



# EARNINGS RELEASE 2Q16

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Saltillo, Mexico  
**July 21, 2016**



## GRUPO INDUSTRIAL SALTILLO S.A.B. DE C.V. (GISSA) REPORTS FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2016

Saltillo, Mexico, July 21, 2016 – Grupo Industrial Saltillo, S.A.B. de C.V. (BMV: GISSA) (“The Company”, “GIS”, “GISSA” or “The Group”), a Mexican leading industrial conglomerate with a solid portfolio of products and brands, today announced its earnings results for the second quarter ended June 30, 2016.

The figures in this report have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), and presented in millions of nominal Mexican pesos, unless otherwise stated (in millions of U.S. nominal dollars) and may vary due to rounding.

The figures presented in U.S. nominal dollars in this report correspond to their conversion from nominal Mexican pesos or Euros, and have been calculated by dividing the figures of each quarter by the average exchange rate corresponding to such quarter.

### Consolidated Summary

Consolidated results (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
Net revenue (Pesos)	3,527	2,676	32%	7,072	5,481	29%
Net revenue (US\$)	195	175	12%	392	363	8%
EBIT (Pesos)	357	231	55%	765	519	48%
EBIT (US\$)	20	15	31%	42	34	24%
EBITDA (Pesos)	516	344	50%	1,078	742	45%
EBITDA (US\$)	29	22	27%	60	49	22%
Net income (Pesos)	247	138	79%	535	331	62%
Net income (US\$)	14	9	52%	30	22	36%



## Highlights

- **On August 24, it will be GISSA's 40th anniversary as a listed company on the Bolsa Mexicana de Valores (Mexican Stock Exchange).** In this context of celebration, the Company reports its sixth straight double-digit growth quarter in Revenue, EBITDA and Net Income.
- **The acquisition of ACE,** a leading company engaged in the manufacture of ductile iron and aluminum castings and machining for braking systems of the automotive industry in Europe, was the main driver behind the growth posted this quarter.
- **2Q16 Consolidated Revenue, expressed in Mexican pesos, reflected a growth rate of 32% when compared to 2Q15, totaling Ps.3,527 million. All three business segments grew when compared to the same period of last year.** In addition to ACE's incremental contribution in Auto-Parts, revenue in the Construction Segment increased by 9% vs. 2Q15, supported again by the outstanding performance achieved by Vitromex. Meanwhile, the Housewares Segment revenue increased by 5% vs. 2Q15.
- **At a Consolidated level, EBIT totaled Ps.357 million, representing a solid growth of 55% vs. 2Q15.** Cifunsa's high performance coupled with ACE's incremental contribution allowed the Auto-Parts Segment EBIT to increase by Ps.125 million, up 77% vs. 2Q15.
- **2Q16 EBITDA was Ps.516 million, 50% higher than that recorded in 2Q15.** EBITDA margin expanded from 12.9% in 2Q15 to 14.6% in this reporting quarter.
- **2Q16 Net Income reached Ps.247 million, 79% higher than that recorded in 2Q15.**
- **2Q16 Capex reached Ps.158 million.** Highlighting the funds used by Vitromex for production capacity revamping and digital decorator equipment. This amount does not include the investments in Evercast, Joint Venture with ZF-TRW, nor in GIS Ederlan, as both operations correspond to Joint Ventures not consolidated according to IFRS.
- **As of June 30, 2016, Cash and Equivalents reached Ps.2,221 million,** allowing us to meet our operational needs, and providing the required flexibility to strengthen our strategic growth efforts at the same time.
- **At quarter-end, Consolidated Debt totaled Ps.2,174 million.** This figures includes:
  - Ps.1,407 million of the long-term loan subscribed to acquire ACE.
  - Ps.461 million of recognized debt, as a result of ACE's consolidation.
  - Ps.306 million from the 2014 disposed credit line that was used in the capacity expansion of the Cifunsa Plant in San Luis Potosí.



## Accounting Reclassification

- In order to adequately reflect the financial information contained in the income statement of the Company, the financial profit/loss register (operative CFR) related to working capital will no longer be included in Operating Income, and will be reclassified to CFR (below the EBIT line).
- This accounting criteria is effective since the first quarter 2016. For consistency and comparability purposes, 2015 figures are also restated under this standard.
- The effects of the aforementioned reclassification are not material to the financial statements.

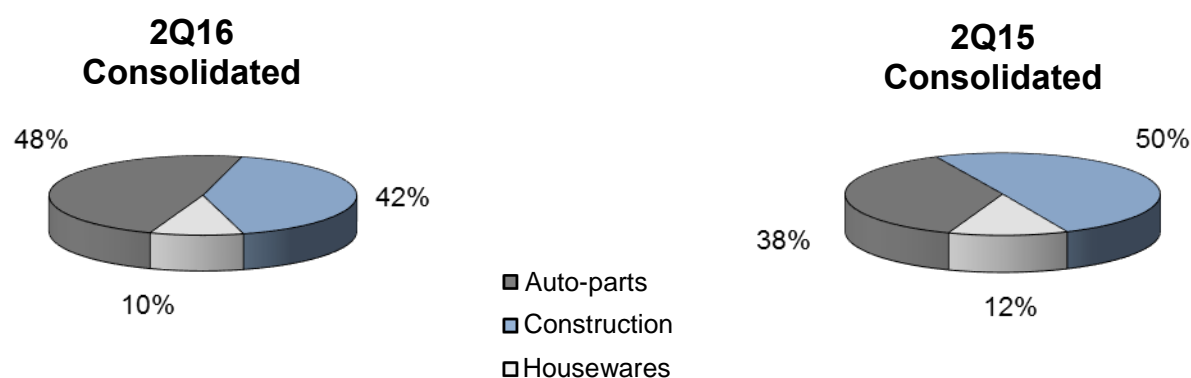


## Comments from the Chief Executive Officer

*José Manuel Arana Escobar, CEO of GISSA, stated: "I am pleased to confirm that the results achieved this quarter are derived from the commitment, tenacity, innovation and ongoing effort of our associates in their endeavors to effectively address the market. My most sincere gratitude and appraisal to all those who contribute to our results on a daily basis. Today, GISSA is an organization with focus, drive and a strong conviction to pursue accelerated growth".*

*"The volatility of global markets and the arising challenges in the different industries where we operate compel us to run the extra mile in order to grow steadily, enhance our control processes, and run our business segments under a strict discipline of cost and expense management".*

## Revenue by Segment



Net revenue	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Ps. / Consolidated</b>	3,527	2,676	32%	7,072	5,481	29%
Auto-Parts	1,696	997	70%	3,333	1,990	68%
Construction	1,456	1,337	9%	3,013	2,798	8%
Housewares	342	326	5%	672	672	0%
<b>US Dollars / Consolidated</b>	195	175	12%	392	363	8%
Auto-Parts	94	65	44%	185	132	40%
Construction	81	87	(8%)	167	185	(10%)
Housewares	19	21	(11%)	37	44	(16%)



EBIT (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>						
<i>Consolidated</i>	357	231	55%	765	519	48%
<i>Margin</i>	10%	9%		11%	9%	
Auto-Parts	288	163	77%	570	349	63%
<i>Margin</i>	17%	16%		17%	18%	
Construction	39	59	(34%)	112	172	(35%)
<i>Margin</i>	3%	4%		4%	6%	
Housewares	18	20	(10%)	42	32	33%
<i>Margin</i>	5%	6%		6%	5%	

EBITDA (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>						
<i>Consolidated</i>	516	344	50%	1,078	742	45%
<i>Margin</i>	15%	13%		15%	14%	
Auto-Parts	385	223	73%	765	468	63%
<i>Margin</i>	23%	22%		23%	24%	
Construction	84	98	(15%)	198	249	(20%)
<i>Margin</i>	6%	7%		7%	9%	
Housewares	29	30	(3%)	63	51	24%
<i>Margin</i>	8%	9%		9%	8%	



## Quarterly Results

### Auto-Parts

#### Overview

Revenue from the Auto-Parts Segment represents 48% of the Consolidated Revenue of 2Q16. This proportion is significantly higher than the 38% registered in 2Q15, as a result of the incorporation of Automotive Components Europe (ACE).

Revenue (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	<b>1,696</b>	<b>997</b>	<b>70%</b>	<b>3,333</b>	<b>1,990</b>	<b>68%</b>
Cifunsa	1,041	997	4%	2,073	1,990	4%
ACE*	654	512	28%	1,260	1,018	24%
<b>US Dollars</b>	<b>94</b>	<b>65</b>	<b>44%</b>	<b>185</b>	<b>132</b>	<b>40%</b>
Cifunsa	58	65	(11%)	115	132	(13%)
ACE *	36	33	8%	70	67	4%

*\*This chart present 2015 ACE figures for comparative purposes only. The acquisition of ACE is consolidated in results since 1Q16, therefore it is not included in figures of 2015 (for both Mexican pesos and US dollars).*

#### Revenue

The revenue of this Segment during the second quarter of the year, calculated in US dollars, reflects a 44% growth when compared to that recorded in the same period last year, as a result of the incorporation of ACE in the portfolio. In contrast, Cifunsa revenue decreased by 11% YoY, which is largely explained by the transfer of volume to Evercast, and a decrease in pricing due to indexation (surcharge) of some raw materials.

The capacity expansion in ACE's Feramo plant, located in the Czech Republic, was the main driver behind the annual revenue growth of this Business Segment.



## EBIT AND EBITDA

EBIT (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	<b>288</b>	<b>163</b>	<b>77%</b>	<b>570</b>	<b>349</b>	<b>63%</b>
<b>Margin</b>	<b>17%</b>	<b>16%</b>		<b>17%</b>	<b>18%</b>	
Cifunsa	207	163	27%	424	349	21%
Margin	20%	16%		20%	18%	
ACE*	84	44	92%	153	85	79%
Margin	13%	9%		12%	8%	
<b>US Dollars</b>	<b>16</b>	<b>11</b>	<b>50%</b>	<b>32</b>	<b>23</b>	<b>37%</b>
Cifunsa	11	11	8%	23	23	2%
ACE*	5	3	63%	8	6	50%

EBITDA (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	<b>385</b>	<b>223</b>	<b>73%</b>	<b>765</b>	<b>468</b>	<b>63%</b>
<b>Margin</b>	<b>23%</b>	<b>22%</b>		<b>23%</b>	<b>24%</b>	
Cifunsa	276	223	24%	562	468	20%
Margin	26%	22%		27%	24%	
ACE*	109	66	67%	203	128	59%
Margin	17%	13%		16%	13%	
<b>US Dollars</b>	<b>21</b>	<b>15</b>	<b>47%</b>	<b>42</b>	<b>31</b>	<b>37%</b>
Cifunsa	15	15	5%	31	31	1%
ACE*	6	4	41%	11	8	33%

\*This chart present 2015 ACE figures for comparative purposes only. The acquisition of ACE is consolidated in results since 1Q16, therefore it is not included in figures of 2015 (for both Mexican pesos and US dollars).

EBITDA margin increased from 22.3% to 22.7% in an annual basis, as a result of:

- A higher average exchange rate
- Greater efficiency and productivity



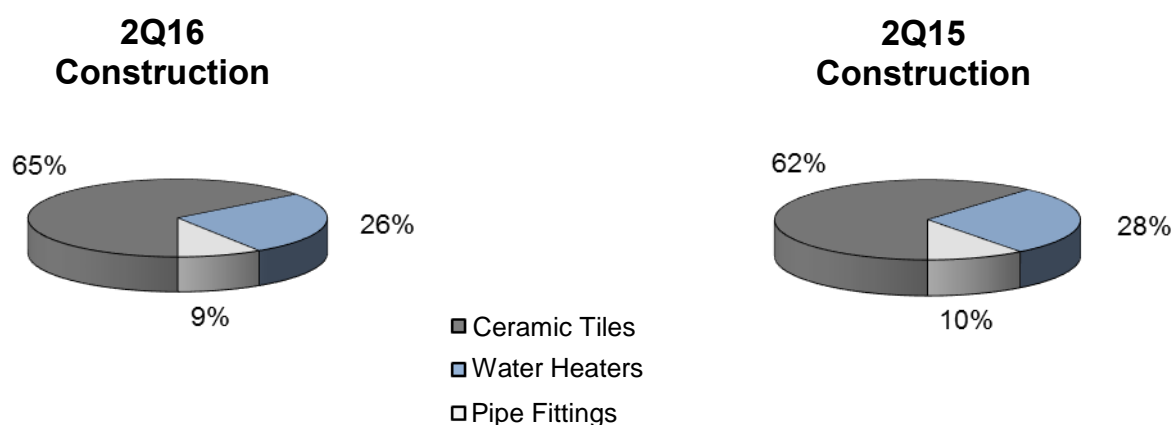


## Construction

### Overview

Construction Segment revenue in 2Q16 represented 42% of Consolidated Revenue, lower than the 50% proportion recorded in 2Q15, as a result of the strengthening of the Auto-Parts Segment following the acquisition of ACE.

The graphs below show the breakdown of revenue for the Construction Segment:



### Revenue

Revenue (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Revenue (Mexican Pesos)</b>	1,456	1,337	9%	3,013	2,798	8%
<b>Ceramic Tiles (Vitromex)</b>	944	826	14%	1,881	1,650	14%
<b>Water Heaters (Calorex)</b>	386	381	1%	862	865	0%
<b>Pipe Fittings (Fluida)</b>	133	139	(4%)	290	306	(5%)

In 2Q16, the revenue of the Construction Segment increased by 9% when compared to that recorded in 2Q15, supported by the continuous improvement of Vitromex.

Vitromex revenue recorded an increase of 14% when compared to the same period last year, supported by the addition of new dealers, a better mix, and higher traffic of volume in Home Centers.



Calorex revenue increased by 1% when compared to 2Q15, following the execution of new trade marketing initiatives, higher product turnover in the dealership network and a more intense prospecting activity for new construction companies.

The Pipe Fittings Business revenue posted a decline of 4% YoY, as a result of an intensely competitive price environment that has been affected by the devaluation of the Mexican Peso.

## EBIT AND EBITDA

EBIT (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	39	59	(34%)	112	172	(35%)
<b>Margin</b>	3%	4%		4%	6%	
<b>US Dollars</b>	2	4	(44%)	6	11	(45%)

EBITDA (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	84	98	(15%)	198	249	(20%)
<b>Margin</b>	6%	7%		7%	9%	
<b>US Dollars</b>	5	6	(28%)	11	16	(33%)

2Q16 EBIT and EBITDA of the Construction Segment registered significant drop of 34% and 15% when compared to the same period last year, respectively.

This decrease is mainly explained by:

- Higher fixed costs as a result of the investment made in commercial networks.
- The devaluation of the Mexican peso that has impacted dollar denominated inputs.



## Housewares

### Overview

2Q16 revenue from the Housewares Segment represented 10% of Consolidated Revenue, lower than the 12% registered in 2Q15, as a result of higher Auto-Parts Segment revenue from the acquisition of ACE.

### Revenue

Revenue (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	342	326	5%	672	672	0%

The Housewares Segment revenue for 2Q16 increased by 5% when compared to the same period last year. This effect is mainly explained by higher sales of Enamel Steel products in the Catalog and Promotional channels. As previously mentioned, these sales are subject to client programs that are not seasonal, recurring or repeatable.

### EBIT AND EBITDA

EBIT (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	18	20	(10%)	42	32	33%
<b>Margin</b>	5%	6%		6%	5%	
<b>US Dollars</b>	1	1	(24%)	2	2	11%

EBITDA (millions)	2Q16	2Q15	Δ%	Acum'16	Acum'15	Δ%
<b>Mexican Pesos</b>	29	30	(3%)	63	51	24%
<b>Margin</b>	8%	9%		9%	8%	
<b>US Dollars</b>	2	2	(17%)	3	3	4%

EBIT and EBITDA of the Housewares Segment decreased by 10% and 3% when compared to the same period last year, respectively, as a result of higher fixed costs.



## Financial Statements

### Grupo Industrial Saltillo, S.A.B. de C.V. Statements of Comprehensive Income (Expressed in Millions of Nominal Mexican Pesos)

	SECOND QUARTER			AS OF JUNE 30		
	2016	2015	Δ%	2016	2015	Δ%
<b>Net Revenues</b>	<b>3,527</b>	<b>2,676</b>	<b>32%</b>	<b>7,072</b>	<b>5,481</b>	<b>29%</b>
Auto-Parts	1,696	997	70%	3,333	1,990	68%
Construction	1,456	1,337	9%	3,013	2,798	8%
Housewares	342	326	5%	672	672	0%
Cost of sales	2,463	1,934	27%	4,949	3,965	25%
General expenses	704	510	38%	1,355	992	37%
Other income (expenses), net	3	2	61%	2	5	(56%)
<b>Operating Income (EBIT)</b>	<b>357</b>	<b>231</b>	<b>55%</b>	<b>765</b>	<b>519</b>	<b>48%</b>
Auto-Parts	288	163	77%	570	349	63%
Construction	39	59	(34%)	112	172	(35%)
Housewares	18	20	(10%)	42	32	33%
<b>EBITDA</b>	<b>516</b>	<b>344</b>	<b>50%</b>	<b>1,078</b>	<b>742</b>	<b>45%</b>
Auto-Parts	385	223	73%	765	468	63%
Construction	84	98	(15%)	198	249	(20%)
Housewares	29	30	(3%)	63	51	24%
<b>CFR</b>	<b>(3)</b>	<b>(6)</b>		<b>5</b>	<b>(13)</b>	
Income Tax	114	77	49%	242	165	47%
<b>Consolidated Income</b>	<b>245</b>	<b>160</b>	<b>53%</b>	<b>518</b>	<b>367</b>	<b>41%</b>
Profit from non-controlling interest	2	(22)		17	(37)	
<b>Profit from controlling interest</b>	<b>247</b>	<b>138</b>	<b>79%</b>	<b>535</b>	<b>331</b>	<b>62%</b>

- Profit from non-controlling interest includes Evercast and GISEDRLAN results attributable to GIS. Evercast, machining and casting, reflects a positive operating results despite having launched operations only a few months ago, even when the typical standard of the industry marks higher losses at the beginning of the ramp.
- As of June 30, 2016, Evercast recorded Cash and Cash Equivalents of Ps.359 million and Banking Debt of Ps.923 million.
- Currently, it operates a casting line of 26k tons, and is progressing with the setup of a second line, with expected start-up this year, to reach 52k tons per year, as planned.

\*In compliance with accounting standards, Evercast cannot be consolidated into GISSA.



**Grupo Industrial Saltillo, S.A.B. de C.V.**  
**Statements of Comprehensive Income**  
**(Expressed in Millions of Nominal Mexican Pesos)**

MARGINS	SECOND QUARTER		AS OF JUNE 30	
	2016	2015	2016	2015
<b>Operating Income to Net Revenue</b>	<b>10%</b>	<b>9%</b>	<b>11%</b>	<b>9%</b>
Auto Parts	17%	16%	17%	18%
Construction	3%	4%	4%	6%
Housewares	5%	6%	6%	5%
<b>EBITDA to Net Revenue</b>	<b>15%</b>	<b>13%</b>	<b>15%</b>	<b>14%</b>
Auto Parts	23%	22%	23%	24%
Construction	6%	7%	7%	9%
Housewares	8%	9%	9%	8%
<b>Profit from controlling interest</b>	<b>7%</b>	<b>5%</b>	<b>8%</b>	<b>6%</b>



**Grupo Industrial Saltillo, S.A.B. de C.V.**  
**Statements of Financial Position**  
**(Expressed in Millions of Nominal Mexican Pesos)**

	Jun-16	Dec-15
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	2,221	2,370
Accounts receivable, net	2,776	2,633
Other receivables	363	182
Inventories	2,037	1,892
<b>Property, plant &amp; equipment, net</b>	<b>6,569</b>	<b>6,353</b>
<b>Investments in associates and JV</b>	<b>892</b>	<b>791</b>
<b>Other assets</b>	<b>2,114</b>	<b>2,118</b>
<b>TOTAL ASSETS</b>	<b>16,974</b>	<b>16,339</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank debt & current maturities	400	202
Trade payables	1,850	1,743
Other current liabilities	1,251	1,398
<b>Non-current liabilities</b>		
Bank debt	1,774	1,935
Deferred taxes	806	773
Other non-current liabilities	348	338
<b>TOTAL LIABILITIES</b>	<b>6,429</b>	<b>6,389</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>10,544</b>	<b>9,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,974</b>	<b>16,339</b>



## Relevant Information

### About Grupo Industrial Saltillo

Grupo Industrial Saltillo manufactures and markets products for the Auto-Parts (grey and ductile iron castings, as well as casting and machining of aluminum parts), Construction (water heaters, fluid handling systems, wall and floor ceramic and porcelain tiles) and Housewares Segments (kitchenware and tableware).

### Forward-Looking Statements

This press release may contain certain forward-looking statements and information related to Grupo Industrial Saltillo, S.A.B. de C.V. and its subsidiaries (collectively, the "Company") which is subject to risks and uncertainties that could cause actual results to differ materially from current expectations of the Company's management. These risks and uncertainties include, without limitation: new product development and marketing; demand and acceptance of the Company's products; competing products and pricing; economic conditions in the Company's product and geographic markets, and fluctuations in foreign currency.

### Analyst Coverage

Given that Grupo Industrial Saltillo, S.A.B. de C.V. ("GISSA"), has issued securities under Section I of the List referred by the 4.002.00 mandate of the Mexican Stock Exchange Internal Bylaws (the "Bylaws"), and given the importance of keeping an active participation in the stock market, it reports in accordance with the 4.033.10 mandate of this Bylaws, that the financial institutions that provide analyst coverage over GISSA's stock are GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa ("GBM") and Actinver Casa de Bolsa ("Actinver"), part of Grupo Financiero Actinver, S.A. de C.V.

Institution	Analyst
GBM	Lilian Ochoa Guerra
Actinver	Pablo Abraham Peregrina



## Additional Information

Figures expressed in U.S. dollars: The figures presented in the Statements of Comprehensive Income have been calculated by dividing the figures of each quarter, expressed in nominal Mexican Pesos, by the average exchange rate registered for that quarter.

Allocation of corporate services: In order to perform an accurate evaluation of the results by Business Segment, as well as to avoid comparability distortions, the Management of the Company uses a new methodology, which applies a standardized percentage to allocate the corporate services along each Business Segment to achieve its proper normalization.

In order to adequately reflect the financial information contained in the income statement of the Company, the financial profit/loss (operative CFR) related to working capital will no longer be included in Operating Income, and will be reclassified to CFR (below the EBIT line). For compatibility purposes, these criteria are applied to restate the figures of 2015, carrying out reclassifications that are not material to the financial statements.

Notes to the Financial Statements: For a greater depth of analysis, in addition to reviewing the contents of this Earnings Release, we recommend you to go in detail on the Notes to our Financial Statements on our website: [www.gis.com.mx](http://www.gis.com.mx)