoc Group") came together to negotiate the terms of the refinancing.

The Company has a draft Transaction Support Agreement ("TSA"), which details the commitments of the Ad Hoc Group and Kaltex to execute the refinancing of the current Bond.

In general terms, the TSA with the Ad Hoc Group consists of the total of $218 million dollars in force of the current Bond, $100 million dollars will be paid with the bank credit described above and the remaining $118 million through a bond exchange offer.

The proposed "term sheet" is included in the TSA, of which the main points to highlight are the following:

- The Ad Hoc Group will exchange at least $76 million of its current notes;
- The Mexican Investors group will redeem at least $22 million of its current notes;
- In the event that $118 million is not raised with the above points, up to $20 million additional dollars will come in from the "Funding Commitment" (Certain members of the Ad Hoc Group will sign a letter of commitment by which they are obliged to buy up to $20 million dollars of the new bond (New Money Notes). For its part, Kaltex undertakes to pay the said members 5% of the New Money Notes they have acquired. The maximum amount to pay for this concept is $1 million dollars).
- A public exchange offer will be made for a maximum amount of $118 million, which, in conjunction with the bank credit, will be used to pay off all of the current Notes.
- No haircut is done: For every $1,000 of capital exchanged, Bondholders will receive $1,000 of new notes plus accrued interest not paid since the date of default calculated at the contract rate of 8.875%.
- The Company will pay investors participating in the exchange a commission of 1.5% on the nominal amount of the Notes to be redeemed.
- The term that is currently being negotiated is 3 years with amortization at maturity.
- Fixed rate of 13% with semi-annual payments starting in October 2022 based on USD $118 million.

e. ***Condition of the loan with Financial Institution and Contract with Bondholders*** -For the disposition of the credit flow with the financial institution, the Company must present evidence of the binding document that Kaltex has the formalization, resources and / or financing for the payment of the difference between the amount of the Bond and the credit of the financial institution (agreement with Bondholders described in paragraph d part B).

f. ***Warranties*** - For the loan with the Senior Notes, the majority shareholders left as collateral properties in guarantee for $156 million dollars to meet the capacity requirement of 1.5: 1 of that contract; and for the TSA the properties under guarantee amount to an appraisal value of $241 million dollars.

g. ***Financial support*** - The majority shareholder has expressed through a letter of support his clear intention to support the company, in the event that any negotiation is not finalized.

h. ***Evaluation of the Possible Sale of Non-Strategic Businesses*** – After finalizing the renegotiation of the bonds for 118 million, they must be liquidated within a period of 3 years (as mentioned in paragraph d Part B). In order to obtain these flows, the company's medium-term plan is to sell non-strategic businesses, which are not included as guarantees in order to have a future option to sell them The successful sale of non-strategic businesses is a fundamental part of the fulfillment of the medium-term payment of the bonds.

Significant events

a. ***Sale of Milano*** - On January 4, 2021, Kaltex sold its investment in its subsidiary Grupo Milano, S.A. de C.V. to a related party MCM, S.A. de C.V., whose principal shareholders are also shareholders of Kaltex. The sale price of the shares was US $80 million, which will be paid in 2021. The sale of Milano qualifies as a discontinued operation as it represented a major segment of the Entity's business and therefore its assets and liabilities are presented as held for sale of December 31, 2020 (board approval for the sale was obtained prior to this date) and the income statements and statements of cash flows for the years ended December 31, 2020 present the results associated with Milano as discontinued operations. With the resources obtained from said sale, the Entity reduced the debt balance from USD $320 to USD $260 million as of June 30, 2021.

	June 30, 2021
Proceeds on sale of Milano	$ 1,600,000
Net investment in Milano	(2,399,630)
Loss on sale of Milano	$ (799,630)

b. ***Sale of Revman*** - On June 30, 2021, the holding company Kaltex Northamerica, Inc., a subsidiary of Kaltex sold the investment in its subsidiary Revman International, Inc. to a third party for US $66 million, which will be paid in June US $40 million and in September US $26. Given that Revman does not represent a major segment of the Entity, it has not been presented as a discontinued operation and the decision to sell the investment was made subsequent to December 31, 2020 and therefore the assets and liabilities have not been presented as held for sale of such date.

	June 30, 2021
Proceeds on sale of Revman	$ 1,306,978[(1)]
Net investment in Revman	(352,058)
Gain on sale	$ 954,920

c. ***Impairment of Long-Lived Assets*** - The Entity has recorded an amount of $171,261 and $69,488 (thousands of Mexican pesos) for impairment of Subsidiary Coltejer, S.A. as of June 30, 2022 and December 31, 2021, respectively.

2. Basis for preparation

a. ***Basis of preparation***

These unaudited condensed consolidated interim financial statements as of June 30, 2022 and for the six-month periods ended June 30, 2022 and 2021, are unaudited and have been prepared in accordance with IAS 34, Interim financial reporting. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements as of and for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Seasonality

Our textile segment is subject to seasonal fluctuations. The textile segment is most active from July to October, with production declining from December to January and a generally slow season in January and February, when sales decrease and cost of textile manufacturing remains constant.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year. For the purpose of the unaudited condensed consolidated interim financial statements, certain information and disclosures normally included in the audited annual consolidated financial statements prepared in accordance with IFRS have been condensed in the unaudited condensed consolidated interim financial statements. Additionally, the operating results of the interim periods presented are not necessarily indicative of the results that the Entity would have had if they had been presented on an annual basis. Therefore, for a better understanding, the unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements as of and for the year ended December 31, 2021.

Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") and interpretations that are mandatorily effective for the current year

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

These modifications have not implied changes for the Entity since it has no exposure to IBOR reference interest rates.

The Entity implemented a series of new and modified IFRS, issued by the International Accounting Standards Board ("IASB") which are mandatory and came into force as of fiscal years beginning on or after 1 January 2021.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 after June 30, 2021, amendment to IFRS 16

In the prior year, the Entity early adopted *Rent Concessions under IFRS 16 due to issues related to COVID-19* (amendment to IFRS 16) which provides practical expedients for the accounting of concessions for lessees as a direct consequence of COVID-19, introducing a practical expedient to IFRS 16.

In March 2021, the IASB issued *Lease Concessions related to COVID-19 after June 30, 2021* (*amendment to IFRS 16*). When the IASB issued amendments to IFRS 16 in May 2020, the lessor was allowed to apply the practical expedient of the rent concession for any reduction in lease payments affecting the original payments before or as of June 30, 2022. Due to the nature of the COVID-19 pandemic, the amendment extended a practical expedient to apply those original payments on or before June 30, 2022.

In the current financial year, the Entity has applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date in the consolidated statement of income under other operating expenses.

The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rental is a lease modification. A lessee that makes this election must account for any change in rental payments resulting from the COVID-19 related rental concession by applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rental awards that occur as a direct consequence related to COVID-19 and only if the following conditions are met:

a) The change in lease payments results in consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change.

b) Any reduction in lease payments only affects payments due on or before June 30, 2022 (a rental award meets this condition if it results in a reduction in payments before June 30, 2022 or increases lease payments that extend beyond June 30, 2022); and

c) There is no substantive change in any other term or condition of the lease.

Impact on accounting for changes in lease payments applying the exemption

The Entity has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B and has not restated prior period figures.

New and amended IFRS Standards that are not yet effective

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or contribution of assets between an investor and its associate or joint venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	*Property, Plant and Equipment - before being used*
Amendments to IAS 37	*Onerous contracts - costs of complying with a contract*
Annual Improvements to IFRS Standards 2018-2020	IFRS 9 *Financial Instruments* and IFRS 16 *Leases*
Amendments to IAS 1 and to IFRS 2 practice statements	*Disclosure of accounting policies*
Amendments to IAS 8	*Definition of accounting estimates*
Amendments to IAS 12	*Deferred taxes related to assets and liabilities arising from a single transaction*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the unaudited condensed consolidated interim financial statements requires the use of certain critical accounting estimates. Additionally, it requires the Entity's management to use judgment in the process of applying the accounting policies of the Entity and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in the process of applying the Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the period of six-months ended June 30, 2022.

5. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	As of June 30, 2022	As of December 31, 2021
Cash	$ 198,334	$ 225,487
Cash equivalents - Investment funds	273	268
Total	$ 198,607	$ 225,755

6. Accounts receivables

Trade and other receivables are comprised as follows:

	As of June 30, 2022	As of December 31, 2021
Trade receivables	$ 2,277,103	$ 1,784,404
Allowance for doubtful accounts	(43,198)	(41,810)
	2,233,905	1,742,594
Sundry debtors	27,664	56,295
Recoverable income tax	17,196	16,343
Recoverable value-added tax	459,074	335,040
Other recoverable tax	125,308	338,599
	$ 2,863,147	$ 2,488,871

Age of receivables that are past due but not impaired

A summary of accounts receivable shows customers due, but not yet as impaired:

	As of June 30, 2022	As of December31, 2021
1 to 30 days	$ 148,430	$ 94,394
31 to 60 days	30,519	24,789
61to 90 days	5,988	2,953
Over the 90 days	263,438	50,116
Total	$ 448,375	$ 172,252

June 30, 2022	<30	31 - 60	61 - 90	>91	Total
	Trade receivables - days past due				
Expected credit loss rate	1.91%	3.15%	12.44%	8.74%	-%
Estimated total gross carrying amount at default	1,337,888	30,410	154,993	753,812	2,277,103
Lifetime ECL	(35,639)	(5,374)	(1,361)	(824)	(43,198)

December 31, 2021	<30	31 - 60	61 - 90	>91	Total
	Trade receivables - days past due				
Expected credit loss rate	2.38%	3.50%	4.35%	33.03%	-%
Estimated total gross carrying amount at default	1,339,434	82,525	62,072	300,373	1,784,404
Lifetime ECL	(31,879)	(2,888)	(2,700)	(4,343)	(41,810)

The Entity does not maintain any significant collateral or guarantees that mitigate exposure to the credit risk of its financial assets.

7. Inventories

	As of June 30, 2022	As of December 31, 2021
Raw materials and others	$ 483,905	$ 509,900
Work in progress	602,726	523,564
Finished goods	791,790	812,706
	1,878,421	1,846,170
Merchandise in transit	69,550	15,115
	$ 1,947,971	$ 1,861,285

The Entity estimates possible impairment losses on inventories for obsolescence and for slow moving inventories, which are determined, based on the age of the inventory.

The cost of inventories recognized as an expense during the year in respect of continuing operations was $6,056,772 and $5,745,302 for the six-month periods ended June 30, 2022 and June 30, 2021, respectively.

As of June 30, 2022 and December 31, 2021, there were no inventories pledged as collateral.

8. Property, plant and equipment, net

Property, plant and equipment is comprised as follows:

	As of June 30, 2022	As of December 31, 2021
Investments:		
Land	$ 2,339,398	$ 2,427,788
Building and installations	4,036,963	4,065,132
Industrial machinery and equipment	23,300,661	23,160,997
Office furniture and equipment	84,079	85,306

	As of June 30, 2022	As of December 31, 2021
Transportation equipment	77,453	75,618
Computer equipment	228,773	223,470
Projects-in-progress	658,418	842,946
Total investments	30,725,745	30,881,257
Depreciation:		
Building and installations	$ (2,106,835)	$ (2,082,709)
Industrial machinery and equipment	(19,882,942)	(19,745,694)
Office furniture and equipment	(65,193)	(65,726)
Transportation equipment	(71,256)	(70,326)
Computer equipment	(196,731)	(195,521)
Water treatment plants	(3,825)	(4,011)
Total accumulated depreciation	(22,326,782)	(22,163,987)
	$ 8,398,963	$ 8,717,270

Opening balance as of December 31, 2021	$ 8,717,270
Translation effect	(129,071)
Additions	78,203
Disposals	(69,723)
Depreciation charge of the period	(197,716)
Balance as of June 30, 2022	$ 8,398,963

As of June 30, 2022 and December 31, 2021, there was property, plant and equipment pledged as collateral of US 80 million.

The Entity has recorded an amount of $171,261 and $69,488 (thousands of Mexican pesos) for impairment of Subsidiary Coltejer, S.A. as of June 30, 2022 and December 31, 2021, respectively.

9. Financial instruments and risk management

Capital and financial risk management

The Entity's activities expose it to a variety of financial risks: market risks (including exchange rate risks, interest rate risk on cash flows and interest rate risk on fair values), credit risks and liquidity risk. There have not been changes in the risk management department and the risk management policies compared to those applied as of June 30, 2022.

The financial ratio of total liabilities/total equity was 3 and 5.19 as of June 30, 2022 and December 31, 2021, respectively, resulting in a leverage ratio that complies with the Entity’s management and risk policies.

Financial instruments by category

As of June 30, 2022 and December 31, 2021, financial assets and liabilities consist of the following:

	As of June 30, 2022	As of December 31, 2021
Cash and cash equivalents	$ 198,607	$ 225,755
Financial assets measured at amortized cost:		
Accounts receivable, net	2,233,905	1,742,594
Accounts receivable from related parties	2,040	2,383
	$ 2,434,552	$ 1,970,732

	As of June 30, 2022	As of December 31, 2021
Financial liabilities measured at amortized cost:		
Debt	$ 4,356,665	$ 4,533,422
Accounts payable to suppliers	2,199,343	1,677,881
Accounts payable to related parties	3,212,149	3,133,762
Other accounts payable and accrued expenses	760,112	740,115
	$ 10,528,269	$ 10,085,180

Fair value of financial assets and liabilities measured at amortized cost

Except as detailed in the following table, Management of the Entity considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximates their fair value:

	As of June 30, 2022		As of December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Debt to financial institutions	$ 4,356,665	$ 4,356,665	$ 4,533,422	$ 4,533,422

Estimated fair values as of June 30, 2022 and December 31, 2021, were determined based on a discounted cash flow basis with an approximated market rate of the current debt cost based on comparable information in the market for entities with a similar risk profile. Measurement at fair value of debt to financial institutions is considered within Level 2 of the fair value hierarchy.

As of June 30, 2022, there were no transfers between the levels of the fair value hierarchy.

Market risk

The Entity’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Forward foreign exchange contracts to hedge the exchange rate risk.

  There has been no change to the Entity’s exposure to market risks or the manner in which these risks are managed and measured.

a) *Foreign currency risk management*

The functional currency of the majority of the subsidiaries of the Entity is the Mexican peso. The Entity is exposed to foreign exchange risk related to the Mexican peso as a result of financing obtained in U.S. dollars.

The Entity also has monetary assets and liabilities denominated in foreign currencies, mainly the US dollar, Euro, Nicaraguan Cordoba, Colombian peso and Swiss Franc, which exposes it to currency risk. However, this risk is hedged by the operations of the Entity in those respective countries.

Carrying values of assets and liabilities denominated in foreign currencies to which the Entity is mainly exposed are as follows (in thousands):

	USD	EURO	COP	SFR
Financial assets	$ 147,254	$ 13,686	$ 3,279,189	$ 756
Financial liabilities	(458,281)	(2,828)	(64,669,911)	(60)
Financial position in foreign currency	$ (311,027)	$ 10,858	$ (61,390,722)	$ 696

The following table details the Entity's sensitivity to an increase and decrease of 10% in pesos against the relevant foreign currencies. The 10% is the sensitivity rate used when foreign exchange risk is reported internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their translation at the end of the period for a 10% change in exchange rates. A positive number (as shown in the table below) indicates an increase in the results where the peso is strengthened by 10% against the relevant currency. If a weakening of 10% of the peso with respect to the reference currency is presented, then it will have a comparable impact on the results and the following balances would be negative (amounts in thousands):

	As of June 30, 2022	As of December 31, 2021
USD	621,578	627,732
Euro	(22,739)	6,889
Colombian peso	27,009	24,724
Swiss franc	(1,437)	2,742

b) *Interest rate risk management*

The Entity is exposed to interest rate risk because it has financial debt that accrues interest at variable rates. The Entity has short-term loans mainly for working capital as well as long-term loans for certain projects, the proceeds of which will be used to pay the related debt.

Hedging activities are evaluated regularly to align with interest rates and defined risks, ensuring the most cost-effective hedging strategies are applied.

Exposure of the Entity to interest rate risk relates primarily to the LIBOR on financial liabilities. Sensitivity analyses are prepared by the Entity based on the net exposure to floating interest rates.

Credit risk

The credit risk represents the potential loss due to non- compliance of counterparts in their payment obligations. Credit risk is generated by cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including receivables and committed transactions.

As of June 30, 2022, there have been no changes in the techniques of estimation or assumption for its allowance for impairment of trade accounts receivable and related parties determination, with respect of the techniques used as of December 31, 2021.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Entity's short-, medium- and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. This note sets out details of additional undrawn facilities that the Entity has of its disposal to further reduce liquidity risk.

The following table breaks down the financial liabilities of the Entity, grouped according to their maturity, as of the reporting date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows.

	Less than 1 year	From 1 to 3 years	More than 3 years
As of June 30, 2022			
Bank loans and long term - debt	$ 4,356,665	$ -	$ -
Interest payable	125,944	-	-
Accounts payable to suppliers	2,199,343	-	-
Due to related parties	511,379	2,700,770	-
Lease liability	79,172	149,759	129,493
Other financial liabilities	760,112	-	-
Total	$ 8,032,615	$ 2,850,529	$ 129,493

	Less than 1 year	From 1 to 3 years	More than 3 years
As of December 31, 2021			
Bank loans and long term - debt	$ 4,533,422	$ -	$ -
Interest payable	281,546	-	-
Accounts payable to suppliers	1,677,881	-	-
Due to related parties	488,339	2,662,482	-
Lease liability	78,552	232,775	125,649
Other financial liabilities	740,115	-	-
Total	$ 7,799,855	$ 2,895,257	$ 125,649

10. Bank loans

The carrying amounts of debt are as follows:

Bank	Type	Currency	Rate	Maturity	As of June 30, 2022	As of December 31, 2021
Senior Notes [1]	Offering Notes	USD	8.875%	2022	$ 4,356,665	$ 4,528,370
BNP Paribas Fortis Bank SA/ NV [2]	Simple credit	USD	LIBOR plus 2.47%	2022	-	15,884
					$ 4,356,665	$ 4,544,254
	Less - Current portion of long-term debt				4,356,665	4,544,254
	Less - Current portion of debt issuance expenses				-	(10,832)
	Current portion of long-term debt, net				4,356,665	4,533,422
	Long - term debt				-	-
	Less- debt issuance expenses				-	-
	Long term debt, net				$ -	$ -

1) Notes for US $320 million, accruing interest at a fixed rate of 8.875%, issued in April 2017, and maturing in April 2022. Accrues interest every 180 days in the months of April and October. Notes are guaranteed by the Subsidiaries: Manufacturas Kaltex, S.A. de C.V., Kaltex Fibers, S.A. de C.V., Milano Inmobiliaria, S.A. de C.V., Kaltex Energía, S.A. de C.V., Energía MK KF, S.A. de C.V. Kaltex Textiles, S.A. de C.V., Kaltex Comercial, S.A. de C.V., Grupo Milano, S.A. de C.V., Milano Operadora, S.A. de C.V., Milano Representaciones, S.A. de C.V., Milano Servicios Corporativos, S.A. de C.V., Kaltex Internacional, S.A. de C.V., Kaltex America, Inc. and Revman International, Inc.

2) Paid in January 2022.

As of June 30, 2022, the annual maturities of outstanding debt, are as follows:

Bank	Less than 1 year	More than 1 years	Total
Bank loans	$ 4,356,665	$ -	$ 4,356,665

As of December 31, 2021, the annual maturities of outstanding debt, are as follows:

Bank	Less than 1 year	More than 1 years	Total
Bank loans	$ 4,533,422	$ -	$ 4,533,422

Reconciliation of liabilities arising from financing activities

The table below details changes in the Entity's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Entity's consolidated statement of cash flows as cash flows from financing activities.

	As of January 1, 2022	Proceeds from borrowings	Repayments from borrowings	Other changes (i)	As June 30, 2022
Bank loans and long-term debt	$ 4,533,422	$ -	$ (57,361)	$ (119,396)	$ 4,356,665
Loans from related parties (Note 13)	2,645,423	122,775	(5,805)	(61,623)	2,700,770
	$ 7,178,845	$ 122,775	$ (63,166)	$ (181,019)	$ 7,057,435

	As of January 1, 2021	Proceeds from borrowings	Repayments from borrowings	Other changes (i)	As of December 31,2021
Bank loans and long-term debt	$ 6,454,096	$ -	$ (2,158,186)	$ 237,512	$ 4,533,422
Loans from related parties (Note 13)	1,615,244	1,542,908	(381,419)	(131,310)	2,645,423
	$ 8,069,340	$ 1,542,908	$ (2,539,605)	$ 106,202	$ 7,178,845

(i) Other changes include exchange fluctuation and expenses associated with the placement of the bond recognized under the amortized cost method.

11. Stockholders' equity

As of June 30, 2022 and December 31, 2021, the capital stock is represented by:

	Number of shares		Amount	
Fixed portion:				
Series "A"	50,000	50,000	$ 50	$ 50
Variable portion:				
Series "B"	4,017,940,410	4,017,940,410	4,017,940	4,017,940
Total	4,017,990,410	4,017,990,410	$ 4,017,990	$ 4,017,990

Capital stock consists of common registered shares with a par value of one peso per share. Shares of Series "A" can be acquired only by Mexican citizens. Variable capital is unlimited.

a. Stockholders' equity, except for restated paid-in capital and tax-retained earnings will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

b. The balances of the stockholders' equity tax accounts as of June 30, 2022 and December 31, 2021 are as follows:

	As of June 30, 2022	As of December 31, 2021
Contributed capital account	$ 8,672,597	$ 8,336,051
Net account tax profit at the end 2013 (CUFIN)	961,974	959,456
Total	$ 9,634,571	$ 9,295,507

12. Equity and income of non-controlling interest

The following table lists the subsidiaries in which a significant non-controlling interest exists. The amounts shown as of June 30, 2022 and December 31, 2021 are presented before eliminations:

		Proportion of the non-controlling interests with voting rights		Income of the period allocated to non-controlling Interests		Equity of non-controlling interests	
Subsidiary	Location	As of June 30, 2022	As of December 31, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021	As of June 30, 2022	As of December 31, 2021
Coltejer, S.A.	Colombia	39.74%	39.74%	$ 216,317	$ 417,852	$ 832,889	$ 477,615
Kaltex Textiles, S.A. de C.V.	Mexico	26.30%	26.30%	59,814	(12,611)	830,478	909,621
Total				$ 276,131	$ 405,241	$ 1,663,367	$ 1,387,236

Subsidiaries' condensed financial statements in which a material non-controlling interest exists:

	As of June 30, 2022	As of December 31, 2021
Coltejer, S.A.:		
Total assets	$ 3,717,635	$ 3,941,364
Total liabilities	$ 2,743,246	$ 2,739,513
Net assets	$ 974,389	$ 1,201,851
Total revenues	$ 3,871	$ 95,132
Net loss of the year	$ (182,267)	$ (635,841)
Kaltex Textiles, S.A. de C.V. and subsidiaries:		
Total assets	$ 14,463,121	$ 14,811,375
Total liabilities	$ 11,321,327	$ 11,361,551
Net assets	$ 3,141,794	$ 3,449,824
Total revenues	$ 6,782,078	$ 11,696,209
Net gain (loss) of the year	$ 227,430	$ 272,937

13. Balances and transactions with related parties

Transactions with related parties for the six-month periods ended June 30, 2022 and 2021, were as follows:

	Six-month periods ended June 30, 2022	2021
Sales revenues and others:		
Other income	$ 2,738	$ 7,389
Expenses:		
Lease income	$ 1,898	$ 1,898
Interest expense	7,555	7,261

As of June 30, 2022 and December 31, 2021, the balances with related parties are as follows:

	As of June 30, 2022	As of December 31, 2021
Accounts receivable -		
Operadora Circulo CCK, S.A. de C.V.	$ 1,875	$ 2,088
Other	165	295
	$ 2,040	$ 2,383
Accounts payables-		
Kaltex Inmobiliaria, S.A. de C.V.	$ 329,124	$ 307,116
Inmobiliaria Los Mejia, S.A. de C.V.	19,088	74,930
Inmobiliaria Emilio Castelar, S.A. de C.V.	41,923	40,519
Inmobiliaria Baz Rivera, S.A. de C.V.	21,084	13,912
Rancho Los Mejias, S.A. de C.V.	74,953	20,980
Inmobiliaria Barrientos, S.A. de C.V.	14,419	20,342
Inmobiliaria Mago, S.A. de C.V.	3,669	3,669
Inmobiliaria Tochtli Centeotl, S.A. de C.V.	7,119	6,871
	$ 511,379	$ 488,339
Long-term accounts payable-		
Grupo MCM Colombia, S.A. (1)		
Long-term debt	$ 1,604,751	$ 1,543,599
Mosjak, S.A. de C.V. (2)		
Long-term debt	1,096,019	1,101,824
	$ 2,700,770	$ 2,645,423

(1) As of June 30, 2022, the balance payable in the long term to Grupo MCM Colombia, S.A., composed of loan for a principal US $65 million, accruing interests at a rate of 10%, with maturity in 2024.

(2) As of June 30, 2022, the long-term balance payable to Mosjak, S.A. de CV, is composed loan for a principal amount of US $4.35 million, and for the acquisition of the non-controlling of Grupo Milano for US $12.7 million, accruing interest at a rate of 3.10%, with a maturity in 2024.

14. Costs and expenditure by nature

	For the six months ended June 30, 2022	2021
Cost of sales:		
Wages and salaries	$ 640,464	$ 598,186
Employee benefits	384,472	388,045
Profit sharing	68,713	80,457
Raw material	3,481,506	3,152,549
Manufacturing expenses	65,200	68,217
Freight	151,790	142,783
Maintenance	205,336	185,071
Leasing	10,075	4,055
Electricity	468,679	454,688
Fuels and lubricants	220,586	236,588
Logistics services	59,872	63,776
Customs charges	37,615	32,012
Other	68,184	129,624
Subtotal	5,862,492	5,536,051
Depreciation and amortization	191,727	206,446
Depreciation of right-of-use asset	2,553	2,805
Total	$ 6,056,772	$ 5,745,302
Selling expenses:		
Wages and salaries	$ 44,063	$ 89,155
Employee benefits	11,395	23,759
Profit sharing	7,770	2,520
Publicity	956	11,076
Travel expenses	2,106	1,564
Insurance	3,446	3,780
Freight	79	2,214
Fees	2,948	17,227
Maintenance	341	1,497
Electricity	101	617
Water	-	79
Bank commissions	746	8,018
Royalties	4,822	97,045
Sales commissions	15,000	12,867
Other	676	9,093
Subtotal	94,449	280,511
Depreciation and amortization	1,459	1,457
Depreciation of right-of-use asset	161	1,206
Total	$ 96,069	$ 283,174

	For the six months ended June 30,	
	2022	2021
Administrative expenses:		
Wages and salaries	$ 74,887	$ 153,506
Employee benefits	18,634	42,860
Profit sharing	7,950	2,520
Travel expenses	908	1,495
Insurance	9,298	9,021
Fees	55,052	36,345
Maintenance	11,148	27,009
Leasing	32,280	82,528
Phone	6,284	7,751
Electricity	3,150	2,635
Bank commissions	627	1,321
Others	18,167	12,987
Subtotal	238,385	379,978
Depreciation and amortization	4,530	17,388
Total	$ 242,915	$ 397,366

15. Income taxes

The reconciliation between the statutory and effective income tax rates was as follows:

	For the six months ended June 30,	
	2022	2021
	%	%
Income tax at statutory rate	30	30
Add (deduct) the effect of permanent differences:		
Non-deductible items	120	4
Adjustment for inflation	(5)	(4)
Deferred adjustment in subsidiary	39	10
Tax losses	20	5
Effective rate	204	45

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

16. Financial information by segments

The information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment is based on three segments as follows:

- Textile: manufacture and distribution of yarns and fabrics of all kinds of natural and synthetic fibers.
- International: distribution for home products in USA, manufacture and distribution in Colombia for the fashion industry and our fabric and yarn distributor for South America.

Transactions between the operating segments are carried out at market value and the accounting policies used to prepare information by segments are consistent with those used to prepare the Entity's consolidated annual financial statements.

	June 30, 2022			
	International	Textile	Eliminations	Total Consolidated
Net sales	$ 3,084,746	$ 8,028,488	$ (4,398,880)	$ 6,714,354
Gross profit	71,858	688,431	(102,706)	657,583
Sales expense	58,427	79,815	(42,173)	96,069
Administrative expenses	68,373	250,757	(76,215)	242,915
Other expenses (income), net	(108,042)	98,167	(15,682)	(25,557)
Depreciation and amortization	2,870	194,846	-	197,716
Depreciation of right-of-use asset	-	2,714	-	2,714
EBITDA	(160,114)	653,586	-	493,472
Interest expenses, net	54,894	213,724	29,059	297,677
Exchange gain, net	(54,169)	148,718	15,724	110,273
Income tax	(45,242)	260,633	-	215,391
Consolidated net loss of continuing operations	(226,805)	130,387	(13,335)	(109,753)

	June 30, 2021			
	International	Textile	Eliminations	Total Consolidated
Net sales	$ 3,978,866	$ 5,561,281	$ (2,579,522)	$ 6,960,625
Gross profit	495,357	972,505	(252,539)	1,215,323
Sales expense	281,522	69,175	(67,523)	283,174
Administrative expenses	241,260	209,314	(53,208)	397,366
Other expenses (income), net	2,044	(6,318)	22,221	17,947
Gain from the sale of Revman	(954,920)	-	-	(954,920)
Depreciation and amortization	23,008	202,583	-	225,591
Depreciation of right-of-use asset	-	4,011	-	4,011
EBITDA	948,459	906,928	-	1,701,358
Interest expenses, net	80,336	343,843	-	424,179
Exchange gain, net	(135,761)	54,140	-	(81,621)
Income tax	(6,219)	436,105	-	429,886
Consolidated net loss of continuing operations	715,573	(25,474)	-	536,070

17. Commitments and contingencies

The commitments and contingencies of the Entity are consistent with those disclosed in the consolidated financial statements as of and for the year ended December 31, 2021. As of June 30, 2022, there have been no material changes to the Entity’s commitments and contingencies since December 31, 2021.

As December 31 the 2021, the Entity has Senior Notes of $220 million USD listed in Singapore issued in 2017.

On April 11, 2022, Kaltex defaulted on the payment of Senior Bond ("Bonds") principal, which constituted a default event. This event was timely reported by the Company to bondholders in accordance with applicable provisions and, to date, the Entity has not received any communications regarding debt acceleration. The full amount of $218 million USD was reclassified to short-term debt in the Consolidated Statement of Financial Position as of June 30, 2022 and December 31, 2021, respectively, which resulted in short-term liabilities significantly exceeding current assets as of that date. From that point and to date, the Company has continued to discuss the terms and conditions under which the Senior Bonds will be paid and renegotiated with bondholders.

The Company's plan to partially pay the bonds and renegotiate the remaining bonds is as follows:

Part A – Bank Loan – To cover the partial bond settlement, the Company requested and obtained a bank loan of $100 million US dollars for a ten-year term with a three-month grace period, on which it may draw up to 40% in US dollars or up to a minimum of 60% in Mexican pesos at a 91-day TIIE rate + 285 basis points, with quarterly payments. At the date of these consolidated financial statements, the term sheet has been signed and the contract is being drawn up.

Part B Agreement with Bondholders -The remaining $118 million US dollars will be substituted through a "rollover" of the prior debt with the exchange of a new bond issuance. The Company identified five main bondholders, which jointly hold approximately 45% of the current bond. This bondholder group ("Ad Hoc Group") came together to negotiate refinancing terms.

The Company has a draft of the Transaction Support Agreement ("TSA"), which details the commitments of the Ad Hoc Group and Kaltex to refinance the current bond.

The entity may have some tax contingency for federal payments, in the event that the authority makes some payments required.

18. Authorization to issue the consolidated financial statements

On September 14, 2022, the issuance of the accompanying consolidated financial statements was authorized by Mr. Rafael Kalach, Chief Executive Officer and C.P. Carlos Avelar Guerrero, the Entity's Legal Representative; consequently, they do not reflect events occurred after that date.

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