



VERTICALLY INTEGRATED TEXTILE COMPANY

Naucalpan, Estado de Mexico, May 22, 2023 – Grupo Kaltex S.A. de C.V. and subsidiaries (Ticker: KLTXMX), a leading company in the manufacture and marketing of textile products, announced today its results for the first quarter of 2023 ended March 31, 2023. 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.

1Q23 HIGHLIGHTS

Compared to the same quarter of last year:

- ✦ First quarter consolidated net revenue decreased 34.9% to Ps.2,159 million, due to lower manufacturing activity.
- ✦ Gross profit for the first quarter increased 73.5% to Ps.369 million. Gross margin decreased to 6.2 % coming from 15.1%.
- ✦ Reported EBITDA for the first quarter of 2023 decreased 87.7% or Ps.387 million to Ps.54 million compared to Ps.441 million during the same quarter of last year.
- ✦ First quarter consolidated net income decreased 98% to Ps.6 million compared to Ps.329 million.

MESSAGE FROM THE CEO

Dear Investor,

The first quarter of 2023 presented many challenges. The continuous increase on interest rates coupled with an inflation that has just started to slowdown has put a lot of stress not only on the financial markets, but also in the economy as a whole. Regarding the textile industry, United States global imports of cotton trousers for the quarter decreased 35.6% compared to the same period of last year. This translated into a decrease of 15.1% of the Mexican exports of cotton trousers to the United States.

Following on the demand side, large retail companies worldwide are decreasing their orders, as they have overstocked their inventories, plummeting demand and thus, pushing prices low. The combination of low demand with low prices has affected textile suppliers around the world, and Kaltex was not an exception.

As a reaction to this complex situation, during the quarter we implemented strict cost control measures to manage our resources more efficiently. However, these changes are gradual and were not yet reflected in our costs for the quarter. We expect that the impact of these adjustments will be tangible by second half of the year.

Despite the low demand we are seeing, we believe that towards the second half of the year this trend will reverse, especially driven by year-end sales. This increase coupled with a more efficient production system, will translate into better margins.

We are optimistic about the company's operation and we believe that this drop in profitability is temporary, driven mainly by macroeconomic issues. We are confident that the end of the year, although it will still be lower to previous years, will be better than what we experienced during the first quarter.

As always, I thank you for your trust in Kaltex.

Rafael Kalach Mizrahi
Chairman of the Board & CEO

REVENUES

First quarter consolidated net revenues totaled Ps.2,159 million, a decrease of 34.9% or Ps.1,159 million compared to the Ps.3,318 million recorded in first quarter of 2022 mainly due to lower manufacturing activity.

For the first quarter of 2023 sales to the United States represented 57.6% of total sales.

FINANCIAL PERFORMANCE

For the first quarter we recorded Ps.2,026 million of cost of sales, which represented a decrease of 28.1% compared to Ps.2,816 million reached in the same period of 2022.

Consolidated gross profit amounted Ps.133 million for the quarter, which represented a decrease of 73.5% compared to the same quarter of 2022. Gross margin for the quarter stood at 6.2% of net sales, compared to 15.1% recorded in the same period of 2022.

Operating expenses for the quarter amounted Ps.138 million, a decrease of 1.4% compared to the same quarter of 2022, while the ratio of operational expenses to sales for the quarter was 6.4%, compared to 4.2% during the same period of 2022.

Consolidated EBITDA totaled Ps.54 million for the first quarter of 2022, a decrease from the Ps.441 million registered in the same period of 2022. EBITDA margin for the quarter stood at 2.5% of net revenues, compared to 13.3% registered during the same quarter of 2022.

First quarter net interest expense was Ps.155 million, an increase of 25.9% compared the first quarter of 2022, due to higher interest rates.

First quarter consolidated net income totaled Ps.6 million, a decrease of 98.3% compared to the same quarter of 2022.

FINANCIAL POSITION

Cash and cash equivalents amounted Ps.209 million as of March 31, 2022, compared to Ps.220 million at 31 December 2022.

Grupo Kaltex debt amounted Ps.4,048 million as of March 31, 2023, compared to Ps.4,246 million as of December 31, 2022. In dollar terms, debt was US\$223.6 million, compared to US\$219.3 million as of December 31, 2022.

Regarding debt by currency, 71% is denominated in US Dollars and corresponds to the Senior Notes due September 2025 and the Dollar tranche of the Bancomext loan; and the remaining 29% is denominated in Mexican Pesos, corresponding to the Peso tranche of the Bancomext loan.

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, March 31,</i>		
	2023	2022	Δ%
Net revenue	2,158,850	3,317,932	-35%
Cost of goods sold	2,025,607	2,815,600	-28%
Gross profit	133,243	502,332	-73%
Sales expenses	57,805	40,538	43%
Administrative expenses	80,142	99,343	-19%
Other (expenses) income net	(35,820)	(18,793)	91%
Operating profit	(40,524)	343,658	-112%
Comprehensive financial result	129,192	40,429	220%
Interest income	(79)	733	-111%
Interest expense	154,626	122,795	26%
Foreign exchange result	283,897	162,491	75%
Income tax	83,014	55,531	49%
Consolidated net result	5,654	328,556	-98%
Depreciation	94,644	97,115	-3%
EBITDA	54,120	440,773	-88%

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

Figures in MXN thousands

	March 31, 2023	December 31, 2022
Assets		
Cash & cash equivalents	208,727	220,338
Accounts receivable, net	2,287,760	2,140,632
Inventories, net	1,792,874	1,931,900
Prepaid expenses	7,773	247,382
Current Assets	4,297,134	4,540,252
Property, plant and equipment, net	8,171,508	8,831,657
Investment properties	6,009	6,986
Other assets	32,224	42,035
Non-current Assets	8,209,741	8,880,678
Total Assets	12,506,875	13,420,930
Liabilities		
Bank loans	71,572	48,902
Accounts Payable to suppliers	1,669,050	1,942,925
Accounts payable to related parties	94,825	94,843
Other accounts payable and accrued liabilities	2,132,247	1,932,453
Current Liabilities	3,967,694	4,019,123
Long-term financial liabilities	3,976,112	4,197,110
Accounts payable to related parties	2,496,766	2,678,124
Other accounts payable	765,937	734,530
Deferred Income Tax	1,236,683	1,226,556
Non-current Liabilities	8,475,498	8,836,320
Total Liabilities	12,443,192	12,855,443
Capital stock	4,435,829	4,435,829
Accumulated (losses) earnings	(4,372,146)	(3,870,342)
Total Equity	63,683	565,487
Total Liabilities and Equity	12,506,875	13,420,930

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

<i>Figures in MXN thousands</i>	<i>Three months ended March 31,</i>	
	2023	2022
Cash flows from operating activities		
Consolidated net income (loss)	5,654	328,556
<i>Adjustments for:</i>		
Income tax expense recognized in net loss	83,014	55,531
Depreciation and amortization	94,644	97,115
Interest income	(79)	(733)
Interest expense	154,626	122,795
Unrealized foreign exchange	(283,897)	(170,457)
	53,962	432,807
Changes in working capital		
<i>(Increase) decrease in:</i>		
Accounts receivable, net	(147,128)	(151,306)
Inventories, net	139,026	(134,645)
Prepaid expenses	239,609	31,193
Other assets	10,788	(686)
<i>(Increase) decrease in:</i>		
Accounts payable to suppliers	(273,875)	19,992
Accounts payable to related parties	(18)	-
Other accounts payable and accrued liabilities	166,583	(64,453)
Direct employee benefits	(22,892)	3,413
Advanced payments from customers	(2,593)	12,737
Income taxes paid	-	(54,387)
Retirement employee benefits	(60,258)	10,440
Net cash flows generated by operating activities	103,205	105,105
<i>Cash flows from investing activities:</i>		
Interest received	79	-
Acquisition of property, plant and equipment, net	14,624	(28,155)
Net cash flows (generated by) used in investing activities	14,703	(28,155)
<i>Cash flows from financing activities:</i>		
Payments of debt, net	(198,328)	(57,314)
Proceeds from related parties, net	(181,358)	-
Interest paid	(154,626)	(7,971)
Lease payments	77,474	-
Dividends paid	-	(15,600)
Net cash flow (used in) generated by financing activities	(456,838)	(80,885)
Net increase (decrease) in cash and cash equivalents	(338,930)	(3,935)
Effects of exchange rate changes on cash flows	327,319	(2,592)
Cash and cash equivalents at beginning of period	220,338	225,755
Cash and cash equivalents at end of period	208,727	219,228