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# GIS Reports Second Quarter 2019 Results

Mexico City, Mexico, July 25, 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 unaudited results for the second quarter of 2019 ("2Q19").

## Recent Events

- Vitromex is restructuring its operations; the major actions to be taken include: (i) strengthening of technical, commercial and manufacturing teams; (ii) development of a new clay named Vitroker, with technical and design advantages, produced in San José Iturbide; (iii) the closing of its Saltillo plant to reduce both fixed and production costs by relocating production to the most efficient facilities and; (iv) a new commercial strategy, based on: product differentiation, improved communication with key distributors in Mexico, and a renewed focus on key home center customers.

- Due to a slower recovery in volumes expected in the second half of this year for the automotive industry in Europe and China, Draxton initiated a program of operational improvements aimed at protecting profitability per ton through cost and fixed expense reductions aligned with volume forecasts. These actions will help maintain, and even improve margins per unit in all of our facilities. This program will be implemented while protecting the launch of new products.

- In Evercast, our JV with ZF, the construction of the third casting line progresses according to plan. This expansion will increase Evercast's installed capacity by 50% to meet the supply contract with our partner. Additionally, we signed a ten-year extension of the contract for the supply of machined parts, which lays the foundation for potential growth in machining as well.

- On April 30, 2019, the sale of the Water Heater Business, Calorex, to Ariston Thermo was completed. The transaction closed at Ps. 2,740 million, after closing costs and adjustments.

- To strengthen its balance sheet, GIS prepaid US$ 65 million of its syndicated loan, resulting in an improved leverage ratio (Net Debt / EBITDA) of 1.9x in 2Q19.



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## Comments from the CEO – Manuel Rivera

"GIS's autoparts business, Draxton, experienced some industry challenges in the second quarter. The automotive markets, mainly in Europe and China, presented contractions in the first half, and for the rest of the year a slight recovery is expected compared to 2018. In Mexico, we anticipate flat volumes when compared to last year. Notably, Draxton, thanks to its quality, service, technological level and cost competitiveness, has been nominated by current and new customers for additional programs. As we have mentioned before, in the last 18 months, programs representing annual sales of USD$200 million were acquired, which will gradually more than compensate for lower volumes and the phase out of existing programs.

In Mexico, the increasing volume of brake systems due to import substitution and the new brake system production plants, present favorable medium-term business oportunities for Draxton, which is a leader in the production of ductile iron parts for this type of automotive system.

In Europe, towards the end of the year the production of new cast and machined parts for electric and commercial vehicles will begin to help us retake the path of profitable growth in this market.

At Vitromex, the actions implemented by the new commercial team allowed the business to grow in the Mexican market above the industry for the second consecutive quarter. Likewise, the aforementioned operational restructuring program will translate into better margins towards the end of the year. The company is focused on increasing exports to key customers, mainly Home Centers.

Cinsa had a challenging quarter, facing a slowdown in enamel steel and aluminum volumes, mainly caused by lower activity among the traditional channels, as well as a lower level of government spending which affected consumers."



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## Consolidated Financial Highlights

In millions of pesos, unless otherwise stated

| | Second Quarter | | | 6 Months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Revenues | 4,427 | 4,963 | (11%) | 9,011 | 9,842 | (8%) |
| EBIT | 125 | 441 | (72%) | 399 | 946 | (58%) |
| Margin | 3% | 9% | | 4% | 10% | |
| EBITDA | 541 | 797 | (32%) | 1,182 | 1,643 | (28%) |
| Margin | 12% | 16% | | 13% | 17% | |
| Net Income | 407 | 154 | 165% | 455 | 609 | (25%) |
| Margin | 9% | 3% | | 5% | 6% | |
| EPS (pesos) | | | | 1.54 | 1.94 | (11%) |
| CAPEX | 175 | 193 | (9%) | 416 | 376 | 11% |
| Net Debt | | | | 4,567 | 6,898 | |
| Net Debt to EBITDA | | | | 1.9x | 2.3x | |

## Effects in Comps

- Figures exclude Calorex operations for both periods due to the sales agreements signed for this business unit. Additionally, figures include Evercast operations for both years.

- EBIT and EBITDA recorded impacts related to the operational restructuring process of Vitromex for $ 112 million pesos in 2Q19. Without these effect, EBITDA would have totaled $653 in the quarter and $1,294 in accumulated figures, resulting in variations of (18%) and (21%), respectively.

- In 2019, we implemented IFRS-16, impacting effects on comps unfavorably in the following way:

| | |
|---|---|
| **Depreciation** | 35.4 million pesos |
| **EBIT** | 9.1 million pesos |
| **Costs** | 5.9 million pesos |

- CFR in 2Q19 represented an expense of Ps. 148 million, due to applied interests, in 2Q18 this expense amounted Ps. 125 million.

## Financial Results

In the second quarter, consolidated sales posted a negative variation of 11% compared to the same period last year, mostly explained by the lower sales volume at Draxton in Europe and Asia, and to the effect of the EUR / USD exchange rate.

Consolidated EBITDA for the quarter was down by 32%. Results for Vitromex include the impact of Ps. 112 million related to its operational restructuring process; excluding that charge, the reduction would have been 18% for the quarter. EBITDA for Draxton decreased 13% in dollars, although its EBITDA / Sales margin remained practically unchanged from the previous year. Cinsa's EBITDA decreased, although its impact at a consolidated level is not significant.

As of June 30, 2019, cost-bearing liabilities (45% USD, 26% EUR y 30% MXP) reached **US$ 314.7 million**, broken down as follows:

| Currency | In millions of USD | Concept |
|---|---|---|
| USD | $167.5 | Syndicated Loan |
| USD | $33.0 | Bilateral Loan |
| EUR | $17.0 | Syndicated Loan Europe and other Draxton B debt |
| EUR | $4.5 | Draxton Powertrain Bank Debt |
| MXP | $92..7 | Local Notes (Certificados Bursátiles) |

*Nota: Euro/Dollar Exchange rate: 1.1362*

### Maturity Profile (millions of USD):

| 2019 | 2020 | 2021 | 2022 | Forward |
|---|---|---|---|---|
| $2.8 | $47.7 | $61.5 | $77.6 | $125.2 |
| 1% | 15% | 20% | 25% | 40% |

### CAPEX per Business Unit (millions of USD):

| | Draxton North America | Draxton Europe & Asia | Vitromex | Housewares | Consolidated |
|---|---|---|---|---|---|
| Quarter | $67 | $76 | $31 | $1 | $175 |
| Accumulated | $133 | $168 | $102 | $13 | $416 |



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## Draxton® Segment

In millions of USD

| | Second Quarter | | | Six Months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Foundry Volume[1] | *106,350* | *113,990* | (7%) | *212,430* | *228,460* | *(7%)* |
| North America | *55,710* | *55,600* | *0%* | *107,970* | *112,600* | *(4%)* |
| *Europe / Asia* | *50,640* | *58,390* | *(9%)* | *104,460* | *115,860* | *(10%)* |
| | | | | | | |
| Machined Volume[3] | *2,270* | *2,580* | *(12%)* | *4,690* | *5,300* | *(12%)* |
| North America | *1,210* | *1,420* | *(15%)* | *2,470* | *2,880* | *(14%)* |
| *Europe / Asia* | *1,060* | *1,160* | *(9%)* | *2,220* | *2,420* | *(8%)* |
| *JVs*[2] | *288* | *149* | *93%* | *569* | *340* | *67%* |
| | | | | | | |
| Revenues | 171 | 192 | (11%) | 344 | 383 | (10%) |
| North America | *85* | *86* | *(2%)* | *166* | *171* | *(3%)* |
| *Europe / Asia* | *86* | *106* | *(18%)* | *179* | *212* | *(16%)* |
| *JVs*[2] | *7* | *4* | *78%* | *14* | *9* | *49%* |
| | | | | | | |
| EBIT | 21 | 27 | (23%) | 44 | 54 | (20%) |
| Margin | 13% | 14% | | 13% | 15% | |
| North America | *11* | *13* | *(15%)* | *24* | *28* | *(14%)* |
| *Margin* | *14%* | *15%* | | *15%* | *16%* | |
| *Europe / Asia* | *9* | *14* | *(36%)* | *20* | *26* | *(23%)* |
| *Margin* | *12%* | *14%* | | *11%* | *13%* | |
| *JVs*[2] | *(0.3)* | *(0.6)* | *N/A* | *(0.3)* | *(0.6)* | *N/A* |
| | | | | | | |
| EBITDA | 34 | 40 | (13%) | 70 | 80 | (13%) |
| Margin | 20% | 21% | | 20% | 21% | |
| North America | *18* | *19* | (5%) | 36 | 40 | (9%) |
| *Margin* | *21%* | *22%* | | *22%* | *23%* | |
| *Europe / Asia* | *16* | *20* | *(20%)* | 32 | 40 | (19%) |
| *Margin* | *19%* | *19%* | | *19%* | *19%* | |
| *JVs*[2] | *0.4* | *(0.2)* | *NA* | 1.0 | 0.2 | 400% |

1. *Volume for iron casting, excludes aluminum and JVs. (In tons)*
2. *Not included in Draxton, therefore it is not added.*
3. *Iron machining, excludes aluminum and JVs. (In thousands of parts)*

Volumes in North America for the second quarter of 2019 were flat compared to the previous year driven by new programs in Draxton Mexico and Evercast, which offset the effect of the phase out of some programs. Similarly, the volume of machined parts followed the same trend of the last quarter, with a lower capacity utilization rate in Evercast, but with almost double the volume from GISEderlan, a joint venture in which we own 50%. Currently, ZF is working on the potential assignment of additional machining projects for Evercast to compensate for the natural phase out of some programs.

In Europe we continue to observe lower volumes from our customers associated with the new WLTP standards, consumer uncertainty regarding BREXIT and the lower overall level of the economy.

Industry analysts expect a slight volume recovery for the second half of 2019 compared to the same period of the previous year. The strategy of developing more programs that include machining of the casting will help us to improve the profitability of our product portfolio through more value added.

It is important to point out that Draxton products in the Powertrain segment are more focused on gasoline vehicles, so the current transition from diesel to gasoline does not represent a threat to its operations. Actually, some of our programs may have an additional demand due to the higher volume of gasoline vehicles that are replacing diesel vehicles. The products in the Brakes segment are not sensitive to this transition, so it does not represent a threat either.

The commercial tensions with the United States and the stricter environmental regulations, as well as lower financing options, have had a significant impact on the vehicle market in China. In the medium term, the outlook remains positive and has potential for growth, therefore Draxton continues to see opportunities in this geography.

Sales for the quarter contracted 11% vs. the same period of last year measured in dollar terms, with Europe and China posting the largest variation, 13% in Euros and 18% in Dollars. 1H19 sales posted the same trend as the quarter, 10% lower than those recorded in 1H18.

EBITDA for the quarter was USD$ 34 million, USD$ 6 million or 13% less than 2Q18. Most of the variation was related to volumes in Europe and Asia, and includes a EUR / USD exchange rate effect of US $ 1.2 million. It is important to point out that despite the 11% reduction in sales and 13% in EBITDA, the EBITDA / Sales margin fell only 1 percentage point from 21 % to 20%. This was the result of productivity improvements and cost and expenses control.

Additionally, it is important to mention that since Draxton is a globally integrated company, with synergies in operations and engineering for the launching of global platforms, our customers have shown their confidence by assigning new business that will more than compensate for the phase out of existing programs. In 2018, the programs awarded represented USD$ 130 million of annual sales, while so far this year, programs for USD$ 70 million of annual sales have already been assigned. In all our business units, we continue participating in bidding processes where we see high probability for success, which makes us optimistic for the growth of our order book in the medium term.

*Joint Venture:*

The growth in Sales and EBITDA of the joint venture with Fagor Ederlan in Mexico, is related to the launch of new products, particularly the bimetal discs for the German brand BMW. Currently, two production lines are in operation for this platform and the third line will be launched by the end of 2019.

## Construction Segment

In millions of pesos

| | Second Quarter | | | Six Months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Revenues | 893 | 878 | 2% | 1,769 | 1,760 | 1% |
| | | | | | | |
| EBIT | (213) | (92) | N/A | (351) | (127) | N/A |
| *Margin* | *(24%)* | *(10%)* | | *(20%)* | *(7%)* | |
| | | | | | | |
| EBITDA | (124) | (36) | N/A | (194) | (18) | N/A |
| *Margin* | *(14%)* | *(4%)* | | *(11%)* | *(1%)* | |

During the quarter, Vitromex sales in the Mexican market had a solid recovery by growing faster than the rest of the industry as a result of the strategy that we started to implement at the end 2018. In addition, our improved revenue management has allowed us to increase the average prices by improving product mix which allows us to absorb increases in raw material and energy costs.

The export market has been challenging as the sales volume shows an unfavorable trend; however, we are making progress in relationships with key Home Center customers.

The business has been restructured with executives with relevant experience in the industry, both in operational management and in the technical area.

As previously noted, Vitromex recorded a series of restructuring provisions in the second quarter of 2019 that impacted EBITDA by $ 112 million pesos. Excluding this effect, EBITDA for the quarter would have been ($ 12) million pesos, a significant improvement versus the same period last year. This is due to an improvement in the commercial performance in Mexico, progress in production processes that allow us to improve gross margins, and the operation of a leaner structure that translates into savings in Fixed Expenses.

To accelerate the transformation process, the following actions involving a strategic repositioning are being executed:

1. Shut down of Saltillo's operations

By shutting down Saltillo's plant, we will rightsize the operation and achieve an efficient use of our production facilities, operating at a higher utilization rate.

The process of closing the plant, which begins with this announcement and concludes in September, represents an impact in results of $ 202 million pesos, mainly associated with a fixed asset write off (for book value pending depreciation) and compensation. By its nature and origin, the $ 202 million pesos are recorded as an extraordinary item, not affecting EBITDA.

This transition has involved the transfer of products (development and design) to the rest of the plants. The business has also developed a new clay, Vitroker, which, due to its technical and design characteristics, offers quality and cost efficiency, providing an advantage for the business and its customers. In its initial stage, a new product line developed with this clay has been very well accepted in the market. In addition, the location of its production in San José Iturbide, Guanajuato, also reduces logistics costs.

We are offering our collaborators options to transfer to other GIS operations or, in addition to fully respecting their labor rights, support them to relocate within Saltillo to other companies.

2. Inventory rationalization and product portfolio simplification

This process, driven by the company's new management, to provide agility and reduce complexity to the operation, implies the recognition of a provision for $ 89 million pesos affecting the cost of sales. In this way, we will be able to segregate product in inventory according to the market conditions.

3. Fixed Assets

There is an adjustment in the value and useful life of fixed assets that has an impact of $ 45 million pesos, $ 23 million pesos recorded as Other Expenses and $ 22 million pesos in Depreciation.

Together, these actions will allow Vitromex to have a leaner structure, improve operations control and maximize capacity utilization, which will be translated into a reduction in unitary costs while maintaining our customer service level.

Vitromex has invested more than $ 200 million pesos on modernization and maintenance of equipment in the last 12 months; this, together with the actions described above, will allow us to focus on increasing productivity, improving efficiency and thus increasing the capacity of the remaining plants to achieve greater utilization.

## CINSA

in millions of pesos

| | Second Quarter | | | Six Months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Revenues | 321 | 400 | (20%) | 690 | 770 | (10%) |
| | | | | | | |
| EBIT | (22) | 21 | N/A | (4) | 42 | N/A |
| Margin | *(7%)* | *5%* | | *(1%)* | *5%* | |
| | | | | | | |
| EBITDA | (3) | 31 | N/A | 36 | 63 | (43%) |
| Margin | *(1%)* | *10%* | | *5%* | *8%* | |

Cinsa grew by 20% during the second quarter in the modern trade channel; however, this growth was not enough to compensate for the slowdown in the traditional, wholesale, and promotional channels that have been affected by the lower demand of the final consumer, lower promotional activity from customer companies and lower sales to government and unions. In addition, there were lower export volumes due to political issues in Honduras, lower consumption in the United States, as well as delays in the launching of customer campaigns.

EBITDA for the quarter represents a loss of ($ 3) million pesos, mainly associated with the lower volume demand, and non-recurring events. The business remains focused on fixed expense containment and operational improvements to achieve control of the cost elements and to ensure an improvement in performance.

It is our priority that the business continues with these efforts to increase sales volume in the Mexican market, working closely with customers and distributors to address the market's needs in a timely manner. We are working to increase sales to the export market, mainly in the United States, where profitability is better.

## 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 |
| BBVA | Montserrat Araujo Nagore |

## Reporting Basis

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

Due to the completion of the sale of the water heater business, Calorex, the 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**

| | 2Q | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| **Revenues** | **4,427** | **4,963** | **(11%)** | **9,011** | **9,842** | **(8%)** |
| Auto parts | 3,266 | 3,711 | (12%) | 6,611 | 7,302 | (9%) |
| Construction | 893 | 878 | 2% | 1,769 | 1,760 | 1% |
| Housewares | 321 | 400 | (20%) | 690 | 770 | (10%) |
| Cost of Sales | 3,672 | 3,876 | (5%) | 7,349 | 7,608 | (3%) |
| General Expenses | 628 | 645 | (3%) | 1,260 | 1,285 | (2%) |
| Other Expenses (Income), Net | 1 | 1 | 58% | 2 | 4 | (33%) |
| **EBIT** | 125 | 441 | **(72%)** | 399 | 946 | **(58%)** |
| Auto parts | 438 | 536 | (18%) | 846 | 1,069 | (21%) |
| Construction | (213) | (92) | N/A | (351) | (127) | N/A |
| Housewares | (22) | 21 | N/A | (4) | 42 | N/A |
| **EBITDA** | 541 | 797 | **(32%)** | 1,182 | 1,643 | **(28%)** |
| Auto parts | 645 | 766 | (16%) | 1,318 | 1,524 | (13%) |
| Construction | (124) | (36) | N/A | (194) | (18) | N/A |
| Housewares | (3) | 42 | N/A | 35 | 63 | (44%) |
| **CFR** | 148 | 125 | | 277 | (3) | |
| Income Tax | (104) | 133 | N/A | (36) | 292 | N/A |
| Discontinued operations | 352 | (19) | | 344 | (2) | |
| **Consolidated Profit** | 433 | 164 | **165%** | 502 | 654 | **(23%)** |
| Profit from non-controlling interest | (27) | (25) | N/A | (47) | (43) | N/A |
| **Profit from controlling interest** | 407 | 139 | **193%** | 455 | 611 | **(26%)** |

Note: The Discontinued Operations line includes a charge of $ 202 million pesos, such as Other Restructuring Expenses, derived from the shutdown of operations of Vitromex's facility in Saltillo.



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## Annex - Balance Sheet

in millions of pesos

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

| | jun-19 | dec-18 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 1,716 | 1,536 |
| Accounts receivable | 3,263 | 3,249 |
| Inventories | 2,204 | 2,214 |
| Assets classified as held for sale | 16 | 2,579 |
| **Property, plant & equipment, net** | **9,896** | **9,991** |
| **Investments in associates and JVs** | **133** | **38** |
| Goodwill | 3,668 | 3,682 |
| Other assets | 2,978 | 3,994 |
| **TOTAL ASSETS** | **23,873** | **27,282** |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Current liabilities at cost | 146 | 222 |
| Trade payables | 2,796 | 2,959 |
| Other current liabilities | 1,965 | 1,519 |
| Liabilities included in assets classified as held for sale | 0 | 555 |
| **Non-current Liabilities** | | |
| Non-current liabilities at cost | 4,806 | 7,686 |
| Deferred taxes | 312 | 311 |
| Other non-current liabilities | 1,352 | 1,442 |
| **TOTAL LIABILITIES** | **11,377** | **14,694** |
| **TOTAL SHAREHOLDERS EQUITY** | **12,496** | **12,588** |
| **TOTAL LIABILITIES AND EQUITY** | **23,872** | **27,282** |

*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 in all geographies during the first half of the year<br>• Capitalization of synergies<br>• Cost control<br>• Commercial activity to increase and continue to mid-term growth | • USMC attractiveness<br>• New casting programs: +100 tons/year (Peak Yr.) already awarded<br>• Order Book supports capacity increase in foundry and machined parts<br>• R&D reinforcement to keep our design advantage, launching of new products in advanced materials |
| Vitromex | • Restructuring of operations<br>• Gradual operating improvement<br>• Higher recovery of key customers in strategic markets<br>• Break-even levels expected in the second half of 2019 | • Profitability recovery<br>• Growth in the U.S.<br>• Price stability in Mx |
| Cinsa | • Stable sales volumes<br>• Improvements in production costs<br>• Improvement of profitability | • Opportunity for margin expansion<br>• Higher market share in the U.S.<br>• Improved management of input volatility (FX) |

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

| | CAPEX |
|---|---|
| Draxton + JVs | • Mexico 38 M<br>• Europe 19 M<br>• Asia 6 M |
| Vitromex | 15 M |
| Cinsa | 2 M |
| **TOTAL** | **80 M** |

## Pro-forma figures

The following exercise presents a breakdown of figures to help comparability in the periods mentioned. The base figures are those reported in 2Q18 and December 2018. These exercises are included to represent the inclusion of Evercast in the consolidated figures at these dates.

**Grupo Industrial Saltillo, S.A.B. de C.V. and Subsidiaries (GISSA)**
**Unaudited Pro forma Statement of Comprehensive Income**
**Quarters ended June 30th, 2018 and 2019**
In Thousands of Mexican Pesos

| | April 1st - June 30th 2018 | | | | Apr 1 - Jun 30 2019 |
|---|---|---|---|---|---|
| | pro forma figures (unaudited) | | | | |
| | | Plus | Less | | |
| | GISSA figures Consolidated base (unaudited) | Adjustment Evercast & Corp. Effects (unaudited) | Adjustment Calorex & Corp. Effects (unaudited) | **Pro forma Figures (unaudited)** | **GISSA with Evercast (Unaudited)** |
| Revenue | 5,195,192 | 286,838 | 519,187 | 4,962,843 | 4,426,860 |
| Cost of Sales | 4,055,799 | 221,941 | 401,078 | 3,876,662 | 3,673,186 |
| Gross Margin | 1,139,393 | 64,897 | 118,109 | 1,086,181 | 753,674 |
| General Expenses | 781,092 | 5,214 | 141,002 | 645,304 | 628,495 |
| EBIT | 358,301 | 59,683 | (22,893) | 440,877 | 125,179 |
| CFR | 138,202 | (11,262) | 2,328 | 124,612 | 147,573 |
| Income before Tax | 220,099 | 70,945 | (25,221) | 316,265 | (22,394) |
| Income Tax | 108,227 | 19,152 | (5,837) | 133,216 | (104,128) |
| Discontiued Operations | - | 0 | 19,356 | (19,356) | 351,749 |
| Consolidated Profit | 111,872 | 51,793 | (28) | 163,693 | 433,483 |
| Profit from non-controlling interest | 26,827 | (24,966) | 28 | (24,994) | (26,650) |
| Profit from controlling interest | 138,699 | 26,827 | - | 138,699 | 406,833 |

**Grupo Industrial Saltillo, S.A.B. de C.V. and Subsidiaries (GISSA)**

**Unaudited Pro forma Balance Sheet**

**At December 31, 2018 and June 30, 2019**

In Thousands of Mexican Pesos

| | December 31st 2018 | | | June 30th 2019 |
|---|---|---|---|---|
| | GISSA figures Consolidated base (unaudited) | Adjustment Evercast (unaudited) | **GISSA with Evercast (Unaudited)** | **GISSA with Evercast (Unaudited)** |
| **Assets** | | | | |
| Current Assets | | | | |
| Cash and Equivalents | 1,080,600 | 455,310 | 1,535,910 | 1,715,749 |
| Accounts receivable and other | 2,976,735 | 272,007 | 3,248,742 | 3,262,577 |
| Assets held for sale | 2,578,947 | - | 2,578,947 | 15,642 |
| Inventories | 2,096,393 | 117,697 | 2,214,090 | 2,203,654 |
| Other current assets | 629,003 | 208,551 | 837,554 | 896,902 |
| Total Current Assets | 9,361,678 | 1,053,565 | 10,415,243 | 8,094,524 |
| Non current Assets | | | | |
| Property, plant & equipment | 8,572,760 | 1,417,771 | 9,990,531 | 9,895,677 |
| Intangible assets and other | 6,814,046 | 24,737 | 6,838,783 | 5,749,767 |
| Investment in associates and JVs | 1,127,708 | (1,089,848) | 37,860 | 133,454 |
| Total Non current Assets | 16,514,514 | 352,660 | 16,867,174 | 15,778,898 |
| **Total Assets** | **25,876,192** | **1,406,225** | **27,282,417** | **23,873,422** |
| Current Liabilities | | | | |
| Current liabilities at cost | 222,010 | - | 222,010 | 145,577 |
| Trade payables and other | 4,245,906 | 232,110 | 4,478,016 | 4,659,934 |
| Liabilities held for sale | 554,658 | - | 554,658 | - |
| Total Current Liabilities | 5,022,574 | 232,110 | 5,254,684 | 4,805,511 |
| Non current Liabilities | | | | |
| Non current liabilities at cost | 7,043,920 | 641,724 | 7,685,644 | 4,805,511 |
| Deferred taxes | 313,256 | - | 313,256 | 311,653 |
| Other non current liabilities | 1,375,152 | 65,313 | 1,440,465 | 1,455,132 |
| Total Non current Liabilities | 8,732,328 | 707,037 | 9,439,365 | 6,572,296 |
| **Total Liabilities** | **13,754,902** | **939,147** | **14,694,049** | **11,377,807** |
| Majority Interest | 11,386,836 | - | 11,386,836 | 11,505,644 |
| Minoritary Interest | 41,796 | 467,078 | 508,874 | 534,940 |
| Period's Profit | 692,658 | - | 692,658 | 455,031 |
| **Total Shareholders' Equity** | **12,121,290** | **467,078** | **12,588,368** | **12,495,615** |
| **Total Liabilities and Equity** | **25,876,192** | **1,406,225** | **27,282,417** | **23,873,422** |



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