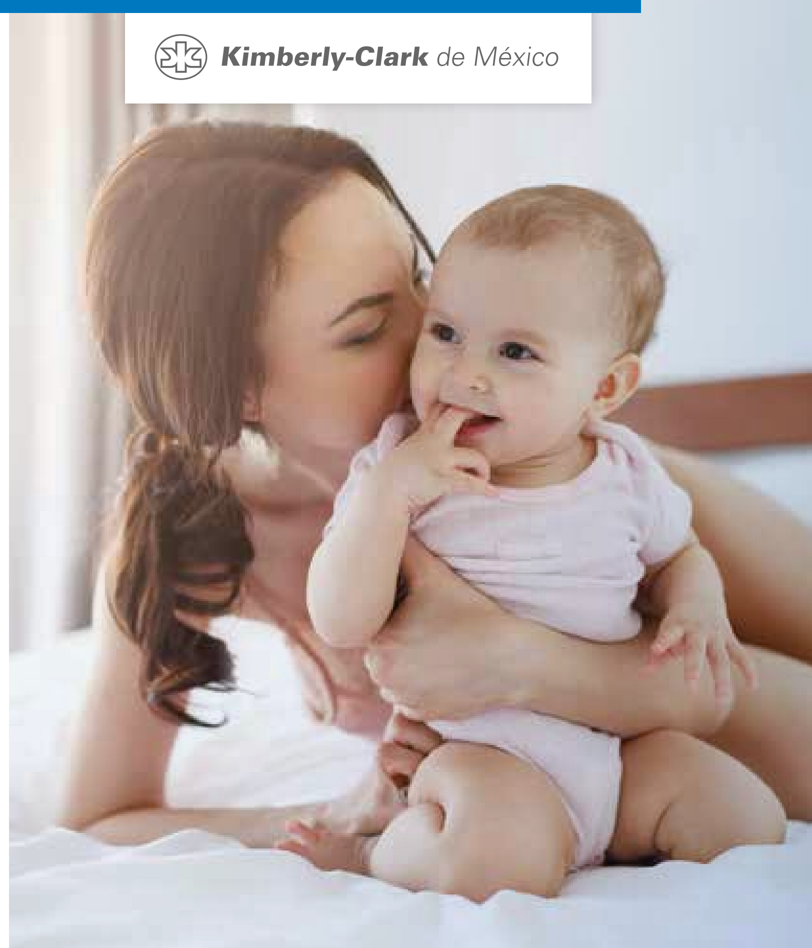
2017 ANNUAL REPORT

We reach our consumers **every day**, to satisfy their needs for a **lifetime**

Kimberly-Clark de México




RENOVACIÓN TOTAL
Pétalo
Ultra Care
Coco y Vitamina E
Mejor Protección
Escudo
Antibacterial
Protección Neutra
Jabón Líquido
Sin Triclosán
225 ml
Multicorte
Ahorrador
Pétalo
Servitoalla
180 hojas
¡Tú decide
cuánto usa
Kleenex
JABONES
FRESCURA

At Kimberly-Clark de México, we strive to be even closer to our consumer every single day, understanding their needs, anticipating their preferences and developing more and better products for each and every one of them.

every day, for a lifetime

Kimberly-Clark de México manufactures and commercializes consumer products for daily use within and away from home, such as diapers and baby care products, feminine pads, incontinence products, toilet paper, napkins, facial tissues, paper towels, wet wipes and soap. Among our leading brands are Huggies®, KleenBebé®, Kleenex®, Evenflo®, Pétalo ®, Cottonelle®, Depend®, Kotex® and Escudo®. Through continuous innovation and a focus on the consumer's needs, we lead the market in most of the categories in which we participate. Kimberly-Clark de México is listed on the Mexican Stock Exchange under the ticker symbol KIMBER.

Children discovering the world, **active adults still enjoying it**

We are responsible for creating the highest-quality products for all generations, with meticulous attention to every step in the process, from start to finish.

every day,
for a lifetime

Friends that become family,
families that keep growing

We are constantly innovating, offering our consumers the solution even before the need arises.

every day,
for a lifetime

Mornings that start with a smile, **smiles that inspire**

We improve our consumers' everyday lives, creating ideal products for each of them.

every day,
for a lifetime

Moments that become history,
stories that last forever

We are committed to our consumers´ quality of life, making sure every process is followed to perfection.

every day,
for a lifetime

Challenges that seem impossible, **impossibilities that become reality**

We develop strategies to maintain our leadership so that our consumers can enjoy life worry-free.

every day, for a lifetime

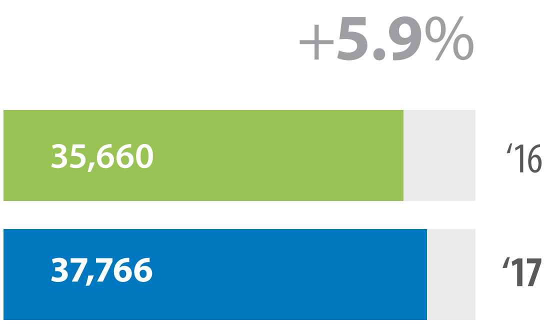
Families that fulfill their dreams,
dreams that transform lives

We are an essential part of Mexican lives, taking our products closer to millions of consumers.

every day, for a lifetime

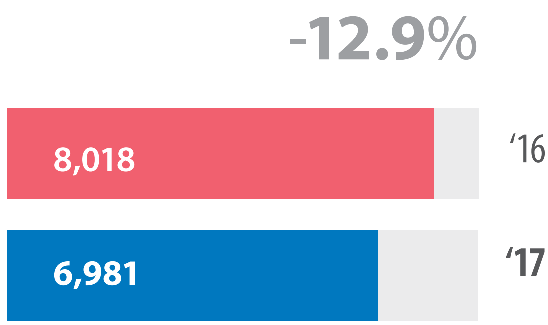
key financial data

Figures in Ps. million	2017	2016	% Var
Net sales	**37,766**	35,660	5.9%
Gross Profit	**13,402**	13,785	-2.8%
Gross Margin	**35.5%**	38.7%	
Operating Profit	**6,981**	8,018	-12.9%
Operating Margin	**18.5%**	22.5%	
Net Income	**4,037**	4,794	-15.8%
EBITDA	**8,581**	9,619	-10.8%
EBITDA Margin	**22.7%**	27.0%	
Basic earnings per share (Ps.)	**1.31**	1.55	-15.5%



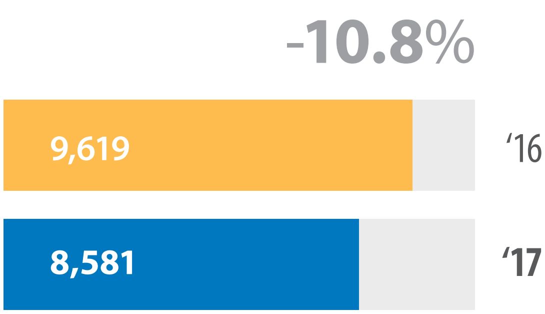
Net sales

(Ps. million)



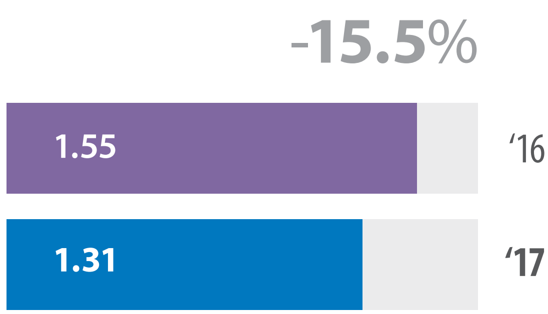
Operating Profit

(Ps. million)



EBITDA

(Ps. million)



Basic earnings per share

(Ps.)

letter to shareholders

Letter to shareholders:

In 2017, the world's economic activity accelerated, derived from a synchronized growth among most economies, particularly the United States, China, Japan, India and the block that makes up the European Economic Community (Euro Zone). This despite widespread uncertainty and volatility prompted by geopolitical events like Brexit and the policies of President Trump, who has sworn to put "America first."

The U.S. economy continued generating jobs and growing at a higher rate, due to its main component, consumption, which remained strong. Consumer confidence readings showed substantial improvements and various stock indexes hit record highs, while real estate values rallied, creating a wealth effect that has encouraged consumers to spend more and save less. In addition, the approval of the president's tax reform boosted optimism.

Meanwhile, in the Euro Zone, the economy improved thanks to the aggressive support of the European Central Bank, which looks to spur consumption and achieve a higher inflation rate, together with a strong growth in exports from Germany as well as optimism over reforms undertaken in France and other countries.

In emerging markets, growth rate in China remained stable and at a strong level; India was able to accelerate growth thanks to recent reforms; and Russia and Brazil are beginning to improve.

In the case of Mexico, economic performance was similar to the previous year and once again was significantly less than the expected. The drop in oil and gas production, reduced public investment and construction activity, as well as rising inflation, took their toll on the economy. On the other hand, job creation, growth in remittances and lending, together with a strong growth in tourism and exports, coupled with domestic consumption, although the latter slowed, fueled the Mexican economy. Nevertheless, uncertainty over the modernization of the North American Free Trade Agreement and the upcoming presidential elections in this country set off episodes of exchange-rate volatility and a reduction in investments.

Faced with this scenario, the company had a complicated year. Revenues grew, reaching record levels, but a strong impact on costs meant lower profitability in 2017.

Financial results

Moderate growth in consumption, along with the solid position of our brands, the execution of our innovation plans and the impulse from various categories, allowed us to increase sales by 5.9 percent during the year, primarily due to better prices and sales mix.

Despite stronger sales, more and improved operating efficiencies, and our ongoing cost reduction program that resulted in record savings, our results were impacted negatively by steady and sharp increases in our costs, especially pulp, the price of which rose in 10 out 12 months of the year, growing by as much as 40 percent in dollar terms. Additionally, energy costs have risen by more than 40 percent over the past two years, and our currency has accumulated a devaluation of 50 percent since 2014.

With all of this together, operating income fell by 12.9 percent and net income was down by 15.8 percent, also affected by higher financing costs. Our EBITDA reached Ps $8,581 million pesos, and we closed the year with Ps $4,674 million in cash and cash equivalents.

Moderate growth in consumption, along with the solid position of our brands, the execution of our innovation plans and the impulse from various categories, allowed us to increase sales by 5.9 percent during the year.

During the year, we invested Ps $2,688 million (Ps $2,578 million in CapEx and Ps $110 million in stock buybacks), and we paid out Ps $4,874 million in dividends.

Finally, during 2017 we paid off Ps $2,500 million in debt and obtained a five-year bank loan for Ps $3,000 million. All of the company's debt is currently denominated in Mexican pesos.

Innovation

At Kimberly-Clark de México (KCM), we define innovation as an insight that generates value for consumers which is a fundamental pillar of our growth strategy. On this basis, we made significant improvements across all our categories in 2017.

In baby diapers, at the higher end of our product tiers, we innovated the younger stages of Huggies Supreme® with a new elastic for the waist, design and materials help avoid fecal leakage.

Additionally, we also improved Huggies Ultraconfort® by introducing stretchable ears and new "super-absorbent channels", offering benefits like a better fit at baby's crotch, faster liquid absorption and a superior diaper overall.

In the middle segment, KleenBebé® Suavelastic Max® was improved with the addition of stretchable ears, and we made the diaper a little larger to fit all sizes better.

Finally, in the economic segment, we rounded out the portfolio of KleenBebé® Comodisec Max®, launching two new sizes on the market: newborn and extra-jumbo.

For our Toiletries line, with the intention to strengthen our leadership in the premium baby product segment, we launched the new Huggies Supreme® Hygiene and Care line, especially formulated for consumers who are seeking the best in baby care. We also launched new Huggies Simply Clean® wet wipes for daily use, and in the rest of the other brands we changed the dispenser system and improved resilience to make the wipes more functional and provide a better usage experience.

In the Evenflo® line, in the premium segment, we launched a new bottle design, a new line of bibs, a travel system that includes a base to install the baby's car seat safely and a new multi-food processor, all under the Advanced by Evenflo® brand.

At Kimberly-Clark de México (KCM), we define innovation as an insight that generates value for consumers which is a fundamental pillar of our growth strategy.

In the toilet paper category, we improved embossing on the Kleenex® Cottonelle® Magnifique®, Elegance® and BIO products in the premium segment. We also improved the entire Pétalo® line (Ultra Care, Ultra Resistente and Rendimax) with new fibers, whiteness and textures, creating a whole new product family that better meets the demands from consumers in the middle segment. Finally, in this same segment, Suavel® is now softer and more attractive, with a new embossing design.

In the paper towel category, we added new options and improved the size of rolls to make them more attractive to consumers.

In the feminine care area, we launched the line of U by Kotex® pads, with a portfolio of products that includes Nighttime with wings, Anatomic with wings, and Ultrathin. This new range of products incorporates Ultra-Dry technology with a micro-pad in the center that captures and keeps flow from escaping, guaranteeing dryness in seconds.

In our incontinence business, our Depend® line incorporated new ultra-discreet low-rise disposable underwear, with a more body-hugging design for the tightest and safest fit on the market. The Diapro® line was revamped with a new anatomic diaper for adults and Cuidado Extra disposable underwear, which absorbs liquids more thoroughly and quickly thanks to its new absorbent core.

We increased sales by **5.9%.**

In beauty care, Kleenex® launched a completely new line of liquid hand and body soap. Finally, in the same category we re-launched Escudo® liquid hand soap and ventured into the men's segment with the Escudo Men® line of soap, unique on the market thanks to its extended anti-odor protection.

Operations

In 2017, our production strategy focused on starting up a range of manufacturing and conversion equipment in both home and personal care products, in order to continue supporting the company's growth, improving product quality and continuing to upgrade our technological platform. Among the highlights were the successful startup of a tissue paper machine at our Morelia plant and a "coform" machine in Tlaxcala.

We also worked intensively on identifying and implementing initiatives to build competitive cost advantages, generating Ps $1,185 million in savings, which, for the fourth year in a row, was equivalent to 5 percent of the cost of goods sold.

Regarding inventory turnover, this was reduced from 8.4 to 7.9 times, as a consequence of the incorporation of Escudo® and 4e®, as well as the increase in finished product inventories in some categories in order to serve our clients better.

Sustainability and Social Responsibility

In our report on sustainability goals and achievements, we provide information on the company's progress in areas like Corporate Governance, Environmental Care and Social Responsibility. The report is evaluated each year by the rating agency in charge of selecting the Mexican Stock Exchange's Sustainable IPC Index, in which KCM has been included year by year, thanks to our solid results and clear trend towards ongoing improvement.

In terms of Environmental Care, we continued our progress in a number of areas such as water consumption per metric ton of production (where we remain an industry benchmark), procurement of sustainable fibers, use of recovered fibers, efficient energy consumption in our operations and a reduction of greenhouse gases emission intensity.

In addition, in terms of energy consumption, our Ramos Arizpe and Bajío plants operate cogeneration processes.

We also worked intensively on identifying and implementing initiatives to build competitive cost advantages, generating Ps $1,185 million in savings, which, for the fourth year in a row, was equivalent to 5 percent of the cost of goods sold.

In Social Responsibility, as part of the KCM Inspira Initiative, whose motto is "Caring, Educating, Encouraging," we once again demonstrated our commitment to internal and external stakeholders, addressing their needs through volunteer actions by our personnel and our support for more than 230 charitable institutions. As part of this initiative, we actively supported people affected by the September earthquakes, working hand in hand with the Mexican Red Cross, CENACED and other public and private institutions with proven experience in execution.

Also, under the #ArteKleenex project, 15 Mexican artists were invited to design Kleenex® tissue boxes, in which their works were shown at one of Mexico City's most popular parks. The designs were incorporated into the Kleenex Selection tissue line and allowed us to renovate public spaces in Mexico City and in Oaxaca, which translates into an environment that fosters family unity, sports and artistic expression. With this effort, our main brands are adopting and promoting social causes that are important to our consumers, like the battle against breast cancer.

In recognition of all these actions, KCM was included in the FTSE for Good Index, a British index that recognizes outstanding organizations in their industry in terms of sustainability and social responsibility.

KCM INSPIRA

CUIDANDO
EDUCANDO
IMPULSANDO

Human Resources

One of the key factors to our success is having the most trained, committed and highly competitive personnel. That's why we encourage a challenging work environment in which our employees can develop their fullest potential and be recognized and compensated for their contributions.

In accordance with the above, a significant portion of the compensation and benefits we offer our employees is variable, and our contractual negotiations with unions have always been based on competitive guidelines and conducted with cordiality and mutual respect, which the company has always encouraged. As is customary, in 2017 the company generated and paid out employee profit-sharing amounting to more than Ps $600 million, recognized as one of the highest in the country and consistent with our philosophy of giving our employees a share in our results.

In terms of safety, KCM is committed to an operational management that guarantees the safety and health of every one of our employees, contractors and visitors. 2017 was better than the year before, though still not entirely favorable in terms of our safety record, we have not reached our goal of zero accidents, but we fully intend to redouble our efforts in the coming year to achieve this.

We are grateful to all the company personnel for their efforts during the whole year, and we urge them to continue working with the dedication, commitment and enthusiasm they have always been known for.

Our partnership with Kimberly-Clark Corporation enables us to participate in global purchasing agreements and share best practices, both operating and commercial.

Relationship with Kimberly-Clark Corporation

Our partnership with Kimberly-Clark Corporation is fundamental for both supporting our product and processes innovation, as well as for introducing state-of- the-art technology. This alliance is vital for KCM to have an active and dynamic window on what is happening around the world as well as it enables us to participate in global purchasing agreements and share information on best practices, both operating and commercial.

Outlook

We began 2018 in a climate of marked uncertainty surrounding the modernization of the North American Free Trade Agreement and the upcoming presidential elections in our country, in addition to the possible impact in our country from the U.S. tax reform and rate hikes by the Federal Reserve.

Under these circumstances, we expect slower growth for the Mexican economy. As for consumption, the creation of new jobs and incoming remittances will help, along with other factors, but initial indications suggest that uncertainty and rising inflation will cause growth to be lower than the previous two years.

Therefore, the outlook remains challenging but it also presents a great opportunity to redouble efforts to firmly boost even more the domestic economy and help this country reach its full growth potential. This is why it is essential we accelerate the effective orchestration of structural reforms in this country, undertake an aggressive deregulation program and in general remove obstacles to trigger investments, competitiveness, more jobs and steady, inclusive, and long-term growth. It is also urgent and essential that we make more progress in terms of public finances and safety, attacking corruption and impunity, building strong institutions and promoting a true Rule of Law.

In these areas there is little doubt that we are in debt with the country and it is urgent that we act more decisively to face the situation. This is the only way we can restore the confidence and credibility needed to really make the changes the country so direly needs and eventually become a modern, competitive, developed and highly inclusive country.

With all of this, the company will work on consolidating and strengthening competitive advantages, investing in innovation, in brands, technology, and in the training and development of our people, as well as our better execution.

At the same time, to offset the impact of higher prices on raw materials and energy, and exchange-rate volatility, we will continue to improve our efficiency and productivity as well as introducing further cost and expense-cutting measures.

With all of this, we expect to achieve better results in 2018. It will be a difficult start, but we are confident that the actions we are taking will bring improvements as the year progresses. Furthermore, as economic growth accelerates in the years to come and translates into a more dynamic and stronger market for domestic consumption with a growing middle class, the company will be exceptionally well positioned to take advantage of it.

Dear shareholders, we once again express our gratitude for your support and trust during our management for the year just ended and we reiterate our pledge to carry out the necessary plans and programs to ensure Kimberly-Clark de México continues to be the successful company it is and has always been.

To offset the impact of higher prices on raw materials and energy, and exchange-rate effects, we will continue to improve our efficiency and productivity.

Sincerely,

Claudio X. González

Chairman of the Board

Pablo R. González G.

Chief Executive Officer

The terms of this annual report were approved by the Board of Directors in the session of February 13, 2018.

products for you

Babies

diapers, pull-up training pants, swim diapers, wet wipes, shampoo, baby lotion and bar soap, feeding products

Beauty

bar soap, liquid hand soap, foaming liquid soap, liquid body wash

Adults

underwear, protectors, feminine pads, prefolded

Home

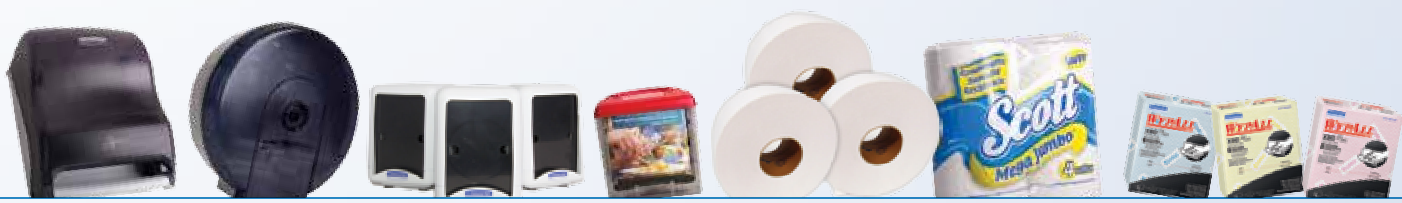
toilet paper, napkins, facial tissue, paper towels

Women

feminine pads, panty protectors, tampons, intimate wipes

Professional

dispensers, jumbo roll toilet paper, paper towels,
hand towels, industrial cleaning cloths



board of Directors

Directors	Alternate Directors
Claudio X. González Laporte Chairman	Guillermo González Guajardo
Valentín Diez Morodo* Vice Chairman	Jorge Babatz García
Thomas J. Falk Vice President	José Antonio Noguera Castillo
Jorge Ballesteros Franco*	José Antonio Mondragón Pacheco
Emilio Carrillo Gamboa*	Agustín Gutiérrez Espinosa
Antonio Cosío Ariño*	Antonio Cosío Pando
Pablo R. González Guajardo	Fernando Ruiz Sahagún
Maria Henry	Sergio Chagoya Díaz
Michael Hsu	Jesús González Laporte
Esteban Malpica Fomperosa*	Jorge Barrero Stahl
Fernando Senderos Mestre*	Juan Carlos Machorro Guerrero
Sandra Macquillan	Jorge A. Lara Flores

* Independent

officers

Pablo González Guajardo
Chief Executive Officer

Xavier Cortés Lascurain
Chief Financial Officer

Jorge Morales Rojas
Corporate Director of Business and Commercial Strategy

Fernando González Velasco
Corporate Director of Consumer Product Sales

Luiz Roberto Neves Rodrigues
Corporate Director of Supply Chain

Ernesto Reyes Díaz
Corporate Director of Personal Care Manufacturing

Juan Antonio González Urevig
Corporate Director of Tissue Manufacturing

Roberto García Palacios
Corporate Director of Product Innovation, Technology Development and Quality

Jesús González Laporte
Director of Strategic Operations Planning

Alejandro Lascurain Curbelo
Director of Human Resources

Virgilio Isa Cantillo
Director of Strategic Projects

Jose María Robles Miaja
Export Manager

Regina Celorio Calvo
Communications and New Avenues for Growth Manager

Fernando Vergara Rosales
Corporate Comptroller

Alejandro Argüelles de la Torre
General Counsel

Carlos Conss Curiel
Deputy Director of Information Services

Azul Argüelles Rojas
Treasurer and Investor Relations

independent auditors' report

To the Board of Directors and Stockholders of Kimberly-Clark de México, S. A. B. de C. V.

Opinion

We have audited the accompanying consolidated financial statements of Kimberly-Clark de México, S. A. B. de C. V. and its Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries as of December 31, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for rebates

Rebates are granted considering commercial plans established at the beginning of each period with customers, and in some cases, include assumptions that require significant management judgement to estimate the expected sales volume and the required allowance.

Our audit procedures included, amongst others, an understanding of the different commercial plans, analyses of variances and trends, the execution of control tests, recalculation of the amounts and validating source data. The results of our procedures were satisfactory.

Note 4 to the accompanying financial statements includes certain information about this allowance.

Recoverable value of goodwill and intangible assets of certain cash-generating units

The Entity has quantified the recoverable value of certain cash-generating units based on the methods required by IAS 36 "Impairment of assets". Goodwill and intangibles are subject to yearly impairment tests that include management judgement to estimate future cash flows and an appropriate discount rate. At the end of this year, goodwill for $934,221 and intangible assets for $1,361,532, represent 6% of total consolidated assets.

Our audit procedures included, among others, discussions with management about the assumptions used in the projections and their adequacy, an independent recalculation by an Auditor's expert to validate the discount rate used and the execution of control and substantive tests. The results of our procedures were satisfactory.

Notes 7 and 8 to the accompanying consolidated financial statements include certain disclosures about goodwill and intangibles.

Annual report presented to the Mexican Stock Exchange

Management is responsible for the annual report that is presented in accordance with the rules applicable to issuers listed on the Mexican stock exchange, which will include the consolidated financial statements and our auditors' report. The annual report will be provided to us after the date of this auditor's report.

Our responsibility is to read the information contained in the annual report when it becomes available to us, and in doing so, consider whether such information is materially consistent with the financial statements and with our knowledge obtained in the audit. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Alejandro González Anaya
Mexico City, Mexico
February 7, 2018

consolidated statements of financial position

December 31, 2017 and 2016
(Thousands of Mexican pesos)

	Notes	2017	2016
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 4,674,339**	$ 7,461,492
Trade accounts receivable - net	4	**6,003,793**	5,280,324
Notes receivable and others		**291,391**	346,726
Inventories	5	**3,174,694**	2,861,198
Total current assets		**14,144,217**	15,949,740
Long-term assets:			
Property, plant and equipment	6	**17,476,248**	16,298,731
Derivative financial instruments	14	**4,285,785**	4,867,331
Intangibles and other assets	7 and 8	**2,499,849**	2,648,603
Goodwill	7	**934,221**	934,221
Total long-term assets		**25,196,103**	24,748,886
Total		**$ 39,340,320**	$ 40,698,626
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	9	**$ 1,500,000**	$ 2,500,000
Bank loans		**175,000**	-
Trade accounts payable		**4,881,863**	4,589,573
Other accounts payable, accrued liabilities and provisions	10	**1,940,219**	1,982,343
Employee benefits		**1,138,157**	1,373,311
Income tax	11	**332,351**	555,189
Total current liabilities		**9,967,590**	11,000,416
Long-term liabilities:			
Long-term debt	9	**21,630,132**	20,762,887
Deferred income taxes	11	**1,108,433**	1,408,296
Other liabilities	7 and 12	**487,278**	440,932
Total long-term liabilities		**23,225,843**	22,612,115
Total liabilities		**33,193,433**	33,612,531
Stockholders' equity			
Contributed		579,695	580,286
Earned		4,881,446	5,827,476
Items of other comprehensive income		**629,057**	591,511
Controlling Entity stockholders' equity	15	**6,090,198**	6,999,273
Minority interest stockholders' equity	7	**56,689**	86,822
Total stockholders' equity		**6,146,887**	7,086,095
Total		**$ 39,340,320**	$ 40,698,626

See accompanying notes to consolidated financial statements.

consolidated statements of income

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos, except as indicated)

	Notes	2017	2016
Net sales		**$ 37,765,760**	$ 35,660,295
Cost of sales		**24,363,769**	21,875,362
Gross profit		**13,401,991**	13,784,933
Selling expenses		**4,448,828**	3,973,417
Administrative expenses		**1,971,695**	1,793,106
Operating profit		**6,981,468**	8,018,410
Finance costs:			
Borrowing costs		**1,461,592**	1,224,993
Interest income		**(264,473)**	(269,774)
Exchange fluctuation – net		**73,574**	118,050
Income before income taxes		**5,710,775**	6,945,141
Income taxes	11	**1,703,605**	2,155,929
Consolidated net income before minority interest		4,007,170	4,789,212
Net loss minority interest		**(30,133)**	(4,353)
Net income		**$ 4,037,303**	$ 4,793,565
Basic earnings per share (in pesos)		**$ 1.31**	$ 1.55
Weighted average number of outstanding shares (in thousands)		**3,085,119**	3,090,300

See accompanying notes to consolidated financial statements.

consolidated statements of other comprehensive income

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	Notes	2017	2016
Consolidated net income		**$ 4,007,170**	$ 4,789,212
Other comprehensive income:			
Items that will not be reclassified subsequently to statements of income			
Actuarial (losses) gains on retirement benefits – net of tax	12	**(15,882)**	9,899
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	14	**53,428**	460,082
		37,546	469,981
Consolidated other comprehensive income before minority interest		**4,044,716**	5,259,193
Comprehensive loss minority interest		**(30,133)**	(4,353)
Other comprehensive income		**$ 4,074,849**	$ 5,263,546

See accompanying notes to consolidated financial statements.

consolidated statements of changes in stockholders' equity

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	CONTRIBUTED	EARNED	ITEMS OF OTHER
	Common stock	Retained earnings	Actuarial losses
Balance, January 1, 2016	**$ 581,706**	**$ 6,034,302**	**$ (98,282)**
Dividends paid		(4,703,899)	
Repurchase of own stock	(1,420)	(296,492)	
Recognition of minority interest			
Put option of minority interest (see Note 7e)			
Comprehensive income		4,793,565	9,899
Balance, December 31, 2016	**580,286**	**5,827,476**	**(88,383)**
Dividends paid		(4,874,193)	
Repurchase of own stock	(591)	(109,140)	
Comprehensive income		4,037,303	(15,882)
Balance, December 31, 2017	**$ 579,695**	**$ 4,881,446**	**$ (104,265)**

See accompanying notes to consolidated financial statements.

COMPREHENSIVE INCOME

	Translation effects of foreign operations	Valuation of derivative financial instruments	Controlling Entity stockholders' equity	Minority interest stockholders' equity	Total stockholders' equity
	$ 145,682	**$ 74,130**	**$ 6,737,538**	**$ -**	**$ 6,737,538**
			(4,703,899)		(4,703,899)
			(297,912)		(297,912)
				351,450	351,450
				(260,275)	(260,275)
		460,082	5,263,546	(4,353)	5,259,193
	145,682	**534,212**	**6,999,273**	**86,822**	**7,086,095**
			(4,874,193)		(4,874,193)
			(109,731)		(109,731)
		53,428	4,074,849	(30,133)	4,044,716
	$ 145,682	**$ 587,640**	**$ 6,090,198**	**$ 56,689**	**$ 6,146,887**

consolidated statements of cash flows

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	2017	2016
OPERATING ACTIVITIES:		
Income before income taxes	**$ 5,710,775**	$ 6,945,141
Items related to investing and financing activities:		
Depreciation and amortization	**1,599,824**	1,600,919
Exchange fluctuations	**73,574**	118,050
Interest expense - net	**1,197,119**	955,219
	8,581,292	9,619,329
Trade accounts receivable and other	**(679,685)**	(454,022)
Inventories	**(313,496)**	(531,213)
Trade accounts payable	**413,863**	293,486
Other accounts payable, accrued liabilities and provisions	**(16,765)**	124,705
Employee benefits and retirement	**(211,497)**	171,103
Income taxes paid	**(2,247,615)**	(2,564,004)
Net cash flows provided by operating activities	**5,526,097**	6,659,384
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(2,577,711)**	(1,993,088)
Other assets and acquisition of intangibles in 2016	**16,996**	(1,417,681)
Business acquisition	**-**	(761,000)
Net cash flows used in investing activities	**(2,560,715)**	(4,171,769)
Excess cash to apply in financing activities	**2,965,382**	2,487,615
FINANCING ACTIVITIES		
Borrowings	**3,162,810**	3,566,748
Payment of loans	**(2,500,000)**	(800,000)
Interest paid	**(1,252,703)**	(962,996)
Dividends paid	**(4,874,193)**	(4,703,899)
Repurchase of own stock	**(109,731)**	(297,912)
Other liabilities	**-**	(35,549)
Net cash flows used in financing activities	**(5,573,817)**	(3,233,608)
Decrease in cash and cash equivalents	**(2,608,435)**	(745,993)
Effects of exchange rate changes on balance held in foreign currency	**(178,718)**	273,786
Cash and cash equivalents at the beginning of year	**7,461,492**	7,933,699
Cash and cash equivalents at the end of year	**$ 4,674,339**	$ 7,461,492

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations for $770,000 in 2017 and $2,332,400 in 2016, and valuation of derivative financial instruments for $133,614 in 2017 and $111,663 in 2016 (see Note 2).
See accompanying notes to consolidated financial statements.

notes to the consolidated financial statements

Years ended December 31, 2017 and 2016
(Thousands of Mexican pesos, except as indicated)

1. GENERAL INFORMATION

Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries (the Entity) is a public company listed on the Mexican Stock Exchange. The address of its registered office and principal place of business is 8 Jaime Balmes street, 9th floor, Los Morales Polanco, Mexico City, and it is engaged in the manufacture and commercialization of disposable products for daily use by consumers within and away from home, such as: diapers and child care products, feminine pads, incontinence care products, bath tissue, napkins, facial tissue, hand and kitchen towels, wet wipes and soap starting in 2016. Some of the main brands include: Huggies®, KleenBebé®, Kleenex®, Suavel®, Pétalo®, Cottonelle®, Depend®, Kotex®, Evenflo®, Escudo® and Blumen®.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS OR IAS”)

Effective January 1, 2017, certain modifications to IFRS 7 Disclosure Initiative, are mandatory.

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes in cash and cash equivalents.

Other amendments to IFRS that became effective have no effect on the Entity’s amounts and disclosures included in these consolidated financial statements.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared under the going concern basis of accounting and they are in accordance with IFRS. They have been translated from Spanish into English for use outside of Mexico. The significant accounting policies are as follows:

a. Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for valuation of financial instruments that are measured at fair value.

- Historical cost is generally based on the fair value of the consideration given in exchange for assets.
- Fair value is defined as the price which would be received for selling an asset or which would be paid for transferring a liability in an orderly transaction between market participants at the valuation date. Fair value measurements are categorized in three levels:
    - Level 1 inputs are quoted prices in active markets,
    - Level 2 inputs are observable inputs, other than quoted prices included within Level 1,
    - Level 3 inputs are unobservable inputs for the assets or liability.

b. Basis of consolidation

The consolidated financial statements include the accounts of Kimberly-Clark de México, S. A. B. de C. V. and the following wholly owned subsidiaries, except the subsidiaries of the business acquired in November 2016, of which it owns 55%.

- Crisoba Industrial, S. A. de C. V., rents property, machinery and equipment and provides other services to Kimberly-Clark de México, S. A. B. de C. V.
- Servicios Empresariales Során, S. A. de C. V. provides financing, operating lease of equipment and through its subsidiaries, distribution and other services to Kimberly-Clark de México, S. A. B. de C. V.
- Three subsidiaries which comprise the feeding accessories business in Mexico and the United States, as well as the commercialization in Mexico of other Evenflo® trademark products.
- Taxi Aéreo de México, S. A. provides air transportation services to personnel of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries, as well as to the general public.
- Other subsidiaries which operating lease of properties, mainly to other subsidiaries of Kimberly-Clark de México, S. A. B. de C. V.

Starting in November, 2016:

- Seven subsidiaries which comprise liquid soap and antibacterial gel businesses and others.

Intercompany transactions and balances have been eliminated in these consolidated financial statements.

c. Critical accounting judgments and key information for estimates

In the application of the Entity's accounting policies, the management is required to make judgments, estimates and assumptions regarding the carrying amounts of financial statements' assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Review of accounting estimates are recognized in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods (see Notes 4 through 8).

d. Cash equivalents

Consist of daily cash surplus investments which are highly liquid investments and are easily convertible into cash and subject to low risk of changes in value.

e. Financial assets

Financial assets are recognized when the Entity becomes a party to the contractual provisions of the instruments.

- Loans and accounts receivable

  Accounts receivable, loans and other accounts receivable with fixed or determinable payments that are not quoted in an active market are classified as loans and accounts receivable. Loans and accounts receivable are measured at amortized cost using the effective interest method, less any impairment.

- Impairment of financial assets

  Financial assets are assessed for indicators of impairment at the end of each reporting period.

  For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of accounts receivable could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on payments.

  In the case of accounts receivable, the carrying amount is reduced through the use of an allowance for doubtful accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

f. Inventories

Inventories are stated at the lower of cost and net realizable value. The costs, including an appropriate portion of indirect fixed and variable costs, are allocated to inventories by using the most appropriate method for the specific class of inventory; the majority are valued by the first-in first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

g. Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost. Depreciation is recorded in profit or loss and computed using the straight-line method, based on the estimated useful lives of the assets.

The estimated useful lives are reviewed at the end of each reporting period, and the effect of any changes in estimate is accounted for on a prospective basis.

Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Properties in the course of construction for production are carried at cost, less any recognized impairment loss. Depreciation of these assets, as well as in other property assets, commences when the assets are ready for their intended use.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be made ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

i. Intangibles

Intangible assets acquired separately - Are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized within administrative expenses in the consolidated statements of income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life, residual value and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination - Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years.

k. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are recognized in profit or loss as incurred. The consideration transferred in each business combination is measured at fair value; the identifiable assets acquired and the liabilities assumed are also measured at fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes, and IAS 19, Employee Benefits, respectively.

There is a valuation period in which the acquirer adjusts the provisional amounts or recognizes additional assets or liabilities necessary to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The valuation period is the time elapsed from the acquisition date until the Entity obtains complete information on the facts and circumstances in effect at the acquisition date, which cannot exceed one year.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date.

l. Goodwill

Goodwill arising from business acquisitions is carried at cost, as established at the acquisition date, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating unit (or groups of cash-generating units) of the Entity, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

m. Financial liabilities

Financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in results.

The fair value of debt is determined at the end of each accounting period, considering observable data although not from active market quotes. Such value is determined with a discounted cash flow model.

- **Borrowings and trade payables**

  Borrowings and trade payables are measured at amortized cost using the effective interest method.

  The effective interest method is a method for calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate a shorter period), to the net carrying amount on initial recognition.

- **Derecognition of financial liabilities**

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

n. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

- **Current tax**

Income tax (ISR) is recorded in results of the year in which it is incurred.

- **Deferred income tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities included in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, applying the rate corresponding to these differences and, as appropriate, tax losses to be amortized or tax credits are included. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

- **Current and deferred tax**

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, income tax is also recognized in other comprehensive income or directly in equity, respectively, or in the case of the initial accounting for a business combination, within goodwill.

o. Provisions

Provisions are recognized when the Entity has a present obligation (legal or assumed) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

p. Employee benefits

Employee benefits are determined based on the services provided, considering current salaries, and the liability is recognized as accrued. It includes statutory employee profit sharing (PTU) payable, fringe benefits earned by the employees for direct benefits and incentives. Benefits also include a compensation plan for officers and employees named "Plan de Asignación de Unidades Virtuales" (Virtual Shares Award Plan), for which compensation cost is recognized in profit or loss of each year. To meet this obligation, the Entity has established a trust.

PTU is recorded in profit or loss of the year in which it is incurred and is presented within cost of sales and administrative expenses line items, as applicable.

q. Retirement benefits

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the beginning and the end of each reporting period.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation, reduced by the fair value of plan assets.

Differences between actuarial valuation at the beginning and end of each period represent actuarial gains and losses of the year and they are presented within other comprehensive income.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

r. Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss and in other comprehensive income when it qualifies for cash flow hedge accounting.

s. Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, taking into account the estimated amount of customer returns, discounts and other similar allowances.

Revenue from the sale of goods is recognized when all of the following conditions are met:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

t. Foreign currency transactions

The functional currency of the Entity is the Mexican peso.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange rate differences are recognized in results of the period.

4. TRADE ACCOUNTS RECEIVABLE - NET

	2017	2016
Trade	**$ 7,294,594**	$ 6,526,144
Allowance for rebates	**(1,162,523)**	(1,120,879)
Allowance for doubtful accounts	(128,278)	(124,941)
Net	**$ 6,003,793**	$ 5,280,324

Allowance for rebates:	2017	2016
Balance at January 1,	**$ (1,120,879)**	$ (1,207,251)
Increases	**(6,614,446)**	(6,023,645)
Applications	**6,572,802**	6,110,017
Balance at December 31,	**$ (1,162,523)**	$ (1,120,879)

The allowance for rebates is determined according to customer negotiations based on the fulfillment of conditions, such as: sales volumes, timeliness of orders, a product mix and compliance with the credit terms established, among others.

The Entity reviews on a quarterly basis the allowance for doubtful accounts. The main factors it considers to determine the amount of the allowance are risks related to the customer's financial position based on credit limits established and delays in collection.

5. INVENTORIES

	2017	2016
Finished goods	**$ 1,183,004**	$ 1,046,376
Work in process	**350,997**	346,222
Raw materials and spare parts	**1,640,693**	1,468,600
Total	**$ 3,174,694**	$ 2,861,198

6. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
Depreciable fixed assets	**$ 39,957,158**	$ 37,680,447
Accumulated depreciation	**(24,740,385)**	(23,452,426)
Net	**15,216,773**	14,228,021
Land	**741,814**	741,814
Construction in progress	**1,517,661**	1,328,896
Total	**$ 17,476,248**	$ 16,298,731

At December 31, 2017 and 2016, the amount of unamortized capitalized borrowing costs amounted to $123,059 and $58,722 respectively.

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2016	$ 5,397,344	$ 30,322,988	$ 943,838	$ 36,664,170
Additions	109,402	1,480,928	308,524	1,898,854
Additions arising from business acquisition		141,564	25,436	167,000
Disposals	(19,177)	(685,092)	(345,308)	(1,049,577)
Balance at December 31, 2016	5,487,569	31,260,388	932,490	37,680,447
Additions	287,702	2,159,527	12,450	2,459,679
Disposals	(162)	(168,652)	(14,154)	(182,968)
Balance at December 31, 2017	**$ 5,775,109**	**$ 33,251,263**	**$ 930,786**	**$ 39,957,158**

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2016	$ (2,371,428)	$ (19,791,603)	$ (741,704)	$ (22,904,735)
Additions	(174,056)	(1,320,005)	(49,622)	(1,543,683)
Disposals	18,559	633,892	343,541	995,992
Balance at December 31, 2016	(2,526,925)	(20,477,716)	(447,785)	(23,452,426)
Additions	(143,872)	(1,255,131)	(69,063)	(1,468,066)
Disposals	162	168,375	11,570	180,107
Balance at December 31, 2017	**$ (2,670,635)**	**$(21,564,472)**	**$ (505,278)**	**$(24,740,385)**

The following average useful lives are used in the calculation of depreciation:

Buildings	45 years
Machinery and equipment	15 to 25 years
Transportation equipment	6 and 20 years

7. BUSINESS ACQUISITION

a. **Business acquired –** During November 2016, the Entity acquired 55% of a liquid soap, anti-bacterial gel and others. The original agreement considered the acquisition of a 50% interest and subsequently an additional 5% was acquired. Total consideration paid was $781 million Mexican pesos.

b. **Assets acquired and liabilities acquired at the acquisition date**

Assets:		
Cash and cash equivalents	$	20,000
Accounts receivable and others		20,272
Inventories		103,476
Plant, equipment and other assets		167,000
Intangibles		594,000
		904,748
Liabilities:		
Suppliers and other accrued liabilities		(123,748)
Net assets	$	781,000
Acquired percentage 55%	$	429,550

The costs related to this acquisition were excluded from the consideration paid and were recognized as an expense in the period as part of administrative expenses in the income statement.

During 2017, values of the net assets acquired were reviewed in accordance with the requirements of IFRS. No modifications were made to such values.

c. **Goodwill**

Assets:		
Consideration paid	$	781,000
Less: Fair value of net assets		
Acquired at 55%		429,550
Goodwill determined in acquisition	$	351,450

Goodwill arising from the business acquisition is because the acquisition cost included the benefits of the expected synergies, revenue growth, future market development and the established workforce. These benefits are not recognized separately from goodwill because they do no fulfill the recognition criteria for identified intangible assets.

d. **Net cash flows on acquisition of subsidiaries**

Consideration paid in cash	$	781,000
Less: cash and cash equivalent acquired		20,000
	$	761,000

The acquisition agreement includes a contingent additional payment to be determined based on 2017 results.

e. **Call and put option**

The acquisition agreement includes a call option that allows the Entity to acquire the remaining stock from the date of purchase; it also includes a put option clause exercisable by the non-controlling interest that forces the Entity to acquire the remaining stock from the end of the third anniversary until the eighth anniversary of the closing date. The fair value of this obligation is recognized as a liability with a debit to stockholders' equity.

8. INTANGIBLES AND OTHER ASSETS

	2017	2016
Trademarks and licenses	**$ 1,773,882**	$ 1,777,088
Patents and permits	**25,636**	25,636
Customer relationships	**583,441**	583,441
	2,382,959	2,386,165
Accumulated amortization	**(349,832)**	(220,837)
Trademarks and licenses with indefinite life	**374,372**	374,372
Total intangibles	**2,407,499**	2,539,700
Other assets	**92,350**	108,903
Total	**$ 2,499,849**	$ 2,648,603

	Trademarks and licenses	Patents and permits	Customer relationships	Total
Cost				
Balance at the beginning of 2016	$ 106,735	$ 25,636	$ 583,441	$ 715,812
Additions	1,076,353			1,076,353
Additions arising from business acquisition	594,000			594,000
Balance at December 31, 2016	1,777,088	25,636	583,441	2,386,165
Disposals	(3,206)			(3,206)
Balance at December 31, 2017	**$ 1,773,882**	**$ 25,636**	**$ 583,441**	**$ 2,382,959**
Accumulated amortization				
Balance at the beginning of 2016	$ (50,004)	$ (6,890)	$ (106,707)	$ (163,601)
Additions	(28,078)	(1,769)	(27,389)	(57,236)
Balance at December 31, 2016	(78,082)	(8,659)	(134,096)	(220,837)
Additions	(102,598)	(1,770)	(27,390)	(131,758)
Disposals	2,763			2,763
Balance at December 31, 2017	**$ (177,917)**	**$ (10,429)**	**$ (161,486)**	**$ (349,832)**

The useful lives used for calculating amortization are:

Trademarks and licenses	10 and 20 years
Patents and permits	15 years
Customer relationship	15 and 25 years

9. LONG-TERM DEBT

	2017	2016
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 9.65%, 7.17% and 6.98%, with maturities in 2019, 2020 and 2023.	**$ 4,650,000**	$ 4,650,000
Marketable note denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 15 credit spreads. As of December 31, 2017, the annualized rate is 7.61%.	**1,500,000**	1,500,000
Marketable notes denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE minus 10 credit spreads.	**-**	2,500,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	**4,907,500**	5,182,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	**4,907,500**	5,182,500
Credit contract with Bank of America for USD$200 million, unsecured, bearing interest based on a monthly Libor plus 110 spread. At December 31, 2017 the net annual rate was 2.8065%.	**3,926,000**	4,146,000
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 30 credit spreads. As of December 31, 2017, the annualized rate is 7.921%.	**3,000,000**	-
Total	**22,891,000**	23,161,000
Current portion	**(1,500,000)**	(2,500,000)
Expenses on debt issuance	**(79,151)**	(82,782)
Increase of debt due to fair value hedge	**318,283**	184,669
Long-term debt	**$ 21,630,132**	$ 20,762,887

Long-term debt agreements contain certain covenants that do not include financial restrictions. Such obligations have been complied with as of December 31, 2017 and 2016.

Long-term debt matures as follows:

2019	$ 400,000
2020	2,500,000
2021	3,926,000
2022	3,000,000
2023	1,750,000
2024	4,907,500
2025	4,907,500
	$ 21,391,000

Considering the interest rates, exchange rates and the debt in effect as of December 31, 2017, maturity of interest are $1,480 million Mexican pesos in 2018, an average of $1,357 million Mexican pesos in 2019 and 2020 and an average of $748 million Mexican pesos from 2021 to 2023.

As of December 31, 2017 and 2016, the fair value of debt approximates its carrying value.

10. OTHER ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

Other accounts payable, accrued liabilities and provisions are mainly represented by value-added tax, other taxes payable, accrued services and provisions. Provisions are composed as follows:

	2017	2016
Promotion	**$ 100,144**	$ 123,177
Freight	**214,553**	140,494
Total	**$ 314,697**	$ 263,671

	Promotion	Freight	Total
Balance at the beginning of 2016	$ 123,430	$ 125,373	$ 248,803
Increases	415,042	1,983,931	2,398,973
Applications	(415,295)	(1,968,810)	(2,384,105)
Balance at December 31, 2016	123,177	140,494	263,671
Increases	464,194	2,368,897	2,833,091
Applications	(487,227)	(2,294,838)	(2,782,065)
Balance at December 31, 2017	**$ 100,144**	$ 214,553	$ 314,697

11. INCOME TAXES

The statutory income tax rate is 30% for the years 2017 and 2016.

a. Income taxes recognized in profit or loss

	2017	2016
Current	**$ 2,024,777**	$ 2,394,806
Deferred	**(321,172)**	(238,877)
Total income taxes	**$ 1,703,605**	$ 2,155,929

b. Reconciliation between the statutory rate and the effective rate expressed as a percentage of income before income taxes is as follows:

	2017 Rate %	2016 Rate %
Statutory rate	**30.0**	30.0
Effects of inflation	**(.5)**	.8
Non deductible items	**1.2**	1.0
Tax incentive and others	**(.9)**	(.8)
Effective rate	**29.8**	31.0

c. Annual deferred income tax recognized in other comprehensive income:

	2017	2016
Due to valuation of derivative financial instruments	**$ (22,898)**	$ (197,177)
Due to actuarial loss or (gain)	**6,807**	(4,242)
Total	**$ (16,091)**	$ (201,419)

d. Deferred tax in the statement of financial position

The main items comprising the balance of the deferred tax liability as of December 31 are:

	2017	2016
Property, plant and equipment	**$ 1,331,140**	$ 1,661,349
Intangibles arising from business combination	**24,790**	30,513
Inventories	**17,723**	16,216
Loss carryforwards (expiring from 2023 to 2035)	**(130,933)**	(122,679)
Other liabilities and provisions	**(386,133)**	(406,051)
Derivative financial instruments	**251,846**	228,948
Total	**$ 1,108,433**	$ 1,408,296

12. OTHER LIABILITIES

Is comprised as follows:

		2017		2016
Obligation to purchase minority interest (see Note 7e)	**$**	**260,275**	$	260,275
Retirement benefits		**227,003**		180,657
Total	**$**	**487,278**	$	440,932

a. Retirement benefits

The liability and the annual cost for labor obligations derive from a pension plan for qualifying personnel, retirement severance payments and legal seniority premium.

The present value of the obligations for defined benefits and the annual cost are calculated by an independent actuary based on the projected unit credit method. To meet this obligation, the Entity has established administration funds that are balanced between fixed and variable rates with a moderate risk.

Relevant information regarding these obligations is as follows:

		2017		2016
Projected benefit obligation	**$**	**587,067**	$	546,537
Plan assets		**(360,064)**		(365,880)
Net liability		**227,003**		180,657
Annual cost	**$**	**41,928**	$	31,666

The main assumptions used for actuarial valuations purposes are as follows:

	2017	2016
	%	%
Discount rate	**8.75**	8.75
Expected return on plan assets	**8.75**	8.75
Expected rate of salary increase	**4.50**	4.50

As of December 31, 2017 and 2016, employee benefits expense totaled $2,905 and $2,896 million, respectively.

13. RISKS

a. Liquidity risk

The Entity's liquidity risk is limited as it has a healthy cash flow profile due to its diversified sales, which are made to customers and distributors with solvent financial positions. As of December 31, 2017, considering the profile of the Entity's debt it believes it has enough cash on hand to mitigate the negative effects of any potential external event which could temporarily result in a liquidity reduction and impact the Entity's ability to meet its short-term obligations.

When the Entity acquires debt, it seeks to ensure staggered maturities to further mitigate the liquidity risk. The profile of future maturities as of December 31, 2017 is spaced out over eight years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the result before income taxes for the year 2017, nor the cash and cash equivalents position as of December 31, 2017.

The Entity has sound relations with different financial institutions and considers that it has access to different types of financing through loans in Mexico or abroad, whether directly with such institutions or through the capital markets. For such purpose the Entity permanently maintains ratings of the Standard & Poor's and Fitch Ratings agencies for debt both in pesos and in foreign currency. As of December 31, 2017, debt ratings by Standard & Poor's were "AAA" in pesos and "A-" in U.S. dollars, whereas those of Fitch Ratings were "AAA" in pesos and "A" in U.S. dollars. In all cases, these are considered investment-grade ratings.

b. Market risk

- Exchange rate

The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in (Note 16).

Furthermore, the prices of a significant portion of the inputs that the Entity utilizes in its production processes are established in foreign currency or tend to be adjusted for exchange rate movements. To mitigate this risk, an export business is maintained. Also, the financial derivatives markets are continually analyzed to seek opportunities to mitigate these risks. As of December 31, 2017 the Entity had not entered into any hedge instrument on supplies purchases. Export sales in the year 2017 were $2,091 million Mexican pesos and it is estimated that the purchases of those inputs whose prices fluctuate due to changes in the exchange rate represent about 60% of its costs.

To reduce exchange rate risk the Entity entered into derivative financial instruments denominated cross currency swaps (CCS) the same year that U.S. dollar denominated debt was contracted.

- Interest rates

To reduce the risk of interest rate variations, the Entity divides the profile of its debt between fixed rate and variable rate. As of December 31, 2017, 63% of the debt was at a fixed rate and 37% at a variable rate. Of the fixed rate debt $3,435 million Mexican pesos are converted to variable rate debt, with the net exposure being $11,861 million Mexican pesos, equivalent to 52% of the total debt. On another hand, the Entity had $4,426 million Mexican pesos invested in variable rate investments and thus the net exposure was $7,435 million Mexican pesos.

- Other pricing risks

The main pricing risk is related with movements in cellulose prices. To reduce this risk, the Entity has different strategies in place such as paper-recycling plants. Approximately 60% of the cellulose consumed by the Entity during 2017 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions. The Entity believes that no efficient financial hedge market exists for cellulose.

Another pricing risk derives from the price of natural gas as a result of the Entity's consumption of this input in its processes, as well as its impact on the prices of electricity. The prices of gas are monitored and hedging options are constantly analyzed. As of December 31, 2017, the Entity had not contracted any hedge instrument related to natural gas.

14. DERIVATIVE FINANCIAL INSTRUMENTS

a. Cross currency swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, the Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2017 and 2016 convert U.S. dollar-denominated for 700 million of debt into $10,614.8 million of Mexican pesos.

At December the fair value of the contracts are as follows:

	2017	2016
Contracts to convert 325 million of U.S. dollar-denominated debt to $4,508.1 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to annual fixed rates in pesos of 6.85% and 6.21%, respectively.	**$ 2,692,375**	$ 2,990,535
Contracts to convert 175 million of US dollar-denominated debt to $2,528.2 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to variable rates based on the 28-day TIIE plus certain credit spreads. As of December 31, 2017 annual rates in pesos are 7.44% and 7.65%	**1,143,877**	1,279,370
Contract to convert 200 million of US dollar-denominated debt to $3,578.5 million of Mexican peso debt and to convert variable USD rate based on monthly libor plus 110 credit spread to variable pesos rate based on the 28-day TIIE plus 31.75 credit spread. As of December 31, 2017 annual rate in pesos is 7.94%.	**449,533**	597,426
	$ 4,285,785	$ 4,867,331

Maturity of the contract are as follows:	
2021	449,533
2024	2,186,396
2025	1,649,856
	$ 4,285,785

As the due dates of principal and interest are the same as the debt, these financial instruments were designated as hedges; those that convert to fixed rate in pesos, are recorded as a cash flow hedge and those that convert to variable rate in pesos are recorded as a fair value hedge. In both cases the effects in consolidated statement of income is recorded as the exchange rate of the hedged item fluctuates.

The (unfavorable) favorable effect of cash flow hedge that was reclassified to net income were $(357,500) and $1,147,250 for the 2017 and 2016 years, respectively.

b. Interest rate swaps on peso-denominated debt

To reduce interest rate volatility, an interest rate swap was contracted for $1,500 million, whereby interest payment profile is converted from variable rate to fixed rate.

All interest rate swap contracts where interest at the variable rate is exchanged for interest at a fixed rate are designated as cash flow hedges to reduce the exposure of the Entity's cash flow derived from the variable interest rates on loans. The interest rate swaps and the interest payments on the loan take place simultaneously and the accumulated amount in other comprehensive income within stockholders' equity is reclassified to consolidated statement of income in the period in which the interest payments at the variable rate on the debt affect results.

The unfavorable effect of these contracts for $11,522 and $57,489 for the years 2017 and 2016, respectively, recycled to net income, are presented in results as part of borrowing costs.

This contract ended in June 2017.

Determination of fair value of those instruments includes estimations over future currency exchange rates and interest rates, as well as the counterparty credit risk and were the measured using present value of future net cash flows taking into consideration forward interest rates, forward exchange rates and rates of the contracts, which is considered a level 2 measure in the fair value categories.

15. STOCKHOLDERS' EQUITY

As of December 31, 2017 and 2016, common stock consists of nominative common shares with no par value, as follows:

	Shares			
	2017	%	2016	%
Series "A"	**1,604,438,673**	**52**	1,605,970,352	52
Series "B"	**1,480,393,834**	**48**	1,482,003,719	48
Total	**3,084,832,507**	**100**	3,087,974,071	100

In accordance with the Entity's by-laws, Series "A" shares must represent, at a minimum, 52% of common stock outstanding and must be owned by Mexican investors.

As part of the program for the repurchase of the Company's own shares approved annually by the stockholders, during the years ended December 31, 2017 and 2016, 3,141,564 and 7,554,327 shares, respectively, were repurchased.

In accordance with the Mexican income tax law, total stockholders' equity, except for stockholders' contributions and their related tax restatement, as well as retained earnings determined based on the provisions of such law, is subject to a dividend tax, payable by the Entity, in the event of distribution. As of December 31, 2017, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $32,261,618, the net tax income account until 2013 for $2,124,500 and the net tax income account that started in 2014 for $17,737,000, approximately.

During the years ended December 31, 2017 and 2016, the Entity paid dividends for $4,874,193 and $4,703,899. If such dividends had not been paid, stockholders' equity have been increased by $9,578,092 and $4,703,899, as of such dates.

The Entity is not subject to any external requirement related to the management of its equity.

16. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

Assets and liabilities include monetary items receivable or payable in foreign currencies. Such items, denominated in thousands of U.S. dollars, consist of the following:

	2017	2016
Monetary assets	**$ 116,336**	$ 152,386
Monetary liabilities (see Note 14)	**831,835**	824,370

Exchange rates used to value such balances were $19.63 and $20.73 Mexican pesos per one U.S. dollar, respectively.

Transactions denominated in thousands of U.S. dollars were as follows:

	2017	2016
Export sales	**$ 109,786**	$ 91,566
Purchases of raw materials, spare parts and services	**593,305**	561,333
Purchases of machinery and equipment	**61,296**	66,856

17. RELATED PARTIES

For the years ended December 31, the Entity had the following transactions and balances with related parties:

	2017	2016
Kimberly-Clark Corporation:		
Purchases and technical services	**$ 1,550,454**	$ 1,408,419
Machinery and equipment	**380,344**	21,310
Net sales and others	**306,734**	194,812
Trade accounts payable	**324,125**	238,357
Trade accounts receivable	**75,692**	49,589

Other - As of December 31, 2017 and 2016, employee benefits granted to Entity's key senior management were $227,870 and $201,605, respectively.

18. BUSINESS SEGMENT INFORMATION

IFRS 8, Operating Segments, requires that the operating segments be identified based on internal reports on the Entity's components.

Information corresponding to each business segment, based on a managerial approach is as follows:

	2017			
	Consumer Products	Professional and Health Care	Exports	Total
Net sales	**$ 31,961,958**	**$ 3,712,781**	**$ 2,091,021**	**$ 37,765,760**
Operating profit	**6,380,303**	**468,169**	**132,996**	**6,981,468**
Depreciation and amortization	**1,349,431**	**172,941**	**77,452**	**1,599,824**
Total assets	**33,294,541**	**3,867,577**	**2,178,202**	**39,340,320**

	2016			
	Consumer Products	Professional and Health Care	Exports	Total
Net sales	$ 30,640,717	$ 3,302,920	$ 1,716,658	$ 35,660,295
Operating profit	7,285,584	432,731	300,095	8,018,410
Depreciation and amortization	1,355,356	177,906	67,657	1,600,919
Total assets	34,969,848	3,769,579	1,959,199	40,698,626

19. COMMITMENTS

At December 31, the Entity held the following commitments:

	2017	2016
Acquisition of machinery, equipment and construction projects	**$ 1,084,393**	$ 1,390,392
Acquisition of raw materials, spare parts and other	**401,238**	476,114
Operating lease agreements of real estate and offices with non-cancelable terms ranging from 1 to 12 years, and estimated annual rents	**323,136**	308,352

Commitments for the acquisition of machinery, equipment, raw materials and some operating lease agreements are mainly denominated in U.S. dollars.

20. NEW ACCOUNTING PRINCIPLES

The following new and revised IFRS that are effective for annual periods beginning on January 2018 with retrospective application are as follows:

- IFRS 9 Financial Instruments

The principal change is in relation to the valuation of financial instruments.

- IFRS 15 Revenue From Contracts With Customers

Change of approach to control, that differs from the risk and transfer of benefits of the previous standard.

The core principle is to recognize revenues to present the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This Standard is applied using a 5 step approach to revenue recognition, identifying the contract, the performance obligations and allocating the price to each obligation.

The application of these standards have not impact on the consolidated financial statements.

New IFRS of total or modified retrospective application effective for annual periods beginning on or after 1 January 2019.

- IFRS 16 Leases

This standard requires the recognition of all lease contracts with significant value and with a term greater than twelve months under a single model in the balance sheet, in a similar way to finance leases.

During 2018, the Entity will perform the necessary analyses to implement this standard and determine its impact on the consolidated financial statements.

21. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

On February 7, 2018, the issuance of these consolidated financial statements was authorized by Licenciado Pablo R. González Guajardo, General Director, and Ingeniero Xavier Cortés Lascurain, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Stockholders' Ordinary Meeting.

Trade Markets

Mexican Stock Exchange (BMV), Mexico
The United States (OTC ADRs)
Types of shares
Series A
Series B
Ticker
BMV: KIMBER

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