



## VERTICALLY INTEGRATED TEXTILE COMPANY

Naucalpan, Estado de Mexico, January 9, 2024 – 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 third quarter of 2023 ended September 30, 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.

### 3Q23 HIGHLIGHTS

Compared to the same period of last year:

- ✎ Third quarter consolidated net revenue decreased 41.1% to Ps.1,861 million, due to a weak demand coming local and international markets. Year to date, revenues decreased 41.3% to Ps.5,797 million.
- ✎ Gross profit for the second quarter remained practically unchanged at Ps.262 million, while gross margin increased to 14.1 % coming from 8.3% for last year. For the first nine months of 2023 gross profit decreased 48.7% to Ps.472 million, and gross margin reached 8.1% compared to 9.3% for the same period of last year.
- ✎ Reported EBITDA for the third quarter of 2023 increased to Ps.241 million compared to Ps.11 million during the same quarter of last year. Year to date EBITDA decreased 43.7% to Ps.284 million representing 4.9% of total revenues.
- ✎ Third quarter consolidated net loss was Ps.177 million compared to a loss of Ps.425 million. Year to date, net income was Ps.7 million compared to a loss of Ps.534 million last year.

## MESSAGE FROM THE CEO

Dear Investor,

The macroeconomic environment for the third quarter of 2023 was more stable than what we had experienced since the turmoil caused by the COVID-19 pandemic. Global interest rates and inflation have stopped increasing, and a soft landing of a US recession seems probable. Despite this relatively positive panorama, the textile business continues to face challenges with volatility around raw material costs, trade uncertainties, and supply chain disruptions.

In particular, the imports of US denim trousers for the first nine months of 2023 were down by 29.5% globally and 10.2% for Mexico. Despite these figures are still negative, there is an improvement from the weak demand we experienced since the beginning of the year. As a result, our revenues for the same period amounted Ps.\$5,797 million or US\$109 million and EBITDA reached Ps.\$284 million or US\$14 million, which are 41.3% and 43.7% lower than last year, respectively.

We will continue to optimize our working capital for operations at these low levels while simultaneously servicing our debt. On October 11, we made the second interest payment for the Senior Notes due September 2025, and we have continued with the scheduled payments for the Bancomext loan.

For 2024, the denim market remains cautiously optimistic as the consumer becomes harder to predict, and nobody knows when global production will pick up again. This business environment, coupled with macroeconomic uncertainty and political instability from the elections in Mexico and the United States, translates into a challenging environment for Kaltex.

To conclude, I would like to thank you once again for your trust in Kaltex during this difficult year.

*Rafael Kalach Mizrahi*  
Chairman of the Board & CEO

## REVENUES

Third quarter consolidated net revenues totaled Ps.1,861 million, a decrease of 41.1% or Ps.1,296 million compared to the Ps.3,156 million recorded during the third quarter of 2022 mainly due to a weak demand across all out lines of business. On an accumulated basis, revenues reached Ps. 5,797 million, a decrease of 41.3% or Ps.4,073 million compared to the same months of 2022.

For the third quarter of 2023 sales to the United States represented 50.4% of total sales, while year to date they represented 52.0%. The rest of the sales were mainly done in Mexico.

## FINANCIAL PERFORMANCE

For the third quarter we recorded Ps.1,598 million of cost of sales, which represented a decrease of 44.7% compared to Ps.2,893 million reached in the same period of 2022. For the first nine months of 2023, cost of sales amounted Ps.5,325 million, a decrease of 40.5% or Ps.3,625 million compared to the same period of 2022.

Consolidated gross profit amounted Ps.262 million for the quarter, which remained almost unchanged from the Ps.263 million recorded in the same period of 2022, while gross margin for the quarter stood at 14.1% of net sales, compared to 8.3%. Year to date, gross profit reached Ps.472 million, a decrease of 48.7% compared to Ps.921 million recorded during the same period of 2022. Gross margin for the period was 8.1% compared to 9.3% for last year.

Operating expenses for the quarter amounted Ps.137 million, a decrease of 23.3% compared to the same quarter of 2022, while the ratio of operational expenses to sales for the quarter was 7.4%, compared to 5.7% during the same period of 2022. This is a result of sales reducing faster than fixed expenses. For first nine months of 2023 operating expenses reached Ps.432 million, a decrease of 16.5% or Ps.85 million compared to the same period of 2022. The ratio of operational expenses to sales increased to 7.5% coming from 5.2%.

Consolidated EBITDA totaled Ps.241 million for the third quarter of 2023, an increase from the Ps.11 million registered in the same period of 2022. EBITDA margin for the quarter stood at 13.0% of net revenues, compared to 0.4% registered during the same quarter of 2022. Year to date, EBITDA was Ps.284 million, a decrease of 43.7% compared to Ps.505 million for the same months of 2022.

Third quarter net interest expense was Ps.147 million, an increase of 31.5% compared the third quarter of 2022. For the first nine months of 2023, net interest expense was Ps.465 million, an increase of 13.7% compared to last year. The increase in both periods was due to higher financing interest rates.

Third quarter consolidated net income totaled a loss of Ps.177 million that compares to a loss of Ps.425 million the same quarter of 2022. Year to date, net income amounted Ps.7 million, an increase from the loss of Ps.534 million reached on the same period of last year. The increase in both periods is explained by FX gains following the appreciation of the Mexican Peso.

## FINANCIAL POSITION

Cash and cash equivalents amounted Ps.247 million as of September 30, 2023, compared to Ps.221 million at 31 December 2022.

Grupo Kaltex gross debt amounted Ps.3,940 million as of September 30, 2023, compared to Ps.4,246 million as of December 31, 2022. In dollar terms, debt was US\$191 million, compared to US\$219.3 million as of December 31, 2022.

Regarding debt by currency, 70% 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 30% is denominated in Mexican Pesos, corresponding to the Peso tranche of the Bancomext loan.

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## 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 thousand</i>	<i>Three months ended, September 30,</i>			<i>Nine months ended, September 30,</i>		
	<b>2023</b>	<b>2022</b>	<b>Δ%</b>	<b>2023</b>	<b>2022</b>	<b>Δ%</b>
Net revenue	1,860,535	3,156,214	-41%	5,797,372	9,870,568	-41%
Cost of goods sold	1,598,436	2,892,975	-45%	5,325,023	8,949,747	-41%
<b>Gross profit</b>	<b>262,099</b>	<b>263,239</b>	<b>-0.4%</b>	<b>472,349</b>	<b>920,821</b>	<b>-49%</b>
Sales expenses	50,781	100,683	-50%	167,823	196,752	-15%
Administrative expenses	86,267	77,962	11%	264,484	320,877	-18%
Other (expenses) income net	5,330	(164,720)	>100%	(52,109)	(190,277)	-73%
<b>Operating profit</b>	<b>130,381</b>	<b>(80,126)</b>	<b>&gt;100%</b>	<b>(12,067)</b>	<b>212,915</b>	<b>&gt;100%</b>
<b>Comprehensive financial result</b>	<b>(304,018)</b>	<b>(355,759)</b>	<b>-15%</b>	<b>84,456</b>	<b>(543,162)</b>	<b>&gt;100%</b>
Interest income	(13,380)	747	N/A	(13,439)	2,210	N/A
Interest expense	133,165	112,196	19%	451,688	411,335	10%
Foreign exchange result	(157,473)	(244,310)	-36%	549,583	(134,037)	>100%
Income tax	3,492	(11,360)	>100%	65,026	204,031	-68%
<b>Consolidated net result</b>	<b>(177,129)</b>	<b>(424,525)</b>	<b>-58%</b>	<b>7,363</b>	<b>(534,278)</b>	<b>&gt;100%</b>
Depreciation	110,615	91,452	21%	296,018	291,882	1.4%
<b>EBITDA</b>	<b>240,996</b>	<b>11,326</b>	<b>&gt;100%</b>	<b>283,951</b>	<b>504,797</b>	<b>-44%</b>

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

*Figures in MXN thousand*

	September 30, 2023	December 31, 2022
<b>Assets</b>		
Cash & cash equivalents	246,951	220,883
Accounts receivable, net	1,769,431	2,230,526
Accounts receivable from related parties	59	11
Inventories, net	1,658,139	1,949,918
Prepaid expenses	320,275	113,616
Assets available for sale	467,869	467,869
<b>Current Assets</b>	<b>4,462,724</b>	<b>4,982,823</b>
Property, plant and equipment, net	9,417,362	9,767,517
Investment properties	766,593	862,634
Right of use asset	254,904	271,629
Other assets	90,633	100,955
<b>Non-current Assets</b>	<b>10,529,492</b>	<b>11,002,735</b>
<b>Total Assets</b>	<b>14,992,216</b>	<b>15,985,558</b>
<b>Liabilities</b>		
Bank loans	1,862,806	1,963,930
Accounts Payable to suppliers	1,401,360	1,963,762
Short term lease liability	86,329	86,329
Accounts payable to related parties	97,272	95,378
Other accounts payable and accrued liabilities	2,138,831	2,064,127
<b>Current Liabilities</b>	<b>5,586,598</b>	<b>6,143,536</b>
Long-term financial liabilities	2,076,758	2,282,082
Accounts payable to related parties	2,328,543	2,576,780
Lease liability	88,060	223,774
Employee benefits	515,263	525,002
Other accounts payable	100,502	1,126
Deferred Income Tax	1,263,053	1,414,341
<b>Non-current Liabilities</b>	<b>6,372,179</b>	<b>7,023,105</b>
<b>Total Liabilities</b>	<b>11,958,777</b>	<b>13,196,631</b>
Capital stock	4,680,829	4,435,829
Accumulated (losses) earnings	(1,647,390)	(1,464,902)
<b>Total Equity</b>	<b>3,033,439</b>	<b>2,788,927</b>
<b>Total Liabilities and Equity</b>	<b>14,992,216</b>	<b>15,985,558</b>

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

<i>Figures in MXN thousand</i>	<i>Three months ended, September 30, 2023</i>	<i>Nine months ended, September 30, 2023</i>
<b>Cash flows from operating activities</b>		
Consolidated net income (loss)	(177,129)	7,363
<i>Adjustments for:</i>		
Income tax expense recognized in net loss	3,492	65,026
Depreciation and amortization	110,615	296,018
Interest income	13,380	13,439
Interest expense	133,165	451,688
Unrealized foreign exchange	157,473	(549,583)
	<b>240,996</b>	<b>283,951</b>
<b>Changes in working capital</b>		
<i>(Increase) decrease in:</i>		
Accounts receivable, net	17,852	461,105
Inventories, net	(117,029)	291,779
Prepaid expenses	(51,282)	(206,659)
Other assets	4,506	10,322
<i>(Increase) decrease in:</i>		
Accounts payable to suppliers	(19,213)	(562,402)
Accounts payable to related parties	1,071	1,846
Other accounts payable and accrued liabilities	677,554	(51,983)
<b>Net cash flows generated by operating activities</b>	<b>754,455</b>	<b>227,959</b>
<i>Cash flows from investing activities:</i>		
Acquisition of property, plant and equipment, net	(510,161)	223,052
Capital increase	208,000	245,000
<b>Net cash flows (generated by) used in investing activities</b>	<b>(302,161)</b>	<b>468,052</b>
<i>Cash flows from financing activities:</i>		
Payments of debt, net	70,529	(306,448)
Proceeds from related parties, net	28,051	(248,237)
Interest paid	(146,545)	(465,127)
Lease payments	(102,627)	(135,714)
Dividends paid	(15,600)	(64,000)
<b>Net cash flow (used in) generated by financing activities</b>	<b>(166,192)</b>	<b>(1,219,526)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>286,102</b>	<b>(523,515)</b>
Effects of exchange rate changes on cash flows	(157,473)	549,583
<b>Cash and cash equivalents at beginning of period</b>	<b>118,322</b>	<b>220,883</b>
Cash and cash equivalents at end of period	246,951	246,951