Kimberly-Clark de México

committed to the FUTURE

2019
Annual Report

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

Working today with a vision of the
FUTURE

We are committed to continuing to grow profitably and to achieve this goal, we know we need to intensify our focus on consumer-centric innovation to transform the *esential* into the **EXTRAORDINARY**. From developing the best products at the right price and through the right channel, to optimize operating and financial performance, within a framework of sustainability.

Complete solutions that transform baby care into something **EXTRAORDINARY**

committed to **BABY CARE**

Technology, innovation, and the highest-quality materials in our diapers create unparalleled care and softness for your baby, providing guaranteed protection that moms can trust.

Our commitment is to continue meeting the essential need to keep baby dry, while making the use of our products an extraordinary experience in care and softness.

Abrazando su DESARROLLO by Huggies

Encouraging them to move is **embracing their development**

committed to EARLY CHILDHOOD

Embracing their Development by Huggies® is a comprehensive program aimed at promoting psycho-motor development of babies in Mexico through exercise and loving touch.

In partnership with UNICEF Mexico, Kimberly-Clark de México is getting the word out about how important movement is in supporting physical, mental and emotional development in early childhood, an essential phase for children's future lives. A special website at *www.abrazandosudesarrollo.com.mx* provides advice, exercises and practical information for moms, dads and other people involved in caring for their babies.

A world of advanced solutions for making breastfeeding an **EXTRAORDINARY** experience

committed to **BREASTFEEDING**

Advances in baby feeding technology and continuous innovation are our way of taking the lead in breastfeeding in Mexico, underscoring the importance of this phase and giving moms the support they need.

Products that provide
EXTRAORDINARY
care in every phase of the
common cold

committed to your **FAMILY**

Our Kleenex® Cold Care® tissues offer supreme softness, active ingredients that fight contagion by eliminating 99.9% of the cold virus on the tissue; menthol micro-capsules help decongest your nose, and soothing oils like vitamin E and aloe prevent irritation. With these technologies we offer a product line that accompanies and cares for you and your family in every phase of the cold in an extraordinary way.

Advanced protection, greater comfort and security that bring **EXTRAORDINARY** peace of mind

committed to your **SECURITY**

Through innovations in our feminine hygiene product lines, we bring advanced protection to the daily life of our consumers, giving them comfort and security. This translates into improved intimate care, health and wellness.

We are concerned about the new generations, which is why every year we visit more than 100,000 girls and bring them information about sexual education and intimate care, so they can feel more secure.

We transform your soft skincare routine into something **EXTRAORDINARY**

committed to SKINCARE

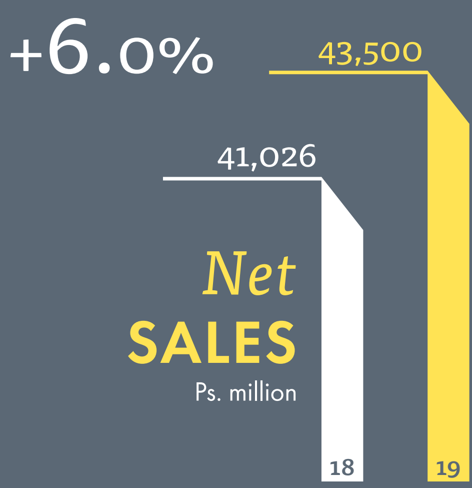
With the new Kleenex® Beauty product line, we innovate with pure formulas free of substances like parabens and sulfates—which means a soft skincare combined with effective cleaning—that are hypoallergenic, animal cruelty-free and dermatologically tested.

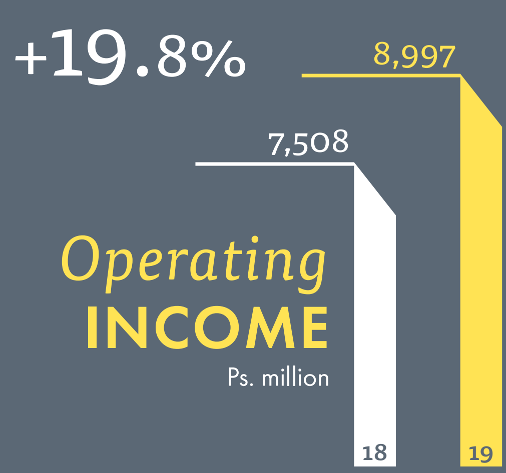
We make the skincare routine extraordinary.

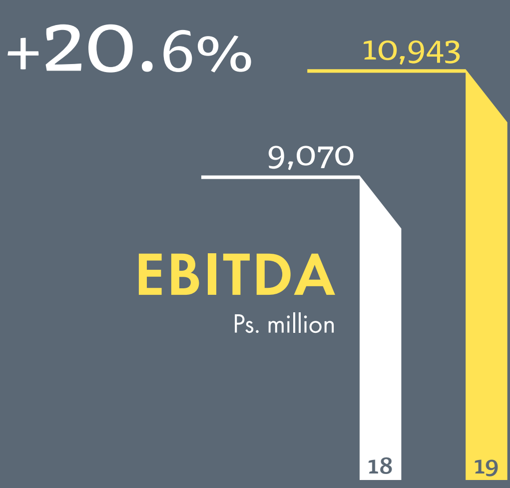
Key financial **DATA**

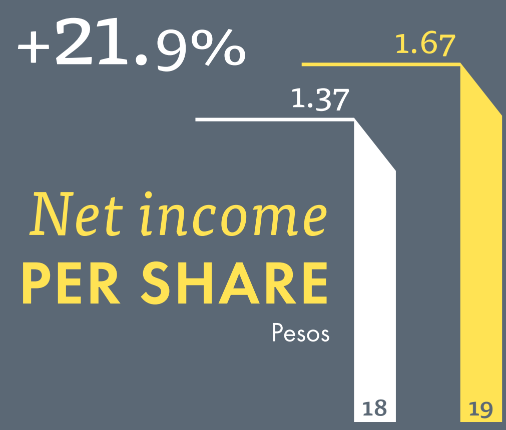
Figures in millions of pesos

	2019	2018	% Chge.
Net sales	43,500	41,026	6.0%
Gross earnings	16,321	14,340	13.8%
Margin	37.5%	35.0%	
Operating income	8,997	7,508	19.8%
Margin	20.7%	18.3%	
Net earnings	5,156	4,227	22.0%
EBITDA	10,943	9,070	20.6%
Margin	25.2%	22.1%	
Net earnings per share (pesos)	1.67	1.37	21.9%


+6.0%
43,500
41,026
Net
SALES
Ps. million
18
19


+19.8%
8,997
7,508
Operating
INCOME
Ps. million
18
19


+20.6%
10,943
9,070
EBITDA
Ps. million
18
19


+21.9%
1.67
1.37
Net income
PER SHARE
Pesos
18
19

Letter to our SHAREHOLDERS

Economic activity slowed across the globe in 2019, dampened by uncertainty and volatility caused by various geopolitical events that affected global trade and particularly the Chinese economy, which lost some of its vigor, although it continued to grow.

The economy of the United States continued creating jobs and growing more strongly, while its main component, consumption, remained robust. Additionally, in view of the latent risks, the Federal Reserve decided to lower interest rates to inject more strength into the economy and avoid an abrupt slowdown.

Meanwhile, tariffs imposed by President Trump's administration on Chinese products and China's efforts to rebalance its economy slowed growth in that country and also affected commodities and the countries that export them. Germany was one such case, as it was very close to entering a technical recession. This, together with jitters over Brexit and opposition to reforms undertaken in France and other countries of the European block, meant lower growth in the euro zone as a whole, despite continued support from the European Central Bank. Later in the year, the United States and China reached an understanding on a first phase that could help to ease tensions in the global economic climate and in turn brighten growth prospects for 2020. We hope the outbreak of coronavirus in China has as little impact as possible on world growth in 2020.

In Mexico, economic performance was significantly below than required. Although the wage base expanded with the increase in wages, job growth and controlled inflation, a slowdown in exports, coupled with lower oil and gas production and deep public spending and investment cuts, prompted a contraction in the domestic economy.

Despite all this, the results for Kimberly Clark de México this past year were good.

FINANCIAL RESULTS

Even in this challenging economic climate and with signs of slowdown, our brands retained their solid positioning and, together with execution of our innovation plans and promotion of various categories, this led to a six percent rise in sales, primarily due to price improvements.

Along with the growth in our sales, which reached all-time highs, and more and better operating efficiency measures, the ongoing cost and expense reduction program brought record savings. Also this year, we saw a better climate for costs and a more stable exchange rate, which meant an improvement over the rising raw materials costs and foreign-exchange depreciation that had affected us in previous years.

With all of this, our operating income grew by 19.8 percent, while EBITDA advanced by a solid 20.6 percent. Net income was up 22 percent. These results, together with our ongoing efforts to improve and optimize working capital, led to solid cash flow generation, and with this, our leverage ratio (net debt/EBITDA) was reduced to 1.4 times, even after investment in Capex, a payout to shareholders, and recognition of the new international accounting standard effects on leasing.

These results supported a yield of 25.3 percent to our shareholders, including the dividend paid out to them.

INNOVATION

At Kimberly-Clark de México we continually build value with significant, differentiated, and consumer-centric innovation. Accordingly, we brought relevant propositions to the market in all our product categories in 2019.

In the high-end baby diaper segment, we introduced the Huggies® Supreme® Platino diaper, with superior performance and care and protection of baby's skin.

We re-launched the Huggies® Eco Natural diaper, an environmentally-friendly alternative for babies, and in line with the trend toward re-use, we developed the Huggies® Diaper Box, a practical diaper container formed with the corrugated package itself, a useful accessory for baby's room.

In the middle range, we added a fitted pocket at the back to avoid leaks in the KleenBebé® Suavelastic® diaper. In the same segment, we introduced special presentations with licensed characters to support promotional activities.

In the budget segment, we improved the performance of KleenBebé® Absorsec® with Absorgel core, creating a more absorbent diaper with a new cover that better distributes liquids so baby stays dry.

In wet wipes, we introduced Huggies® Supreme® Micellar Water and a new fragrance in the Relaxing and Moisturizing lines.

For the Evenflo® line, in the premium segment we joined the trend toward natural feeding with the launch of the Soft & Natural Bottle in the Evenflo® Advanced family, the first silicone bottle with a soft, natural texture more like the mother's breast. The brand also joined in the drive to promote breastfeeding with the first line of wet wipes for nursing, a cooler bag and a nipple shield, so women can enjoy the power of breastfeeding.

In the mid-range segment we introduced a new manual breast pump, an angled bottle, the Glow family—a glow-in-the-dark cup an bottle—and two new sippy cups, one with a 360° technology that the toddler can drink from any part of the lid with no spills, and a lunchbox cup to take with them to preschool.

In the toilet paper category, we launched larger rolls in the Suavel®, Pétalo® and Kleenex® Cottonelle® brands, improving the product's yield for the consumer.

We revamped our image on various presentations of Kleenex Cottonelle® in order to differentiate and more clearly communicate the benefits. To pamper consumers looking for a superior experience through trending fragrances, we launched Kleenex® Cottonelle® Beauty Flor de Tiaré.

We know that scent and yield are very important, so we offer the market five fragrances for Suavel®, for different tastes and seasons of the year, along with rolls that have more sheets, offering the best value equation.

In the napkin category we launched a special presentation of Kleenex® Deco for consumers who want a special touch for their table.

In the Servitoallas® paper towel category, we developed Kleenex® MaxiAbsorb, offering maximum absorption through an exclusive technology of absorbent quilting that retains 40 percent more liquid than a conventional paper towel. In the Suavel® brand, we launched a roll with smaller sheet size options, seeking to meet the needs of consumers' kitchens and families at better prices.

In the facial tissue category, we developed a Kleenex® Peach Almond Fragrance tissue that offers softness with a hint of sweetness. Packaging for the Cold Care line was revamped and we boosted communication on the Antiviral, Menthol and Soothing Lotion alternatives to more clearly show the product's benefits in each phase of the common cold.

In the Feminine Protection Category, we introduced improvements to various versions of our Kotex® feminine pads. In the Nighttime line we increased absorption by 7 times for the anatomical line with wings, incorporating Dimple technology, and in the ultra-thin winged line with new channels and optimized pad thickness. We also launched a Kotex® Ultra-light nighttime pad with wings.

In the Incontinence business we re-launched the Depend® and Diapro® brands with a new image and differentiated positioning to meet consumers' specific needs. In the active user segment, our Depend® brand launched the Colors line of pull-ups for women and unisex, with covers similar to those of regular underwear.

In Beauty Care, we launched a new proposition in the premium market for facial care under the Kleenex® Beauty brand, with Micellar Makeup Removing wipes and Waterproof Makeup Removing Wipes; in the same line we introduced Pure Micellar Water and Night Calm Micellar Water.

In our Kleenex® soap lines, we introduced Micellar Water Liquid Body Wash and the Kleenex® Anti-Oxidant line of Berry-Scented soap, which include bar soap, liquid hand soap and liquid body wash.

We launched a new Advanced Protection line with special features, with the introduction of the new new Escudo® Antibacterial Detox body soaps with Activated Carbon, and Escudo® Anti-Acne with Derma Clean® Technology.

Finally, in our Professional business, we introduce a jumbo Scott® Center Pull toilet paper roll that includes a new exclusive dispenser with improved performance, and in the budget segment we launched Jumbo Marli® single-ply toilet paper.

OPERATIONS

In 2019, our production strategy focused on starting up various manufacturing and conversion equipment components in the home and personal care product areas, in order to support the company's growth, increase product quality and upgrade our technological platform, which will improve processes and innovation.

We launched a new Advanced Protection line with special features, with the introduction of the new Escudo® Antibacterial Detox body soaps with Activated Carbon, and Escudo® Anti-Acne with Derma Clean® Technology.

Particularly notable were the successful startups of two napkin lines and a toilet paper line at the Morelia plant, as well as modification of the Pin-to-Pin technology in a toilet paper line at our Orizaba plant. Additionally, we evolved the process and equipment for kitchen towels in order to provide a more absorbent product. We also started up additional equipment to increase our capacity for the "closed diaper" models made by the Huggies All Around® and KleenBebé Movilastic® lines at the Prosede plant, and upgraded the Coform TNT line to turn out a new export material called Melt Blown at the Tlaxcala plant. At the Evenflo® plant, we commissioned a state-of-the-art injection blow-molding line to supply higher quality bottles at lower cost.

We worked intensively on identifying and implementing various initiatives to achieve competitive cost advantages, which generated Ps. 1.6 billion in savings and, for the sixth year in a row, were equivalent to five percent of the cost of goods sold.

Inventories were reduced by approximately Ps. 500 million and turnover was 7.6 times.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

KCM continues to advance firmly and decisively in our sustainable performance. Our company is evaluated every year by the rating agency responsible for selecting constituents for the Sustainable IPC Index of the Mexican Stock Exchange as well as other international rating agencies, and has made considerable progress in these assessments.

In 2019 we were added to the Dow Jones Sustainability Index (DJSI) MILA region (the Latin American Integrated market), one of the strictest indexes in terms of sustainability and social responsibility, which recognizes outstanding companies in each industry. Only 17 Mexican companies qualified for inclusion in this index.

We also maintained our place in the Sustainable IPC Index, where we have been included since the year 2011 and, for the third year in a row, were listed in the British FTSE4Good index.

We intensified our efforts in Corporate Governance on matters of corporate ethics, diversity and inclusion. For the first area, in addition to giving talks on a variety of key issues like organizational culture and respect for labor rights, we improved our code of ethics and, with the use of technology, we have developed a course and the corresponding certification, which must be passed by every one of our 8,600 employees. To support diversity and inclusion, through our daily practice we are building an increasingly diverse and inclusive work team to benefit from all the advantages this can have.

Regarding Environmental Care, our plants have succeeded in consuming less water per metric ton of production and we have become a global benchmark in this vital area; we continue to report reductions in our greenhouse gas emissions, and have made further progress in the responsible use or virgin fibers. This past year we obtained "Ecólogo®" certification and maintained our licenses from the Forest Stewardship Council®(FSC®) license FSC-C140370 and from Green Seal for a number of our products. We also continue to prioritize the circular economy model, where we are able to recover one hundred percent of our pulp waste, avoiding sending it to landfills. In energy consumption, our Ramos Arizpe and Bajío plants operate cogeneration processes that produce steam and electrical energy very efficiently.

In Social Responsibility, under the KCM Inspira® program, we continue our work on initiatives like Caring, Educating, Encouraging, where we promote responsibility among our stakeholders, attending to their needs through volunteer work in support of more than 200 charitable institutions and nonprofit organizations.

In October, we announced a partnership between Embracing their Development by Huggies® and UNICEF, with the goal of giving 1.5 million babies the best start to life through promoters trained in good parenting practices and childhood development.

In the same month, Kotex® and Escudo® Antibacterial launched a pink campaign, with cause-driven product promotions in partnership with the COI Foundation, which supports detection and early treatment of breast cancer.

Concerned about the new generations, Kotex® has a School Tour program where every year it visits more than 100,000 girls to provide them information about sex education and intimate care, to help them feel more secure.

Additionally, the Escudo® Antibacterial brand continues its school visit program to help educate kids about Health and Hygiene, providing them information to share with their parents and improve better health practices and protection at home and at school. Besides these efforts, our

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main brands are adopting and advocating for social causes important to our consumers.

More recently, in line with the company's sense of social responsibility, we joined in support of the Mexican presidential administration's program Youth Building the Future, under which more than 300 interns have come to work in our operations, and more are expected to join in coming months. We are convinced that this training program can have a tremendous positive impact on our society and our country.

You can find a full accounting of our report of sustainability goals and achievements in our Sustainability Report.

HUMAN RESOURCES

We are convinced that having the best trained, most committed and highly competitive personnel is an essential factor in our success. For this reason, we encourage a challenging working environment, in which our employees can develop their fullest potential, and be recognized and rewarded for their contributions.

To this end, the compensation and benefits we provide our employees have a substantial variable component, an important part of which is our profit-sharing program, one of the highest in the country, consistent with our philosophy of ensuring that our people share in our results. In 2019, the company generated profits that were 19 percent higher than the year before, which will be distributed to our personnel in May of next year, according to law. Furthermore, in the area of employee compensation, wage reviews and contractual negotiations with our unions continue to go forth under competitive parameters, in the same climate of cordiality and mutual respect that this company has always favored.

On the matter of occupational health and safety, KCM is committed to an operational management that guarantees the occupational safety and health of every one of our employees, contractors and visitors as well. In 2019, we began applying the new Ministry of Labor Standard 035, Psycho-Social Risks at Work, and we continued our strategy of industrial safety transformation, achieving a substantial improvement in our

Our personnel share in the company's results through the annual distribution of profit-sharing, one of the highest in the country.

various reports, with frequency and severity indexes of 0.07 and 6.24, respectively, which are outstanding in our industry. We know that the path to safety is unending, and we will redouble our efforts to make sure that everyone in our company gets home safe and sound, every day, for a lifetime.

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

RELATIONSHIP WITH KIMBERLY-CLARK CORPORATION

Our partnership with Kimberly-Clark Corporation is fundamental for both supporting our product and processes innovation, as well as for introducing state-of- the-art technology. This alliance is vital for KCM to have an active, 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.

OUTLOOK

Although the performance of the global economy is expected to be better in 2020, due to the stabilization of China's economy, brighter prospects for Europe and particularly for growth in the United States, the year began amid a cloud of uncertainty caused by the outbreak of coronavirus and its potential impact on trade and production chains.

In Mexico, the sluggishness that marked the end of last year and the start of this one poses a daunting challenge, and we need to act urgently and decisively to reverse it.

Consumption should benefit from growing consumer confidence, new jobs, higher wages, remittances and social economic support to various groups in the country. However, the lack of a clear framework or new rules to promote investment and competitiveness, and the jitters this has caused to Mexican and foreign businesses, are having a substantial negative impact.

With all of this, we foresee a complex environment. We are certain that the only way to contend with this is for government, society and business to close ranks in order to advance in the areas of security, attacking corruption and impunity, building strong institutions and promoting a true Rule of Law, all of them indispensable elements—though not in and of themselves sufficient—for achieving greater inclusion, equal opportunities, social mobility and well-being. It is urgent we face all these challenges decisively.

This effort must be accompanied by a clear and coordinated strategy to promote competitiveness and investment, and thus to create new jobs. One encouraging element in this regard is the recent approval of the new free trade agreement between Mexico, the United States and Canada. It is paramount that we restore the confidence and credibility needed to attract more productive investment and achieve economic growth of four percent as proposed by the new administration. Only thus can we become a modern, developed and highly inclusive country, with a broad path for the social mobility we so greatly need. It is time to redouble efforts and together build a competitive country for the 21st century.

Our company, for its part, will work to consolidate and strengthen our competitive advantages, investing in innovation, in quality, in our brands, technology, and in the training and development of our people, and in our execution capacity.

We intend to continue improving our efficiency and productivity, and to reduce costs and expenses. With all of this, we expect to again report good results in 2020. It will be difficult at the start, but we are confident that the actions we are taking will bring a steady improvement as the year progresses. Furthermore, as economic growth accelerates in the years to come and translates into a more dynamic and stronger market for domestic consumption with a growing middle class, the company will be exceptionally well positioned to take advantage of it.

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

Very sincerely,

Claudio X. González L.
Chairman of the Board

Pablo R. González G.
Chief Executive Officer

This report was approved in full by the Board of Directors in its meeting of February 11, 2020.

Product PORTFOLIO

BABIES

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

ADULTS

Underwear, protectors, feminine pads, prefolded

BEAUTY

Bar soap, liquid hand soap, foaming liquid soap, liquid body wash, micellar water, makeup removing wipes

HOME

Toilet paper, napkins, facial tissue, paper towels

WOMEN

Feminine pads, panty liners, tampons, intimate wipes

PROFESSIONAL

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

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

* *Independent Members*

Board of DIRECTORS

OFFICERS

Pablo R. González Guajardo
Chief Executive Officer

Xavier Cortés Lascurain
Finance

Ommar H. Parra de la Rocha
Consumer Product Sales

Jorge Morales Rojas
Transformation and Execution

Cristina Pichardo López
Marketing, Baby and Adult Care

Regina Celorio Calvo
Marketing Beauty and Femenine Care, KCM 3.0 and Corporate Communications

Mara Bonilla Garduño
Marketing Family Care

Armando Bonilla Ruiz
Exports

Luiz Roberto Neves Rodrigues
Supply Chain

Catalina Uribe Restrepo
Procurement

Ernesto Reyes Díaz
Personal Care Manufacturing

Juan Antonio González Urevig
Tissue Manufacturing

Roberto García Palacios
Innovation, Technical Development, Quality and Sustainability

Jesús González Laporte
Strategic Operations Planning

Alejandro Lascurain Curbelo
Human Resources

Virgilio Isa Cantillo
Strategic Projects

Fernando Vergara Rosales
Corporate Comptroller

Alejandro Argüelles de la Torre
General Counsel

Carlos Conss Curiel
Information Services

Salvador Escoto Barjau
Treasurer and Investor Relations

Consolidated financial STATEMENTS

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, 2019 and 2018, and the consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries as of December 31, 2019 and 2018, 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 financial statements of the current period. The key audit matters were selected from those reported to the Entity's Management and Audit Committee, but do not represent all the issues discussed with them. These matters were 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 these matters. We have determined that the matters described below are the key audit matters 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.

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

The Entity has quantified the recoverable value of certain cash-generating units based on the methods required by the international accounting standard IAS 36 "Impairment of assets". Goodwill and intangibles are subject to yearly impairment tests that include management judgement to estimate future cash flows and an appropriate discount rate. At the end of this year, goodwill for $934,221 thousand of Mexican pesos and intangible assets for $1,262,970 thousand of Mexican pesos, represent 5% of total consolidated assets.

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

Notes 8 and 9 to the accompanying consolidated financial statements include certain disclosures about goodwill and intangibles.

ANNUAL REPORT PRESENTED TO THE MEXICAN STOCK EXCHANGE

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

C. P. C. Manuel Nieblas Rodríguez
Mexico City, Mexico
February 10, 2020

Consolidated statements of FINANCIAL POSITION

December 31, 2019 and 2018
(Thousands of Mexican pesos)

	Notes	2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents		$ 6,838,556	$ 4,999,502
Trade accounts receivable - net	4	6,425,227	6,750,417
Notes receivable and others		269,173	330,058
Inventories	5	3,225,703	3,712,003
Total current assets		16,758,659	15,791,980
Long-term assets:			
Right-of-use assets	6	1,298,820	-
Property, plant and equipment	7	17,089,800	17,867,530
Derivative financial instruments	15	3,360,569	4,273,238
Intangibles and other assets	8	2,240,166	2,338,243
Goodwill	9	934,221	934,221
Total long-term assets		24,923,576	25,413,232
Total		$ 41,682,235	$ 41,205,212
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	10	$ 2,500,000	$ 400,000
Bank loans		235,000	235,000
Trade accounts payable		5,628,610	6,016,876
Lease liabilities	6	193,098	-
Other accounts payable, accrued liabilities and provisions	11	2,336,659	2,115,668
Employee benefits		1,356,671	1,072,890
Income tax	12	696,085	378,564
Total current liabilities		12,946,123	10,218,998
Long-term liabilities:			
Long-term debt	10	20,952,036	24,005,567
Lease liabilities	6	1,111,146	-
Derivative financial instruments	15	488,459	-
Deferred income taxes	12	391,227	826,158
Other liabilities	13	620,299	550,998
Total long-term liabilities		23,563,167	25,382,723
Total liabilities		36,509,290	35,601,721
Stockholders' equity			
Contributed		19,695	579,571
Earned		5,194,819	4,234,246
Other comprehensive income		70,051	746,965
Controlling Entity stockholders' equity	16	5,284,565	5,560,782
Minority interest stockholders' equity		(111,620)	42,709
Total stockholders' equity		5,172,945	5,603,491
Total		$ 41,682,235	$ 41,205,212

See accompanying notes to consolidated financial statements.

Consolidated statements
OF INCOME

Years ended December 31, 2019 and 2018
(Thousands of Mexican pesos, except as indicated)

	Notes	2019	2018
Net sales		$ 43,499,821	$ 41,026,097
Cost of sales		27,178,669	26,686,298
Gross profit		16,321,152	14,339,799
Selling expenses		4,964,048	4,714,818
Administrative expenses		2,360,078	2,116,926
Operating profit		8,997,026	7,508,055
Finance costs:			
Borrowing costs		1,856,542	1,775,539
Interest income		(297,387)	(288,114)
Exchange fluctuation – net		(24,341)	25,294
Income before income taxes		7,462,212	5,995,336
Income taxes	12	2,314,011	1,782,604
Consolidated net income before minority interest		5,148,201	4,212,732
Net loss minority interest		(7,898)	(13,980)
Net income		$ 5,156,099	$ 4,226,712
Basic earnings per share (in pesos)		$ 1.67	$ 1.37
Weighted average number of outstanding shares (in thousands)		3,084,833	3,084,833

See accompanying notes to consolidated financial statements.

Consolidated statements of
OTHER COMPREHENSIVE INCOME

Years ended December 31, 2019 and 2018
(Thousands of Mexican pesos)

	Notes	2019	2018
Consolidated net income		$ 5,148,201	$ 4,212,732
Other comprehensive income:			
Items that will not be reclassified subsequently to statements of income			
Actuarial losses on retirement benefits – net of tax	13	(81,060)	(24,453)
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	15	(595,854)	142,361
		(676,914)	117,908
Consolidated comprehensive income before minority interest		4,471,287	4,330,640
Comprehensive loss minority interest		(7,898)	(13,980)
Comprehensive income		$ 4,479,185	$ 4,344,620

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in STOCKHOLDERS' EQUITY

Years ended December 31, 2019 and 2018
(Thousands of Mexican pesos)

	Contributed	Earned	Other comprehensive income					
	Common stock	Retained earnings	Actuarial losses	Translation effects of foreign operations	Valuation of derivative financial instruments	Controlling Entity stockholders' equity	Minority interest net of obligation to purchase it (Note 13a)	Total stockholders' equity
Balance, January 1, 2018	$ 579,695	$ 4,881,446	$ (104,265)	$ 145,682	$ 587,640	$ 6,090,198	$ 56,689	$ 6,146,887
Stockholders' equity reimbursement	(124)	(4,873,912)				(4,874,036)		(4,874,036)
Comprehensive income		4,226,712	(24,453)		142,361	4,344,620	(13,980)	4,330,640
Balance, December 31, 2018	579,571	4,234,246	(128,718)	145,682	730,001	5,560,782	42,709	5,603,491
Stockholders' equity reimbursement	(559,876)	(4,221,614)				(4,781,490)		(4,781,490)
Reduction of stockholders' equity in the minority interest (Note 3b)		26,088				26,088	(151,088)	(125,000)
Minority interest - other							4,657	4,657
Comprehensive income		5,156,099	(81,060)		(595,854)	4,479,185	(7,898)	4,471,287
Balance, December 31, 2019	$ 19,695	$ 5,194,819	$ (209,778)	$ 145,682	$ 134,147	$ 5,284,565	$ (111,620)	$ 5,172,945

See accompanying notes to consolidated financial statements.

Consolidated statements of
CASH FLOWS

Years ended December 31, 2019 and 2018
(Thousands of Mexican pesos)

	2019	2018
OPERATING ACTIVITIES:		
Income before income taxes	$ 7,462,212	$ 5,995,336
Items related to investing and financing activities:		
Depreciation and amortization	1,945,756	1,562,338
Exchange fluctuations	(24,341)	25,294
Interest expense - net	1,559,155	1,487,425
	10,942,782	9,070,393
Trade accounts receivable and other	387,923	(784,657)
Inventories	486,300	(537,309)
Trade accounts payable	(265,912)	1,143,398
Other accounts payable, accrued liabilities and provisions	232,214	167,203
Employee benefits and retirement	237,283	(36,479)
Income taxes paid	(2,158,479)	(2,068,755)
Net cash flows provided by operating activities	9,862,111	6,953,794
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(771,988)	(1,792,043)
Increase in the stockholders' equity of subsidiaries with minority interest and other acquisitions	(174,632)	-
Other assets	18,008	19,464
Net cash flows used in investing activities	(928,612)	(1,772,579)
Excess cash to apply in financing activities	8,933,499	5,181,215
FINANCING ACTIVITIES		
Borrowings	-	3,042,000
Payment of loans	(400,000)	(1,500,000)
Interest paid	(1,500,199)	(1,488,757)
Payment of lease liabilities	(290,432)	-
Stockholders' equity reimbursement	(4,781,490)	(4,874,036)
Net cash flows used in financing activities	(6,972,121)	(4,820,793)
Increase in cash and cash equivalents	1,961,378	360,422
Effects of exchange rate changes on balance held in foreign currency	(122,324)	(35,259)
Cash and cash equivalents at the beginning of year	4,999,502	4,674,339
Cash and cash equivalents at the end of year	$ 6,838,556	$ 4,999,502

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations for $546,000 in 2019 and $(28,000) in 2018, and valuation of derivative financial instruments for $(243,645) in 2018.

See accompanying notes to consolidated financial statements.

Notes to the consolidated FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018
(Thousands of Mexican pesos, except as indicated)

1. GENERAL INFORMATION

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

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS OR IAS")

The following IFRS, issued by the International Accounting Standards Board (IASB), took effect as of January 1, 2019.

- IFRS 16 Leases

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

  Leases are initially recognized at present value, as a right-of-use asset, and applied to a liability generated by the lease payment obligation.

  Subsequently a depreciation expense is recognized over the right-of-use asset; as well as the interest expense and, an exchange rate fluctuation if any, affecting the lease liability.

  Initial application was made applying the modified retrospective approach, that is, as if the start date of all contracts had been at the same effective date of the standard. Therefore, the financial statements as of December 31, 2018 were not reformulated.

  Initial effects recognized in the consolidated statement of financial position are: a right-of-use asset for an approximate amount of $1,375,000, a decrease in other assets for $4,000 and a lease liability for $1,371,000.

  Effects on the consolidated statements of income are: a decrease in rent expense for $290,432, an increase in depreciation of right-of-use assets for $246,319 and a net increase in finance costs of $53,409.

- IFRIC 23 Uncertainty over income tax treatments

  This interpretation clarifies how to quantify a fiscal position when the tax legislation on a specific transaction or circumstance is not clear; for which it is required:

  - Determine whether uncertain tax positions are assessed separately or as a group; and
  - Assess if it is probable that a tax authority will accept an uncertain tax treatment used.

  If it is concluded that it is not likely that the authority accept the treatment, the tax effect must be recorded using the most likely amount or the expected value method.

  The application of this interpretation did not affect the Entity's consolidated financial statements.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

a. Measurement basis

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

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

b. Basis of consolidation

The consolidated financial statements include the accounts of Kimberly-Clark de México, S. A. B. de C. V. and the following wholly owned subsidiaries, except where indicated.

- 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, of which it owns 77.5% beginning in February 2019 and 55% in 2018. Increase in interest is caused by a stockholders' equity contribution by the Entity and a reimbursement of stockholders' equity to the minority interest.

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 so as 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 accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

f. Inventories

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

g. 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. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

- Current and deferred tax

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

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.

4. ACCOUNTS RECEIVABLE FROM CUSTOMERS - NET

	2019	2018
Trade	$ 7,786,490	$ 7,820,264
Allowance for rebates	(1,209,748)	(934,153)
Allowance for doubtful accounts	(151,515)	(135,694)
Net	$ 6,425,227	$ 6,750,417

Allowance for rebates:	2019	2018
Balance at January 1,	$ (934,153)	$ (1,162,523)
Increases	(7,435,624)	(6,629,392)
Applications	7,160,029	6,857,762
Balance at December 31,	$ (1,209,748)	$ (934,153)

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

	2019	2018
Finished goods	$ 1,229,688	$ 1,192,345
Work in process	367,200	455,562
Raw materials and spare parts	1,628,815	2,064,096
Total	$ 3,225,703	$ 3,712,003

6. LEASES

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

	Buildings
Right-of-use assets	
Balance at the beginning of 2019	$ 1,374,781
Additions	196,467
Disposals	(34,863)
Balance at December 31, 2019	1,536,385
Depreciation of right-of-use asset	
Balance at the beginning of 2019	$ -
Additions	(246,319)
Disposals	8,754
Balance at December 31, 2019	(237,565)
Net	$ 1,298,820

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

Balance at the beginning of 2019	$ 1,370,943
Additions	196,467
Cancellations	(26,889)
Payments	(290,432)
Interest paid	79,217
Exchange rate fluctuation - net	(25,062)
Balance at December 31, 2019	1,304,244
Short-term	(193,098)
Long-term	$ 1,111,146

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

2022	$ 171,996
2023	153,099
2024	153,854
2025	156,964
Thereafter	475,233
	$ 1,111,146

d. During the year 2019, an amount of $33,621 was charged to operating expenses for operating lease contracts with a term less than one year and $6,917 correspond to contracts where the underlying asset has a low value.

7. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
Depreciable fixed assets	**$ 43,289,257**	$ 41,722,026
Accumulated depreciation	**(27,525,762)**	(26,004,581)
Net	**15,763,495**	15,717,445
Land	**741,814**	741,814
Construction in progress	**584,491**	1,408,271
Total	**$ 17,089,800**	$ 17,867,530

At December 31, 2019 and 2018, the amount of unamortized capitalized borrowing costs amounted to $130,474 and $135,545 respectively.

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2018	$ 5,775,109	$ 33,251,263	$ 930,786	$ 39,957,158
Additions	285,710	1,532,898	119,538	1,938,146
Disposals		(165,933)	(7,345)	(173,278)
Balance at December 31, 2018	6,060,819	34,618,228	1,042,979	41,722,026
Additions	205,641	1,393,672	8,696	1,608,009
Disposals		(26,317)	(14,461)	(40,778)
Balance at December 31, 2019	**$ 6,266,460**	**$ 35,985,583**	**$ 1,037,214**	**$ 43,289,257**

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2018	$ (2,670,635)	$ (21,564,472)	$ (505,278)	$ (24,740,385)
Additions	(152,942)	(1,199,470)	(67,785)	(1,420,197)
Disposals		149,462	6,539	156,001
Balance at December 31, 2018	(2,823,577)	(22,614,480)	(566,524)	(26,004,581)
Additions	(164,683)	(1,293,416)	(96,425)	(1,554,524)
Disposals		20,655	12,688	33,343
Balance at December 31, 2019	$ (2,988,260)	$ (23,887,241)	$ (650,261)	$ (27,525,762)

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

	2019	2018
Trademarks and licenses	$ 1,773,882	$ 1,773,882
Patents and permits	94,352	25,636
Customer relationships	583,441	583,441
	2,451,675	2,382,959
Accumulated amortization	(636,886)	(491,973)
Trademarks and licenses with indefinite life	374,372	374,372
Total intangibles	2,189,161	2,265,358
Other assets	51,005	72,885
Total	$ 2,240,166	$ 2,338,243

	Trademarks and licenses	Patents and permits	Customer relationships	Total
Cost				
Balance at the beginning and end of 2018	$ 1,773,882	$ 25,636	$ 583,441	$ 2,382,959
Additions	68,716			68,716
Balance at December 31, 2019	**$ 1,842,598**	**$ 25,636**	**$ 583,441**	**$ 2,451,675**
Accumulated amortization				
Balance at the beginning of 2018	$ (177,917)	$ (10,429)	$ (161,486)	$ (349,832)
Additions	(112,981)	(1,770)	(27,390)	(142,141)
Balance at December 31, 2018	(290,898)	(12,199)	(188,876)	(491,973)
Additions	(115,753)	(1,770)	(27,390)	(144,913)
Balance at December 31, 2019	**$ (406,651)**	**$ (13,969)**	**$ (216,266)**	**$ (636,886)**

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 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: 11.8% for 2019 and 14% for 2018 for the domestic portion; and, in the case of the foreign portion, 8.4% and 9% for 2019 and 2018, respectively.

The following discount rates were utilized for liquid soap business: 11.7% and 14% for 2019 and 2018, respectively.

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

10. LONG-TERM DEBT

	2019	2018
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 7.17% and 6.98%, with maturities in 2020 and 2023.	$ 4,250,000	$ 4,650,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	4,722,500	4,917,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	4,722,500	4,917,500
Credit contract with Bank of America for USD$200 million, unsecured, bearing interest based on a monthly London Interbank Offered Rate Libor plus 110 spread. At December 31, 2019 the net annual rate was 3.0544%.	3,778,000	3,934,000
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 30 credit spreads. As of December 31, 2019, the annualized rate is 7.8675%.	3,000,000	3,000,000
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, 2019, the annualized rate is 8.2412%.	3,000,000	3,000,000
Total	23,473,000	24,419,000
Current portion	(2,500,000)	(400,000)
Expenses on debt issuance	(61,905)	(79,647)
Increase of debt due to fair value hedge	40,941	66,214
Long-term debt	$ 20,952,036	$ 24,005,567

Long-term debt agreements contain certain covenants that do not include financial restrictions. Such obligations have been complied with as of December 31, 2019 and 2018.

Long-term debt matures as follows:

2021	$ 3,778,000
2022	3,000,000
2023	3,250,000
2024	4,722,500
2025	4,722,500
2026	1,500,000
	$ 20,973,000

Considering the interest rates, exchange rates and the debt in effect as of December 31, 2019, maturity of interest is $1,640 million Mexican pesos in 2020, an average of $876 million Mexican pesos in 2021 to 2024 and an average of $118 million Mexican pesos in 2025 and 2026.

As of December 31, 2019 and 2018, the fair value of debt approximates its carrying value.

11. OTHER ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

Are composed as follows:

	2019	2018
Provisions	$ 473,011	$ 450,256
Value added tax, withholdings and taxes other than income tax	995,487	751,010
Other accrued services	868,161	914,402
Total	$ 2,336,659	$ 2,115,668

Provisions are composed as follows:

	2019	2018
Promotion	$ 154,136	$ 178,520
Freight	318,875	271,736
Total	$ 473,011	$ 450,256

	Promotion	Freight	Total
Balance at the beginning of 2018	$ 100,144	$ 214,553	$ 314,697
Increases	502,802	2,398,112	2,900,914
Applications	(424,426)	(2,340,929)	(2,765,355)
Balance at December 31, 2018	178,520	271,736	450,256
Increases	460,398	2,697,665	3,158,063
Applications	(484,782)	(2,650,526)	(3,135,308)
Balance at December 31, 2019	$ 154,136	$ 318,875	$ 473,011

12. INCOME TAXES

The statutory income tax rate is 30% for the years 2019 and 2018.

a. Income taxes recognized in profit or loss

	2019	2018
Current	$ 2,476,000	$ 2,114,968
Deferred	(161,989)	(332,364)
Total income taxes	$ 2,314,011	$ 1,782,604

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

	2019 Rate %	2018 Rate %
Statutory rate	30.0	30.0
Effects of inflation	.3	(.2)
Non-deductible items	1.3	1.4
Tax incentive and others	(.6)	(1.5)
Effective rate	31.0	29.7

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

		2019		2018
Due to valuation of derivative financial instruments	$	255,366	$	(61,012)
Due to actuarial loss		34,739		10,479
Total	$	290,105	$	(50,533)

d. Deferred tax in the statement of financial position

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

		2019		2018
Property, plant and equipment	$	956,620	$	1,106,398
Intangibles arising from business combination		13,349		19,070
Inventories		21,448		19,071
Loss carryforwards (expiring from 2023 to 2038)		(164,167)		(204,071)
Other liabilities and provisions		(493,514)		(427,167)
Derivative financial instruments		57,491		312,857
Total	$	391,227	$	826,158

13. OTHER LIABILITIES

Is comprised as follows:

		2019		2018
Obligation to purchase minority interest	$	260,275	$	260,275
Retirement benefits		360,024		290,723
Total	$	620,299	$	550,998

a. Call and put option

At the end of 2016, it was acquired the liquid soap, antibacterial gel and other products business.

The acquisition agreement includes a call option that allows the Entity to acquire the remaining stock from the date of purchase; it also includes a put option clause exercisable by the non-controlling interest that forces the Entity to acquire the remaining stock from the end of the third anniversary until the eighth anniversary of the closing date. On February 1, 2019, the statutes were amended by changing from the fifth until the tenth anniversary. The fair value of this obligation is recognized as a liability with a debit to stockholders' equity.

b. 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:

	2019	2018
Projected benefit obligation	$ 733,610	$ 605,604
Plan assets	(373,586)	(314,881)
Net liability	360,024	290,723
Annual cost	$ 61,914	$ 47,907

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

	2019 %	2018 %
Discount rate	8.75	9.75
Expected return on plan assets	8.75	9.75
Expected rate of salary increase	4.50	4.50

As of December 31, 2019 and 2018, employee benefits expense totaled $3,753 and $3,245 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, 2019, 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, 2019 is spaced out over seven years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the result before income taxes for the year 2019, nor the net cash flow provided by operating activities as of December 31, 2019.

The Entity has sound relations with different financial institutions and considers that it has access to different types of financing through loans in Mexico or abroad, whether directly with such institutions or through the capital markets. For such purpose the Entity permanently maintains ratings of the Standard & Poor's and Fitch Ratings agencies for debt both in pesos and in foreign currency. As of December 31, 2019, debt ratings by Standard & Poor's were "AAA" in pesos and "A-" in U.S. dollars, whereas those of Fitch Ratings were "AAA" in pesos and "A" in U.S. dollars. In all cases, these are considered investment-grade ratings.

b. Market risk

- Exchange rate

The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in Note 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, 2019 the Entity had not entered into any hedge instrument on supplies purchases. Export sales in the year 2019 were $2,932 million Mexican pesos and it is estimated that the purchases of those inputs whose prices fluctuate due to changes in the exchange rate represent about 60% of its costs.

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

- Interest rates

As of December 31, 2019, 58% of the debt was at a fixed rate and 42% at a variable rate. To reduce the risk of interest rate variations, during 2018 the Entity entered into derivative financial instruments denominated "interest rate swaps" with the aim to change the one hundred percent of its debt to 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 2019 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions. The Entity believes that no efficient financial hedge market exists for cellulose.

Another pricing risk derives from the price of natural gas as a result of the Entity's consumption of this input in its processes, as well as its impact on the prices of electricity. The prices of gas are monitored and hedging options are constantly analyzed. As of December 31, 2019, the Entity had not contracted any hedge instrument related to natural gas.

15. DERIVATIVE FINANCIAL INSTRUMENTS

a. Cross currency swaps and interest rate swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, the Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2019 and 2018 convert U.S. dollar-denominated for 700 million of debt into $10,614.8 million of Mexican pesos.

During August 2018, the Entity contracted derivative financial instruments, interest rate swaps, in order to hedge against its total risk exposure in an aggregate manner.

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

	2019	2018
Contracts to convert 325 million of U.S. dollar-denominated debt to $4,508.1 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to annual fixed rates in pesos of 6.85% and 6.21%, respectively.	$ 2,111,443	$ 2,602,840
Contracts to convert 175 million of US dollar-denominated debt to $2,528.2 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to variable rates based on the 28-day TIIE plus certain credit spreads. As of December 31, 2019 annual rates in pesos are 7.821% and 7.9625%	1,018,763	1,045,502
Contract to convert 200 million of US dollar-denominated debt to $3,578.5 million of Mexican peso debt and to convert variable USD rate based on monthly Libor plus 110 credit spread to variable pesos rate based on the 28-day TIIE plus 31.75 credit spread. As of December 31, 2019 annual rate in pesos is 7.879%.	230,363	405,062
Derivative financial instruments - asset	$ 3,360,569	$ 4,053,404

Maturity of the contract are as follows:

2021	$ 230,363
2024	1,789,419
2025	1,340,787
	$ 3,360,569

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

According to hedge accounting, interest rate swap contracts cover, in an aggregate manner, the risk exposure derived from the variable interest rate contracts recorded as fair value hedges.

As a consequence of the above mentioned, as of September 2018, all contracts are recorded as cash flow hedges, while the fair value hedge balance at that date is amortized according to the period of each contract.

The (unfavorable) favorable effect of cash flow hedge that was reclassified to net income were $(907,426) and $56,430 for the 2019 and 2018 years, respectively, which complement the exchange rate effect and the contracted interest which correspond to the hedged item.

b. Interest rate swaps on peso - denominated debt

In order to reduce interest rate volatility during August 2018 the Entity contracted six interest rate swaps in order to convert the interest rate profile from variable to fixed rate.

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

		2019		2018
Contract to convert the variable 28-day TIIE rate, plus 5 basis points, to an 8.115% fixed rate with maturity in 2024.	$	(37,237)	$	15,218
Contract to convert the variable 28-day TIIE rate, plus 22 basis points, to an 8.34% fixed rate with maturity in 2025		(125,999)		46,718
Contract to convert the variable 28-day TIIE rate, plus 31.75 basis points, to an 8.44% fixed rate with maturity in 2021.		(43,820)		33,393
Contract to convert the 28-day TIIE rate, plus 30 basis points, to a fixed 8.344% rate with maturity in 2022.		(96,134)		49,299
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.545% rate with maturity in 2023.		(67,333)		30,696
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.67% rate with maturity in 2026.		(117,936)		44,510
Derivative financial instruments – (liability) asset	$	(488,459)	$	219,834

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

The favorable effect of these contracts for $31,242 and $3,143 for the 2019 and 2018 years, respectively, is presented in results as part of borrowing costs.

c. Purchase of foreign currency in the future (forward)

As of December 31, 2019, the Entity has a contract for the purchase of 18 million dollars with maturity as of January 31, 2020 at $19.01 pesos per dollar.

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. STOCKHOLDERS' EQUITY

As of December 31, 2019 and 2018, common stock consists of nominative common shares with no par value, as follows:

	Shares	%
Serie "A"	1,604,438,673	52
Serie "B"	1,480,393,834	48
Total	3,084,832,507	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, 2019, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $24,798,000, the net tax income account until 2013 for $2,498,000 and the net tax income account that started in 2014 for $29,864,000, approximately.

During the years ended December 31, 2019 and 2018, the Entity paid stockholders' equity reimbursement for $4,781,490 and $4,874,036, respectively. If such stockholders' equity reimbursement had not been paid, stockholders' equity have been increased by $9,655,526 and $4,874,036, 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:

	2019	2018
Monetary assets	$ 180,191	$ 175,368
Monetary liabilities (see Note 15)	867,172	855,969

Exchange rates used to value such balances were $18.89 and $19.67 Mexican pesos per one U.S. dollar, respectively.

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

	2019	2018
Export sales	$ 151,098	$ 157,098
Purchases of raw materials, spare parts and services	611,969	667,366
Purchases of machinery and equipment	19,369	38,635

18. RELATED PARTIES

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

	2019	2018
Kimberly-Clark Corporation:		
Purchases and technical services	$ 1,685,187	$ 1,595,935
Machinery and equipment	14,827	76,070
Net sales and others	873,053	568,557
Trade accounts payable	314,566	275,541
Trade accounts receivable	222,542	120,276

Other - As of December 31, 2019 and 2018, employee benefits granted to Entity's key senior management were $228,311 and $217,831, 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:

	2019			
	Consumer Products	Professional	Exports	Total
Net sales	$ 35,780,737	$ 4,787,472	$ 2,931,612	$ 43,499,821
Operating profit	8,151,239	611,639	234,148	8,997,026
Depreciation and amortization	1,620,511	205,808	119,437	1,945,756
Total assets	34,285,683	4,587,433	2,809,119	41,682,235

	2018			
	Consumer Products	Professional	Exports	Total
Net sales	$ 33,948,400	$ 4,031,930	$ 3,045,767	$ 41,026,097
Operating profit	6,971,475	494,117	42,463	7,508,055
Depreciation and amortization	1,308,383	159,250	94,705	1,562,338
Total assets	34,096,608	4,049,540	3,059,064	41,205,212

20. COMMITMENTS

At December 31, the Entity held the following commitments:

	2019	2018
Acquisition of machinery, equipment and construction projects	$ 331,061	$ 460,016
Acquisition of raw materials, spare parts and other	678,924	526,418

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

21. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

On February 10, 2020, 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.

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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

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