2018 ANNUAL REPORT

INNOVATION

Every day, for a lifetime

Kimberly-Clark de México

Innovation is and will always be the factor that drives our growth, positions our brands and enables us to create value. We are continually working to develop new and better products with our consumers in mind, bringing these products to them promptly and affordably.

Every day, for a lifetime

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

All-Around perfect fit

360° waistband perfectly adjusts to all the baby's movements, giving them all the freedom they need.

Maximum absorption

The soft inside liner with micro-embossing allows for more absorption and faster distribution of liquids.

Total comfort

with All-Around waistband, that hugs your baby's body and provides maximum comfort in every movement.

New Huggies All Around, more confortable diaper pants for your baby, more practical for moms.

We have a responsibility to create the highest-quality products possible for every generation, closely tending to every detail from start to finish.

TION

Perfect fit

that molds to your body.

Fresh, soft cover

New micro-pad

that absorbs seven times more quickly.

Kotex Nocturna, provides the fastest absorption for advanced protection, greater comfort and security.

Kotex cares about each new generation, and that's why every year we visit more than 90,000 girls to provide them with information about the onset of menstruation and intimate care, to help them feel more secure.

Supreme softness

thanks to the only doubledrying CTAD technology in Mexico, it is the softest toilet tissue on the market.

Hypoallergenic

paper certified by a specialized lab (Allergisa) to protect the health and wellbeing of our consumers.

New Kleenex Cottonelle Pure offers supreme softness in every sheet, besides being hypoallergenic.

The only ones in Mexico to use advanced Creped Through Air Drying technology, providing matchless softness.

TION

3 in 1

for body and face, with DEO Protect technology for extra security and protection starting from the shower.

Deodorant Shield

with anti-odor protection for hours, eliminating the bacteria that cause body odor.

Escudo Antibacterial Men eliminates bacteria that cause body odor, providing extra security and anti-odor protection.

Products in new segments that bring us closer to consumers through meaningful innovation.

TION

Faster absorption

reinforced DryGel Center absorbs 10% faster for more dryness.

Ultra-discreet design

fits your body for a smooth fit under clothes.

Depend® Underwear, with maximum absorption technology, turns liquids to gel and gets rid of odors instantly.

By re-engineering of the absorbent core, we optimized the best features for incontinence protection underwear: rapid absorption, discretion and comfort.

Nipples with flexible waves

to fit baby's gums.

Natural-shaped nipple mimics mother's breast

to naturally fit baby's mouth.

Anti-colic double valve

helps reduce colic, gas and reflux.

Advanced by Evenflo is the perfect combination of design and technology in baby care products that let moms enjoy every moment.

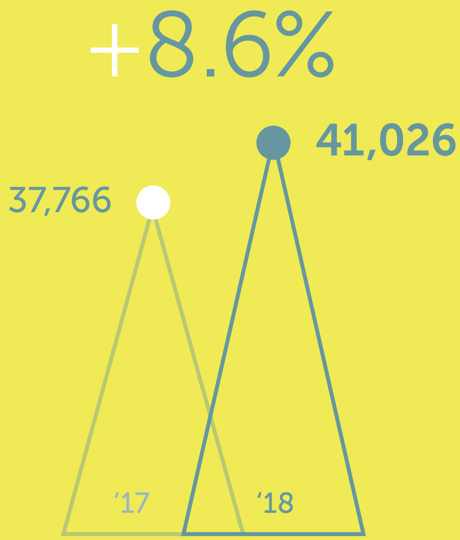
Advanced by Evenflo,
a world of advanced
solutions to make
your baby smile.

TION

Key financial data

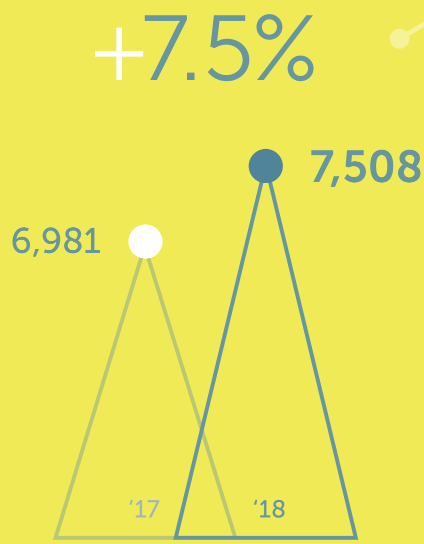
Figures in millions of pesos

	2018	2017	% Change
Net sales	**41,026**	37,766	8.6%
Gross earnings	**14,340**	13,402	7.0%
Margin	**35.0%**	35.5%	
Operating Income	**7,508**	6,981	7.5%
Margin	**18.3%**	18.5%	
Net earnings	**4,227**	4,037	4.7%
EBITDA	**9,070**	8,581	5.7%
Margin	**22.1%**	22.7%	
Basic earnings per share (pesos)	**1.37**	1.31	4.6%



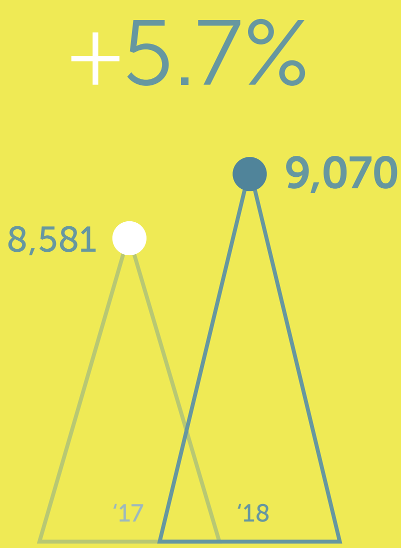
NET SALES

(MILLIONS OF PESOS)



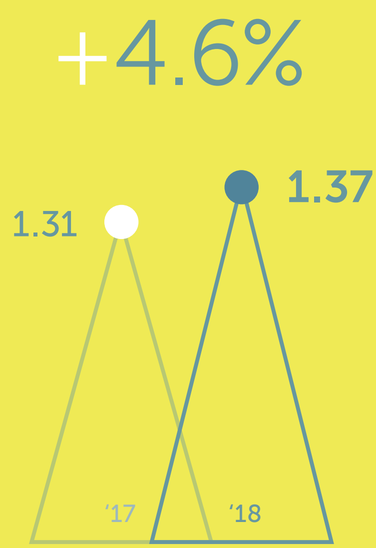
OPERATING INCOME

(MILLIONS OF PESOS)



EBITDA

(MILLIONS OF PESOS)



BASIC EARNINGS PER SHARE

PESOS

Letter to **shareholders**

Report to our shareholders:

Economic activity slowed around the world in 2018, responding to uncertainty and volatility stirred up by various geopolitical events that affected global trade, particularly the Chinese economy, which lost some of its vigor despite continuing growth.

The U.S. economy continued generating jobs and growing, since its main component, consumption, remained strong due to the boost from the tax reform. This led the Federal Reserve to raise benchmark rates, pressuring emerging market currencies.

This, together with tariffs imposed by President Trump's government on Chinese imports, and that country's effort to re-balance its economy, caused lower economic growth, with the resulting impact on commodities and export-oriented countries. Germany is one such case, and it was very close to entering a technical recession in the second half of the year. This, combined with uncertainty over Brexit and popular opposition to reforms by the French government and other countries in the European bloc, led to slower growth in the euro zone, despite steady support from the European Central Bank.

In Mexico, economic performance was similar to the previous year and, once again, was significantly less than expected. The drop in oil and gas production, reduced public investment and construction activity, as well as inflation close to 5 percent, took their toll on the economy. On the other hand, job creation, growth in tourism, wage remittances and exports, coupled with domestic consumption—although the latter slowed—fueled the Mexican economy. Nevertheless, uncertainty over the modernization of the North American Free Trade Agreement—now USMCA—presidential elections in this country, and some of the decisions made by the new administration, particularly cancellation of the new Mexico City Airport and others regarding the energy sector, set off episodes of exchange-rate volatility and a reduction in investment.

Despite this more challenging context, the company had a reasonable year for results. Revenues once again reached record levels, and we achieved growth in our operating income, EBITDA and net earnings, although our margins remained under pressure.

Financial results

The moderate growth in consumption, along with the solid position of our brands, our innovation plans and good performance from various categories, allowed us to increase sales by 8.6 percent during the year, primarily because of improvements in prices and the sales mix.

But despite stronger sales, more and better operating efficiency, and our ongoing program of cost- and expense cutting which resulted in record savings, our results were hardly hit by steady increases in our costs, especially pulp and recyclable fiber, which in the last two years have increased by more than 50 percent in dollar terms. Additionally, energy costs dropped in the first half of the year but rose by more than 60 percent in the second half, and our currency has accumulated a devaluation of 50 percent since 2014.

Moderate growth in consumption, along with the solid position of our brands, our innovation plans and good performance from various categories, allowed us to increase sales by 8.6 percent.

With all of this together, and higher export sales of master rolls of paper — which have lower margins—operating income grew by 7.5 percent and EBITDA 5.7 percent. Net income was up 4.7 percent, affected by higher financing costs, including lower compounded interest.

Innovation

At Kimberly-Clark de México (KCM), we continued our strategy of generating value through meaningful innovation that improves our consumers' lives. In 2018 we brought some important new propositions to the market in all our product categories.

In the baby care category, we improved the appearance of all our diapers with a new and exclusive fabric-type cover that provides greater softness.

In the high-end diaper segment we added almond oil to our Huggies® Supreme® brand to protect baby's skin.

We introduced new self-fitting Huggies All Around® diapers, the first self-fitting diaper in Mexico, whose perfect-fit technology provides total comfort to baby for superior mobility.

In the mid-market segment, KleenBebé® Suavelastic® and KleenBebé® Comodisec® improved their performance with a new super-absorbent core and a new and improved liner, for greater dryness and absorption.

Also, KleenBebé® Comodisec® was re-launched with a new more anatomical, better-fitting diaper, incorporating elastic wings, among other features.

In the same segment, we introduced KleenBebé® Movilastic, a new proposal for better fit and a new way to diaper your baby.

In Absorsec® wet wipes, we introduced a new dispensing system and a new chamomile fragrance, and launched Kimbies® wet wipes for the economic segment.

As for our Evenflo® brand products in the premium segment, the Advanced family of baby bottles was expanded to include a new 2-ounce bottle and we rounded out the portfolio with new breast-pump storage bags.

In the training cup category, we launched new glow-in-the-dark technology cups and a line of cups with integrated straws.

In the baby furniture category, we launched a new line of car seats with a 7-position headrest, a 5-point safety belt and ISOFIX system. In strollers, we incorporated the "Light Route" compact folding model, with a lightweight mechanism and shoulder strap, and the Fast-Fold stroller whose structural design allows it to be folded with a single hand.

In the bathroom tissue category, for the premium segment we developed Kleenex® Cottonelle® Pure, a high-softness tissue, and in the mid-market segment we introduced Suavel® seasons, with an exclusive design of fragrances for each season.

In the napkin category, we launched Kleenex® Daily napkins, and in the Suavel®, Delsey® and Vogue® brands, we updated the embossing for improved image and thickness of napkins in this segment.

For facial tissue, we added Kleenex® Aromas in tissue packs and boxes with attractive fragrances to improve the brand's market penetration.

Finally, in the paper towel category, we introduced Vogue Multicorte kitchen towels so consumers can choose how much towel to use.

In the feminine napkin category, we made some improvements to the micro-pad category by developing a material with KCM proprietary technology, which has advantages in terms of absorption speed and dryness. We also re-designed the ultra-thin pads to incorporate new channels that better distribute liquids.

In our incontinence business, the Depend® underwear line was enhanced with a new absorbent core and a more discrete and organic shape, concentrating absorbency where it's most needed and making the product more efficient in terms of absorption speed and dryness. This improvement was also introduced to the Diapro® line of disposable underwear.

In all of our feminine protection and incontinence lines we have a new, softer and whiter outside cover that improves performance and appearance, and a new liquid capture layer for quicker absorption and greater dryness.

For our beauty care business, we launched a new proposition for the market: Escudo® Antibacterial 3-in-1 men's body wash (hair, face and body) with DEO PROTECT technology to control the body odor caused by perspiration. In our Escudo® Antibacterial bar soap line we developed a new version with more protection and freshness, and an on-the-go Escudo® Antibacterial gel with emollients, to provide a pleasant sense of softness to the skin.

Finally, in the beauty care business, we also re-launched the Huggies® Baby line with a new portfolio of products: Huggies® Relaxing Care, Pure Care and Clear Care, with a cleaner, safer formula to provide the best care for baby's skin.

In our professional business, we introduced the jumbo Scott® Fluido Céntrico bathroom tissue roll and the Barra Cafetería napkin, personalized napkins with enhanced performance, increased resilience and absorption, and improved dimensions for higher yield.

Operations

In 2018, our production strategy focused on starting up a range of manufacturing and conversion equipment in both home and personal care products, in order to continue supporting the company's growth, improving product quality and continuing to upgrade our technological platform.

We continued our strategy of generating value through meaningful innovation that improves our consumers' lives. In 2018 we brought some important new propositions to the market in all our product categories.

Among the highlights were the successful startup of two new conversion lines in Morelia and a major modification (transformation) of the number 1 machine at that plant. We also modified two conversion lines in Orizaba, and started up a new "closed diaper" paper machine in the Mexican market to make the Huggies® All Around and KleenBebé® Movilastic brands, and an update of the TNT outside cover line to improve the image of quality and perception of softness, both in Tlaxcala. At Prosede, we started up a new non-woven fabric line for high-speed absorption and high dryness.

We also worked intensively on identifying and implementing initiatives to build competitive cost advantages, generating Ps.$1.4 billion in savings, which, for the fifth year in a row, was equivalent to 5 percent of the cost of goods sold.

As regards inventory turnover, we reduced this indicator from 7.9 to 7.6 times, as a result of significantly higher costs on our raw materials, and the incorporation of Escudo® and 4e® businesses.

Sustainability and social responsibility

In our report on sustainability goals and achievements, we provide information on the company's progress in areas like corporate governance, environmental care and social responsibility. The report is assessed each year by the rating agency in charge of selecting the Mexican Stock Exchange's Sustainable IPC Index, and KCM steadily advanced in the rating of its sustainable performance, thanks to our solid results and clear trend towards ongoing improvement.

In terms of environmental care, we continued our progress in a number of areas, such as water consumption per metric ton of production—where we remain an industry benchmark—sustainable fiber sourcing and use of recovered fibers—where we obtained Leadership level in the CDP Forests assessment—efficient energy consumption in our operations and a reduction of greenhouse gases emission intensity. In addition, in the area of energy consumption, our Ramos Arizpe and Bajío plants operate cogeneration processes that efficiently produce steam and electrical energy.

In social responsibility, as part of the KCM Inspira initiative, whose motto is "Caring, Educating, Encouraging," we once again demonstrated our commitment to internal and external stakeholders, addressing their needs through volunteer actions by our personnel and our support for more than 200 charitable institutions.

Along similar lines, this past year the Huggies® brand launched its Embracing Development platform, a comprehensive program created together with childhood development specialists that encourages babies to move through practical exercises at various phases of their development. Huggies® knows that movement

Our main brands are adopting and promoting social causes that are important to our consumers, like the battle against breast cancer.

and loving contact are important to the development of babies' brains, because it's through movement that babies build neurological connections and more areas of control that are key to their future.

Kotex® cares about each new generation, and that's why every year, through our School Tour program, we visit more than 90,000 girls with information about intimate care, to help them feel more secure.

Additionally, Escudo® Antibacterial began a program of school visits to help educate kids about health and hygiene, providing information to share with parents and encouraging best practices and health protection at all times.

Besides these efforts, our main brands are adopting and promoting social causes that are important to our consumers, like the battle against breast cancer.

More recently, aware of our responsibility to society, we are supporting the new federal administration's program Youth Building the Future, under which we have already incorporated more than 100 interns into our operations and will welcome more in the months ahead. We are convinced that this workplace inclusion program can have a positive effect on our society and our country.

In recognition of these and other actions, our company was included in the FTSE4 Good index, a British market indicator that recognizes organizations outstanding in their industry in terms of sustainability and social responsibility.

Human resources

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

In keeping with the above, a significant portion of the compensation and benefits we offer our employees is variable, and our contractual negotiations with unions have been based on competitive guidelines and conducted in a climate of cordiality and mutual respect, which the company has always encouraged. As is customary, in 2018 the company generated and paid out employee profit-sharing amounting to more than Ps.650 million, recognized as one of the highest in the country and consistent with our philosophy of giving our employees a share in our results.

In terms of safety, KCM is committed to an operational management that guarantees the occupational safety and health of every one of our employees, contractors and visitors as well. 2018 was not entirely a favorable year in terms of our safety record, and we failed to meet our goal of zero accidents, but we fully intend to redouble our efforts in the coming year to achieve this.

> *We expect to report better results in 2019. 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.*

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

Relationship with Kimberly-Clark Corporation

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

Outlook

The early months of 2019 were marked by widespread uncertainty over the various signals sent by the new presidential administration in Mexico. This not to mention that fact that the start of every six-year administration in this country is habitually accompanied by sluggish economic growth.

There are also clear signs of slowdown across the globe, particularly in China and Europe. The United States economy continues to grow, but the standoff between Republicans and Democrats in congress could affect or delay approval of the new free trade agreement (the USMCA).

Under these circumstances, we expect slower growth for the Mexican economy. As for consumption, the creation of new jobs, incoming remittances, and social and economic support programs to various groups will help. Nevertheless, the learning curve of the new administration, along with cancellation of some major investments, the review or cancellation of some structural reforms and commitments taken on in the past administration, the deterioration of prospects at Pemex and its possible impact on the nation's finances, questions about the autonomy of some institutions, outbursts of labor instability and, in general, the lack of a clear framework to promote investment and competitiveness, has caused jitters in the Mexican and global business world.

Therefore, the outlook remains challenging. To face this, the government, society and business clearly must close ranks to make progress in the areas of security, attacking corruption and impunity, building strong institutions and promoting a true Rule of Law, all of them indispensable elements—though not in and of themselves sufficient—for achieving greater inclusion, equal opportunities, social mobility and well-being. It is urgent we face all these challenges decisively.

This effort must be accompanied by a clear and concerted strategy to promote competitiveness and investment, and thus to create new

jobs. It is paramount that we restore the confidence and credibility needed to attract more productive investment and achieve economic growth of 4%, as proposed by the new administration. Only thus can we become a modern, developed and highly inclusive country. It is time to redouble efforts and to build as one.

With this in mind, our company will work to consolidate and strengthen our competitive advantages, investing in innovation, in our brands, technology, and in the training and development of our people, and in our execution capacity.

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

With all of this, we expect to report better results in 2019. It will be difficult at the start, but we are confident that the actions we are taking will bring a steady improvement as the year progresses. Furthermore, as economic growth accelerates in the years to come and translates into a more dynamic and stronger market for domestic consumption with a growing middle class, the company will be exceptionally well positioned to take advantage of it.

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

Very sincerely,

Claudio X. González L.
Chairman of the Board

Pablo R. González G.
Chief Executive Officer

This report was approved in full by the Board of Directors in its meeting of February 12, 2019.

BABIES

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

BEAUTY

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

ADULTS

underwear, protectors, femenine pads, prefolded

Products designed **for you**

HOME

toilet paper, napkins, facial tissue, paper towels

WOMEN

feminine pads, panty liners, tampons, intimate wipes

PROFESSIONAL

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

Board of **directors**

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

** Independent Members*

Officers

Pablo González Guajardo
Chief Executive Officer

Xavier Cortés Lascurain
Chief Financial Officer

Jorge Morales Rojas
Corporate Director of Business and Commercial Strategy

Fernando González Velasco
Corporate Director of Consumer Product Sales

Luiz Roberto Neves Rodrigues
Corporate Director of Supply Chain

Ernesto Reyes Díaz
Corporate Director of Personal Care Manufacturing

Juan Antonio González Urevig
Corporate Director of Tissue Manufacturing

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

Jesús González Laporte
Director of Strategic Operations Planning

Alejandro Lascurain Curbelo
Director of Human Resources

Virgilio Isa Cantillo
Director of Strategic Projects

Humberto Narro Flores
Export Manager

Regina Celorio Calvo
Communications and New Avenues for Growth Manager

Fernando Vergara Rosales
Corporate Comptroller

Alejandro Argüelles de la Torre
General Counsel

Carlos Conss Curiel
Deputy Director of Information Services

Azul Argüelles Rojas
Treasurer and Investor Relations

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, 2018 and 2017, and the consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the Code of Ethics issued by the Mexican Institute of Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with both codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The key audit matters were selected from those reported to the Entity's Management and Audit Committee, but do not represent all the issues discussed with them. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

Allowance for rebates

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

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

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

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

The Entity has quantified the recoverable value of certain cash-generating units based on the methods required by IAS 36 "Impairment of assets". Goodwill and intangibles are subject to yearly impairment tests that include management judgement to estimate future cash flows and an appropriate discount rate. At the end of this year, goodwill for $934,221 and intangible assets for $1,279,574, 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 7 and 8 to the accompanying consolidated financial statements include certain disclosures about goodwill and intangibles.

Annual report presented to the Mexican Stock Exchange

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

Our responsibility is to read the information contained in the annual report when it becomes available to us, and in doing so, consider whether such information is materially consistent with the 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, de2sign 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 6, 2019

consolidated statements of **financial position**

December 31, 2018 and 2017
(Thousands of Mexican pesos)

	Notes	2018	2017
Assets			
Current assets:			
Cash and cash equivalents		**$ 4,999,502**	$ 4,674,339
Trade accounts receivable - net	4	**6,750,417**	6,003,793
Notes receivable and others		**330,058**	291,391
Inventories	5	**3,712,003**	3,174,694
Total current assets		**15,791,980**	14,144,217
Long-term assets:			
Property, plant and equipment	6	**17,867,530**	17,476,248
Derivative financial instruments	14	**4,273,238**	4,285,785
Intangibles and other assets	7	**2,338,243**	2,499,849
Goodwill	8	**934,221**	934,221
Total long-term assets		**25,413,232**	25,196,103
Total		**$ 41,205,212**	$ 39,340,320
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of long-term debt	9	**$ 400,000**	$ 1,500,000
Bank loans		**235,000**	175,000
Trade accounts payable		**6,016,876**	4,881,863
Other accounts payable, accrued liabilities and provisions	10	**2,115,668**	1,940,219
Employee benefits		**1,072,890**	1,138,157
Income tax	11	**378,564**	332,351
Total current liabilities		**10,218,998**	9,967,590
Long-term liabilities:			
Long-term debt	9	**24,005,567**	21,630,132
Deferred income taxes	11	**826,158**	1,108,433
Other liabilities	12	**550,998**	487,278
Total long-term liabilities		**25,382,723**	23,225,843
Total liabilities		**35,601,721**	33,193,433
Stockholders' equity			
Contributed		**579,571**	579,695
Earned		**4,234,246**	4,881,446
Other comprehensive income		**746,965**	629,057
Controlling Entity stockholders' equity	15	**5,560,782**	6,090,198
Minority interest stockholders' equity		**42,709**	56,689
Total stockholders' equity		**5,603,491**	6,146,887
Total		**$ 41,205,212**	$ 39,340,320

See accompanying notes to consolidated financial statements.

consolidated statements of **income**

Years ended December 31, 2018 and 2017
(Thousands of Mexican pesos, except as indicated)

	Notes	2018	2017
Net sales		**$ 41,026,097**	$ 37,765,760
Cost of sales		**26,686,298**	24,363,769
Gross profit		**14,339,799**	13,401,991
Selling expenses		**4,714,818**	4,448,828
Administrative expenses		**2,116,926**	1,971,695
Operating profit		**7,508,055**	6,981,468
Finance costs:			
Borrowing costs		**1,775,539**	1,461,592
Interest income		**(288,114)**	(264,473)
Exchange fluctuation – net		**25,294**	73,574
Income before income taxes		**5,995,336**	5,710,775
Income taxes	11	**1,782,604**	1,703,605
Consolidated net income before minority interest		**4,212,732**	4,007,170
Net loss minority interest		**(13,980)**	(30,133)
Net income		**$ 4,226,712**	$ 4,037,303
Basic earnings per share (in pesos)		**$ 1.37**	$ 1.31
Weighted average number of outstanding shares (in thousands)		**3,084,833**	3,085,119

See accompanying notes to consolidated financial statements.

consolidated statements of other **comprehensive income**

Years ended December 31, 2018 and 2017
(Thousands of Mexican pesos)

	Notes	2018	2017
Consolidated net income		**$ 4,212,732**	$ 4,007,170
Other comprehensive income:			
Items that will not be reclassified subsequently to statements of income			
Actuarial losses on retirement benefits – net of tax	12	**(24,453)**	(15,882)
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	14	**142,361**	53,428
		117,908	37,546
Consolidated comprehensive income before minority interest		**4,330,640**	4,044,716
Comprehensive loss minority interest		**(13,980)**	(30,133)
Comprehensive income		**$ 4,344,620**	$ 4,074,849

See accompanying notes to consolidated financial statements.

consolidated statements of changes in **stockholders' equity**

Years ended December 31, 2018 and 2017
(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 stockholders' equity	Total stockholders' equity
Balance, January 1, 2017	$ 580,286	$ 5,827,476	$ (88,383)	$ 145,682	$ 534,212	$ 6,999,273	$ 86,822	$ 7,086,095
Dividends paid		(4,874,193)				(4,874,193)		(4,874,193)
Repurchase of own stock	(591)	(109,140)				(109,731)		(109,731)
Comprehensive income		4,037,303	(15,882)		53,428	4,074,849	(30,133)	4,044,716
Balance, December 31, 2017	579,695	4,881,446	(104,265)	145,682	587,640	6,090,198	56,689	6,146,887
Stockholders' equity reimbursement	(124)	(4,873,912)				(4,874,036)		(4,874,036)
Comprehensive income		4,226,712	(24,453)		142,361	4,344,620	(13,980)	4,330,640
Balance, December 31, 2018	**$ 579,571**	**$ 4,234,246**	**$ (128,718)**	**$ 145,682**	**$ 730,001**	**$ 5,560,782**	**$ 42,709**	**$ 5,603,491**

See accompanying notes to consolidated financial statements.

consolidated statements of **cash flows**

Years ended December 31, 2018 and 2017
(Thousands of Mexican pesos)

	2018	2017
Operating activities:		
Income before income taxes	**$ 5,995,336**	$ 5,710,775
Items related to investing and financing activities:		
Depreciation and amortization	**1,562,338**	1,599,824
Exchange fluctuations	**25,294**	73,574
Interest expense - net	**1,487,425**	1,197,119
	9,070,393	8,581,292
Trade accounts receivable and other	**(784,657)**	(679,685)
Inventories	**(537,309)**	(313,496)
Trade accounts payable	**1,143,398**	413,863
Other accounts payable, accrued liabilities and provisions	**167,203**	(16,765)
Employee benefits and retirement	**(36,479)**	(211,497)
Income taxes paid	**(2,068,755)**	(2,247,615)
Net cash flows provided by operating activities	**6,953,794**	5,526,097
Investing activities		
Additions to property, plant and equipment	**(1,792,043)**	(2,577,711)
Other assets	**19,464**	16,996
Net cash flows used in investing activities	**(1,772,579)**	(2,560,715)
Excess cash to apply in financing activities	**5,181,215**	2,965,382
Financing activities		
Borrowings	**3,042,000**	3,162,810
Payment of loans	**(1,500,000)**	(2,500,000)
Interest paid	**(1,488,757)**	(1,252,703)
Dividends paid	**-**	(4,874,193)
Stockholders’ equity reimbursement	**(4,874,036)**	-
Repurchase of own stock	-	(109,731)
Net cash flows used in financing activities	**(4,820,793)**	(5,573,817)
Increase (decrease) in cash and cash equivalents	**360,422**	(2,608,435)
Effects of exchange rate changes on balance held in foreign currency	**(35,259)**	(178,718)
Cash and cash equivalents at the beginning of year	**4,674,339**	7,461,492
Cash and cash equivalents at the end of year	**$ 4,999,502**	$ 4,674,339

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations for $(28,000) in 2018 and $770,000 in 2017, and valuation of derivative financial instruments for $(243,645) in 2018 and $133,614 in 2017.

See accompanying notes to consolidated financial statements.

notes to the consolidated financial statements

Years ended December 31, 2018 and 2017
(Thousands of Mexican pesos, except as indicated)

1. General information

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

2. International Financial Reporting Standards ("IFRS or IAS")

The following IFRS, issued by the International Accounting Standards Board (IASB), took effect as of January 1, 2018.

- IFRS 9 Financial Instruments

  The temporary provisions of IFRS 9 allow the Entity to not reissue comparative consolidated financial statements. The main changes to this standard and which affect the Entity are as follows:

  - Impairment in the value of Financial Assets – which shifts the approach from an incurred loss measurement model to an expected credit loss model.
  - Hedge Accounting – Hedge effectiveness tests are applied prospectively without the need to apply limits ranging from 80% to 125%.

- IFRS 15, Revenue from Contracts with Customers

  The risk and reward approach of the previous standard has been replaced by a control approach.

  The basic principle involves recognizing revenues that 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.

  This principle is applied by utilizing a five-step model:

  - Identify the contract executed with the customer.
  - Identify the performance obligations detailed in the contract.
  - Determine the transaction price.
  - Assign the transaction price to the performance obligations.
  - Recognize revenues as the performance obligation is fulfilled.

  The application of this standard did not affect the figures recognized in the Entity's consolidated financial statements.

3. Basis of presentation and significant accounting policies

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

a. Measurement basis

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

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

b. Basis of consolidation

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

- Crisoba Industrial, S. A. de C. V., rents property, machinery and equipment and provides other services to Kimberly-Clark de México, S. A. B. de C. V.
- Servicios Empresariales Során, S. A. de C. V. provides financing, operating lease of equipment and through its subsidiaries, distribution and other services to Kimberly-Clark de México, S. A. B. de C. V.
- Three subsidiaries which comprise the feeding accessories business in Mexico and the United States, as well as the commercialization in Mexico of other Evenflo® trademark products.
- Taxi Aéreo de México, S. A. provides air transportation services to personnel of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries, as well as to the general public.
- Other subsidiaries which operating lease of properties, mainly to different subsidiaries of Kimberly-Clark de México, S. A. B. de C. V.
- Some subsidiaries which comprise liquid soap and antibacterial gel businesses and others, of which it owns 55%.

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

c. Critical accounting judgments and key information for estimates

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

The estimates and assumptions are reviewed on an ongoing basis. Review of accounting estimates are recognized in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods (see Notes 4 through 7).

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 as opposed to the incurred credit loss model utilized under the prior IAS 39. The expected credit loss method requires that the Entity recognize the probability of expected losses arising at each reporting date so as to reflect credit risk changes from the initial recognition of financial assets. Accordingly, it is no longer necessary for a credit-related event to have occurred in order to recognize credit losses.

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

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

h. Borrowing costs

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

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

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

i. Intangibles

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

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

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

j. Impairment of tangible and intangible assets

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

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

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

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

k. Business combinations

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

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

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

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

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

l. Goodwill

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

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

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

m. Financial liabilities

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

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

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

- Borrowings and trade payables

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

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

- Derecognition of financial liabilities

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

n. Income taxes

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

- Current 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.

o. Provisions

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

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

p. Employee benefits

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

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

q. Retirement benefits

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

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

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

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

r. Derivative financial instruments

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

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.

s. 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 or discounts.
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.

t. Foreign currency transactions

The functional currency of the Entity is the Mexican peso.

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

Exchange rate differences are recognized in results of the period.

4. Accounts receivable from customers - net

	2018	2017
Trade	**$ 7,820,264**	$ 7,294,594
Allowance for rebates	**(934,153)**	(1,162,523)
Allowance for doubtful accounts	**(135,694)**	(128,278)
Net	**$ 6,750,417**	$ 6,003,793

Allowance for rebates:	2018	2017
Balance at January 1,	**$ (1,162,523)**	$ (1,120,879)
Increases	**(6,629,392)**	(6,614,446)
Applications	**6,857,762**	6,572,802
Balance at December 31,	**$ (934,153)**	$ (1,162,523)

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

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

5. Inventories

	2018	2017
Finished goods	**$ 1,192,345**	$ 1,183,004
Work in process	**455,562**	350,997
Raw materials and spare parts	**2,064,096**	1,640,693
Total	**$ 3,712,003**	$ 3,174,694

6. Property, plant and equipment

	2018	2017
Depreciable fixed assets	**$ 41,722,026**	$ 39,957,158
Accumulated depreciation	**(26,004,581)**	(24,740,385)
Net	**15,717,445**	15,216,773
Land	**741,814**	741,814
Construction in progress	**1,408,271**	1,517,661
Total	**$ 17,867,530**	$ 17,476,248

At December 31, 2018 and 2017, the amount of unamortized capitalized borrowing costs amounted to $135,545 and $123,059 respectively.

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2017	$ 5,487,569	$ 31,260,388	$ 932,490	$ 37,680,447
Additions	287,702	2,159,527	12,450	2,459,679
Disposals	(162)	(168,652)	(14,154)	(182,968)
Balance at December 31, 2017	5,775,109	33,251,263	930,786	39,957,158
Additions	285,710	1,532,898	119,538	1,938,146
Disposals		(165,933)	(7,345)	(173,278)
Balance at December 31, 2018	**$ 6,060,819**	**$ 34,618,228**	**$ 1,042,979**	**$ 41,722,026**

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2017	$ (2,526,925)	$ (20,477,716)	$ (447,785)	$ (23,452,426)
Additions	(143,872)	(1,255,131)	(69,063)	(1,468,066)
Disposals	162	168,375	11,570	180,107
Balance at December 31, 2017	(2,670,635)	(21,564,472)	(505,278)	(24,740,385)
Additions	(152,942)	(1,199,470)	(67,785)	(1,420,197)
Disposals		149,462	6,539	156,001
Balance at December 31, 2018	**$ (2,823,577)**	**$ (22,614,480)**	**$ (566,524)**	**$ (26,004,581)**

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

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

7. Intangibles and other assets

	2018	2017
Trademarks and licenses	**$ 1,773,882**	$ 1,773,882
Patents and permits	**25,636**	25,636
Customer relationships	**583,441**	583,441
	2,382,959	2,382,959
Accumulated amortization	**(491,973)**	(349,832)
Trademarks and licenses with indefinite life	**374,372**	374,372
Total intangibles	**2,265,358**	2,407,499
Other assets	**72,885**	92,350
Total	**$ 2,338,243**	$ 2,499,849

	Trademarks and licenses	Patents and permits	Customer relationships	Total
Cost				
Balance at the beginning of 2017	$ 1,777,088	$ 25,636	$ 583,441	$ 2,386,165
Disposals	(3,206)			(3,206)
Balance at December 31, 2017 and 2018	$ 1,773,882	$ 25,636	$ 583,441	$ 2,382,959
Accumulated amortization				
Balance at the beginning of 2017	$ (78,082)	$ (8,659)	$ (134,096)	$ (220,837)
Additions	(102,598)	(1,770)	(27,390)	(131,758)
Disposals	2,763			2,763
Balance at December 31, 2017	(177,917)	(10,429)	(161,486)	(349,832)
Additions	(112,981)	(1,770)	(27,390)	(142,141)
Balance at December 31, 2018	**$ (290,898)**	**$ (12,199)**	**$ (188,876)**	**$ (491,973)**

The useful lives used for calculating amortization are:

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

8. 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: 14% for the domestic portion in 2018 and 2017; and, in the case of the foreign portion, 9% and 8% for 2018 and 2017, respectively.

The 14% discount rate was utilized in both years for the liquid soap business.

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

9. Long-term debt

	2018	2017
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 9.65%, 7.17% and 6.98%, with maturities in 2019, 2020 and 2023.	**$ 4,650,000**	$ 4,650,000
Marketable note denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 15 credit spreads.	-	1,500,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	**4,917,500**	4,907,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	**4,917,500**	4,907,500
Credit contract with Bank of America for USD$200 million, unsecured, bearing interest based on a monthly London Interbank Offered Rate Libor plus 110 spread. At December 31, 2018 the net annual rate was 3.809%.	**3,934,000**	3,926,000
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 30 credit spreads. As of December 31, 2018, the annualized rate is 8.8575%.	**3,000,000**	3,000,000
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 50 credit spreads. As of December 31, 2018, the annualized rate is 8.85%.	**3,000,000**	-
Total	**24,419,000**	22,891,000
Current portion	**(400,000)**	(1,500,000)
Expenses on debt issuance	**(79,647)**	(79,151)
Increase of debt due to fair value hedge	**66,214**	318,283
Long-term debt	**$ 24,005,567**	$ 21,630,132

Long-term debt agreements contain certain covenants that do not include financial restrictions. Such obligations have been complied with as of December 31, 2018 and 2017.

Long-term debt matures as follows:

2020	$ 2,500,000
2021	3,934,000
2022	3,000,000
2023	3,250,000
2024	4,917,500
2025	4,917,500
2026	1,500,000
	$ 24,019,000

Considering the interest rates, exchange rates and the debt in effect as of December 31, 2018, maturity of interest are an average of $1,670 million Mexican pesos in 2019 and 2020, an average of $877 million Mexican pesos in 2021 and 2024 and an average of $118 million Mexican pesos from 2025 to 2026.

As of December 31, 2018 and 2017, the fair value of debt approximates its carrying value.

10. Other accounts payable, accrued liabilities and provisions

Are composed as follows:

	2018	2017
Provisions	**$ 450,256**	$ 314,697
Value added tax, withholdings and taxes other than income tax	**751,010**	769,155
Other accrued services	**914,402**	856,367
Total	**$ 2,115,668**	$ 1,940,219

Provisions are composed as follows:

	2018	2017
Promotion	**$ 178,520**	$ 100,144
Freight	**271,736**	214,553
Total	**$ 450,256**	$ 314,697

	Promotion	Freight	Total
Balance at the beginning of 2017	$ 123,177	$ 140,494	$ 263,671
Increases	464,194	2,368,897	2,833,091
Applications	(487,227)	(2,294,838)	(2,782,065)
Balance at December 31, 2017	100,144	214,553	314,697
Increases	502,802	2,398,112	2,900,914
Applications	(424,426)	(2,340,929)	(2,765,355)
Balance at December 31, 2018	**$ 178,520**	**$ 271,736**	**$ 450,256**

11. Income taxes

The statutory income tax rate is 30% for the years 2018 and 2017.

a. Income taxes recognized in profit or loss

	2018	2017
Current	**$ 2,114,968**	$ 2,024,777
Deferred	**(332,364)**	(321,172)
Total income taxes	**$ 1,782,604**	$ 1,703,605

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

	2018 Rate %	2017 Rate %
Statutory rate	**30.0**	30.0
Effects of inflation	**(.2)**	(.5)
Non-deductible items	**1.4**	1.2
Tax incentive and others	**(1.5)**	(.9)
Effective rate	**29.7**	29.8

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

	2018	2017
Due to valuation of derivative financial instruments	**$ (61,012)**	$ (22,898)
Due to actuarial loss	**10,479**	6,807
Total	**$ (50,533)**	$ (16,091)

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:

	2018	2017
Property, plant and equipment	**$ 1,106,398**	$ 1,331,140
Intangibles arising from business combination	**19,070**	24,790
Inventories	**19,071**	17,723
Loss carryforwards (expiring from 2023 to 2037)	**(204,071)**	(130,933)
Other liabilities and provisions	**(427,167)**	(386,133)
Derivative financial instruments	**312,857**	251,846
Total	**$ 826,158**	$ 1,108,433

12. Other liabilities

Is comprised as follows:

	2018	2017
Obligation to purchase minority interest	**$ 260,275**	$ 260,275
Retirement benefits	**290,723**	227,003
Total	**$ 550,998**	$ 487,278

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. 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:

		2018		2017
Projected benefit obligation	**$**	**605,604**	$	587,067
Plan assets		**(314,881)**		(360,064)
Net liability		**290,723**		227,003
Annual cost	**$**	**47,907**	$	41,928

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

	2018 %	2017 %
Discount rate	**9.75**	8.75
Expected return on plan assets	**9.75**	8.75
Expected rate of salary increase	**4.50**	4.50

As of December 31, 2018 and 2017, employee benefits expense totaled $3,245 and $2,905 million, respectively.

13. Risks

a. Liquidity risk

The Entity's liquidity risk is limited as it has a healthy cash flow profile due to its diversified sales, which are made to customers and distributors with solvent financial positions. As of December 31, 2018, 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, 2018 is spaced out over eight years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the result before income taxes for the year 2018, nor the net cash flow provided by operating activities as of December 31, 2018.

The Entity has sound relations with different financial institutions and considers that it has access to different types of financing through loans in Mexico or abroad, whether directly with such institutions or through the capital markets. For such purpose the Entity permanently maintains ratings of the Standard & Poor's and Fitch Ratings agencies for debt both in pesos and in foreign currency. As of December 31, 2018, debt ratings by Standard & Poor's were "AAA" in pesos and "A-" in U.S. dollars, whereas those of Fitch Ratings were "AAA" in pesos and "A" in U.S. dollars. In all cases, these are considered investment-grade ratings.

b. Market risk

- Exchange rate

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

Furthermore, the prices of a significant portion of the inputs that the Entity utilizes in its production processes are established in foreign currency or tend to be adjusted for exchange rate movements. To mitigate this risk, an export business is maintained. Also, the financial derivatives markets are continually analyzed to seek opportunities to mitigate these risks. As of December 31, 2018 the Entity had not entered into any hedge instrument on supplies purchases. Export sales in the year 2018 were $3,046 million Mexican pesos and it is estimated that the purchases of those inputs whose prices fluctuate due to changes in the exchange rate represent about 60% of its costs.

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

- Interest rates

As of December 31, 2018, 59% of the debt was at a fixed rate and 41% at a variable rate. To reduce the risk of interest rate variations, during 2018 the Entity entered into derivative financial instruments denominated "interest rate swaps" with the aim to change the one hundred percent of its debt to a fixed rate.

- Other pricing risks

The main pricing risk is related with movements in cellulose prices. 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 2018 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions. The Entity believes that no efficient financial hedge market exists for cellulose.

Another pricing risk derives from the price of natural gas as a result of the Entity's consumption of this input in its processes, as well as its impact on the prices of electricity. The prices of gas are monitored and hedging options are constantly analyzed. As of December 31, 2018, the Entity had not contracted any hedge instrument related to natural gas.

14. Derivative financial instruments

a. Cross currency swaps and interest rate swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, the Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2018 and 2017 convert U.S. dollar-denominated for 700 million of debt into $10,614.8 million of Mexican pesos.

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

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

	2018	2017
Contracts to convert 325 million of U.S. dollar-denominated debt to $4,508.1 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to annual fixed rates in pesos of 6.85% and 6.21%, respectively.	**$ 2,602,840**	$ 2,692,375
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, 2018 annual rates in pesos are 8.4% and 8.58%	**1,045,502**	1,143,877
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, 2018 annual rate in pesos is 8.91%.	**405,062**	449,533
Contract to convert the variable 28-day TIIE rate, plus 5 basis points, to an 8.115% fixed rate.	**15,218**	-
Contract to convert the variable 28-day TIIE rate, plus 22 basis points, to an 8.34% fixed rate.	**46,718**	-
Contract to convert the variable 28-day TIIE rate, plus 31.75 basis points, to an 8.44% fixed rate.	**33,393**	-
	$ 4,148,733	$ 4,285,785

Maturity of the contract are as follows:

2021	$ 438,455
2024	2,108,077
2025	1,602,201
	$ 4,148,733

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 favorable (unfavorable) effect of cash flow hedge that was reclassified to net income were $57,647 and $(439,171) for the 2018 and 2017 years, respectively.

b. Interest rate swaps on peso - denominated debt

In order to reduce interest rate volatility during August 2018 the Entity contracted three 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:

		2018
Contract to convert the 28-day TIIE rate, plus 30 basis points, to a fixed 8.344% rate with maturity in 2022.	$	49,299
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.545% rate with maturity in 2023.		30,696
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.67% rate with maturity in 2026.		44,510
	$	124,505

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

The favorable effect of these contracts for $1,926 for the year 2018, 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.

15. Stockholders' equity

As of December 31, 2018 and 2017, common stock consists of nominative common shares with no par value, as follows:

	Shares	%
Serie "A"	1,604,438,673	52
Serie "B"	1,480,393,834	48
Total	3,084,832,507	100

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

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, 2017, 3,141,564 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, 2018, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $28,838,000, the net tax income account until 2013 for $2,259,000 and the net tax income account that started in 2014 for $23,541,000, approximately.

During the years ended December 31, 2018 and 2017, the Entity paid stockholders' equity reimbursement for $4,874,036 and dividends for $4,874,193. If such stockholders' equity reimbursement and dividends had not been paid, stockholders' equity have been increased by $9,748,229 and $4,874,193, as of such dates.

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

16. Foreign currency balances and transactions

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

		2018		2017
Monetary assets	**$**	**175,368**	$	116,336
Monetary liabilities (see Note 14)		**855,969**		831,835

Exchange rates used to value such balances were $19.67 and $19.63 Mexican pesos per one U.S. dollar, respectively.

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

		2018		2017
Export sales	**$**	**157,098**	$	109,786
Purchases of raw materials, spare parts and services		**667,366**		593,305
Purchases of machinery and equipment		**38,635**		61,296

17. Related parties

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

		2018		2017
Kimberly-Clark Corporation:				
Purchases and technical services	**$**	**1,595,935**	$	1,550,454
Machinery and equipment		**76,070**		380,344
Net sales and others		**568,557**		306,734
Trade accounts payable		**275,541**		324,125
Trade accounts receivable		**120,276**		75,692

Other - As of December 31, 2018 and 2017, employee benefits granted to Entity's key senior management were $217,831 and $227,870, respectively.

18. Business segment information

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

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:

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

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

19. Commitments

At December 31, the Entity held the following commitments:

	2018	2017
Acquisition of machinery, equipment and construction projects	**$ 460,016**	$ 1,084,393
Acquisition of raw materials, spare parts and other	**526,418**	401,238

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

20. New accounting principles

– **IFRS 16 Leases**

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

Leases are initially recognized at fair value, as an asset derived from the usage right and applied to a liability generated by the lease payment obligation.

Subsequently a depreciation expense is recognized based on the asset's usage rights; as well as the interest expense and, an exchange rate fluctuation if any, affecting the lease liability.

The initial application date is January 1, 2019 and the Entity has decided to apply the accrued effect generated by this principle retroactively at that date.

The initial effect will be recognized as an asset derived from the usage right for an approximate amount of $1,372,000, together with a lease liability for the same amount.

21. Authorization of issuance of financial statements

On February 6, 2019, the issuance of these consolidated financial statements was authorized by Licenciado Pablo R. González Guajardo, General Director, and Ingeniero Xavier Cortés Lascurain, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Stockholders' Ordinary Meeting.

Trade Markets

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

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