2023 ANNUAL REPORT

A present with a great FUTURE

Kimberly-Clark de México

CONTENTS

KIMBERLY-CLARK DE MEXICO is a Mexican company that makes, distributes and sells cleaning, personal care and hygiene products such as: diapers and baby products, feminine napkins, incontinence products, toilet paper, napkins, tissues, paper towels, wet wipes and soaps. Among its main brands are Huggies®, KleenBebé®, Kleenex®, Evenflo®, Pétalo®, Suavel®, Cottonelle®, Depend®, Kotex® Escudo® and Blumen®. Thanks to its continuous innovation and consumer-centric approach, the company is a leader in most of the categories in which it participates. KCM is listed on the Mexican Stock Exchange under the ticker symbol "KIMBER."

The results we present here today attest to our proven capacity to respond with agility to adverse situations, and how through innovation, discipline and efficiency, we continue to deliver consistent results, offering innovative products that anticipate the needs of our consumers, making the essential extraordinary, every day, for a lifetime, and with it, continuing to help build a better future.

caring

in the present for babies with a great FUTURE

Huggies® Supreme®

Huggies® Supreme® leads technological innovation in the diaper and wet wipes category. The brand focuses on maintaining a connection with increasingly demanding new generations of moms, so in 2023, it revamped its entire portfolio image.

For the diaper category, we designed new smart internal cover with focused absorption. At the front, small pads quickly absorb urine, while on the back, a soft mesh traps the semi-liquid fecal matter, keeping it away from the baby's skin. For the wet wipes category, a circular easy-push lid was included, providing consumers with greater convenience.

These innovations reinforce the brand positioning of Huggies® Supreme® for offering "Gentle Protection for Baby's Skin," setting it head and shoulders above the rest of the market.

Wet Wipes

Huggies Wet Wipes innovated with a packaging unique in Mexico, which is reusable and recyclable, reducing the amount of plastic by 30% in a container that holds 160 wet wipes. The included wipe holder can be refilled, to give consumers more practical and portable option. Additionally, it features differentiated and unique designs in the market.

KleenBebé® with zinc oxide

At KleenBebé®, we are experts in keeping baby's skin dry and healthy for much longer so that mom and baby can enjoy their time together to the fullest. That's why we decided to incorporate zinc oxide into our diapers; we know that zinc oxide helps heal the skin when rashes occur and alleviates the effects of dermatitis, because one of its properties is to maintain the skin's natural hydration.

innovation

for homes with a great FUTURE

Vogue® toilet tissue

Vogue®, the wholesale giant, transformed itself over the past year, reinforcing its leadership in the wholesale channel, increasing its presence in other sales channels and throwing a spotlight on this brand overhaul.

The transformation required an investment in machinery capable of providing superior embossing technology, which offers improvements in the three main attributes of the toilet paper category: softness, resilience, and performance. As a result, the brand made great strides against the competition, offering the best technology for our consumers, accompanied by packaging that precisely communicates all the benefits of the new, renewed Vogue®.

The transformation was accompanied by a communication campaign to let our consumers know how much Vogue® had changed, particularly given the brand's habitual stability. Drawing on the popularity of actress and singer Itatí Cantoral, who is well loved by our consumers, we launched campaigns on trucks, billboards, radio, and posters. We also backed up this campaign in digital media.

With this innovation, Vogue® is keeping its brand promise as The Wholesale Giant, as the leading brand in the market.

Kleenex® Zen Toilet Tissue

The widespread popularity of Zen and its sense of calm is increasingly prominent among younger generations of consumers, who are looking for new and different products. In response, we have created Kleenex® Zen Zone, our most recent launch in the toilet tissue category, anchored in the same pillars as its umbrella brand Kleenex,® that is, softness and quality, but with a modern, fresh, on-trend graphic appeal, features that connect with younger consumers in the category. This new product features an unparalleled sensation of softness and resilience.

technology

for a life with a great FUTURE

Kotex® Maxi

Kotex® Maxi is reborn under a fresh platform, with FLEX-FIT technology and new Ultra-lock adhesive wings, which attach the pad more securely to underwear, ensuring that it moves with you and stays in place. Additionally, Kotex® Maxi has a new design at the base, offering an aesthetic and trendy experience with each use.

The new cover with TURBO ABSORB technology guarantees faster absorption, while its channels efficiently distribute menstrual flow throughout the pad, providing maximum protection. With five absorption zones, including a MAXI absorbent core, Kotex® Maxi is the ideal pad for extra- heavy flow, thanks to its absorbency and extra protection at the back.

The new packaging design highlights the distinctive attributes of Kotex® Maxi, allowing consumers to identify and enjoy its MAXI benefits.

Depend® Underwear

In 2023, Depend® revolutionized the security and discretion of disposable underwear for incontinence through technological innovation, with improvements in our Women's version, which now, thanks to its 360 Elastic System, intelligently adjusts to every curve of your body, and its new Insta-Absorb Channels maximize absorption, making you feel more secure and protected than ever.

efficiency

for businesses with a great FUTURE

ICON®

The Kimberly-Clark ICON® line of washroom dispensers is now part of the KCP Mexico family. Its mission is to serve establishments seeking premium, efficient, and proprietary differentiation. The design can be customized for each space with interchangeable covers; this, accompanied by a towel with TAD technology, traditional UCTAD toilet paper, and a foaming hand soap.

Cottonelle®

As part of the sustainability strategy aligned with KCM's commitment, Cottonelle® toilet paper was developed with compostable and biodegradable packaging, with two clear objectives: to meet consumers' call for a plastic-free product, and to differentiate ourselves from the competition with an innovative packaging proposal and a toilet paper known for its softness.

WypAll®

The outstanding performance of WypAll® wipers reached new consumers with Costco's seasonal offer: WypAll® X80 Plus with a pack of 40 cloths, 10 of each color. Users can enjoy an absorbent, resistant, and reusable product; ideal for cleaning tasks at home or business. This solution contributes to better hygiene and cleaning practices, avoiding cross-contamination.

LETTER TO OUR SHAREHOLDERS

This past year was a good one for our company, and it laid the groundwork for good results in 2024 and the years ahead.

Sales, operating profit, net income and EBITDA all reached record levels, with significant increases.

At the top line, our Consumer Products and Professional businesses showed growth of 9 percent and 12 percent, respectively. In both cases, this growth was supported in the first half of the year by the price increases we made to offset the rise in raw material prices and higher distribution costs in 2022, but also by a significant contribution from volume, particularly during the second half. These results were driven by significant innovations in various categories, accompanied by intense interaction with consumers to strengthen their preference for our brands, resulting in market share gains in the company's core businesses.

In contrast, however, our exports of finished products and paper master rolls were lower for the year, the result of reduced needs of our partner, Kimberly-Clark Corporation, as well as increased internal paper usage and lower prices in the U.S. market caused by excess capacity from Asia. In finished products, the last quarter was already beginning to show growth, and we expect this business to kick in positive numbers for the current year.

On the cost side, in 2023, we saw an improvement in the prices of various of our raw materials, which, combined with the momentum of increased production volumes and efficiencies, excellent results from our cost-saving plan, a fundamental part of the company's culture, and the peso's appreciation, allowed us to improve margins quarter-over-quarter and achieve almost 14 billion pesos in EBITDA and 7 billion pesos in net income, increases of 28 percent and 42 percent, respectively.

Operating results, along with the control and optimization of our working capital, enabled us to generate a solid amount of cash. With this, our net leverage ratio (net debt/EBITDA) remains at a very healthy 0.9 times, even after investing in fixed assets and paying dividends.

Your company generated more than 1 billion pesos in profit-sharing for its employees, also a new record.

Our profit-sharing is a faithful reflection of our philosophy of giving all employees a stake in the company's results, and it has always been one of the highest in the country. In the same vein, in compliance with new labor regulations, your company has already validated all collective bargaining agreements with its unions and obtained the necessary approvals for the negotiations and salaries, with approval rates exceeding 95 percent in all cases.

In 2024, the Mexican economy is expected to continue its growth, and consumers will remain resilient, supported by job growth, rising wages, increasing private sector investment, significant inflows of remittances, social support programs introduced by the current administration, and the surge in government spending typical of an election year, among other factors. There will be growth, but not by any measure as much as this country needs or is capable of.

In this climate, we will expedite our pipeline of innovations, increase support for our brands and redouble commercial efforts, all to continue strengthening our market position to make this another year of growth.

Looking at our costs in the year ahead, most of our raw materials will face an easy comparable base in the first half of the year, but if the recent uptrend continues, they may eventually rise above it in the second half. Through our purchasing, operation and innovation, and development and quality areas, we will try to minimize these effects and achieve another year of efficiency and savings, keeping our profits and margins strong.

Taken together, these actions will increase our speed to market and improve our offering to consumers and clients, while allowing us to optimize our resources, make more with less and have a very good year. We will thus be poised for accelerated growth and stronger results going forward.

In this report, you will find an account of the company's results and actions in the areas of innovation, operations, sustainability, social responsibility and human resources, among others.

I would once again like to thank our shareholders for their support and confidence in our management of your company during the year just ended, and we reaffirm our pledge to carry out the plans and programs necessary to ensure that Kimberly-Clark de Mexico remains the successful company it has always been.

Claudio X. González L.

Chairman of the Board of Directors

Pablo R. González G.

Chief Executive Officer

This report was approved in all its terms by the Board of Directors in the meeting held February 13, 2024.

OPERATING SUMMARY

Financial results

In 2023, amid propitious economic conditions and helped by some significant innovations, we improved our brands' already solid positioning, and this, along with our continuous focus on execution, resulted in a 4.4 percent increase in sales, a record high for our company and in most of its categories. Domestic sales saw particularly strong growth of 9.8 percent.

Additionally, we increased our operating efficiency and continued our program of cost and expense reduction, which once again meant significant savings.

With this, and with lower costs on our raw materials, operating income was up 33.4 percent while EBITDA grew 27.6 percent. Net income was 42.1 percent higher than in 2022. We were able to improve the company's profitability sequentially in every quarter of the year, reaching successive record highs. These results, together with steady improvement and optimization of our working capital, brought substantial cash flow generation and reduced our net leverage index (net debt/EBITDA) to 0.9 times, even after keeping up our capital expenditures and paying out dividends to our shareholders.

The early stages of Huggies Supreme® now have the first intelligent inner cover in the market.

Innovation

In 2023, we continued building a present with a great future through relevant, differentiated, and innovative solutions focused on improving our consumers' quality of life while respecting the environment at all times. Our developments and launches are centered around their needs, delivering superior performance and the utmost care, safety, and protection.

In our premium diaper segment, we enhanced features that protect delicate skin. The early stages of Huggies Supreme® now feature the first intelligent inner cover in the market, with two zones of focused absorbency: ultra-absorbent quilted technology for liquids in the front and soft mesh for semi-liquid material in the back.

We elevated our comfort proposition for Huggies UltraConfort® by introducing improvements in the fastening and fitting systems. The new design of elastic tapes offers optimal coverage and greater flexibility to better adapt to every one of baby's movements.

We launched Enhanced Maxi versions in our KleenBebé Suavelastic® products, with optimized absorption systems to keep baby's skin dry for longer and enriching our inner covers with zinc oxide, an ingredient recognized for its ability to help reduce skin irritations and redness.

The KleenBebé® Absorsec® and Comodisec® product portfolio now features the most efficient absorbent core in the segment, also integrating an innovative system of reinforced ergonomic tabs for superior functionality.

In the wet wipes category, we revolutionized the user experience of Huggies Supreme® with a new Easy-Push lid to open at a touch, and its larger dispensing area facilitates towel extraction - all with just one hand. Huggies® Practi Pack packaging technology offers an innovative solution for users seeking greater portability.

In the infant feeding category, we made an improvement in the design of all standard-neck bottle families of the Essential line. The bottles have been improved with a structurally reinforced, more ergonomic design, providing unmatched resistance and durability throughout their lifecycle. We also provide greater practicality and convenience to our consumers as now all components have been standardized and can be used interchangeably regardless of the bottle design or family.

Cutting-edge technologies that revolutionize comfort, discretion and protection.

To dominate both the physical and digital shelf space, we communicated the dynamic, up-to-date qualities of our brand through a visual and graphic overhaul of more than 50% of our portfolio of Evenflo Advanced® and Essential bottles.

In the incontinence category, we launched a completely innovative generation of Depend® brand underwear products, with cutting-edge technologies that revolutionize comfort, discretion, and protection through attributes such as the 360° elastic system, higher-capacity absorbent cores, and new Insta Absorb channels, among others.

We expanded the product portfolio incorporating our exclusive Derma Protect technology —composed of three oxides that help prevent and alleviate irritations— towards specific products in underwear and feminine napkins, to continue maintaining our leadership in the skincare territory.

In the menstrual product category, we focused on renewing our Kotex Maxi® pads, offering consumers a new usage experience thanks to their new adhesive wings that provide optimal garment fit, and superior performance through Turbo Absorb technology, a Maxi-Absorbent core, and five protection zones.

In the category of products formulated for Beauty Care, we developed and launched products this year that more comprehensively address current trends in personal care. Among the launches are The Botanist line of styling creams, Blumen® Kids "slime" styling gel, a line of Blumen® body liquid soaps with differentiated functional benefits for each variant, as well as new exclusive formulations supported by celebrities in our Ludwig & Wiggstein® hair care products.

In 2023, we ventured into a new line of business in the pets category, under the LUDOS® brand, with the development and launch of a line of veterinary products that includes training pads with odor control technologies and liquid gelatinization, hypoallergenic shampoo, and wet wipes for two types of use: daily and express bath.

The first toilet tissue on the mass market with a biodegradable, compostable packing film.

In the toilet paper category, we developed Kleenex® Zen Zone, a proposition aimed at new generations of consumers seeking a balance between softness, durability, and absorbency, combined with an exclusive embossed design.

We renewed our Vogue® hygiene portfolio by implementing new technology and embossed design that provide significant functional improvements in strength, performance, and softness, as well as a superior appearance and user experience.

Our launch of the new Cottonelle® Eco hygiene product was a milestone in our journey toward sustainability and environmental responsibility, with the first mass-market toilet paper product packaged in a biodegradable and compostable film. Additionally, the rolls of this product are compacted, which represents a reduction in the amount of packaging materials and a lower carbon footprint from the transportation and storage process.

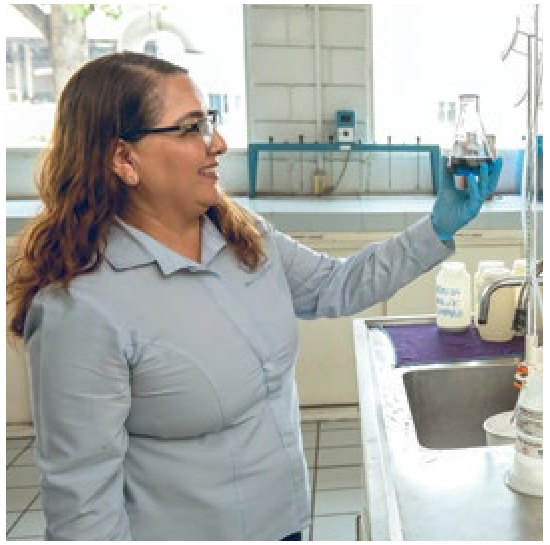
In the napkins and paper towels categories, printed editions featuring Disney® characters were developed using high-definition printing technologies that clearly differentiate our products on the shelf and during use.

In response to growing interest from our institutional customers in products with a lower environmental impact, our Professional Solutions business launched the first Cottonelle® toilet paper with flexible packaging that can be composted in both industrial and domestic environments, representing unprecedented potential for reducing the waste associated with packaging.

Finally, we introduced the premium line of ICON® dispensers for hand towels, foaming soap, and toilet paper, which enhances the dispensing experience by integrating technologies developed with a user-centric approach: 99.99% reliability in operation, along with an 85% noise reduction compared to other automatic systems, in addition to a unique design and style.

Operations

In 2023, we focused our production strategy on establishing and making significant changes in operations to pave the way toward a much more efficient, productive, and modern future. This continues our mission of sustaining growth through cutting-edge technological platform that underpins quality and innovation processes in all our divisions: Personal Care, Household Products, and Professional, which makes products for use in offices, hotels, and public places.



We made progress in reducing plastic content and substantially improved the functionality and softness of all our product covers.

In the Personal Care division, we transformed the cost structure of our baby diapers, incontinence, and feminine care products through cutting-edge technology that allowed us to advance in optimizing non-woven fabrics and the development of new supply sources for polypropylene resins and superabsorbent polymers. Additionally, we made progress in reducing plastic content and substantially improved the functionality and softness of all our product covers.

At the same time, we continued our investments in technology to capitalize on export opportunities in baby diapers and wet wipes, and in equipment and machinery that allowed us to bring relevant innovations to the market in incontinence underwear and nighttime feminine napkins, as well as a number of improvements in fit, fastening, and absorbency for our entire range of baby diapers.

In the Tissue business, we continued to modernize and improve operations. We have installed seven new pieces of state-of-the-art bathroom tissue conversion equipment, accompanied by flexible packaging systems that allow us to turn out both individually wrapped rolls and multi-packs in various presentations and arrangements. Additionally, we have made various improvements to our raw material, hard roll, and finished product warehouses, all to create the best products for each market segment and keep our supply chain closer to demand and at a lower cost.

Regarding our savings program, we continued initiatives to achieve competitive cost advantages, which generated more than 1.75 billion pesos in savings and, for the ninth year in a row, were equivalent to at least 5% of the cost of goods sold.

Sustainability

We continued our firm advance toward sustainability. This year we reported on progress toward our Ambition 2030, which positively impacts 13 of the 17 United Nations Sustainable Development Goals (SDGs). We are proud to announce that we reached our target of effective procurement and management of 100% of our sustainably sourced fiber chain. We continue to make progress on the circularity of our packaging and plan to achieve 100% recyclability in the early months of 2024.

We reiterate our commitment to responsible water use, and to remaining a global benchmark in efficient use per unit produced, using more than 52% post-consumer sources of water, while maintaining quality certification from the National Water Commission at our San Juan del Río plant, which attests the good quality of our discharges. Because of their environmental compliance, our Texmelucan, Tlaxcala, and Prosede operations all maintained the well-known Clean Industry Certification from PROFEPA.

We continue to make progress on the circularity of our packaging and plan to achieve 100% recyclability in the early months of 2024.

For the seventh year in a row, we qualified for inclusion in the FTSE British Sustainable Index and were once again recognized in the Dow Jones Sustainability Index (DJSI) MILA region (Integrated Latin American Market). Additionally, for the fourth consecutive year, Kimberly-Clark de Mexico (KCM) was included in the Dow Jones Sustainability Index (DJSI) Emerging Markets, where we once again led the Household & Personal Products sector of the 25 emerging economies covered by the index, and were the only Mexican company listed.

Social Responsibility

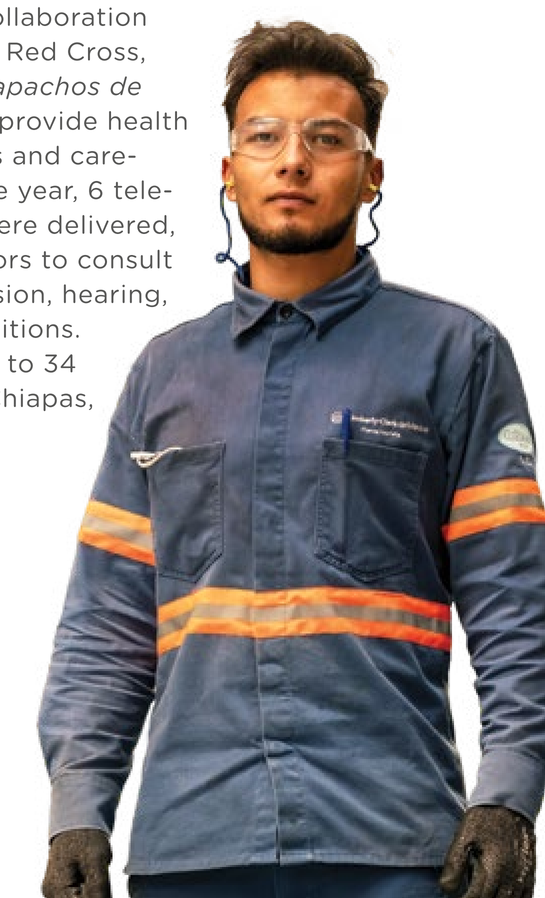
At Kimberly-Clark de Mexico, we care about the health and well-being of our employees, and we also want to make a positive mark on society. We have various programs and partnerships through which we strive to improve people's quality of life and promote the comprehensive development of communities.

Through our KCM Wellness program to support our employees' physical and mental wellness, we offer workshops and sessions addressing health, physical exercise, mental health, financial literacy, and other topics related to holistic wellness. By caring for our employees, we are helping to build a healthy and productive work environment.

Additionally, our brands have permanent programs to benefit society at large. Embracing their Development by Huggies® focuses on psychomotor development in early childhood and has reached more than 600,000 people through its website, digital social platforms, and in-person workshops, with over 2 million indirect impacts. The program seeks to promote babies' overall development, providing information and tools to parents and caregivers to stimulate their children's physical and mental development starting at an early age.

KleenBebé®, in collaboration with the Mexican Red Cross, continued its *Apapachos de Vida* program to provide health advice to parents and caregivers. During the year, 6 telemedicine units were delivered, which allow visitors to consult doctors about vision, hearing, and cardiac conditions. Visits were made to 34 communities in Chiapas,

At Kimberly-Clark de Mexico, we care about the health and well-being of our employees, and we also want to make a positive mark on society.



Morelos, and Querétaro with these virtual units, and with the help of 400 volunteers, we were able to help more than 20,000 people. Through health fairs also organized during these visits, mothers got essential information about healthy pregnancy, breastfeeding, vaccination, preventing gastrointestinal disease, and infant care and hygiene.

In 2023, Kotex supported the empowerment of thousands of Mexican women through initiatives like the Kotex® Race for All Women, in which more than 3,500 runners took part, contributing visibility, reach, basic products and workshops to benefit women in various Mexican communities, through organizations committed to the welfare of Mexican women, like Casa Gaviota, A.C., Equis Justicia, Fondos Semillas, MexFam and FUCAM, with 1,000 direct impacts and 3,000 indirect impacts. Furthermore, through the Kotex® School Tour program, we brought information on hygiene and sex education to more than 500 schools, benefiting 80,000 primary and secondary school girls.

With Depend® and its *Contigo Siempre* program, we benefited dozens of elderly women and recycled more than 9,500 product bags, bringing greater security and protection to elderly adults and improving their quality of life. The program has three guiding axes: normalizing incontinence, donating products to elderly adults in need, and continuing our support for people with and without incontinence in situations of vulnerability or poverty.

Also, Escudo® Antibacterial, working together with Planet Water Foundation, continued work on building two new water towers in marginalized communities of Querétaro, benefiting more than 3,600 inhabitants, and organizing educational campaigns on the importance of handwashing to protect community health.

Finally, with Kleenex® we reaffirmed our commitment to the LGBTTTIQ+ community, raising awareness and support with a special edition of facial and toilet tissues. We also reiterated our support for Casa Frida, an initiative that provides shelter, lodging, care and comprehensive health care for more than 800 community members fleeing extreme violence, persecution or displacement. Furthermore, we worked for a fifth year in partnership with the COI Foundation in its battle against breast cancer, developing special product editions in October devoted to this cause and funding specialized oncologists' visits for 200 patients.

With Depend® and its *Contigo Siempre* program, we benefited dozens of elderly women and recycled more than 9,500 product bags

Human Resources

KCM knows that it is essential to have the best team of employees, dedicated and committed to meeting our goals and serving our clients and consumers. Their safety and well-being are our priority, and we strive to provide safe and reliable workplaces.

Our hiring, compensation, and promotion processes are fair and unprejudiced, aiming to attract and retain the most qualified and competitive personnel. We have an online platform that allows us to provide training more efficiently, with extensive availability and coverage for our employees. In addition, because we are committed to the well-being of our staff, we have physical and mental health and financial education programs that support their personal advancement.

We want to be recognized as the best company in our industry for safety, hygiene, and workplace environment, investing resources and efforts in the health and industrial safety of all our operations. We support freedom of association and unionization, and we maintain a relationship of mutual respect and recognition with our unions. Salary and contractual reviews are conducted within competitive parameters and always in a climate of cordiality.

True to our culture, we foster a challenging work environment, where employees can grow, develop their potential, and be recognized and rewarded for their contributions. Our compensation scheme is results-oriented, and can be summed up in the statement: "if the company does well, our people do well." Proof of this is our profit-sharing program, consistently one of the highest in the country, and for which KCM paid its employees more than 780 million pesos in 2023.

Our sincere recognition and gratitude to all our employees for their commitment and results. We urge them to continue giving their best and to be better every day, so that as a company we can offer the best products and solutions to our consumers and clients, and strengthen our leadership in the market.

Relationship with Kimberly-Clark Corporation (KCC)

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

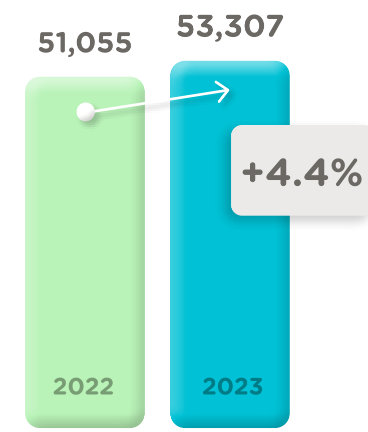
In 2023, we made a stronger entry into KCC's supply chain, developing significant projects such as Kleenex® Trusted Care and Kleenex® Comfort Touch facial tissues, Cottonelle® Soft and Cottonelle® Pure toilet papers, and Scott® Viva® paper towels. Additionally, production continued of Cottonelle® Fresh Care wet wipes, Huggies® Simply Clean® baby wipes, and Huggies® Snug & Dry® diapers.

We are working on further developments for 2024, aiming to consolidate ourselves as a significant supply source to our partner, and fully leveraging its technological and commercial advances.

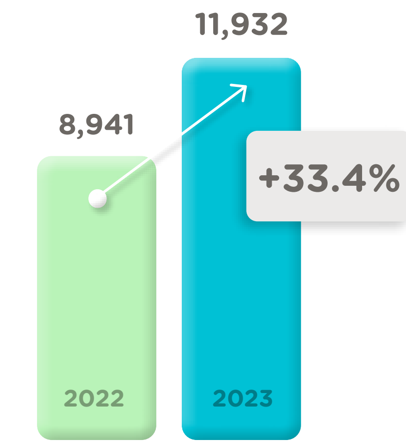
FINANCIAL DATA HIGHLIGHTS

Figures in millions of pesos	2023	2022	Change
Net sales	**53,307**	51,055	**4.4%**
Gross earnings	**20,700**	16,773	**23.4%**
Margin	**38.8%**	32.9%	
Operating Income	**11,932**	8,941	**33.4%**
Margin	**22.4%**	17.5%	
Net income	**7,013**	4,936	**42.1%**
Margin	**13.2%**	9.7%	
EBITDA	**13,917**	10,903	**27.6%**
Margin	**26.1%**	21.4%	
Net earnings per share (pesos)	**2.28**	1.61	

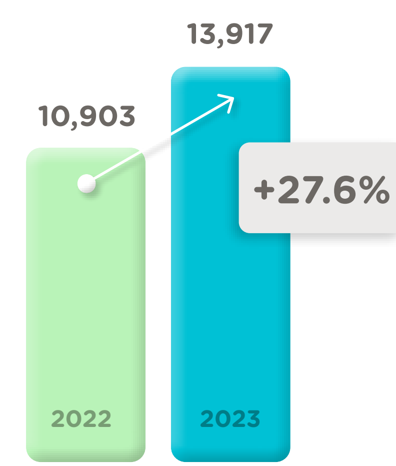
Net sales
millions of pesos



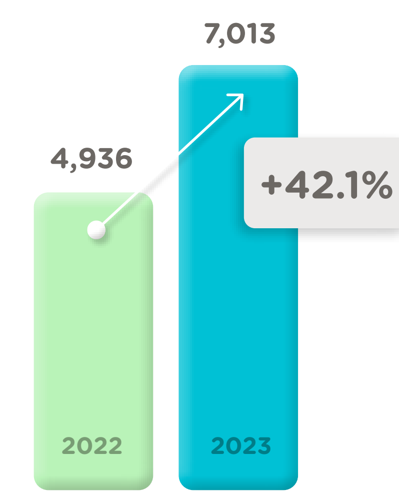
Operating income
millions of pesos



EBITDA
millions of pesos



Net income
millions of pesos



PRODUCT PORTFOLIO

HOME

- Toilet paper
- Napkins
- Facial tissues
- Servitoalla® paper towels

BABIES

- Diapers
- Pull-up training pants
- Swim diapers
- Wet wipes
- Shampoo
- Cream and bar soap
- Feeding products

PERSONAL CARE

- Bar soap
- Liquid hand soap
- Foaming liquid soap
- Liquid body wash

ADULTS

- Underwear
- Protectors
- Feminine napkins
- Prefolded

PETS

- Shampoo
- Spray
- Repellent
- Cleaner

WOMEN

- Feminine pads
- Panty liners
- Tampons
- Intimate wipes
- Menstrual cups

CLEANING AND PROTECTION

- Wet wipes
- Anti-bacterial gel
- Disinfecting spray
- Facemasks

PROFESSIONAL

- Dispensers
- Jumbo roll toilet paper
- Paper towels
- Hand towels
- Industrial cleaning cloths

BOARD OF DIRECTORS

Directors

Claudio X. González Laporte
Chairman

Valentín Diez Morodo*
Vice Chairman

Michael Hsu
Vice Chairman

Jorge Ballesteros Franco*

Emilio Carrillo Gamboa*

Antonio Cosío Ariño*

Pablo R. González Guajardo

Nelson Urdaneta

Alison Lewis

Esteban Malpica Fomperosa*

Fernando Senderos Mestre*

Russell Torres

* Independent

Alternate Directors

Guillermo González Guajardo

Emilio Cadena Rubio

Paola Morales Vargas

Jorge A. Lara Flores

Fernando López Guerra Larrea

Antonio Cosío Pando

Esteban González Guajardo

Sergio Chagoya Díaz

Alicia María Enciso Cordero

Fernando Ruiz Sahagún

Daniela Ruiz Massieu Salinas

Jorge León Orantes Baena

MANAGEMENT TEAM

Pablo González Guajardo
Chief Executive Officer

Xavier Cortés Lascurain
Finance

Ommar H. Parra de la Rocha
Consumer Sales

Jorge Morales Rojas
Transformation and Execution

Cristina Pichardo López
Marketing, Baby, Incontinence and Beauty Care Products

Regina Celorio Calvo
Marketing, Women's Care, Home and Feminine Protection

Armando Bonilla Ruiz
Foreign Trade

Ernesto Reyes Díaz
Operations and Personal Care Technology

Roberto García Palacios
Tissue Manufacturing

Carlos Franco Solís
Innovation, Technological Development, Quality and Sustainability

Alejandro Lascurain Curbelo
Human Resources

Alonso Martínez Marmolejo
Corporate Communications | Digital Marketing

Fernando Vergara Rosales
Corporate Comptroller

Alejandro Argüelles de la Torre
General Counsel

Carlos Conss Curiel
Information Services

Salvador Escoto Barjau
Treasury and Investor Relations

CONSOLIDATED FINANCIAL STATEMENTS

for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report Dated February 13, 2024

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, 2023 and 2022, 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 consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries as of December 31, 2023 and 2022, and their consolidated 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 together with the Code of Ethics issued by the Mexican Institute of Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with both codes. 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 consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that the matter described below is the key audit matter which should be communicated in our report.

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 consolidated financial statements includes certain information about this allowance.

Other information than the consolidated financial statements and the report of the independent auditors - Annual report presented to the Mexican Stock Exchange

Management is responsible for the other information. The other information comprises all information included in the annual report (except for the consolidated financial statements and our auditor's report). The annual report is expected to be available for our reading after the date of this audit report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the other information, when available, and when we do so, consider if the other information contained therein is materially inconsistent with the consolidated financial statements or with our obtained knowledge during the audit, or that appears to contain a material error. If, based on the work we have perform, we conclude that the other information contains a material error, we would need to report that fact. We have nothing to report in this regard.

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, reviewing the content of the consolidated financial statements and submitting them for the approval of the Entity's Board of Directors.

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 executed 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 obtained sufficient appropriate evidence regarding the financial information of the entities or the business activities performed within the Entity to enable us to issue an opinion on the accompanying consolidated financial statements. We are responsible for the management, supervision and performance of the group audit and are exclusively responsible for our audit opinion.

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.

Among the matters that have been the subject of communications with those charged with governance of the Entity, we determined that they have been of the greatest significance in the audit of the consolidated financial statements of the current period and that it is, consequently, the key matter of the audit. We describe that matter in this audit report, unless law or regulation prohibits public disclosure of the matter or, 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 thereof.

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

C.P.C. Erick J. Calvillo Rello
Mexico City, Mexico
February 13, 2024

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022
(Thousands of Mexican pesos)

ASSETS	Notes	2023	2022
Current assets:			
Cash and cash equivalents	3	$ **18,972,075**	$ 16,919,158
Trade accounts receivable and others	4	**7,187,218**	7,084,540
Derivative financial instruments	15	**939,740**	4,116
Inventories	5	**4,113,459**	4,598,306
Total current assets		**31,212,492**	28,606,120
Long-term assets:			
Right-of-use assets	6	$ **1,009,148**	1,140,898
Property, plant and equipment	7	**17,924,639**	17,768,037
Intangibles and other assets	8	**1,614,897**	1,794,299
Goodwill	9	**934,221**	934,221
Deferred income taxes	12	**610,512**	347,362
Derivative financial instruments	15	**613,015**	2,949,683
Total long-term assets		**22,706,432**	24,934,500
Total		$ **53,918,924**	$ 53,540,620

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	2023	2022
Current liabilities:			
Current portion of long-term debt	10	$ **4,242,500**	$ 1,750,000
Bank loans		**235,000**	235,000
Trade accounts payable		**7,957,901**	8,252,653
Lease liabilities	6	**266,618**	255,620
Other accounts payable, accrued liabilities and provisions	11	**2,983,608**	2,383,916
Employee benefits		**1,850,599**	1,326,941
Income tax	12	**1,190,626**	467,528
Total current liabilities		**18,726,852**	14,671,658
Long-term liabilities:			
Long-term debt	10	$ **24,161,639**	30,922,720
Lease liabilities	6	**817,149**	990,350
Retirement benefits	13	**263,305**	382,562
Derivative financial instruments	15	**3,028,822**	1,545,880
Total long-term liabilities		**28,270,915**	33,841,512
Total liabilities		**46,997,767**	48,513,170
Stockholders' equity			
Contributed		**19,634**	19,634
Earned		**7,019,627**	4,988,468
Other comprehensive income		**(118,104)**	19,348
Total stockholders' equity		**6,921,157**	5,027,450
Total		$ **53,918,924**	$ 53,540,620

See accompanying notes to consolidated financial statements.

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2023 and 2022
(Thousands of Mexican pesos, except as indicated)

	Notes	2023	2022
Net sales		$ **53,307,168**	$ 51,055,352
Cost of sales		**32,607,015**	34,282,394
Gross profit		**20,700,153**	16,772,958
Selling expenses		**6,048,228**	5,433,271
Administrative expenses		**2,719,549**	2,399,157
Operating profit		**11,932,376**	8,940,530
Finance costs:			
Borrowing costs		**2,858,799**	2,369,235
Interest income		**(1,364,148)**	(716,078)
Exchange fluctuation – net		**49,344**	36,663
Income before income taxes		**10,388,381**	7,250,710
Income taxes	12	**3,375,507**	2,314,398
Consolidated net income		$ **7,012,874**	4,936,312
Basic earnings per share (in pesos)		$ **2.28**	$ 1.61
Weighted average number of outstanding shares (in thousands)		**3,075,133**	3,075,133

See accompanying notes to consolidated financial statements.

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

Years ended December 31, 2023 and 2022
(Thousands of Mexican pesos)

	Notes	2023	2022
Consolidated net income		**$ 7,012,874**	$ 4,936,312
Other comprehensive income:			
Items that will not be reclassified subsequently to statements of income			
Actuarial earnings (losses) on retirement benefits – net of tax	13	**45,268**	(64,990)
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	15	**(182,720)**	(524,284)
		(137,452)	(589,274)
Consolidated comprehensive income		**$ 6,875,422**	$ 4,347,038

See accompanying notes to consolidated financial statements.

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2023 and 2022
(Thousands of Mexican pesos)

	CONTRIBUTED	EARNED	OTHER COMPREHENSIVE INCOME			
	Common stock	Retained earnings	Actuarial gain (losses)	Translation effects of foreign operations	Valuation of derivative financial instruments	Controlling entity stockholders' equity
Balance, January 1, 2022	$ 19,634	$ 5,095,373	$ (268,052)	$ 145,682	$ 730,992	$ 5,723,629
Dividends paid		(5,043,217)				(5,043,217)
Comprehensive income		4,936,312	(64,990)		(524,284)	4,347,038
Balance, December 31, 2022	19,634	4,988,468	(333,042)	145,682	206,708	5,027,450
Dividends paid		(4,981,715)				(4,981,715)
Comprehensive income		7,012,874	45,268		(182,720)	6,875,422
Balance, December 31, 2023	$ 19,634	$ 7,019,627	$ (287,774)	$ 145,682	$ 23,988	$ 6,921,157

See accompanying notes to consolidated financial statements.

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and 2022
(Thousands of Mexican pesos)

	2023	2022
Operating activities:		
Income before income taxes	$ 10,388,381	$ 7,250,710
Items related to investing and financing activities:		
Depreciation and amortization	1,984,520	1,962,726
Exchange fluctuations	49,344	36,663
Interest expense - net	1,494,651	1,653,157
	13,916,896	10,903,256
Trade accounts receivable and other	(198,279)	(339,408)
Inventories	484,847	(136,186)
Trade accounts payable	276,828	(296,698)
Other accounts payable, accrued liabilities and provisions	676,175	263,887
Employee benefits and retirement	469,068	77,787
Income taxes paid	(2,865,510)	(2,153,698)
Net cash flows provided by operating activities	12,760,025	8,318,940
Investing activities		
Additions to property, plant and equipment	(1,675,935)	(2,141,436)
Interest income	1,363,768	715,369
Other assets	777	(12,153)
Net cash flows used in investing activities	(311,390)	(1,438,220)
Excess cash to apply in financing activities	12,448,635	6,880,720
Financing activities		
Borrowings	-	10,000,000
Payment of loans	(1,750,000)	(4,500,000)
Interest paid	(2,785,068)	(2,043,470)
Payment of lease liabilities	(346,374)	(371,234)
Dividends paid	(4,981,715)	(5,043,217)
Derivative financial instruments	34,091	(82,376)
Net cash flows used in financing activities	(9,829,066)	(2,040,297)
Increase in cash and cash equivalents	2,619,569	4,840,423
Effects of exchange rate changes on balance held in foreign currency	(566,652)	(195,958)
Cash and cash equivalents at the beginning of year	16,919,158	12,274,693
Cash and cash equivalents at the end of year	$ 18,972,075	$ 16,919,158

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations for $2,540,000 in 2023 and $1,000,000 in 2022.

See accompanying notes to consolidated financial statements.

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(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. BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared under the going concern basis of accounting and they are in accordance with International Financial Reporting Standards (IFRS). They have been translated from Spanish into English for use outside of Mexico. The main 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.

- 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 different subsidiaries of Kimberly-Clark de México, S. A. B. de C. V.

- Some 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 consolidated 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

As regards the impairment of financial assets, IFRS 9 requires the use of an expected credit loss method. The expected credit loss method requires that the Entity recognize the probability of expected losses arising at each reporting date to reflect credit risk changes from the initial recognition of financial assets.

In the case of accounts receivable, the carrying amount is reduced through the use of an allowance for doubtful account. 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. Leases

The Entity as a lessee

Contracts with significant value and with a term greater than twelve months, which grant the Entity control of an asset are recognized as a right-of-use asset and a lease liability.

The right-of-use of the leased assets is initially calculated at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Lease liability is initially measured at the present value of the minimum lease payments.

The lease payments are distributed between the financial costs and the reduction of the lease obligations in order to reach a constant base on the remaining balance of the liability.

Financial costs are charged or credited directly to income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity accounting policy for borrowing costs.

Rent increases directly associated with an index or rate will be considered to carry out a remeasurement of the right-of-use asset and the lease liability.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. Income taxes

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

- Current income tax

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

- Deferred income tax

Deferred income 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. 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.

The Entity reviews whether there is any uncertain tax position, and if it exists, quantifies it using the most likely amount or the expected value method, depending on which one best predicts the resolution of the uncertainty.

p. 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.

q. 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.

r. 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.

s. 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.

According to the current IFRS 9, effectiveness testing has been replaced by the principle of an “economic relationship”, meaning that retrospectively evaluating hedge effectiveness is no longer necessary.

t. Revenue recognition for contracts with customers

Revenues represent the transfer of goods and services to customers for an amount that reflects the payment to which the Entity expects to be entitled in exchange for the provision of these goods or services, while considering the shift to a control approach.

These revenues are recognized by utilizing a five-step model:

1. Identify the contract executed with the customer
   a) The contract is approved, including the commitment of the parties.
   b) The payment terms can be identified.
   c) The Entity will be able to collect the payment to which it is entitled.
   d) The rights of each party can be identified.
   e) Commercial substance.

2. Identify the performance obligations detailed in the contract
 a) Identify all the promised goods and services and determine whether they can be differentiated.

3. Determine the transaction price
 a) Determine whether the payment is fixed or variable.
 b) Identify reductions like sales returns and rebates.

4. Assign the transaction price to the performance obligations.

5. Recognize revenues when each performance obligation is fulfilled.
 a) When the vendor's performance generates an asset controlled by the customer.
 b) The customer receives and consumes the benefit generated by the vendor's performance.
 c) When the vendor has the right to receive the payment.

u. 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.

3. CASH AND CASH EQUIVALENTS

Are composed as follows:

	2023	2022
Cash	$ **508,813**	$ 383,847
Temporary cash investments	**16,348,970**	16,535,311
Restricted cash (see Note 15)	**2,114,292**	-
Total	$ **18,972,075**	$ 16,919,158

4. TRADE ACCOUNTS RECEIVABLE AND OTHERS

	2023	2022
Trade	$ **8,291,795**	$ 7,671,153
Allowance for rebates	**(1,098,945)**	(784,938)
Allowance for doubtful accounts	**(211,780)**	(182,170)
Net	**6,981,070**	6,704,045
Advance payments	**35,990**	112,175
Other	**170,158**	268,320
Total	$ **7,187,218**	$ 7,084,540

Allowance for rebates:

	2023	2022
Balance at January 1,	$ **(784,938)**	$ (546,327)
Increases	**(10,420,163)**	(9,245,585)
Applications	**10,106,156**	9,006,974
Balance at December 31,	$ **(1,098,945)**	$ (784,938)

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.

Based on the portfolio recovery history, the expected credit loss is insignificant; this amount has been recognized under accounts receivable according to the approach required by IFRS 9.

5. INVENTORIES

	2023	2022
Finished goods	$ **1,361,604**	$ 1,600,095
Work in process	**351,870**	407,915
Raw materials and spare parts	**2,399,985**	2,590,296
Total	$ **4,113,459**	$ 4,598,306

6. LEASES

a. Lease contacts that qualify for the application of this standard correspond to industrial buildings, warehouses and space for administrative offices.

	2023	2022
Right-of-use assets	**$ 1,926,421**	$ 1,854,776
Accumulated depreciation	**(917,273)**	(713,878)
Net	**$ 1,009,148**	$ 1,140,898

	BUILDINGS
Right-of-use assets	
Balance at the beginning of 2022	$ 1,940,332
Additions	247,642
Disposals	(333,198)
Balance at December 31, 2022	1,854,776
Additions	153,419
Disposals	(81,774)
Balance at December 31, 2023	$ 1,926,421
Depreciation of right-of-use asset	
Balance at the beginning of 2022	$ (629,487)
Additions	(302,496)
Disposals	218,105
Balance at December 31, 2022	(713,878)
Additions	(285,169)
Disposals	81,774
Balance at December 31, 2023	$ (917,273)

b. The liabilities movements for these lease agreements were as follows:

Balance at the beginning of 2022	$ 1,423,708
Additions	247,642
Cancelation	(125,507)
Payments	(371,234)
Interest paid	89,837
Exchange rate fluctuation - net	(18,476)
Balance at December 31, 2022	1,245,970
Additions	153,419
Payments	(346,374)
Interest paid	80,100
Exchange rate fluctuation - net	(49,348)
Balance at December 31, 2023	$ 1,083,767
Short-term	(266,618)
Long-term	$ 817,149

c. Maturity of long-term lease liabilities is as follows:

2025	$ 229,912
2026	176,250
2027	122,180
2028	130,836
Thereafter	157,971
	$ 817,149

d. During the years 2023 and 2022, an amount of $48,893 and $3,253 was charged to operating expenses for operating lease contracts with a term less than one year and $2,079 and $21,955 correspond to contracts where the underlying asset has a low value, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

	2023	2022
Depreciable fixed assets	**$ 46,463,683**	$ 45,475,566
Accumulated depreciation	**(30,905,328)**	(30,247,748)
Net	**15,558,355**	15,227,818
Land	**741,814**	741,814
Construction in progress	**1,624,470**	1,798,405
Total	**$ 17,924,639**	$ 17,768,037

At December 31, 2023 and 2022, the amount of unamortized capitalized borrowing costs amounted to $180,385 and $191,639, respectively.

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2022	$ 6,329,010	$ 36,608,731	$ 1,148,085	$ 44,085,826
Additions	277,461	2,495,990		2,773,451
Disposals	(3,737)	(1,342,732)	(37,242)	(1,383,711)
Balance at December 31, 2022	6,602,734	37,761,989	1,110,843	45,475,566
Additions	320,535	1,505,590	32,530	1,858,655
Disposals	(646)	(850,847)	(19,045)	(870,538)
Balance at December 31, 2023	$ 6,922,623	$ 38,416,732	$ 1,124,328	$ 46,463,683

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2022	$ (3,342,268)	$ (26,072,224)	$ (694,252)	$ (30,108,744)
Additions	(182,468)	(1,280,556)	(57,665)	(1,520,689)
Disposals	3,737	1,343,090	34,858	1,381,685
Balance at December 31, 2022	(3,520,999)	(26,009,690)	(717,059)	(30,247,748)
Additions	(188,332)	(1,277,831)	(54,183)	(1,520,346)
Disposals	646	846,827	15,293	862,766
Balance at December 31, 2023	$ (3,708,685)	$ (26,440,694)	$ (755,949)	$ (30,905,328)

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

8. INTANGIBLES AND OTHER ASSETS

	2023	2022
Trademarks and licenses	**$ 1,842,798**	$ 1,842,598
Patents and permits	**25,636**	25,636
Customer relationships	**583,441**	583,441
	2,451,875	2,451,675
Accumulated amortization	**(1,236,928)**	(1,057,923)
Trademarks and licenses with indefinite life	**374,372**	374,372
Total intangibles	**1,589,319**	1,768,124
Other assets	**25,578**	26,175
Total	**$ 1,614,897**	$ 1,794,299

	Trademarks and licenses	Patents and permits	Customer relationships	Total
Cost				
Balance at the beginning of 2022, and at December 31, 2022	$ 1,842,598	$ 25,636	$ 583,441	$ 2,451,675
Additions	200	-	-	200
Balance at December 31, 2023	1,842,798	25,636	583,441	2,451,875
Accumulated amortization				
Balance at the beginning of 2022	$ (629,827)	$ (17,509)	$ (271,046)	$ (918,382)
Additions	(110,381)	(1,770)	(27,390)	(139,541)
Balance at December 31, 2022	$ (740,208)	$ (19,279)	$ (298,436)	$ (1,057,923)
Additions	(149,845)	(1,770)	(27,390)	(179,005)
Balance at December 31, 2023	$ (890,053)	$ (21,049)	$ (325,826)	$ (1,236,928)

The useful lives used for calculating amortization are:

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

9. GOODWILL

Feeding accessories business	$ 582,771
Liquid soap, antibacterial gel and other products business	351,450
Total	$ 934,221

The recoverable amounts of these cash generating units are determined by calculating their usage value, which utilizes cash flow projections based on the financial budgets approved by management for a five-year period and with an annual discount rate.

The following discount rates were utilized for the feeding accessories business: 16.5% for 2023 and 16% for 2022 for the domestic portion; and, in the case of the foreign portion, 11% and 10% for 2023 and 2022, respectively.

The following discount rates were utilized for liquid soap business: 16.5% and 16% for 2023 and 2022, respectively.

Based on the work it performed, the Entity concluded that there were no impairment.

10. LONG-TERM DEBT

	2023	2022
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rate of 6.98%.	**$ -**	$ 1,750,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	**4,242,500**	4,877,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	**4,242,500**	4,877,500
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 50 credit spreads. As of December 31, 2023, the annual rate is 12.004%.	**1,500,000**	1,500,000
Notes denominated as global bonds issued for USD$500 million, unsecured, bearing interest at a fixed net annual rate of 2.431%.	**8,485,000**	9,755,000
Marketable notes denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 7 credit spreads. As of December 31, 2023, the annual rate is 11.57%.	**2,250,000**	,250,000
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rate of 9.30%.	**7,750,000**	7,750,000
Total	**28,470,000**	32,760,000
Current portion	**(4,242,500)**	(1,750,000)
Expenses on debt issuance	(65,861)	(87,280)
Long-term debt	$ 24,161,639	$ 30,922,720

Long-term debt agreements contain certain covenants that do not include financial restrictions. Such obligations have been complied.

Long-term debt matures as follows:

2025	$ 4,242,500
2026	1,500,000
2027	2,250,000
2029	2,828,322
2030	2,828,339
2031	2,828,339
2032	2,583,075
2033	2,583,075
2034	2,583,850
Total	$ 24,227,500

Considering the interest rates, exchange rates and the debt in effect as of December 31, 2023, maturity of interest is an average of $1,317.8 million Mexican pesos in 2024 to 2027, an average of $867 million Mexican pesos in 2028 to 2031 and an average of $378 million Mexican pesos from 2032 to 2034.

As of December 31, 2023 and 2022, the fair value of debt approximates its carrying value.

11. OTHER ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

Are composed as follows:

	2023	2022
Provisions	**$ 505,949**	$ 376,132
Derivative financial instruments (see Note 15)	**49,967**	63,584
Value added tax, withholdings and taxes other than income tax	**817,176**	411,760
Other accrued services	**1,610,516**	1,532,440
Total	**$ 2,983,608**	$ 2,383,916

Provisions are composed as follows:

	2023	2022
Promotion	**$ 208,660**	$ 213,917
Freight	**297,289**	162,215
Total	**$ 505,949**	$ 376,132

	Promotion	Freight	Total
Balance at the beginning of 2022	$ 145,488	$ 193,520	$ 339,008
Increases	480,974	2,985,006	3,465,980
Applications	(412,545)	(3,016,311)	(3,428,856)
Balance at December 31, 2022	213,917	162,215	376,132
Increases	606,595	3,403,284	4,009,879
Applications	(611,852)	(3,268,210)	(3,880,062)
Balance at December 31, 2023	$ 208,660	$ 297,289	$ 505,949

12. INCOME TAXES

The statutory income tax rate is 30% for the years 2023 and 2022.

a. Income taxes recognized in profit or loss

	2023	2022
Current	**$ 3,588,608**	$ 2,611,208
Deferred	**(213,101)**	(296,810)
Total income taxes	**$ 3,375,507**	$ 2,314,398

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

	2023 Rate %	2022 Rate %
Statutory rate	**30.0**	30.0
Effects of inflation	**.4**	.3
Non-deductible items	**2.1**	1.6
Effective rate	**32.5**	31.9

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

	2023	2022
Due to valuation of derivative financial instruments	**$ 78,309**	$ 224,693
Due to actuarial loss	**(19,399)**	27,852
Total	**$ 58,910**	$ 252,545

d. Deferred tax in the statement of financial position

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

	2023	2022
Property, plant and equipment	**$ 408,929**	$ 321,689
Intangibles arising from business combination	**6,711**	7,017
Inventories	**32,613**	28,938
Loss carryforwards (expiring from 2026 to 2038)	**(112,510)**	(86,780)
Other liabilities and provisions	**(956,535)**	(706,815)
Derivative financial instruments	**10,280**	88,589
Total asset	**$ (610,512)**	$ (347,362)

13. 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:

	2023	2022
Projected benefit obligation	**$ 971,195**	$ 968,127
Plan assets	**(707,890)**	(585,565)
Net liability	**263,305**	382,562
Annual cost	**$ 80,777**	$ 69,298

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

	2023 %	2022 %
Discount rate	**9.35**	9.35
Expected return on plan assets	**9.35**	9.35
Expected rate of salary increase	**4.50**	4.50

As of December 31, 2023 and 2022, employee benefits expense totaled $4,974 and $4,172 million, respectively.

14. 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, 2023, 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, 2023 is spaced out over eleven 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 net cash flow provided by operating activities as of December 31, 2023.

The Entity maintains 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, 2023, 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 ratings are at least two notches above investment-grade.

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 17.

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, 2023, the Entity had four future contracts to hedge the exchange rate of part of the input purchases (see Note 15). Export sales in the year 2023 were $4,741 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, Entity entered into derivative financial instruments denominated cross currency swaps (CCS) the same year that U.S. dollar denominated debt was contracted.

- Interest rates

As of December 31, 2023, 87% of the debt was at a fixed rate and 13% at a variable rate. To reduce the risk of interest rate variations, the Entity entered into derivative financial instruments denominated "interest rate swaps" with the aim to change 92% of the debt into a fixed rate.

- Other pricing risks

The main pricing risk is related with movements in cellulose prices and recycling fibers. 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 2023 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions and some cases contract signing. 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, 2023, the Entity had four future contracts to hedge the price of part of the natural gas it consumes (see Note 15).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	2022
Derivative financial instruments assets		
Cross currency swaps (CCS)	**$ 1,447,516**	$ 2,828,846
Interest rate swaps (IRS)	**105,239**	124,953
	1,552,755	2,953,799
Current portion	**(939,740)**	(4,116)
Long term portion	**$ 613,015**	$ 2,949,683
Derivative financial instruments liabilities		
Cross currency swaps	**$ 2,963,131**	$ 1,434,274
Interest rate swaps	**65,691**	111,606
Futures	**49,967**	63,584
	3,078,789	1,609,464
Current portion (see note 11)	**(49,967)**	(63,584)
Long term portion	**$ 3,028,822**	$ 1,545,880

a.Cross currency swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2023 and 2022 convert U.S. dollar-denominated for 1,000 million of debt into $18,253.3 million of Mexican pesos.

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 are recorded as the exchange rate of the hedged item fluctuates.

According to hedge accounting, interest rate swap contracts cover, in aggregate manner, the risk exposure derived from the variable interest rate contracts recorded as fair value hedges. Therefore, all contracts are recorded as cash flow hedging.

The (unfavorable) effect of cash flow hedge that were reclassified to net income were $(3,516,752) and $(1,794,931) for the 2023 and 2022 years, respectively, which complement the exchange effect and the contracted interest, which correspond to the hedged item.

According to the terms and conditions signed in the contracts, when the valuation that represents a liability for the Entity exceeds 50 million dollars, the excess value must be guaranteed. As of December 31, 2023, a deposit of 124.6 million dollars is maintained (see Note 3)

b. Interest rate swaps

In order to reduce rate volatility the Entity contracted interest rate swaps to convert fixed interest rate to variable rate loans.

Additionally the Entity maintains investments in variable interest rates based on the 28-day Mexican Interbank Equilibrium rate TIIE and Federal Treasury Certificates CETES, which convert to a fixed rate through the contracting of interest rate swaps.

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 or the investments hedged. The interest rate swaps and the interest payments on the loan or the interest collected on the investment 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 or variable rate interest collections on investments affect results.

The (unfavorable) effect of these contracts for $(84,372) and $(57,715) for the 2023 and 2022 years, respectively, is presented in results as part of borrowing costs.

c. Futures

The Entity contracts futures with the aim to hedge the risk to its exposure to exchange rate fluctuations from a part of the purchases of raw materials as well as a part of the price of the natural gas it consumes.

The (unfavorable) effect of these contracts for $(386,776) and $(34,153) for the 2023 and 2022 years, respectively, is presented in results in the cost of production that is the same line where the protected item is presented.

At December 31, the fair value of the contracts are as follows:

Assets (liabilities)

	2023	2022
CCS (6 contracts) 2014 maturity in 2024	**$ 931,952**	$ 1,643,851
CCS (2 contracts) 2015 maturity in 2025	**515,564**	1,184,995
CCS 2020 maturity in 2029	**(984,933)**	(494,015)
CCS 2020 maturity in 2030	**(988,023)**	(477,255)
CCS 2020 maturity in 2031	**(990,175)**	(463,004)
IRS 2018 maturity in 2024	**7,469**	21,396
IRS 2018 maturity in 2025	**54,863**	59,812
IRS 2018 maturity in 2026	**42,588**	39,629
IRS 2022 maturity in 2023	**-**	4,116
IRS (2 contracts) 2022 maturity in 2024	**319**	(46,634)
IRS (2 contracts) 2022 maturity in 2025	**(65,691)**	(64,972)
Price of natural gas futures (4 contracts) 2022 maturity in 2023	**-**	(35,056)
Price of natural gas futures (5 contracts) 2023 maturity in 2024	**(49,967)**	-
Futures on raw material exchange rates (4 contracts) 2022 maturity in 2023	**-**	(28,528)

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.

16. STOCKHOLDER´S EQUITY

As of December 31, 2023 and 2022, common stock consists of nominative common shares with no par value, as follows:

	SHARES	%
Serie "A"	**1,600,738,673**	52
Serie "B"	**1,474,393,925**	48
Total	**3,075,132,598**	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.

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, 2023, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $31,612,000 and the net tax income account that started in 2014 for $45,709,000.

During the years ended December 31, 2023 and 2022, the Entity paid dividends for $4,981,715 and $5,043,217, respectively. If such dividends had not been paid, stockholders' equity have been increased by $10,024,932 and $5,043,217, as of such dates.

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

17. 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:

	2023	2022
Monetary assets	**$ 300,382**	$ 296,012
Monetary liabilities (see Note 15)	**1,252,777**	1,259,224

Exchange rates used to value such balances were $16.97 and $19.51 Mexican pesos per one U.S. dollar, respectively.

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

	2023	2022
Export sales	**$ 265,045**	$ 333,954
Purchases of raw materials, spare parts and services	**771,590**	797,562
Purchases of machinery and equipment	**46,548**	68,285

18. RELATED PARTIES

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

	2023	2022
Kimberly-Clark Corporation:		
Purchases and technical services	**$ 1,996,000**	$ 1,787,811
Machinery and equipment	**75,427**	56,847
Net sales and others	**1,810,969**	2,208,368
Trade accounts payable	**376,420**	327,483
Trade accounts receivable	**410,003**	267,909

Other - As of December 31, 2023 and 2022, employee benefits granted to Entity's key senior management were $275,050 and $213,019, respectively.

19. BUSINESS SEGMENT INFORMATION

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

Consumer products segment indicates that final use of the articles we commercialized are primarily intended for home.

Professional segment indicates that commercialization of products is oriented toward organizations like hotels, restaurants, offices and factories.

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

2023

	Consumer Products	Professional	Exports	Total
Net sales	$ 43,522,887	$ 5,043,514	$ 4,740,767	$ 53,307,168
Operating profit	10,519,129	985,745	427,502	11,932,376
Depreciation and amortization	1,713,930	138,223	132,367	1,984,520
Total assets	44,022,358	5,101,394	4,795,172	53,918,924

2022

	Consumer Products	Professional	Exports	Total
Net sales	$39,850,836	$ 4,494,056	$ 6,710,460	$ 51,055,352
Operating profit	7,626,619	533,695	780,216	8,940,530
Depreciation and amortization	1,621,342	153,869	187,515	1,962,726
Total assets	41,790,691	4,712,818	7,037,111	53,540,620

20. COMMITMENTS

At December 31, the Entity held the following commitments:

	2023	2022
Acquisition of machinery, equipment and construction projects	**$ 1,088,613**	$ 783,719
Acquisition of raw materials, spare parts and other	**607,556**	637,389

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

21. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS OR IAS”) NEW AND REVISED

The International Sustainability Board (ISSB) has issued two IFRS which took effect as of January 1, 2024 as follows:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

- IFRS S2 Climate-related Disclosures.

Objective of both standards is to require an entity to disclose information about its sustainability and climate-related risks and opportunities that is useful to financial information users. Such information must cover the same period as the related financial statements.

In Mexico the National Banking and Stock Commission (CNBV) will issue specific rules that will enter in force.

The Entity does not expect material effects in its consolidated financial statements as a result of the adoption of these standards.

22. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

On February 13, 2024, the issuance of these consolidated financial statements was authorized by Mr. Pablo R. González Guajardo, General Director, and Mr. Xavier Cortés Lascurain, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Stockholders' Ordinary Meeting.

cotiza en
Bolsa Mexicana
KIMBER

TRADE MARKETS

Bolsa Mexicana Mexican Stock Exchange (BMV), Mexico.
The United States (OTC ADRs)
Types of shares
Serie A
Serie B
Ticker

BMV: KIMBER

INVESTOR RELATIONS

Salvador Escoto
salvador.escoto@kcc.com

Phone: +52 (55) 52 82 72 04

CORPORATE OFFICES

Av. Jaime Balmes Nº 8, Piso 9
Los Morales Polanco, 11510
Ciudad de México.
Phone: +52 (55) 52 82 73 00
Fax: +52 (55) 52 82 72 72

DESIGN: www.signi.com.mx

www.kimberly-clark.com.mx