

April 25, 2019

**Kimberly-Clark de México, S.A.B. de C.V.
FIRST QUARTER 2019 RESULTS**

Highlights:

- First quarter sales grew 8% to Ps. \$11.0 billion, a new quarterly record
- Higher gross, operating, net and EBITDA margins sequentially
- Slightly better cost environment in recent months but still challenging
- EBITDA of Ps.\$2.6 billion during the quarter. Margin improved 250 basis points sequentially to 23.2%
- Cost savings of approximately \$300 million during the quarter

QUARTERLY FINANCIAL RESULTS

Prepared in accordance with International Financial Reporting Standards (IFRS)
Million pesos

| | <u>1Q'19</u> | <u>1Q'18</u> | <u>CHANGE</u> |
|-------------------------|-----------------|-----------------|---------------|
| NET SALES | \$11,014 | \$10,207 | 7.9% |
| GROSS PROFIT | 3,875 | 3,726 | 4.0% |
| OPERATING PROFIT | 2,061 | 2,021 | 2.0% |
| NET INCOME | 1,161 | 1,207 | (3.8)% |
| EBITDA | 2,558 | 2,436 | 5.0% |

Net sales were 8% higher, driven by an 8% positive price and mix comparison while volumes were slightly down impacted by lower export sales.

Consumer product revenues increased 8%, Away from Home grew 7% and exports declined 23%. The decline in exports sales reflects more tissue sold domestically.

Gross profit grew 4%, with margin decreasing 130 basis points year over year to 35.2% and improving sequentially by 190 basis points. This reflects higher input prices, on a year over year comparison, of recycled and virgin fibers as well as energy. The negative FX comparison added to the pressure. On the positive side, prices of superabsorbent materials and resins compared

favorably. The cost reduction program yielded approximately Ps. \$300 million in the quarter which helped mitigate the negative cost impacts.

Operating expenses grew 6% and were 20 basis points lower as a percentage of sales at 16.5%. We maintain our lean operation and continue to invest efficiently behind our brands.

Operating income increased 2% and margin was 18.7%, a year on year decrease of 110 basis points and a sequential improvement of 170 basis points.

EBITDA increased 5% to Ps. \$2.6 billion in the quarter, and the margin was 23.2% of which approximately 60 basis points derive from IFRS 16.

Cost of financing was Ps. \$368 million in the first quarter, compared to Ps. \$299 million in the same period of last year. Interest expense was higher from increased debt and higher interest rates. The foreign exchange gain in the period was Ps. \$25 million compared to a Ps. \$43 million gain in the previous year.

Net income decreased 4% and earnings per share for the quarter were \$0.38.

During the last twelve months, we invested Ps. \$1,468 million in Capex and paid Ps. \$4,872 million to our shareholders.

As of March 31, the company held Ps. \$6.5 billion in cash and equivalents.

Total net debt as of March 2019 was Ps. \$15.6 billion, compared to Ps. \$15.4 billion on December 2018. Long-term debt comprised 97% of total debt and all debt was denominated in Mexican pesos.

The accounting standard IFRS 16 Leases, became effective Jan 1, 2019. This standard requires recognition of right-of-use assets and their related liabilities for lease contracts with significant value and with a term greater than twelve months. Depreciation of the asset, interests and exchange rate fluctuations on the lease liability are also recognized. Impacts on Kimberly-Clark de México's Balance Sheet as of March 31, 2019 are the recognition of Ps. \$1.3 billion of right-of-use assets and their related Ps. \$1.3 billion liabilities. The effects on the quarter's operating profit and net income are not material. The effect on EBITDA is Ps. \$70 million.

In dollars, under US GAAP, net sales increased 6%, operating profit was in line with the quarter of last year and net income decreased 5%.

FINANCIAL POSITION

Million Pesos

| | As of March | |
|--|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 6,534 | \$ 5,426 |
| Trade and other receivables | 7,463 | 7,538 |
| Inventories | 3,837 | 3,402 |
| Property, plant and equipment | 17,635 | 17,592 |
| Right of use assets | 1,315 | - |
| Derivative financial instruments | 3,712 | 2,644 |
| Intangible assets and others | <u>3,230</u> | <u>3,396</u> |
| Total | \$43,726 | \$ 39,998 |
| <u>Liabilities and equity</u> | | |
| Bank loans current | \$ 235 | \$ 200 |
| Current portion of long term debt | 400 | 1,500 |
| Current lease liabilities | 208 | - |
| Trade payables | 6,479 | 5,504 |
| Employee benefits | 1,149 | 1,349 |
| Capital reimbursement | 4,784 | 4,874 |
| Provisions and other liabilities | 2,307 | 2,170 |
| Current income tax payable | 388 | 312 |
| Long term debt | 23,822 | 20,456 |
| Non-current lease liabilities | 1,103 | - |
| Non-current derivative financial instruments | 82 | - |
| Deferred taxes | 682 | 971 |
| Other liabilities | 548 | 483 |
| Equity | <u>1,539</u> | <u>2,179</u> |
| Total | \$43,726 | \$ 39,998 |

CASH FLOW

Million pesos

| | Three months ended March | |
|---|--------------------------|--------------|
| | <u>2019</u> | <u>2018</u> |
| Profit before tax | \$1,693 | \$1,722 |
| Depreciation and amortization | 498 | 416 |
| Other | 367 | 298 |
| Cash used in operations | <u>(281)</u> | <u>(827)</u> |
| Net cash flow from operating activities | 2,277 | 1,609 |
| Capital expenditures | (167) | (492) |
| Increase in controlling minority interest | (125) | - |
| Payments of lease liabilities | (70) | - |
| Payment of borrowings & net interest | <u>(355)</u> | <u>(249)</u> |
| Net increase in cash | 1,560 | 868 |
| Effect of exchange rate changes on cash | (25) | (116) |
| Cash and equivalents at the beginning of period | 4,999 | 4,674 |
| Cash and equivalents at the end of period | 6,534 | 5,426 |

Conference Call Information

The 1Q'19 conference call will be held on Friday, April 26, 2019 at 9:30 am Eastern time (8:30 am Central time / Mexico time). To participate in the call, please dial: US +1(888) 318-6429, international +1(334) 323-7224; conference ID: KIMBERLY.

A replay of the conference call will be available through May 3, 2019. To access the replay, please dial US +1(877) 919-4059, international +1(334) 323-0140; conference ID: 30259925

Kimberly-Clark de México S.A.B. de C.V. is a Mexican company that manufactures and commercializes branded consumer products such as diapers, feminine pads, bath tissue, napkins, facial tissue, paper towels, wet wipes and soap. We are market leaders in almost all of our categories with brands such as Huggies, Kleen-Bebé, Kleenex, Kimlark, Pétalo, Cottonelle, Depend, Kotex, Evenflo and Escudo.

Investor Relations Contact

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