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GIS Reports Fourth Quarter 2018 Results

Mexico City, Mexico, February 21, 2019 -- Grupo Industrial Saltillo, S.A.B. de C.V. (BMV: GISSA) ("GIS" or "the Company"), a global Mexican manufacturing company serving the automotive, construction and housewares industries, today announced its audited results for the fourth quarter (4Q18) and twelve-month periods ended December 31, 2018 ("2018").

Recent Events

- The Company signed a sales agreement for its water heating business (**Calorex**) at a price amounting to Ps. 2,787 million. For GIS, this transaction represents an opportunity to focus and simplify its product portfolio as it allows the Company to allocate resources towards the prepayment of debt and growth within its businesses.

- GIS continued to capitalize on synergies in the automotive sector by consolidating the operations of **Draxton Europe & Asia** into a single business unit. This consolidation will allow the Company to maximize operating efficiency and technological innovations by implementing best practices and engineering efforts, as well as R+D throughout its processes, allowing it to continue positioning itself globally with top quality products in a highly competitive market.

- **GISEderlan** successfully installed the second production line for bi-metal discs for BMW. Each line has a capacity of 300,000 discs per year. The Company expects to increase auto parts volumes for 2019 with this new line, which will boost financial strength and flexibility.

Comments from the CEO – José Manuel Arana

“2018 presented many challenges and achievements. Given the market volatility and economic slowdown in the regions in which we operate, as well as FX volatility, our efforts went towards boosting our leadership within the automotive industry through our global presence and recent investments, increasing operating discipline and strengthening relationships with key customers. Furthermore, we maximized synergies in Draxton and continued to simplify our business portfolio. We strengthened our engineering and R+D areas around the globe to prepare ourselves for new products and better operating efficiencies.

Our recent announcement regarding the divestment of Calorex confirms our decision to focus our resources towards the Company’s core businesses in order to deliver higher profitability to our shareholders; in addition, it represents an important opportunity to deleverage the Company.

In 2018, we faced challenges that directly impacted margins in our operations. In Europe, we saw a slowdown in the automotive industry during the second half of the year, and in Mexico, consumption was weak, especially during the last quarter. All sectors experienced challenges that pressured margins derived from increases in raw materials costs.

We continue to focus on the training and development of our employees throughout the Company in order to constantly improve our customer service, quality and productivity.

Vitromex had a difficult year, reporting significant volume declines in the U.S. and higher material costs. Now more than ever, our commitment to Vitromex is embedded into our strategic decision-making processes, at both the operating and commercial levels, which will drive a change in the direction of this business. We will achieve a gradual but steady improvement, bearing fruit by mid-2019 with the recovery of customers in the U.S., and a positive medium-term outlook.

We reported positive results in JVs (Evercast and GISEderlan), in which we are growing the casting and machined parts product lines by offering key customers an efficient, competitive and reliable supplier. Evercast continues to grow and become a strategic asset for GIS.

In 2019, we will focus on preparing our Company for the future through financial discipline and teamwork within this complex environment."

Consolidated Financial Highlights

in millions of pesos, unless otherwise stated

	Fourth Quarter			Twelve Months		
	2018	2017	Change	2018	2017	Change
Revenues	4,144	4,199	(1%)	17,585	16,954	4%
EBIT	117	139	6%	1,075	1,587	(32%)
Margin	3%	3%		6%	9%	
EBITDA	444	603	(22%)	2,321	2,720	(15%)
Margin	11%	14%		13%	16%	
Net Income	(105)	(83)	NA	693	1,114	(40%)
Margin	-3%	-2%		4%	7%	
EPS (pesos)				1.98	3.13	(37%)
CAPEX	185	183	1%	692	711	(3%)
Net Debt				6,472	6,729	
Net Debt to EBITDA				2.7x	2.4x	

Effects on Comps

- Figures exclude Calorex due to the sales agreements signed for this business unit.
- EBIT and Net Income for 4Q17 are affected by a charge of €11 million related to the reclassification of various items of the Balance Sheet, and to the price paid for the acquisition of Infun Group. This process, known as Purchase Price Allocation or PPA, implied a higher depreciation and amortization expense in the quarter. As of 2018, these charges normalized every month.
- Taxes in 4Q18 represented a charge of Ps. 129 million, while in 2017 it was a charge of Ps. 577 million. This effect was mainly due to exchange rate fluctuations and it is reflected in the majority net income.

Financial Results

2018 results showed a slight revenue improvement. The 4% growth, when compared to 2017, was mainly driven by Draxton, which helped maintain stable volume levels within a complex environment. For this business unit, 2018 was a year of integration and of boosting the extraction of direct synergies. The participation in new projects and new geographies opened the possibilities of obtaining new platforms in future years. The revenue growth in Cinsa partially offset the downturn in Vitromex, which reported important changes in volumes, mainly in the U.S.

EBITDA margin was down by three points when compared to 2017. The deceleration of Vitromex and the impacts in raw materials and energy costs in all the businesses were important factors causing this change.

Draxton reported mixed result at a consolidated level. The volume obtained from new projects in Draxton North America in previous years, helped offset the exit of Brembo. Draxton Europe reported negative changes versus last year, mainly due to lower volumes from Ford; while China reported a combined effect from higher scrap metal costs and mix. The pricing formula which incorporates input costs is different in each geography or market in which we operate, which is why in some areas we have greater protection against price fluctuations, as well as different normalization and offsetting timeframes.

Vitromex had a complex year, in which the volume decline in the U.S., the deceleration in Mexico, pressured margins from raw materials and aggressive price competition directly impacted the Company's profitability. On the other hand, Cinsa reported double digit growth in 2018.

In Proforma terms, upon including the JVs within the consolidated results, GIS revenues would have increased 3%, although the margin contribution of Evercast would have offset part of the drop in EBIT, bringing the increase to 10% vs. the previous year.

As of December 31, 2018, cost-bearing liabilities (46% USD, 31% EUR and 23% MXP) reached US$ 380.8 million, broken down as follows:

Currency	In millions of USD	Concept
USD	$235.0	Syndicated Loan
EUR	$32.2	Syndicated Loan Europe and other Draxton B debt
EUR	$23.4	Draxton Powertrain Bank Debt
MXP	$90.2	Local Notes (*Certificados Bursátiles*)

Note: Euro/Dollar exchange rate: 1.1377

Maturity Profile (millions of USD)

2019	2020	2021	2022	Forward
$14.2	$62.8	$81.1	$98.4	$124.3
4%	17%	21%	25%	33%

CAPEX per Business Unit (in millions of MXP)

	Draxton Mexico	Draxton Europe and Asia	Construction	Housewares	Consolidated
Fourth Quarter	$23	$89	$67	$4	$185
Accumulated	$92	$316	$104	$21	$692

Pro Forma Consolidated Financial Highlights including JVs

in millions of pesos, unless otherwise stated

	Fourth Quarter			Twelve Months		
	2018	2017	Change	2018	2017	Change
Revenues	4,499	4,594	(2%)	18,949	18,318	3%
EBIT	173	178	(3%)	1,293	1,776	(27%)
Margin	4%	4%		7%	10%	
EBITDA	549	655	(16%)	2,731	3,044	(10%)
Margin	12%	14%		14%	17%	
Net Debt				7,232	6,422	
Net Debt to EBITDA				2.5x	2.1x	

For comparative purposes only, please find pro forma results that include GIS combined with its JVs at 100% ownership. Consolidated pro forma results include the following JVs:

- Evercast (JV with ZF - GIS has a 70% stake, Irapuato, Mexico)
- GISEderlan (JV with Fagor Ederlan - 50% stake for each, SLP, Mexico)
- InfunEderlan (JV with Fagor Ederlan - 50% stake for each partner, Wuhu, China)

Draxton® Segment

in millions of USD

	Fourth Quarter			Twelve Months		
	2018	2017	Change	2018	2017	Change
Volume (tons)[1]	*85,267*	*91,367*	(9%)	*382,187*	*385,839*	*(1%)*
North America	*41,230*	*41,364*	*0%*	*180,481*	*179,875*	*0%*
Europe / Asia	*44,037*	*50,003*	*(8%)*	*201,706*	*205,964*	*(2%)*
JVs[2]	*11,131*	*8,857*	*26%*	*42,370*	*31,513*	*35%*
Machined Volume[3]	*655*	*614*	*7%*	*2,605*	*2,588*	*1%*
Europe / Asia	*655*	*614*	*7%*	*2,605*	*2,588*	*1%*
JVs2	*1,417*	*1,425*	*(1%)*	*5,908*	*5,398*	*9%*
Revenues	142	150	(5%)	642	608	6%
North America	*61*	*59*	*5%*	*263*	*247*	*7%*
Europe / Asia	*81*	*92*	*(12%)*	379	362	5%
JVs[2]	*26*	*22*	*18%*	101	78	29%
EBIT	12	19	(36%)	72	84	(14%)
Margin	8%	13%		11%	14%	
North America	*7*	*8*	*(9%)*	*35*	*35*	*0%*
Margin	*11%*	*13%*		*13%*	*14%*	
Europe / Asia	*5*	*9*	*(44%)*	*38*	*49*	*(23%)*
Margin	*6%*	*10%*		*10%*	*13%*	
JVs[2]	*3*	*3*	*(4%)*	11	11	2%
Margin JVs	*10%*	*13%*		11%	14%	
EBITDA	22	29	(25%)	111	121	(8%)
Margin	16%	20%		17%	20%	
North America	*11*	*11*	*(5%)*	50	51	(1%)
Margin	*18%*	*20%*		*19%*	*20%*	
Europe / Asia	*11*	*18*	*(37%)*	61	70	(13%)
Margin	*14%*	*19%*		*16%*	*19%*	
JVs[2]	*5*	*5*	*0%*	21	20	7%
Margin JVs	*20%*	*24%*		21%	25%	

1. *Volume for iron foundry, excluding JVs. (In tons)*
2. *Not included in Draxton, therefore it is not added.*
3. *Iron machining, without aluminum, excluding JVs. (In thousands of Pieces)*

Draxton reported a trend change in the second half of the year. For the full year, revenues grew 6% as a result of higher indexation of raw materials, better price mixes, which partially offset by lower foundry volumes in Europe derived from low client activity and the entry of WLTP; nevertheless, volumes in machined parts improved. The effects impacting profitability in 3Q18 and 4Q18 were mainly reported in Europe and Asia. These effects were partially offset by the continued EBITDA growth trend in NAFTA. GIS reaffirms its commitment to maintaining financial discipline and strict cost controls in its operations.

In 4Q18, Draxton reported lower foundry volumes at a global level compared to last year, derived from a market slowdown that caused changes in client orders. On the other hand, the strategy to strengthen our machined parts operations resulted in a 7% increase in volumes. Sales volumes in North America were in line with 3Q18. The newly added projects fully offset the exit of clients such as Brembo, which recently opened its own foundry facilities in Mexico.

Revenues in Europe/Asia reported a combined effect of lower volumes and less favorable product mix. Despite the increase in machined volumes, the lag in consumption derived from diesel vehicles and the market slowdown caused a 12% decrease in revenues.

EBITDA during the quarter fell by US$ 7 million, or 25%, compared to 4Q17. This was mainly attributable to higher costs in scrap metal, energy and ferroalloys in Europe and Asia. The revenue increase in North America stemmed from the indexation of costs incurred in 3Q18, therefore it did not result in an expansion of margins. China reported a significant change in operating margin by not having the same protection against input pricing fluctuations within its contracts, as in other geographies.

Joint Ventures:

The JVs maintained their double-digit growth trend during the quarter, reporting 18% revenue growth when compared to 4Q17. This effect was mainly due to a significant volume increase in Evercast thanks to the operation of the recently installed second production line. The EBITDA at these facilities remained stable versus 2017, with a slight decrease of 2% during the quarter and 7% growth for the year. This improvement was mainly due to the greater absorption of fixed costs by higher volume levels.

Construction Segment
in millions of pesos

The Construction Segment is undergoing a transformation process with the recently announced agreement to sell the water heating business. This process, upon completion, will represent an important opportunity for GIS to focus and simplify its portfolio, brings financial flexibility through the prepayment of debt and the drive towards growth projects.

As stated on page 10 in the "Reporting Standards" section, in accordance with the signing of the water heater business sales agreement, financial information for GIS and the Construction Segment excludes this business, as it is considered a Discontinued Operation (at the Net Income level) from an accounting standpoint.

	Fourth Quarter			Twelve Months		
	2018	2017	Change	2018	2017	Change
Revenues						
Ceramic Tiles	*842*	*917*	*(8%)*	*3,472*	*3,842*	*(10%)*
EBIT						
Ceramic Tiles	(147)	(83)	N/A	(392)	47	N/A
Margin	(17%)	(9%)		(11%)	1%	
EBITDA						
Ceramic Tiles	(87)	(39)	N/A	(164)	210	N/A
Margin	(10%)	(4%)		(5%)	5%	

Vitromex closed the year with a contraction in revenues and EBITDA, mainly attributable to lower sales volume, as well as to an unfavorable effect of price and mix. It is important to highlight that, under this environment, GIS continues to implement strategic initiatives supported by operating discipline, which will drive Vitromex's turnaround during the second half of 2019.

Vitromex continued to report significant volume declines in the United States, reporting a 39% decrease in 4Q18 versus 4Q17. The strategy of strengthening our presence in this market has progressed, although market recovery has been slow. In the domestic market we saw a deceleration in consumption and the closing of branches by some distributors. The Company's strategy of offering competitive products is still in place. The restructuring process brought with it costs related to maintenance, marketing, inventory reduction, and lower average prices mainly due to a lower mix of export sales. Although the recovery was gradual, we have achieved improvements in quality levels, 4Q18 being the quarter with the lowest rejection levels of the year.

Vitromex faced significant challenges during the quarter, including regional price pressures that resulted in an 8% reduction in revenues in 4Q18, and lower volumes of:

- 39% in the U.S., as market recovery in the region has been slow.
- 7% in the Mexican market due to the inventory strategy and clients shutting down operations.

EBITDA during the quarter reported a significant contraction due to lower sales volume in the U.S., a lower average price stemming from the inventory turnover strategy, a less favorable mix among other effects that also impacted margins.

The actions taken include the optimization of production capacity, operating efficiencies and reduction of inventory. Operating improvements have been gradual, which was reflected in the quality of our products.

Calorex registered stable revenue growth, although profitability improved compared to last year. EBITDA reported double-digit growth in 2018, in line with the trend seen in previous quarters.

Housewares Segment

in millions of pesos

	Fourth Quarter			Twelve Months		
	2018	2017	Change	2018	2017	Change
Revenues	410	383	7%	1,565	1,432	9%
EBIT	27	22	24%	67	49	38%
Margin	7%	6%		4%	3%	
EBITDA	38	32	17%	108	90	20%
Margin	9%	8%		7%	6%	

For the full year 2018, revenues and EBITDA were up 9% and 20%, respectively versus 2017 thanks to the Company's operating efficiency strategy, as well as to its strict cost controls and focus to profitability.

Cinsa reported 7% revenue growth supported by high volumes in the vitrified steel, food processing and aluminum product lines. In terms of EBITDA, the business reported an increase of 17% compared to 4Q17, thereby closing the year with positive growth trends derived from process control and financial discipline.

Analyst Coverage

Given that GIS has securities listed under Section I, 4.002.00 of the Mexican Stock Exchange Regulations (stocks, and most recently, local notes "*certificados bursátiles*") and given the importance of maintaining an active participation in the securities market, in compliance with item 4.033.10 of the aforementioned Regulations, the financial institutions that provide Analyst Coverage of GIS are:

Institution	Analyst
GBM	Lilian Ochoa Guerra
Actinver	Alejandro Chavelas Manzo
Signum Research	Armando Rodríguez Díaz

Reporting Basis

All figures are expressed in Mexican pesos ($) unless otherwise noted.

In accordance with the signing of the water heater business sales agreement, the completion of which is still uncertain as it is subject to COFECE's authorization, financial information for GIS and the Construction Segment excludes this business, as it is considered a Discontinued Operation from an accounting standpoint. In order to better evaluate the results by segment and to avoid distortions in comparability, the Company uses a specific methodology based on the services that it actually provides and the collection for usage rights of the brand to the business units, to apply a specific percentage to the distribution of corporate services to each segment for its standardization.

Notes to the Financial Statements

We recommend reviewing the notes to the financial statements that are part of the quarterly report presented to the Mexican Stock Exchange, which include pro forma figures in accordance to IFRS and also show the impact of the possible divestment of the water heater business.

Disclaimer

This release may contain certain statements and forward looking information about Grupo Industrial Saltillo S.A.B. de C.V. and its subsidiaries (collectively, the "Company"), which are subject to risks and uncertainties that may cause the results of the Company to differ materially from the current management´s expectations. These risks and uncertainties include, without limitation: the successful development of new products and their commercialization, demand and acceptance of the Company´s products, products and prices of the competitors, economic conditions in the markets and geographic regions of the Company´s products, as well as foreign currency fluctuations, among others.

Annex - Statement of Comprehensive Income

in millions of pesos

Grupo Industrial Saltillo, S.A.B. de C.V.
Consolidated Information

	4Q			YTD		
	2018	2017	% Change	2018	2017	% Change
Revenue	**4,144**	**4,199**	**(1%)**	**17,585**	**16,954**	**4%**
Auto parts	2,818	2,847	(1%)	12,343	11,511	7%
Construction	842	917	(8%)	3,472	3,842	(10%)
Housewares	410	383	7%	1,565	1,432	9%
Cost of Sales	3,520	3,597	(2%)	14,095	12,995	8%
General Expenses	662	680	(3%)	2,565	2,584	(1%)
Other Expenses (Income), Net	(155)	(217)	N/A	(151)	(212)	N/A
EBIT	117	139	**(16%)**	1,075	1,587	**(32%)**
Auto parts	239	356	(33%)	1,387	1,584	(12%)
Construction	(147)	(83)	N/A	(392)	47	N/A
Housewares	27	22	24%	67	49	38%
EBITDA	444	603	**(26%)**	2,321	2,720	**(15%)**
Auto parts	438	555	(21%)	2,139	2,283	(6%)
Construction	(87)	(39)	N/A	(164)	210	N/A
Housewares	38	32	17%	108	90	20%
CFR	129	577		52	456	
Income Tax	162	(138)	N/A	532	321	66%
Consolidated Profit	(114)	(91)	**N/A**	564	986	**(43%)**
Profit from non-controlling interest	8	8	2%	129	128	1%
Profit from controlling interest	(105)	(83)	**N/A**	693	1,114	**(38%)**

Annex - Balance Sheet
in millions of pesos

Grupo Industrial Saltillo, S.A.B. de C.V.
Consolidated Information

	dec-18	dec-17
ASSETS		
Current Assets		
Cash and cash equivalents	1,081	1,775
Accounts receivable	3,606	4,424
Inventories	2,096	2,046
Assets classified as held for sale	2,579	2,399
Property, plant & equipment, net	**8,573**	**8,874**
Investments in associates and JVs	**1,128**	**1,057**
Goodwill	3,682	3,698
Other assets	3,132	3,171
TOTAL ASSETS	**25,876**	**27,444**
LIABILITIES		
Current Liabilities		
Current liabilities at cost	222	614
Trade payables	2,838	2,625
Other current liabilities	1,408	1,621
Liabilities included in assets classified as held for sale	555	526
Non-current Liabilities		
Non-current liabilities at cost	7,044	7,982
Deferred taxes	311	454
Other non-current liabilities	1,378	1,236
TOTAL LIABILITIES	**13,755**	**15,058**
TOTAL SHAREHOLDERS EQUITY	**12,121**	**12,386**
TOTAL LIABILITIES AND EQUITY	**25,876**	**27,444**

The recorded change in Goodwill from foreign subsidiaries is attributed to the volatility of the peso versus the Euro.

Outlook

	Short Term	Mid-Long Term
Draxton + JVs	• Pressured volumes and margin • Potential capacity increase • Capitalization of synergies	• USMC attractiveness • New smelting programs: +100 tons/year (Peak Yr.) • Order Book supports capacity increase in foundry and machined parts
Vitromex	• Restructuring of operations • Gradual operating improvement • Higher recovery of key client in strategic markets • Break-even levels expected in the second half of 2019	• Profitability recovery • Growth in the U.S. • Price stability in Mx
Cinsa	— Stable sales volumes — Improvements in production costs — Improvement of profitability	— Opportunity for margin expansion — Higher market share in the U.S. — Improved management of input volatility (FX)

— **Estimated CAPEX for 2019 (in millions of USD)**

	CAPEX
Draxton + JVs	• Mexico 38 M • Europe 19 M • Asia 6 M
Vitromex	15 M
Cinsa	2 M
TOTAL	**80 M**