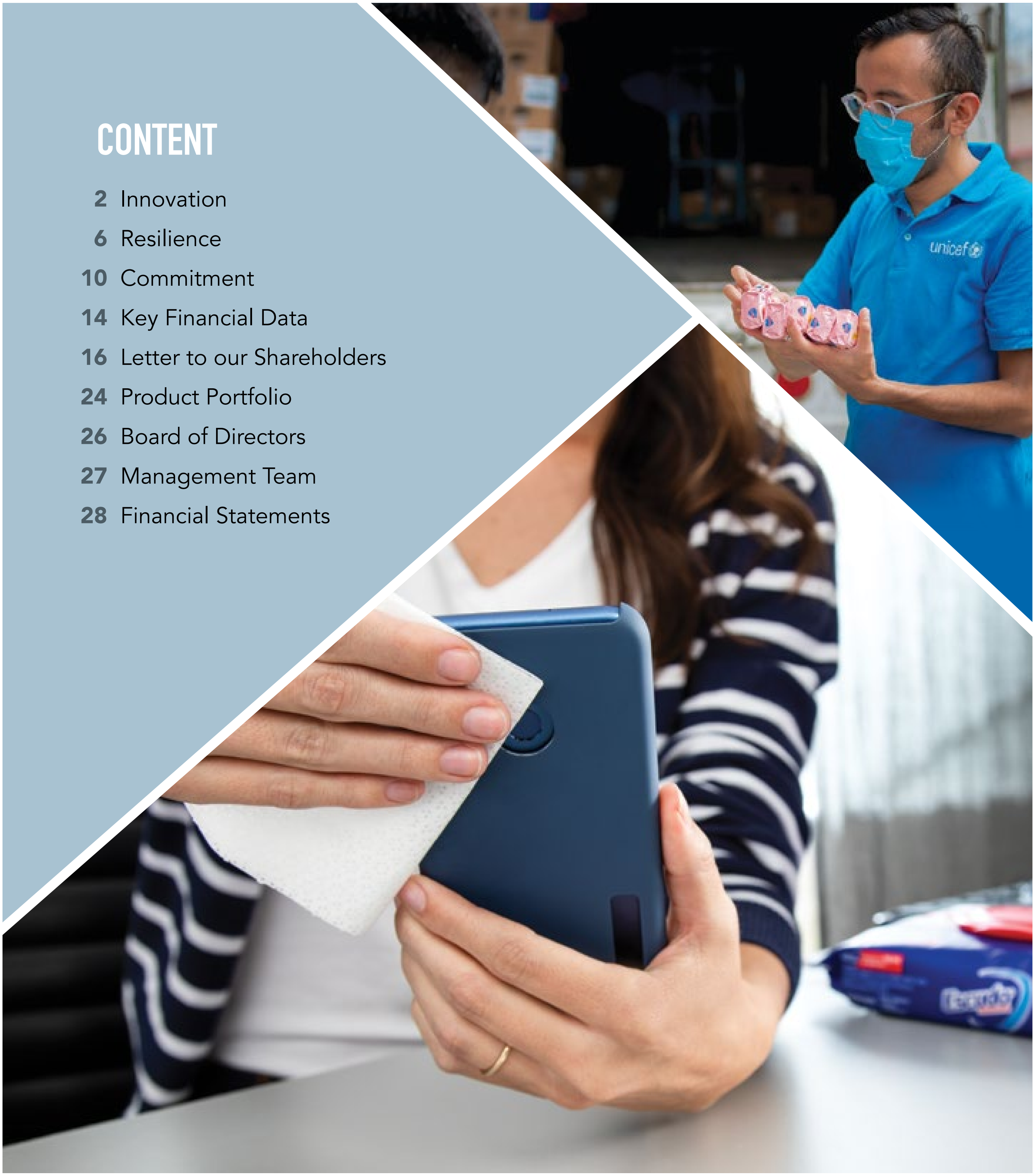
2020 ANNUAL REPORT

INNOVATION RESILIENCE COMMITMENT

EVERY DAY, FOR A LIFETIME

CONTENT



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

TRANSFORMING THE ESSENTIAL INTO SOMETHING EXTRAORDINARY EVERY DAY, FOR A LIFETIME

Today, the essential has gained new value: health, family, togetherness, and work, to mention just some aspects of our daily life. Kimberly-Clark de México knows this, and has always focused on creating extraordinary experiences out of essential needs.

Through **INNOVATION**, with products that care for the health and wellness of our consumers and go beyond merely satisfying their needs, to create memorable consumption experiences. Supported by the company's **RESILIENCE**, we maintain our leadership position, with more efficient operations and responding to consumers' needs. Through a renewed **COMMITMENT** to all our stakeholders, protecting the health of our employees, communities, organizations and the environment.

Relevant, differentiated innovation as a competitive advantage

INNOVATION

At Kimberly-Clark de México, we create value through constant, differentiated, consumer-centric innovation. In 2020 we introduced products to the market that reflect this commitment.

Natural Touch by Huggies® uses the power of plants to create high-performing products made with natural ingredients and pure materials that provide natural and safe care for baby's skin.

NATURAL TOUCH BY HUGGIES®

The diaper is made with a soft cover woven from fine plant fibers and materials free of chlorine, fragrance, latex and parabens. The wet wipes clean naturally and safely because they are made with materials free of alcohol, fragrance, chlorine and phenoxyethanol.

HUGGIES® ECOPROTECT

We know that what we do now has an impact on today's world and the world for generations to come. That's why we make Huggies® EcoProtect diapers and wet wipes, which provide total protection for baby's skin with complete absorption, softness and cleanliness, while caring for their world. Huggies® EcoProtect diapers and wet wipes are designed with Eco Care Environmental Technology and made with materials that return to nature in a shorter period of time.

HUGGIES® CUIDADO ESENCIAL WET WIPES

For all parents, protecting and caring for their baby is essential. With that in mind, we developed Huggies® Cuidado Esencial wet wipes, designed to offer antibacterial care thanks to their formula of natural orange and green tea oils. These ingredients guarantee safe cleanliness for baby's skin without irritation, eliminating 99.9% of bacteria.

HUGGIES® CUIDADO ESENCIAL WET WIPES WERE DESIGNED TO OFFER ANTIBACTERIAL CARE

DEPEND® ULTRATHIN NIGHTTIME UNDERWEAR

People who suffer from incontinence need products that improve their quality of life and can be part of their routine. Depend® Ultrathin Nighttime Underwear is designed to provide more protection at night; it has a larger, super-absorbent core that turns liquids into gel and provides more hours of ULTRA protection, so consumers can sleep peacefully through the night.

KOTEX® UNIKA ACTIVE

We launched the Kotex® Unika® Active line of products, consisting of an ultra-thin napkin, with "Xpress Dri®" technology that keeps moisture far from the body and adjusts to the body's movements with its "Flexfit" form; and ultra-thin pantyliners with a unique design.

ADVANCED BY EVENFLO® TEXTURIZED NIPPLES

At Advanced by Evenflo®, the strategy is to highlight the features and technology of our portfolio of nipples. In April we will be launching our innovation in tier 4: our wide-neck nipple will be softer, with a texture and form similar to the mother's breast; and in tier 5 our standard nipple will be ultra-soft, textured and with flexible channels. These launches will be publicized through digital communications and point-of-sale marketing.

KOTEX® UNIKA ANTIBACTERIAL PANTYLINER

With our consumers' health always top-of-mind, we launched UNIKA Antibacterial pantyliners, the only ones on the market that have anti-bacterial technology that prevents 99.9% of bacteria from developing in the liner. This technology helps preserve the defenses of the intimate zone without interfering with the vaginal flora.

KOTEX UNIKA ANTIBACTERIAL PREVENTS THE DEVELOPMENT OF BACTERIA IN THE PANTYLINER BY

99.9%

RESILIENCE

In a challenging environment, our capacity for adaptation and execution allowed us to remain leaders in our markets, bringing new products to the market and adopting new ways of working in our operations.

Responding to the need to protect Mexican families, we developed and brought different products and solutions to the market.

Staying one step ahead and anticipating consumers' needs

RESILIENT BRANDS

ESCUDO® ANTIBACTERIAL

Escudo® Antibacterial is a brand that has been protecting Mexican families for more than 50 years. Now, with the public health crisis, it has expanded its portfolio to offer a new line of products for surface disinfection, in the segments most popular among consumers: wet wipes, antibacterial gel and antibacterial spray. With our agile innovation, we brought these products to the market in record time.

HAND TOWELS

Concerned about families' hygiene and health, Pétalo launched disposable hand towels, an evolution from the usual cloth towels used at home. These help to avoid the spread of germs from cross-contamination, and they are 100% biodegradable.

KIMBERLY-CLARK PROFESSIONAL

Our Kimberly-Clark Professional business introduced disinfection and protection solutions focused on shared environments and spaces in various industries. These include a fogger and disinfecting liquid for industries and public spaces, as well as wet wipe sachets for hands and gel alcohol. All these products are in high demand by various businesses who want to ensure their clients' protection.

KLEENEX® FACE MASKS

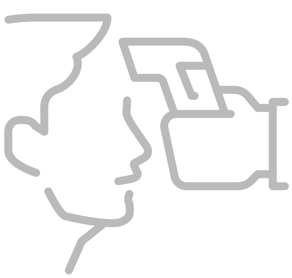
Personal protection products have become an indispensable element in daily life, and none is more visible today than face masks. With this opportunity, we launched Kleenex face masks, which have 3 filtering layers, are soft against the skin and fitted to the face, with all the quality and softness of Kleenex® products.

WE LAUNCHED KLEENEX FACE MASKS, WITH 3 FILTERING LAYERS, SOFT ON THE SKIN AND FITTED TO THE FACE.

RESILIENT ORGANIZATION

ADAPTABILITY TO A NEW REALITY

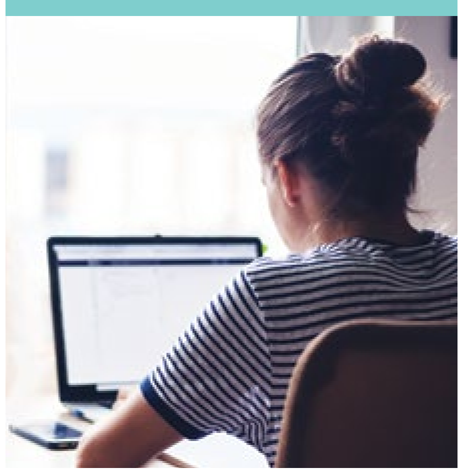
The public health emergency posed major challenges, but KCM was able to quickly adapt to this new reality and way of working.

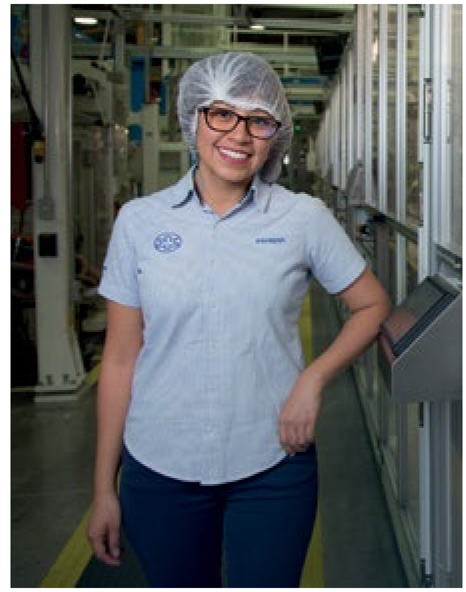


The health and well-being of all our employees and their families has always been our highest priority, which is why we invested more than 100 million pesos in 2020 to adapt our facilities, in testing, equipment and medical treatment, in order to continue operating with the excellence KCM is known for and meeting an unprecedented level of demand for our products, which are an essential part of the lives of Mexican households.

REMOTE WORK

Our various administrative areas across the country adopted remote work as a way to protect all our employees and continue our operations without interruption. This new scenario required us to adapt and transform various processes, and to quickly install new collaboration and communication technologies. In record time, we achieved this connectivity in the homes of every one of our employees, creating a firm base for KCM's digital transformation.





+100

MILLION PESOS INVESTED IN 2020 IN ADAPTING FACILITIES, IN TESTING, EQUIPMENT AND MEDICAL TREATMENT, IN ORDER TO CONTINUE OPERATING WITH THE EXCELLENCE KCM IS KNOWN FOR.

COMMITMENT

We are committed to the well-being and protection of every one of our stakeholders, and in 2020 we carried out various actions to support each of these groups. Our values and our confidence inspire us to give more of ourselves.

We supported the Mexican Red Cross with more than 250,000 bars of soap and 12 metric tons of antibacterial gel.

+8,000
personal
protection kits

+1 million
bars of soap

12 tons
of antibacterial gel

EMPLOYEE SUPPORT

To support our employees' efforts in April we advanced them 50% of the profit-sharing payment usually received in May. Similarly, concerned about the health of everyone who is part of the KCM family, we distributed more than 8,500 personal protection kits, in addition to measures and investments made in retrofitting our facilities, in testing, equipment and medical treatment.

CONCERNED ABOUT THE HEALTH OF EVERYONE WHO IS PART OF THE KCM FAMILY, WE DISTRIBUTED MORE THAN 8,5000 PERSONAL PROTECTION KITS

PROTECTION SUPPLIES AND PRODUCTS

Through the #EntrelazandoMexico initiative, we donated protection supplies and product's to 16 hospitals in Mexico most in need of this support in order to deal with the public health emergency. This initiative was developed by the PYMO fund, an up-and-coming Mexican company focused on generating a social impact through technology, and which seeks to mobilize nonprofits and the private sector to deal with the challenges posed by the coronavirus and to protect those who are working to protect us.

SUPPORT IN OAXACA

We supported the Somos Agua association with dispensers, products and more than 2,000 liters of liquid soap for families in rural zones of Oaxaca. We also set up 24 hygiene models in 6 municipalities of the same state, with the capacity to supply water and soap to 8,800 people a day.

We supported the Mexican Red Cross with more than 250,000 bars of soap and 12 metric tons of antibacterial gel. Also, in partnership with the Mexican Business Council, we donated 500,000 bars of Escudo® Antibacterial Soap to the IMSS Foundation.

TOGETHER WITH UNICEF, WE DONATED MORE THAN 100,000 BARS OF SOAP TO MORE THAN 500 SCHOOLS THROUGH THEIR "WASH" PROGRAM.
AT HOME WITH A CAUSE

AT HOME WITH A CAUSE

Kotex organized a campaign called "At Home with a Cause", a series of online concerts by renowned performers, which raised awareness and built empathy to support eight organizations that help women affected by the public health emergency, reaching an audience of more than 27 million.

EMBRACING THEIR DEVELOPMENT

With Embracing their Development by Huggies® we approached specialists in child psychomotor development to participate in online workshops on supporting babies' overall development from home. The positive impact reached 4 million people.

WE BROUGHT IN SPECIALISTS IN PSYCHOMOTOR DEVELOPMENT THROUGH ONLINE WORKSHOPS TO TALK ABOUT SUPPORTING BABIES' OVERALL DEVELOPMENT FROM HOME

SUSTAINABILITY

In 2020 we kept the issue of Sustainability at the top of our priority list, through extra efforts that earned us recognition as the most highly rated company in our industry among the 25 countries included in the Dow Jones Sustainability Index Emerging markets. We are one of only five Mexican companies included in this index.

Dow Jones Sustainability Indexes

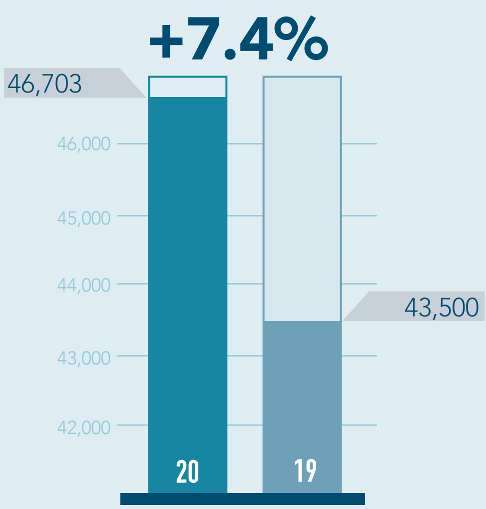
For the fourth year in a row we were included in the British FTSE4Good index, and maintained our presence in the S&P Dow Jones Sustainability Index (DJSI) for the MILA region (Latin American Integrated Market). We were also included in the newly created S&P/BMV Total Mexico ESG Index.

FTSE4Good

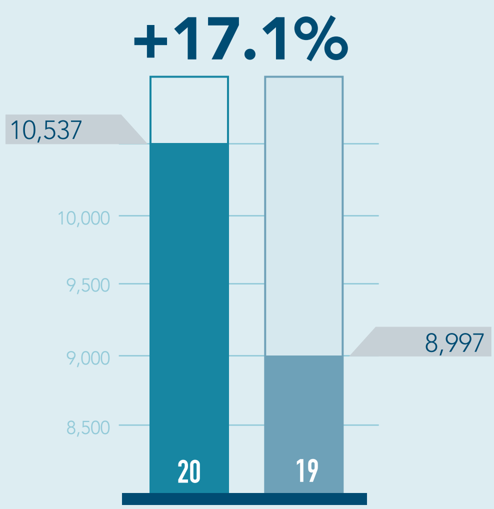
KEY FINANCIAL DATA

Figures in millions of pesos

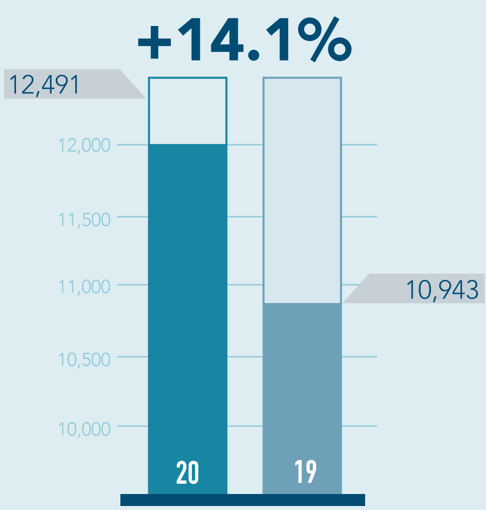
	2020	2019	% Chge.
Net sales	46,703	43,500	7.4%
Gross earnings	18,009	16,321	10.3%
Margin	38.6%	37.5%	
Operating Income	10,537	8,997	17.1%
Margin	22.6%	20.7%	
Net earnings	6,086	5,156	18.0%
EBITDA	12,491	10,943	14.1%
Margin	26.7%	25.2%	
Net earnings per share (pesos)	1.97	1.67	18.0%



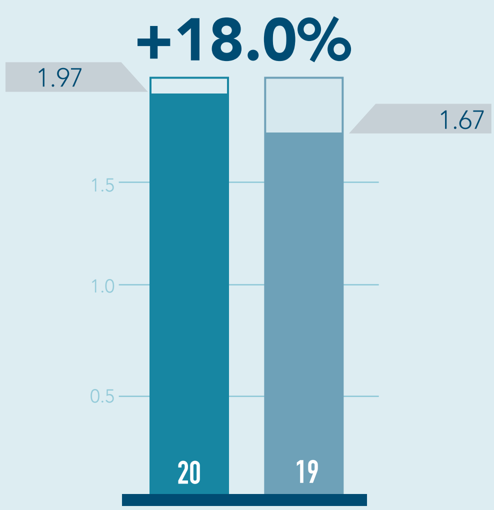
NET SALES
MILLIONS OF PESOS



OPERATING INCOME
MILLIONS OF PESOS



EBITDA
MILLIONS OF PESOS



NET EARNINGS PER SHARE
PESOS

LETTER TO OUR SHAREHOLDERS

In 2020, the entire world had to face the COVID-19 pandemic and to deal with the impact it had on health and economies across the globe. Economically speaking it was the worst contraction since the Great Depression and it had devastating consequences on jobs and income, leading most governments to extend substantial monetary and fiscal support to their countries.

In Mexico the impact has been no less severe. In the sphere of human health, a huge number of lives have tragically been lost, and in the economy, millions of people lost their jobs and family incomes were drastically reduced. The Mexican economy is estimated to have contracted by 8.5 percent in the year, as widespread lockdowns hampered consumption and both public and private investment were sharply curtailed.

In these circumstances, our priorities focused on keeping our employees and their families safe and healthy, on supporting communities where we operate, and working alongside authorities and other organizations to deal with this pandemic. We also focused on maintaining operations, to ensure that we could continue offering our essential products to the entire population. Tremendous challenges, but your company has faced them successfully.

FINANCIAL RESULTS

Even in this challenging economic climate, our brands retained their solid positioning, and together with execution of our innovation plans and promotion of various categories, this led to a 7.4 percent rise in sales.

Along with the growth in our sales, which reached all-time highs, and more and better operating efficiency measures, we saw a better climate for the prices of our inputs, and an ongoing cost- and expense-cutting program once again resulted in record savings.

With all of this, and despite a tough comparable base, our operating income grew by 17.1 percent, while EBITDA advanced by a 14.1 percent. Net income was up 18.0 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 1.1 times, even after investing in Capex and paying dividends to shareholders.

THE MEXICAN ECONOMY IS ESTIMATED TO HAVE CONTRACTED BY 8.5 PERCENT IN THE YEAR, AS WIDESPREAD LOCKDOWNS HAMPERED CONSUMPTION AND BOTH PUBLIC AND PRIVATE INVESTMENT WERE SHARPLY CURTAILED.

INNOVATION

At Kimberly-Clark de México (KCM) we continue to build value by creating new products that are different in relevant ways and can improve the quality of life for consumers every day, for a lifetime. In keeping with this mission, last year we launched products necessary for our consumers' well-being, with a special focus on performance, care, safety and protection.

In the high-end baby diaper segment, we introduced the Huggies® Supreme® brand with cotton and high-breathability covers, offering a clinically proven product with Dermatest® certification.

We also launched new super premium Huggies® Natural Touch diapers and wet wipes, made with soft covers woven from plant fibers and free of chlorine, parabens, latex and fragrance.

Another launch was our new Huggies® Eco Protect® diapers and wet wipes with the addition of sustainable elements and packaging made with recycled material.

Regarding the Evenflo® brand, for the Evenflo® Advanced® premium nipple segment, we developed a softer silicone that gives baby a more natural transition from the maternal breast to the bottle.

In the toilet paper category, we launched rolls with larger sheets in the Kleenex® Cottonelle® Elegance® brand, and new fragrances in the Suavel® brand.

Concerned about families' health and hygiene, Pétalo launched new paper hand towels, which help avoid cross contamination of germs. They are also 100% biodegradable.

In the feminine protection category, we launched new Kotex® Unika® pantyliners with "Antibacterial Technology" that prevents 99.9% of bacterial development and helps preserve the natural defenses of the intimate zone. We launched the Kotex® Unika® Active line of pantyliners with "Xpress Dri®" technology and "Flexfit" form.

WE LAUNCHED NEW HUGGIES® ECO PROTECT® DIAPERS AND WET WIPES WITH THE ADDITION OF SUSTAINABLE ELEMENTS AND PACKAGING MADE WITH RECYCLED MATERIAL.

In the Incontinence business, we strengthened the active users segment with Skin Care underwear with natural almond oil, shea butter, vitamin E and aloe vera, and launched Nighttime Underwear with a longer absorbent core for greater protection, absorption and comfort during the night.

In the Protection segment, in our line of bath soaps we launched a new neutral protection liquid body shampoo and liquid hand soap, and in bar soap we developed the Escudo® Ultra Protect premium line.

Additionally, we created an entire new category of products with effective formulas that protect against the SARS-CoV-2 virus which causes COVID-19, including Escudo® Disinfecting Wet Wipes for Surface Cleaning, in both pouch and canister form, as well as with various active ingredients for different segments and Escudo® disinfecting antibacterial spray for surfaces and air.

In the Kleenex® brand we launched a new line of disposable masks in white and black options, designed with three filter layers to protect against more than 98% of particles, bacteria and viruses. Its inner layer has the softness the Kleenex® brand is known for and has been dermatologically tested and Dermatest® certified.

To conclude, in the Professional® business we developed the Interfolded Marli® hand towel in a polyethylene bag to ensure optimum dispensing of the product. We also introduced the pre-cut Pétalo® Fluid-Centric towel, developed the Kleenex® foot-operated sanitizer dispenser, and finally, Escudo® sanitizing liquid for nebulizers, together with the launch of the nebulizer itself, and Escudo® wet wipes and anti-bacterial gel alcohol for hands, in an individual presentation.

OPERATIONS

In 2020, our production strategy focused on ensuring operating continuity during the pandemic. Our priority was protecting our employees at all times, while 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.

In personal care, the highlights of the year included the launch of two lines of wet wipes, one for babies and another for surface cleaning. These are made at the Tlaxcala plant; the Toluca plant also began turning out a new line of sachet-type wipes for individual use. The Prosede plant started up two lines to produce Kleenex® disposable masks, while the Toluca plant started two more lines to produce Escudo® and Kleenex® liquid soap. Finally, the start of a new "melt blown" process for towels that will be exported from the Tlaxcala plant, and a new TABBI "iron roll" process that will produce softer covers and improve caliber control in the covering and liquid distribution in diapers, at the Prosede plant.

In Tissue, our Ramos Arizpe plant reacted swiftly to adapt five conversion lines in Home products (?) to help our partner, Kimberly-Clark Corporation, meet the recent increase in demand; at the Bajío plant we started up two new napkin lines to keep up with the established production schedule; at the Orizaba plant we modified a toilet paper line using laminating technology and the process evolution and equipment upgrade for kitchen towels continued, resulting in the most absorbent product on the market.

Finally, we worked intensively on identifying and implementing various initiatives to achieve competitive cost advantages, resulting in 1.7 billion pesos in savings which, for the seventh month in a row, was equivalent to at least 5 percent of the cost of goods sold.

SUSTAINABILITY

In 2020 we redoubled our environmental and social efforts, which are priorities for this company. This is reflected in the ratings we received from the most respected international agencies, which showed a significant advance in our performance.

Besides being included for the fourth year in a row in the British FTSE4Good index, we maintained our presence in the S&P Dow Jones Sustainability Index (DJSI) for the MILA region (Latin American Integrated Market), and we were included in the newly created S&P/BMV Total Mexico ESG Index. Furthermore, we were listed for the first time in the Dow Jones Sustainability Emerging Markets index, which recognizes the top companies in the area of sustainability in 25 countries with emerging economies. Because of the strict criteria for this index, so far only five Mexican companies have qualified for inclusion.

In the evaluations by the Carbon Disclosure Project (CDP), one of the world's most widely recognized organizations involved in dissemination of strategies for Forest Stewardship, Water Management and Greenhouse Gas Emissions, we earned ratings much higher than preceding years, and much higher than the global average for our industry.

In the area of Environmental Care, we have become a global benchmark in our industry for consumption of water per metric ton produced. We continued to reduce water use in our plants and prioritized our intake of post-consumer water. For the third year in a row, we reported lower greenhouse gas emissions in 2020; and in energy consumption, besides the existing cogeneration processes that generate steam and electrical energy, we succeeded in operating with more than 96% clean energy and completed a record year for efficiency.

IN THE FEMININE PROTECTION CATEGORY WE LAUNCHED NEW KOTEX® UNIKA® PANTYLINERS WITH "ANTIBACTERIAL TECHNOLOGY" THAT PREVENTS 99.9% OF BACTERIAL DEVELOPMENT AND HELPS PRESERVE THE NATURAL DEFENSES OF THE INTIMATE ZONE.

Additionally, following our circular economy strategy, we try to maximize the use of secondary fibers and responsible use of the virgin fiber supply chain, maintaining our "Ecólogo®," "FSC®" and "Green Seal" certifications for various of our products, and aware of the environmental impact, we are able to monetize more than 98% of our waste.

Our report on sustainability targets and achievements contains further information on your company's progress, and in 2021 we will be announcing our new updated targets.

SOCIAL RESPONSIBILITY

The health and well-being of our employees is our priority, so this year we took steps to support them at their homes and on our premises. In addition to strict health protocols, issuing personal protection equipment and providing medical support throughout the year, an internal program called "KCM Wellness" brought various specialists in physical, mental and emotional health to speak to employees about topics like stress management and resilience, and suggested tools useful for dealing with the current situation.

To also support society at large with this health emergency, we took action on various fronts: through #EntrelazandoMexico and in an alliance with Fondo PYMO, we helped deliver protection supplies to 16 public hospitals in various states of Mexico; donated more than 250,000 bars of soap and 12 metric tons of Escudo® antibacterial gel to the Mexican Red Cross; and in partnership with the Mexican Business Council we provided 500,000 bars of Escudo® Antibacterial soap to the IMSS Foundation; together with UNICEF, we sported the "WASH" program with 100,000 bars of soap, and the "Somos Agua" program with dispensers, products, and more than 2,000 liters of liquid soap for families in rural Oaxaca.

Among our ongoing programs, "Embracing their Development" offered online workshops with specialists in infant psychomotor development that taught parents how to support their babies' development at home. In the last quarter of the year, this program benefited more than 4 million people. In our alliance with UNICEF we also helped create online psycho-emotional support programs that reached 16,000 people involved in primary school education in Mexico.

The Kotex® brand launched the "At Home with a Cause" platform, which offered a series of 9 online concerts which raised awareness and built empathy to support eight organizations that help women affected by the public health emergency. These live transmissions reached an audience of more than 27 million.

In October, Kotex® Escudo® Antibacterial, Depend® and Evenflo® launched a pink campaign, offering special products for which a portion of the sales were donated to the COI foundation for early detection and treatment of breast cancer.

2020

WE REDOUBLED OUR ENVIRONMENTAL AND SOCIAL EFFORTS, A PRIORITY FOR THE COMPANY

MORE THAN 250,000 BARS OF SOAP AND 12 METRIC TONS OF ESCUDO® ANTIBACTERIAL GEL WERE DONATED TO THE MEXICAN RED CROSS; ALONG WITH 500,000 BARS OF ESCUDO® ANTIBACTERIAL SOAP TO THE IMSS FOUNDATION; AND 100,000 BARS OF SOAP TO THE "WASH" PROGRAM.

In November, Kotex® joined forces with Fundación Origen to launch an orange campaign, where some of the proceeds from the sales of certain products were donated to support awareness-building and counseling for gender violence against women.

Depend® started up a program called "Always With You," offering security and protection for elderly adults and improving their quality of life. This program benefited more than 400 senior citizens in 8 institutions.

Finally, we have supported the Mexican government in its "Youth Building the Future" program since its inception, under which more than 350 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.

HUMAN RESOURCES

2020 was a complicated year for all of us, but the lessons learned have made us stronger as persons and as a company, as we learned how to change our way of living and adapt to new ways of working. The deep commitment shown by our people during the pandemic was crucial to our success at achieving these outstanding results, and we are profoundly grateful for all of them for the part they played.

For KCM, having the best trained, most committed and highly competitive personnel is an indispensable factor in our success. For this reason, we maintain a challenging working environment, in

THE DEEP COMMITMENT SHOWN BY OUR PEOPLE DURING THE PANDEMIC WAS CRUCIAL TO OUR SUCCESS AT ACHIEVING OUTSTANDING RESULTS DURING THE YEAR.

WE INVESTED MORE THAN

100 MILLION

PESOS IN RETROFITTING OUR FACILITIES, CREATING AND OPERATING SANITARY PROTOCOLS, IN TESTING, EQUIPMENT AND MEDICAL TREATMENT

which our employees can develop their fullest potential, and be recognized and rewarded for their contributions. The compensation and benefits we offer our employees have a substantial variable component, an important part of which is our profit-sharing program, one of the highest in the country, and which grew significantly larger for the second year in a row. Furthermore, 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.

Again, for KCM the health and the well-being of all our employees and their families is an absolute priority. During the pandemic we took every protection measure possible to limit the spread of infection and we have supported our employees in every way we could. We invested more than 100 million pesos in retrofitting our facilities, creating and operating sanitary protocols, in testing, equipment and medical treatment, and protecting personnel with some special vulnerability by allowing them to stay or work at home, with full pay. We know that we still have months to go before this pandemic is behind us, and we will continue offering our support. One example of this extra effort was our decision to advance 40% of the profit-sharing usually received by employees in May by one month, and on February 5 we also made an extraordinary payment of 5,000 pesos to each employee, which was well received.

Despite this challenging context, the company achieved outstanding results in industrial safety, achieving accident frequency and severity indices of 0.03 and 2.54, respectively. But 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.

RELATIONSHIP WITH KIMBERLY-CLARK CORPORATION

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

In 2020, we undertook key projects in various categories, making ourselves an increasingly invaluable part of the KCC supply chain and achieving vigorous growth. These projects included toilet paper products like Scott® 1000, Cottonelle® and Cottonelle® flushables; in wet wipes for babies, Huggies Simply Clean® and Kleenbebe® Absorsec®; and others. We are working on other developments for 2021 that should provide the basis for strong growth in exports to our partner.

OUTLOOK

Although the performance of the global economy is expected to be better in 2021, as COVID-19 vaccine programs extend their coverage to more of the population, and with the broad-based and consistent monetary and fiscal support that has been extended, uncertainty still loomed over the markets at the start of the year amid a new wave of contagion and sharp rise in pandemic-related deaths, in addition to new variants of the virus which have appeared, and a deepening impact on retail and production chains. We expect the situation to improve as protection protocols are enforced and more vaccines applied, but it will take some time still to reach this state of "new normality."

In Mexico, the sluggishness that marked the end of 2019 and the crushing impact we received in 2020 and at the start of this one pose a daunting challenge, and we need to act urgently and decisively to reverse it.

Consumption should benefit from higher wages, remittances and social and economic support to various groups in the country. But the loss of jobs and lack of sufficient support for those who most need it, and to micro, small and mid-sized enterprises, are having a substantial negative impact.

Obviously, it will be virtually impossible to reactivate the economy and achieve a true recovery, rather than just a rebound, if we cannot control the pandemic through testing, contact tracing, swift and efficient care, and widespread vaccination campaigns, and furthermore, if we do not have a clear framework, with a consistent and unchanging set of rules, to promote investment and competitiveness.

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 businesses 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.

Additionally, this effort must be accompanied by a clear and decisive strategy to promote competitiveness and investment, and thus to create new jobs. It is paramount that we create the confidence and credibility needed to attract more productive investment and achieve economic growth of 4 percent as proposed by the government. Only thus can we realize the changes the country requires, and 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.

For your company in particular, our priorities continue to focus on the health and well-being of all our employees and their families, on supporting the communities where we operate along with authorities and other organizations, and maintain efficient and uninterrupted operations to bring our essential products to all consumers.

Furthermore, we will work to consolidate and strengthen our competitive advantages, investing in innovation, in quality, 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 report better results in 2021. 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, your 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 that 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 9, 2021.

PRODUCT PORTFOLIO

ADULTS

Underwear, protectors, feminine pads, prefolded

BABIES

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

CLEANING AND PROTECTION

Wet wipes, antibacterial gel, disinfectant spray, face masks.

HOME

Toilet paper, napkins, facial tissue, Servitoalla® paper towels

BEAUTY

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

PROFESSIONAL

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

WOMEN

Feminine pads, panty liners, tampons, intimate wipes

BOARD OF DIRECTORS

REGULAR DIRECTORS

Claudio X. González Laporte
Chairman

Valentín Diez Morodo*
Vice Chairman

Michael Hsu
Vice Chairman

Jorge Ballesteros Franco*
Emilio Carrillo Gamboa*
Antonio Cosío Ariño*
Pablo R. González Guajardo
Maria Henry
Alison Lewis
Esteban Malpica Fomperosa*
Fernando Senderos Mestre*
Kim Underhill

ALTERNATE DIRECTORS

Guillermo González Guajardo

Jorge Babatz García

Jesús González Laporte

Jorge A. Lara Flores
Fernando López Guerra Larrea
Antonio Cosío Pando
Fernando Ruiz Sahagún
Sergio Chagoya Díaz
Agustín Gutiérrez Espinosa
Jorge Barrero Stahl
Juan Carlos Machorro Guerrero
José Antonio Noguera Castillo

* Independent

MANAGEMENT TEAM

Pablo R. González Guajardo
Chief Executive Officer

Xavier Cortés Lascurain
Finance

Ommar H. Parra de la Rocha
Consumer Sales

Jorge Morales Rojas
Transformation and Execution

Humberto Narro Flores
Tissue Businesses

Cristina Pichardo López
Marketing, Baby and Incontinence Products

Regina Celorio Calvo
Marketing, Women's Care, KCM 3.0 and Corporate Communications

Mara Bonilla Garduño
Marketing, Home Products

Armando Bonilla Ruiz
Foreign Trade

Luiz Roberto Neves Rodrigues
Supply Chain

Catalina Uribe Restrepo
Purchasing

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
Treasury 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, 2020 and 2019, 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries as of December 31, 2020 and 2019, 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 5 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 acquired on a business combination 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 $1,178,930 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 9 and 10 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 8, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019
(Thousands of Mexican pesos)

	Notes	2020	2019
ASSETS			
Current assets:			
Cash and cash equivalents	4	**$ 18,583,898**	$ 6,838,556
Trade accounts receivable and others	5	**6,051,941**	6,694,400
Derivative financial instruments	16	**396,053**	-
Inventories	6	**3,792,471**	3,225,703
Total current assets		**28,824,363**	16,758,659
Long-term assets:			
Right-of-use assets	7	**1,293,569**	1,298,820
Property, plant and equipment	8	**16,370,142**	17,089,800
Derivative financial instruments	16	**3,813,478**	3,360,569
Intangibles and other assets	9	**2,080,878**	2,240,166
Goodwill	10	**934,221**	934,221
Total long-term assets		**24,492,288**	24,923,576
Total		**$ 53,316,651**	$ 41,682,235
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	11	**$ 3,990,000**	$ 2,500,000
Bank loans		**235,000**	235,000
Trade accounts payable		**6,687,155**	5,628,610
Lease liabilities	7	**240,706**	193,098
Other accounts payable, accrued liabilities and provisions	12	**2,069,483**	2,336,659
Employee benefits		**1,582,311**	1,356,671
Income tax	13	**757,644**	696,085
Total current liabilities		**15,562,299**	12,946,123
Long-term liabilities:			
Long-term debt	11	**27,603,092**	20,952,036
Lease liabilities	7	**1,122,717**	1,111,146
Derivative financial instruments	16	**2,652,355**	488,459
Deferred income taxes	13	**19,455**	391,227
Other liabilities	14	**663,912**	620,299
Total long-term liabilities		**32,061,531**	23,563,167
Total liabilities		**47,623,830**	36,509,290
Stockholders' equity			
Contributed		**19,659**	19,695
Earned		**6,146,996**	5,194,819
Other comprehensive income		**(357,430)**	70,051
Controlling Entity stockholders' equity	17	**5,809,225**	5,284,565
Minority interest stockholders' equity		**(116,404)**	(111,620)
Total stockholders' equity		**5,692,821**	5,172,945
Total		**53,316,651**	$ 41,682,235

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2020 and 2019
(Thousands of Mexican pesos, except as indicated)

	Notes	2020	2019
Net sales		**$ 46,702,895**	$ 43,499,821
Cost of sales		**28,693,621**	27,178,669
Gross profit		**18,009,274**	16,321,152
Selling expenses		**5,085,764**	4,964,048
Administrative expenses		**2,386,217**	2,360,078
Operating profit		**10,537,293**	8,997,026
Finance costs:			
Borrowing costs		**2,258,807**	1,856,542
Interest income		**(598,433)**	(297,387)
Exchange fluctuation – net		**3,798**	(24,341)
Income before income taxes		**8,873,121**	7,462,212
Income taxes	13	**2,792,133**	2,314,011
Consolidated net income before minority interest		**6,080,988**	5,148,201
Net loss minority interest		**(4,784)**	(7,898)
Net income		**$ 6,085,772**	$ 5,156,099
Basic earnings per share (in pesos)		**$ 1.97**	$ 1.67
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, 2020 and 2019
(Thousands of Mexican pesos)

	Notes	2020	2019
Consolidated net income		**$ 6,080,988**	$ 5,148,201
Other comprehensive income:			
Items that will not be reclassified subsequently to statements of income			
Actuarial losses on retirement benefits – net of tax	14	**(60,935)**	(81,060)
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	16	**(366,546)**	(595,854)
		(427,481)	(676,914)
Consolidated comprehensive income before minority interest		**5,653,507**	4,471,287
Comprehensive loss minority interest		**(4,784)**	(7,898)
Comprehensive income		**$ 5,658,291**	$ 4,479,185

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2020 and 2019
(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 14a)	Total stockholders' equity
Balance, January 1, 2019	$ 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
Dividends paid		(4,935,732)				(4,935,732)		(4,935,732)
Repurchase of own stock	(36)	(197,863)				(197,899)		(197,899)
Comprehensive income		6,085,772	(60,935)		(366,546)	5,658,291	(4,784)	5,653,507
Balance, December 31, 2020	**$ 19,659**	**$ 6,146,996**	**$ (270,713)**	**$ 145,682**	**$ (232,399)**	**$ 5,809,225**	**$ (116,404)**	**$ 5,692,821**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	2020	2019
OPERATING ACTIVITIES:		
Income before income taxes	**$ 8,873,121**	$ 7,462,212
Items related to investing and financing activities:		
Depreciation and amortization	**1,953,335**	1,945,756
Exchange fluctuations	**3,798**	(24,341)
Interest expense - net	**1,660,374**	1,559,155
	12,490,628	10,942,782
Trade accounts receivable and other	**652,833**	387,923
Inventories	**(566,768)**	486,300
Trade accounts payable	**876,660**	(265,912)
Other accounts payable, accrued liabilities and provisions	**(386,354)**	232,214
Employee benefits and retirement	**182,203**	237,283
Income taxes paid	**(2,915,441)**	(2,158,479)
Net cash flows provided by operating activities	**10,333,761**	9,862,111
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(813,250)**	(771,988)
Increase in the stockholders' equity of subsidiaries with minority interest and other acquisitions	**-**	(174,632)
Other assets	**17,969**	18,008
Net cash flows used in investing activities	**(795,281)**	(928,612)
Excess cash to apply in financing activities	**9,538,480**	8,933,499
FINANCING ACTIVITIES		
Borrowings	**11,217,000**	-
Payment of loans	**(2,500,000)**	(400,000)
Interest paid	**(1,243,940)**	(1,500,199)
Payment of lease liabilities	**(322,252)**	(290,432)
Stockholders' equity reimbursement	**-**	(4,781,490)
Dividends paid	**(4,935,732)**	-
Repurchase of own stock	**(197,899)**	-
Net cash flows used in financing activities	**2,017,177**	(6,972,121)
Increase in cash and cash equivalents	**11,555,657**	1,961,378
Effects of exchange rate changes on balance held in foreign currency	**189,685**	(122,324)
Cash and cash equivalents at the beginning of yea	**6,838,556**	4,999,502
Cash and cash equivalents at the end of year	**$ 18,583,898**	$ 6,838,556

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations for $500,000 in 2020 and $546,000 in 2019.

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019
(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. SIGNIFICANT EVENT

From the end of March 2020, the World Health Organization declared the new coronavirus (COVID-19) a Global pandemic. To date, we have seen the profound impact that the COVID-19 is having on human health, the economy and the society throughout the world, the Entity has actively faced the situation and its impact to mitigate the possible effects on its personnel and its businesses.

Due to several products that Entity manufactures and markets are considered essential, there were no significant adverse effects on its position and consolidated financial performance.

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 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 5 through 9).

d. Cash equivalents

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

e. Financial assets

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

- Loans and accounts receivable

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

- Impairment of financial assets

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

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

f. Inventories

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

g. Leases

The Entity as a lessee

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Borrowing costs

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

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

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

j. Intangibles

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

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

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

k. **Impairment of tangible and intangible assets**

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

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

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

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

l. **Business combinations**

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

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

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

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

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

m. **Goodwill**

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

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

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

n. **Financial liabilities**

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

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

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

- Borrowings and trade payables

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

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

- Derecognition of financial liabilities

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

o. Income taxes

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

- Current income tax

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

- Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities included in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, applying the rate corresponding to these differences and, as appropriate, tax losses to be amortized or tax credits are included. 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. CASH AND CASH EQUIVALENTS

Are composed as follows:

	2020	2019
Cash	**$ 803,222**	$ 260,887
Temporary cash investments	**16,936,791**	6,577,669
Restricted cash (see Note 16)	**843,885**	-
Total	**$ 18,583,898**	$ 6,838,556

5. TRADE ACCOUNTS RECEIVABLE AND OTHERS

	2020	2019
Trade	**$ 7,052,137**	$ 7,786,490
Allowance for rebates	**(1,036,943)**	(1,209,748)
Allowance for doubtful accounts	**(161,500)**	(151,515)
Net	**5,853,694**	6,425,227
Notes receivable	**125,000**	125,000
Advance payments	**20,672**	76,235
Other	**52,575**	67,938
Total	**$ 6,051,941**	$ 6,694,400

Allowance for rebates:

	2020	2019
Balance at January 1,	**$ (1,209,748)**	$ (934,153)
Increases	**(8,053,178)**	(7,435,624)
Applications	**8,225,983**	7,160,029
Balance at December 31,	**$ (1,036,943)**	$ (1,209,748)

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.

6. INVENTORIES

	2020	2019
Finished goods	**$ 1,466,356**	$ 1,229,688
Work in process	**402,274**	367,200
Raw materials and spare parts	**1,923,841**	1,628,815
Total	**$ 3,792,471**	$ 3,225,703

7. LEASES

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

	2020	2019
Right-of-use assets	**$ 1,767,302**	$ 1,536,385
Accumulated depreciation	**(473,733)**	(237,565)
Net	**$ 1,293,569**	$ 1,298,820

	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**
Additions	**267,547**
Disposals	**(36,630)**
Balance at December 31, 2020	**$ 1,767,302**
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)**
Additions	**(272,798)**
Disposals	**36,630**
Balance at December 31, 2020	**$ (473,733)**

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**
Additions	**267,547**
Payments	**(322,252)**
Interest paid	**88,560**
Exchange rate fluctuation - net	**25,324**
Balance at December 31, 2020	**1,363,423**
Short-term	**(240,706)**
Long-term	**$ 1,122,717**

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

2022	$ 194,736
2023	177,916
2024	163,393
2025	146,105
Thereafter	440,567
	$ 1,122,717

d. During the years 2020 and 2019, an amount of $12,394 and $33,621 was charged to operating expenses for operating lease contracts with a term less than one year and $9,017 and $6,917 correspond to contracts where the underlying asset has a low value, respectively.

8. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
Depreciable fixed assets	**$ 43,635,189**	$ 43,289,257
Accumulated depreciation	**(28,725,468)**	(27,525,762)
Net	**14,909,721**	15,763,495
Land	**741,814**	741,814
Construction in progress	**718,607**	584,491
Total	**$ 16,370,142**	$ 17,089,800

At December 31, 2020 and 2019, the amount of unamortized capitalized borrowing costs amounted to $126,797 and $130,474, respectively.

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2019	$ 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
Additions	56,301	636,300	7,446	700,047
Disposals	(59)	(337,460)	(16,596)	(354,115)
Balance at December 31, 2020	**$ 6,322,702**	**$ 36,284,423**	**$ 1,028,064**	**$ 43,635,189**

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2019	$ (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)
Additions	(179,383)	(1,309,140)	(50,059)	(1,538,582)
Disposals	59	327,619	11,198	338,876
Balance at December 31, 2020	**$ (3,167,584)**	**$ (24,868,762)**	**$ (689,122)**	**$ (28,725,468)**

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

9. INTANGIBLES AND OTHER ASSETS

	2020	2019
Trademarks and licenses	**$ 1,773,882**	$ 1,773,882
Patents and permits	**94,352**	94,352
Customer relationships	**583,441**	583,441
	2,451,675	2,451,675
Accumulated amortization	**(778,841)**	(636,886)
Trademarks and licenses with indefinite life	**374,372**	374,372
Total intangibles	**2,047,206**	2,189,161
Other assets	**33,672**	51,005
Total	**$ 2,080,878**	$ 2,240,166

	Trademarks and licenses	Patents and permits	Customer relationships	Total
Cost				
Balance at the beginning and end of 2019	$ 1,773,882	$ 25,636	$ 583,441	$ 2,382,959
Additions	68,716	-	-	68,716
Balance at December 31, 2019 and 2020	**$ 1,842,598**	**$ 25,636**	**$ 583,441**	**$ 2,451,675**
Accumulated amortization				
Balance at the beginning of 2019	$ (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)
Additions	(112,795)	(1,770)	(27,390)	(141,955)
Balance at December 31, 2020	**$ (519,446)**	**$ (15,739)**	**$ (243,656)**	**$ (778,841)**

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

10. 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: 13.06% for 2020 and 11.8% for 2019 for the domestic portion; and, in the case of the foreign portion, 7.6% and 8.4% for 2020 and 2019, respectively.

The following discount rates were utilized for liquid soap business: 13.06% and 11.7% for 2020 and 2019, respectively.

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

11. LONG-TERM DEBT

	2020	2019
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rate of 6.98%, with maturity in 2023.	**$ 1,750,000**	$ 4,250,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	**4,987,500**	4,722,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	**4,987,500**	4,722,500
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, 2020 the net annual rate was 1.3123%.	**3,990,000**	3,778,000
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, 2020, the annual rate is 4.7882%.	**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, 2020, the annual rate is 5.0210%.	**3,000,000**	3,000,000
Notes denominated as global bonds issued for USD$500 million, unsecured, bearing interest at a fixed net annual rate of 2.431%.	**9,975,000**	-
Total	**31,690,000**	23,473,000

	2020	2019
Current portion	**(3,990,000)**	(2,500,000)
Expenses on debt issuance	**(123,107)**	(61,905)
Increase of debt due to fair value hedge	**26,199**	40,941
Long-term debt	**$ 27,603,092**	$ 20,952,036

Long-term debt agreements contain certain covenants that do not include financial restrictions. Such obligations have been complied with as of December 31, 2020 and 2019.

Long-term debt matures as follows:

2022	$ 3,000,000
2023	3,250,000
2024	4,987,500
2025	4,987,500
2026	1,500,000
2029	3,324,986
2030	3,325,007
2031	3,325,007
	$ 27,700,000

Considering the interest rates, exchange rates and the debt in effect as of December 31, 2020, maturity of interest is an average of $1,737 million Mexican pesos in 2021 to 2024 and an average of $709 million Mexican pesos from 2025 to 2031.

As of December 31, 2020 and 2019, the fair value of debt approximates its carrying value.

12. OTHER ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

Are composed as follows:

	2020	2019
Provisions	**$ 409,259**	$ 473,011
Derivative financial instruments (see Note 16)	**11,165**	-
Value added tax, withholdings and taxes other than income tax	**597,602**	995,487
Other accrued services	**1,051,457**	868,161
Total	**$ 2,069,483**	$ 2,336,659

Provisions are composed as follows:

	2020	2019
Promotion	**$ 165,322**	$ 154,136
Freight	**243,937**	318,875
Total	**$ 409,259**	$ 473,011

	Promotion	Freight	Total
Balance at the beginning of 2019	$ 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, 2020	154,136	318,875	473,011
Increases	429,285	2,659,092	3,088,377
Applications	(418,099)	(2,734,030)	(3,152,129)
Balance at December 31, 2020	**$ 165,322**	**$ 243,937**	**$ 409,259**

13. INCOME TAXES

The statutory income tax rate is 30% for the years 2020 and 2019.

a. Income taxes recognized in profit or loss

	2020	2019
Current	**$ 2,977,000**	$ 2,476,000
Deferred	**(184,867)**	(161,989)
Total income taxes	**$ 2,792,133**	$ 2,314,011

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

	2020 Rate %	2019 Rate %
Statutory rate	**30.0**	30.0
Effects of inflation	**.3**	.3
Non-deductible items	**1.1**	1.3
Tax incentive and others	**.1**	(.6)
Effective rate	**31.5**	31.0

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

		2020		2019
Due to valuation of derivative financial instruments	**$**	**157,091**	$	255,366
Due to actuarial loss		**26,115**		34,739
Total	**$**	**183,206**	$	290,105

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:

		2020		2019
Property, plant and equipment	**$**	**922,888**	$	956,620
Intangibles arising from business combination		**7,629**		13,349
Inventories		**25,661**		21,448
Loss carryforwards (expiring from 2023 to 2038)		**(125,076)**		(164,167)
Other liabilities and provisions		**(712,047)**		(493,514)
Derivative financial instruments		**(99,600)**		57,491
Total	**$**	**19,455**	$	391,227

14. OTHER LIABILITIES

Is comprised as follows:

		2020		2019
Obligation to purchase minority interest	**$**	**260,275**	$	260,275
Retirement benefits		**403,637**		360,024
Total	**$**	**663,912**	$	620,299

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:

		2020		2019
Projected benefit obligation	**$**	**851,687**	$	733,610
Plan assets		**(448,050)**		(373,586)
Net liability		**403,637**		360,024
Annual cost	**$**	**67,844**	$	61,914

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

	2020 %	2019 %
Discount rate	**8.00**	8.75
Expected return on plan assets	**8.00**	8.75
Expected rate of salary increase	**4.50**	4.50

As of December 31, 2020 and 2019, employee benefits expense totaled $4,166 and $3,753 million, respectively.

15. 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, 2020, 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, 2020 is spaced out over eleven years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the net cash flow provided by operating activities as of December 31, 2020.

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 March 31, 2020, debt ratings by Standard & Poor's were "AAA" in pesos and "BBB+" in U.S. dollars, whereas those of Fitch Ratings were "AAA" in pesos and "A" in U.S. dollars. In all cases, these ratings are at least two notches above investment-grade.

b. Market risk

- Exchange rate

The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in Note 18.

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, 2020 the Entity had not entered into any hedge instrument on supplies purchases. Export sales in the year 2020 were $5,406 million Mexican pesos and it is estimated that the purchases of those inputs whose prices fluctuate due to changes in the exchange rate represent about 60% of its costs.

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

- Interest rates

As of December 31, 2020, 68% of the debt was at a fixed rate and 32% at a variable rate. To reduce the risk of interest rate variations, the Entity entered into derivative financial instruments denominated "interest rate swaps" with the aim to change 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 2020 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions and some cases contract signing. The Entity believes that no efficient financial hedge market exists for cellulose.

Another pricing risk derives from the price of natural gas as a result of the Entity's consumption of this input in its processes, as well as its impact on the prices of electricity. The prices of gas are monitored and hedging options are constantly analyzed. As of December 31, 2020, the Entity had not contracted any hedge instrument related to natural gas.

16. DERIVATIVE FINANCIAL INSTRUMENTS

a. Cross currency swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2020 and 2019 convert U.S. dollar-denominated for 1,200 and 700 million of debt into $21,831.8 and $10,614.8 million of Mexican pesos, respectively.

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

	2020	2019
Contracts to convert 325 million of U.S. dollar-denominated debt to $4,508.1 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to annual fixed rates in pesos of 6.85% and 6.21%, respectively.	**$ 2,419,693**	$ 2,111,443
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, 2020 annual rates in pesos are 4.5325% and 4.6975%	**1,393,785**	1,018,763
Contract to convert 200 million of US dollar-denominated debt to $3,578.5 million of Mexican peso debt and to convert variable USD rate based on monthly Libor plus 110 credit spread to variable pesos rate based on the 28-day TIIE plus 31.75 credit spread. As of December 31, 2020 annual rate in pesos is 4.805%.	**396,053**	230,363
Derivative financial instruments - asset	**4,209,531**	3,360,569
Current portion	**(396,053)**	-
Derivative financial instruments long term – asset	**$ 3,813,478**	$ 3,360,569

Maturity of the contract are as follows:

2024	**$ 2,062,728**
2025	**1,750,750**
	$ 3,813,478

	2020	2019
Contracts to convert 166.6 million of U.S. dollar-denominated debt to $3,739 million of Mexican peso debt and to convert annual fixed rate in USD from 2.431% to annual fixed rates in pesos of 7.4515% with maturity in 2029.	**$ (608,773)**	$ -
Contracts to convert 166.7 million of U.S. dollar-denominated debt to $3,739 million of Mexican peso debt and to convert annual fixed rate in USD from 2.431% to annual fixed rates in pesos of 7.4515% with maturity in 2030.	**(595,505)**	-
Contracts to convert 166.7 million of U.S. dollar-denominated debt to $3,739 million of Mexican peso debt and to convert annual fixed rate in USD from 2.431% to annual fixed rates in pesos of 7.4515% with maturity in 2031.	**(577,940)**	-
Derivative financial instruments – (liability)	**$ (1,782,218)**	$ -

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) effect of cash flow hedge that was reclassified to net income were $(1,029,088) and $(907,426) for the 2020 and 2019 years, respectively, which complement the exchange rate effect and the contracted interest, which correspond to the hedged item.

According to the terms and conditions signed in the contracts, when the valuation that represents a liability for the Entity exceeds 50 million dollars, the excess value must be guaranteed. As of December 31, 2020, a deposit of 42.3 million dollars is maintained (see Note 4).

b. Interest rate swaps

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:

		2020		2019
Contract to convert the variable 28-day TIIE rate, plus 5 basis points, to an 8.115% fixed rate with maturity in 2024.	**$**	**(75,450)**	$	(37,237)
Contract to convert the variable 28-day TIIE rate, plus 22 basis points, to an 8.34% fixed rate with maturity in 2025		**(258,452)**		(125,999)
Contract to convert the variable 28-day TIIE rate, plus 31.75 basis points, to an 8.44% fixed rate with maturity in 2021.		**(11,165)**		(43,820)
Contract to convert the 28-day TIIE rate, plus 30 basis points, to a fixed 8.344% rate with maturity in 2022.		**(158,186)**		(96,134)
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.545% rate with maturity in 2023.		**(129,719)**		(67,333)
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.67% rate with maturity in 2026.		**(248,330)**		(117,936)
Derivative financial instruments – (liability)	**$**	**(881,302)**	$	(488,459)
Current portion – (see Note 12)		**11,165**		-
Derivative financial instruments long term – (liability)	**$**	**(870,137)**	$	(488,459)

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

The (unfavorable) favorable effect of these contracts for $(281,653) and $31,242 for the 2020 and 2019 years, respectively, is presented in results as part of borrowing costs.

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.

17. STOCKHOLDER´S EQUITY

As of December 31, 2020 and 2019, common stock consists of nominative common shares with no par value, as follows:

	Shares			
	2020	%	2019	%
Serie "A"	**1,601,738,673**	**52**	1,604,438,673	52
Serie "B"	**1,477,393,864**	**48**	1,480,393,834	48
Total	**3,079,132,537**	**100**	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.

As part of the program for the repurchase of the Company's own shares approved annually by the stockholders, during the year ended December 31, 2020, 5,699,970 shares, were repurchased.

In accordance with the Mexican income tax law, total stockholders' equity, except for stockholders' contributions and their related tax restatement, as well as retained earnings determined based on the provisions of such law, is subject to a dividend tax, payable by the Entity, in the event of distribution. As of December 31, 2020, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $25,579,000 and the net tax income account that started in 2014 for $35,194,000.

During the years ended December 31, 2020 and 2019, the Entity paid dividends and stockholders' equity reimbursement for $4,935,732 and $4,781,490, respectively. If such dividends and stockholders' equity reimbursement had not been paid, stockholders' equity have been increased by $9,717,222 and $4,781,490, as of such dates.

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

18. 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:

	2020	2019
Monetary assets	**$ 203,609**	$ 180,191
Monetary liabilities (see Note 16)	**1,391,166**	867,172

Exchange rates used to value such balances were $19.95 and $18.89 Mexican pesos per one U.S. dollar, respectively.

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

	2020	2019
Export sales	**$ 247,567**	$ 151,098
Purchases of raw materials, spare parts and services	**573,086**	611,969
Purchases of machinery and equipment	**24,089**	19,369

19. RELATED PARTIES

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

	2020	2019
Kimberly-Clark Corporation:		
Purchases and technical services	**$ 1,648,149**	$ 1,685,187
Machinery and equipment	**75,602**	14,827
Net sales and others	**2,581,063**	873,053
Trade accounts payable	**349,642**	314,566
Trade accounts receivable	**505,748**	222,542

Other - As of December 31, 2020 and 2019, employee benefits granted to Entity's key senior management were $264,200 and $228,311, respectively.

20. 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:

	2020			
	Consumer Products	Professional	Exports	Total
Net sales	**$ 37,629,613**	**$ 3,667,224**	**$ 5,406,058**	**$ 46,702,895**
Operating profit	**9,172,711**	**751,897**	**612,685**	**10,537,293**
Depreciation and amortization	**1,583,561**	**167,083**	**202,691**	**1,953,335**
Total assets	**42,958,471**	**4,186,552**	**6,171,628**	**53,316,651**

	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

21. COMMITMENTS

At December 31, the Entity held the following commitments:

	2020	2019
Acquisition of machinery, equipment and construction projects	**$ 1,208,139**	$ 331,061
Acquisition of raw materials, spare parts and other	**584,291**	678,924

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

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

Management has evaluated the impacts of the new and amended IFRS Standards that will become effective and do not expect a significant effect on the Entity’s amounts and disclosures included in the consolidated financial statements.

23. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

On February 8, 2021, 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.

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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