OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

U.S.$500,000,000

Kimberly-Clark de México S.A.B. de C.V.

2.431% Notes due 2031

We are offering U.S.$500,000,000 aggregate principal amount of our 2.431% notes due 2031, or the notes. Interest on the notes will accrue at a rate of 2.431% per year. We will pay interest on the notes semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2021. The notes will mature on July 1, 2031, or the maturity date. Payment of principal of the notes will be made in three installments: on July 1, 2029, on July 1, 2030 and on the maturity date.

The notes will be our senior unsecured obligations. The notes will rank at least *pari passu* in right of payment with all of our unsecured and unsubordinated debt (subject to any priority rights pursuant to applicable law). The notes will be structurally subordinated to all existing and future indebtedness and other obligations of our subsidiaries, including trade payables, in respect of assets of and revenue generated by such subsidiaries. See "Risk Factors—Risk Related to the Notes—The notes will be structurally subordinated to the liabilities of our subsidiaries."

We may redeem the notes, in whole or in part, at any time and from time to time prior to April 1, 2031 (the date that is three months prior to the maturity date), or the par call date, at a redemption price equal to the greater of 100% of the principal amount thereof and a make-whole amount described herein, plus accrued and unpaid interest and additional amounts, if any, on the principal amount of the notes to be redeemed to the par call date. On and after the par call date, we may redeem the notes, in whole or in part, at 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, on the principal amount of the notes to be redeemed to the date of redemption. See "Description of the Notes—Optional Redemption." In addition, we may redeem the notes, in whole but not in part, at 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of specified events relating to Mexican tax law, as described under "Description of the Notes—Optional Redemption—Redemption for Taxation Reasons." In addition, if we experience a Change of Control Triggering Event (as defined in the indenture governing the notes), we must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, on the principal amount of the notes to be repurchased to the purchase date. See "Description of the Notes—Repurchase at the Option of Holders Upon a Change of Control Triggering Event."

This offering memorandum does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129, or the Prospectus Regulation. Application has been made to the Irish Stock Exchange Plc, now trading as Euronext Dublin, or Euronext Dublin, for the notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin. This offering memorandum constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin.

Investing in the notes involves significant risks. See "Risk Factors" beginning on page 16 for a discussion of certain information that you should consider before investing in the notes.

Price: 100.000% plus accrued interest, if any, from July 1, 2020.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR THE CNBV), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO OR OTHERWISE BE SUBJECT TO INTERMEDIATION ACTIVITIES IN MEXICO, EXCEPT PURSUANT TO AN EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THE OFFERING OF THE NOTES OUTSIDE MEXICO. TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY. THE DELIVERY TO, OR RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OF OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN INVESTOR, WHO MAY ACQUIRE NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF KIMBERLY-CLARK DE MÉXICO, S.A.B. DE C.V. AND THE TERMS OF THIS OFFERING AND THE NOTES, INCLUDING THE MERITS AND RISKS INVOLVED.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or under any state securities laws. Therefore, we may not offer or sell the notes within the United States to, or for the account or benefit of, any U.S. person unless the offer or sale would qualify for an exemption from registration under the Securities Act and applicable state securities laws. Accordingly, we are only offering the notes (1) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. See "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The notes will be represented by global notes in registered form. We expect that the notes will be delivered to purchasers in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking S.A. and Euroclear Bank SA/NV, as operator of the Euroclear System, on or about, July 1, 2020.

Joint Bookrunners

Citigroup **J.P. Morgan**

Co-Manager

BofA Securities

Global Coordinator

Citigroup

The date of this offering memorandum is June 24, 2020.

TABLE OF CONTENTS

All references to "we," "us," "our," "our company" or the "issuer" in this offering memorandum are to Kimberly-Clark de México, S.A.B. de C.V., a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico and, unless otherwise indicated or the context requires otherwise, its consolidated subsidiaries. As used in this offering memorandum, "KCC" refers to Kimberly-Clark Corporation, the owner of 48% of our outstanding share capital. All references to "Mexico" in this offering memorandum are to the United Mexican States. All references to the "United States" or "U.S." in this offering memorandum are to the United States of America.

We are responsible for the information contained in this offering memorandum. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is true and accurate in all material respects, and there are no other facts, the omission of which makes this offering memorandum misleading in any material respect. Neither we nor the initial purchasers have authorized anyone to provide you with different information, and neither we nor the initial purchasers take any responsibility for any other information that others may give to you. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover of this offering memorandum, regardless of time of delivery or any sale of the notes.

This offering memorandum is based on information provided by us and by other sources we believe to be reliable. This offering memorandum summarizes certain documents and other information, and we refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. The initial purchasers assume no responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum or any other information provided by our company. Nothing contained in this offering memorandum is, or shall be, relied upon as a promise or representation by the initial purchasers, whether as to the past or the future.

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Citigroup Global Markets Inc., J.P. Morgan Securities LLC and BofA Securities, Inc. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. The proposed offering of the notes was authorized by our Board of Directors on June 16, 2020, as required under the Mexican Securities Market Law.

Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (ii) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their respective agents have any responsibility therefor. See “Transfer Restrictions” for information concerning some of the transfer restrictions applicable to the notes.

By accepting this offering memorandum you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or their respective agents or any person affiliated with the initial purchasers or their respective agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers or their respective agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by the United States Securities and Exchange Commission, or the SEC, or any state securities commission, the CNBV, or any other regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes may not be transferred or resold except as permitted under the Securities Act and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this offering memorandum under the caption “Transfer Restrictions.” You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum may only be used for the purpose for which it has been published.

See “Risk Factors” for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

The notes will be available initially only in book-entry form. We expect that the notes offered and sold to qualified institutional buyers, or QIBs, in reliance upon Rule 144A under the Securities Act will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons, collectively, the Rule 144A notes. We expect that the notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons, collectively, the Regulation S notes and, together with the Rule 144A notes, the global notes. The global notes will be deposited with The Depository Trust Company. Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See “Description of the Notes” for further discussion of these matters.

This offering memorandum does not comprise a prospectus for the purposes of the Prospectus Regulation. Application has been made to Euronext Dublin for the notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin. This offering memorandum constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin.

We accept responsibility for the information contained in this offering memorandum and confirm that, to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for us in relation to the notes and is not itself seeking admission of the notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market of Euronext Dublin.

PRIIPs Regulation / Prospectus Regulation / Prohibition of sales to EEA and UK retail investors. The notes may not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or the EEA, or in the United Kingdom, or UK. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended, or MiFID II; or (ii) a customer within the meaning of Directive EU 2016/97, or the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended, or the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended, or the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

In the UK, this offering memorandum is only being distributed and is only directed at, qualified investors (as defined in the Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, the Order, or (ii) high net worth entities and other persons to whom it may be lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes in the UK will be engaged in only with, relevant persons. Any person in the UK who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

MARKET AND INDUSTRY INFORMATION

Statements in this offering memorandum with respect to market and other industry data are based on statistics and other information from independent industry publications and reports by research firms or other published independent sources, as well as our own internal studies. These internal studies were derived from our review of internal information and other independent sources, including Euromonitor International, or Euromonitor, IBISWorld, Inc., or IBISWorld, and The Nielsen Company, or Nielsen, and contain certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry, conversations with our customers, vendors and competitors and our own investigation of market conditions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our positions in our industry. For the foregoing reasons and because our business is subject to numerous risks, uncertainties and other factors, including those set forth in the “Risk Factors” section of this offering memorandum, investors should not consider the information derived from our own studies and/or based on our internal estimates as an accurate indication of our market share or position in our industry or as a prediction of our future performance.

Any information sourced from third parties contained in this offering memorandum has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although we believe that we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the initial purchasers or our respective advisors and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the jurisdictions specified.

TRADEMARKS, SERVICE MARKS AND TRADE NAMES

We own or have rights to the trademarks used in our business, including but not limited to Huggies, KleenBebé, Kotex, Pétalo, Suavel, Scott, Vogue, Kleenex, Depend, Diapro, Evenflo and Escudo. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a company organized and existing under the laws of Mexico. Most of our directors and officers, and certain of our controlling persons reside outside of the United States. Substantially all of our assets are located, and substantially all of our revenues are derived from sources, outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside Mexico, as the case may be, or to enforce against such parties any judgment obtained in courts located outside of Mexico predicated on civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated on the civil liability provisions of the U.S. federal securities laws or other laws of the United States.

We have been advised by our Mexican counsel, Santamarina y Steta, S.C., that no treaty exists between the United States and Mexico for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts would enforce final judgments rendered in the United States if certain requirements are met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy (*orden público*), provided that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, there is doubt as to the enforceability, in original actions in Mexican courts or in actions for enforcement of judgments obtained in courts of jurisdiction outside Mexico, of liabilities predicated, in whole or in part, on U.S. federal securities laws or similar laws of any jurisdictions outside Mexico and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws. See "Risk Factors."

In the event that proceedings are brought in Mexico seeking to enforce our obligations in respect of the notes, we would not be required to discharge such obligations in a currency other than the Mexican peso. Pursuant to Mexican law, an obligation in a currency other than the Mexican peso, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payment is made. Such rate of exchange is currently calculated by the Mexican Central Bank (*Banco de México*) each business day in Mexico and published the following banking business day in the Federal Official Gazette of Mexico (*Diario Oficial de la Federación*), or the Federal Official Gazette.

In connection with the issuance of the notes, we have appointed CT Corporation System as our authorized agent upon whom process may be served in connection with any action instituted in any United States federal or state court having subject matter jurisdiction in the Borough of Manhattan in New York arising out of or based upon the indenture governing the notes or the notes. See "Description of the Notes."

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute estimates and forward-looking statements, including but not limited to the sections "Summary," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements appear in a number of places in this offering memorandum and include statements regarding our intent, belief or current expectations, and those of our officers, with respect to (among other things) our financial condition. Our estimates and forward-looking statements are based mainly on current expectations and estimates of future events and trends, which affect, or may affect, our business, financial condition and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, these assumptions are subject to several risks and uncertainties and are based on information limited to that information currently available to us.

Our estimates and forward-looking statements, as well as our actual results and financial condition, may be influenced by, among others, the following factors:

- the decrease in the buying power of our customers;
- social, economic and political developments in Mexico and around the globe;
- possible disruptions to commercial activities due to health epidemics or pandemics, including the current COVID-19 virus, or coronavirus, outbreak, and related economic and social effects;
- risks related to fluctuations in foreign exchange or interest rates and stock market volatility;
- changes in consumer demand for our products and/or lack of market growth;
- increases in commodity or other raw material costs;
- the termination, or expiration without renewal, of our license agreement and related technical services agreement with KCC;
- competition and loss of market share;
- the performance of our customers which are retailers and any preference they give to products of our competitors;
- the loss of one or more significant customers;
- disruption of our supply chain, or the failure of our suppliers to perform in a timely manner;
- damage to our reputation or that of KCC or our brands;
- technological innovations;
- changes in consumer preferences;
- product recalls, health and product liability risks, and the possibility that we may not be able to insure ourselves properly;
- increases in our operating costs;
- our ability to implement our strategy;
- interruptions or failures in our information technology systems;
- loss of key personnel;
- deterioration of labor relations with our employees or increase in labor costs;

- our ability to integrate and benefit from our recent or future acquisitions and strategic alliances;
- costs, difficulties, uncertainties and regulations related to mergers, acquisitions or joint ventures;
- our ability to service our debt;
- limitation on our access to sources of financing on competitive terms and compliance with covenants;
- compliance with health, environmental and other governmental laws and regulations and potential related liabilities;
- regulatory changes and adverse administrative or judicial rulings relating to us;
- trade barriers and our ability to continue exporting our export products;
- the imposition of price controls over our products;
- possible disruptions to commercial activities due to natural and human-induced disasters, including criminal activity relating to drug trafficking, terrorist activities and armed conflicts; and
- other factors, some of which are described under "Risk Factors" and elsewhere in this offering memorandum.

The words "believe," "may," "may have," "would," "estimate," "continue," "anticipate," "intend," and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements refer only to the date when they were made, and neither we nor the initial purchasers undertake any obligation to update or review any estimate or forward-looking statement whether as a result of new information, future events or any other factors. Estimates and forward-looking statements involve risks and uncertainties and do not guarantee future performance, as actual results or developments may be substantially different from the expectations described in the estimates and forward-looking statements. In light of the risks and uncertainties described above, the events referred to in the estimates and forward-looking statements included in this offering memorandum may or may not occur, and our business performance, financial condition and results of operations may differ materially from those expressed in our estimates and forward-looking statements, due to factors that include, but are not limited to, those mentioned above. Investors are warned not to place undue reliance on any estimates or forward-looking statements in making decisions regarding an investment in the notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

This offering memorandum includes (i) our audited consolidated financial statements as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 which we refer to as our "audited consolidated financial statements," and (ii) our unaudited financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and 2019, which we refer to as our "unaudited condensed consolidated interim financial statements," and together with our audited consolidated financial statements, our "financial statements." Our financial statements are stated in Mexican pesos.

Our audited consolidated financial statements were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member of Deloitte Touché Tohmatsu Limited.

Our audited consolidated financial statements included in this offering memorandum have been prepared in accordance with International Financing Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, and the related interpretations issued by the International Financial Reporting Interpretations Committee. Our unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard, or IAS, 34 *Interim Financial Reporting*, as issued by the IASB. IFRS differs in certain significant respects from accounting principles generally accepted in the United States, or U.S. GAAP, and financial reporting standards and generally accepted accounting principles used in other jurisdictions. We have made no attempt to quantify the impact of those differences by a reconciliation of the audited consolidated financial statements or the other financial information included in this offering memorandum to U.S. GAAP or such other financial reporting standards and generally accepted accounting principles. We urge you to consult your own advisors regarding the differences between IFRS and U.S. GAAP and how these differences might affect the financial statements and the rest of the financial information included in this offering memorandum.

Non-GAAP Financial Measures

This offering memorandum contains the following financial measures that are not in accordance with financial reporting standards, which we refer to as non-IFRS measures, primarily EBITDA and net debt. Non-GAAP financial measures included in this offering memorandum have not been audited.

EBITDA

EBITDA represents operating profit plus depreciation and amortization. Our management uses this measure as an indicator of our operating results and financial condition; however you should not consider it in isolation, as an alternative to net income, as an indicator of our operating performance or as a substitute for analysis of our results as reported under IFRS, since, among others:

- it does not reflect the depreciation of our operating assets;
- it does not reflect our interest expense; and
- it does not reflect any income taxes we may be required to pay.

Our management believes that, for comparison purposes with other companies, EBITDA can be useful as an objective and comparable measure of operating profitability because it excludes those elements of earnings that may not consistently provide information about the current and ongoing operations of our existing businesses. Although our calculation of EBITDA may not be comparable to calculations of similarly titled measures used by other companies, our management believes that disclosure of EBITDA can provide useful information to investors in their evaluation of our operating performance.

Last twelve months EBITDA, or LTM EBITDA, for a given interim period was calculated by adding the results for the prior fiscal year and subtracting the results for the comparable period in the prior year.

For a reconciliation of EBITDA to our operating income, see "Selected Consolidated Financial and Other Information—Certain Reconciliations—EBITDA Reconciliation."

Total Debt

We define total debt as long-term debt (including current portion of long-term debt) and long-term lease liabilities (including current lease liabilities), less long-term derivative financial instruments (liabilities) and current derivative financial instruments (liabilities), plus current derivative financial instruments (assets) and long-term derivative financial instruments (assets). The impact of accounting policies relating to derivative financial instruments and, in particular, hedges of debt obligations vary in significance between companies. Thus, management believes that total debt can be useful as an objective and comparable measure of our actual long-term commitments. For a reconciliation of total debt to long-term debt and lease liabilities, see "Selected Consolidated Financial and Other Information—Certain Reconciliations—Total Debt and Net Debt Reconciliations."

Net Debt

We define net debt as total debt minus cash and cash equivalents. The impact of cash on hand to satisfy obligations as they become due vary in significance between companies. Thus, for comparison purposes, management believes that net debt can be useful as an objective and comparable measure of our liquidity because it recognizes the net cash position of our current operations. For a reconciliation of net debt to long-term debt and lease liabilities, see "Selected Consolidated Financial and Other Information—Certain Reconciliations—Total Debt and Net Debt Reconciliations."

Currency

Unless otherwise specified, references herein to "U.S. dollars" or "U.S.$" are to United States dollars, the legal currency of the United States, and references to "Mexican peso," "peso," "pesos" or "Ps." are to the Mexican peso, the legal currency of Mexico.

Solely for the convenience of the reader, certain amounts presented in pesos in this offering memorandum as of and for the year ended December 31, 2019, and as of and for the three months ended March 31, 2020 have been converted into U.S. dollars at specified exchange rates published in the Federal Official Gazette by the Mexican Central Bank. Unless otherwise indicated, we have translated peso amounts (i) as of and for the year ended December 31, 2019 into U.S. dollars at an exchange rate of Ps.18.8642 per U.S.$1.00, calculated on December 31, 2019 and published in the Federal Official Gazette on January 2, 2020 and (ii) as of and for the three months ended March 31, 2020 into U.S. dollars at an exchange rate of Ps.23.4847 per U.S.$1.00, calculated on March 31, 2020, and published in the Federal Official Gazette on April 1, 2020. You should not construe our conversions as representations that the peso amounts actually represent the U.S. dollar amounts presented, or that they could be converted into U.S. dollars at the rate or at the dates indicated. See "Exchange Rates." Amounts in U.S. dollars that have been converted from pesos included in this offering memorandum have not been audited.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them due to such rounding.

Consolidation

Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements present consolidated information of our company and our consolidated subsidiaries, taken as a whole.

Unless otherwise indicated, consolidated numbers included in this offering memorandum derived from our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements, are presented after giving effect to intercompany eliminations. For this reason, figures shown as consolidated in some tables may not be an arithmetic aggregation of the figures that preceded them.

Segment Information

A segment is defined as a component of an entity in which there is discrete financial information available which is reviewed on a regular basis by the management of such entity to make strategic and operating decisions, including decisions about resources to be allocated to each segment and assess its performance. Our reporting segments are determined based on our product categories and target markets. As of March 31, 2020, our segments were consumer products, professional and exports.

Consumer products segment mostly comprises products primarily intended for home use. Professional segment products are oriented toward away-from-home use in establishments like hotels, restaurants, offices, factories and others. Exports segment indicates that products are sold outside of Mexico.

See note 19 to our audited financial statements and our unaudited condensed consolidated interim financial statements for further information in connection with our reportable segments.

SUMMARY

Overview

We are one of the largest consumer products companies in Mexico. We produce, market, sell and distribute a diversified portfolio of consumer and professional (away-from-home) products under renowned brands, including Huggies, KleenBebé, Kotex, Pétalo, Suavel, Vogue, Scott, Kleenex, Depend, Diapro, Evenflo and Escudo. Some of our brand names, such as Kotex and Kleenex, have developed iconic status and are immediately recognizable to millions of consumers. We are market leaders in most of the categories in which we participate, with more than 45% of the Mexican market in most of such categories according to Nielsen Retail Index, and in 2019 we were present in virtually every Mexican household, according to our own research.

Our shares are listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores S.A.B. de C.V.*, or the BMV), under the ticker symbol "KIMBER." As of March 31, 2020, our market capitalization was Ps.110,807 million (approximately U.S.$4,718 million).

We are organized into business segments based on product categories and target markets, as follows:

- *Consumer products*. We offer a wide variety of innovative solutions and trusted brands that improve people's lives every day. Products in this segment include consumer tissue products, such as bathroom tissue, paper napkins, facial tissue and kitchen towels, and other personal care products, such as diapers, training pants, baby and cleaning wet wipes and feminine and adult care products. We also produce baby feeding accessories including bottles, training cups and breast pumps. Additionally we offer baby toiletries, liquid hands soaps, bar soaps and hand sanitizers. Key brands in this segment include but are not limited to Huggies, KleenBebé, Kotex, Pétalo, Suavel, Scott, Vogue, Kleenex, Depend, Diapro, Evenflo, Escudo and Blumen.

- *Professional products*. We offer a range of solutions and products for hotels, restaurants, offices, factories and other institutions. Products in this segment include hand towels, paper napkins, bathroom tissue, sanitizers and hand soap. Key brands in this segment include Kleenex, Pétalo, Kimlark, Lys, Marli and Kimberly-Clark.

- *Exports*. We also derive revenue from the export of certain of our products, primarily to the United States and to KCC's affiliates in other countries. The majority of our exports consist of tissue products, mainly hard rolls of tissue for further conversion to consumer and professional products such as hand towels, paper napkins, bathroom tissue, and other consumer products such as antibacterial soap, hand sanitizer and Evenflo feeding accessories.

In 2016, we expanded our consumer products business with the acquisition of Escudo, a leading company in the anti-bacterial soap business with more than 50 years of presence in the Mexican market and a 55% stake in 4e Global, a leading company in the liquid soap business with a broad range of products ranging from hand and body soaps to hand-sanitizer and other cleaning products. In February 2019, we increased our stake in 4e Global to 77.5%.

Our principal shareholder is KCC, one of the largest manufacturers of consumer products in the world, measured by production volume and revenues, with operations in various countries worldwide, which holds its shares of our company through its wholly-owned subsidiary Kimberly-Clark Holland Holding B.V. Through our partnership with KCC we have access to KCC's brands and technology. See "Business—Intellectual Property and Research and Development—KCC Agreements" and "Shareholders—Our Most Significant Shareholder."

We have expanded broadly through organic growth as well as acquisitions and have experienced growth in our business over recent years. Currently, we operate 11 production plants in Mexico, which are strategically located to allow us to sell our products across the entire country. We have developed an extensive distribution network, which allows us to distribute our products from our production plants and our six distribution centers and warehouses for further distribution by retailers and wholesalers across the country.

The table below shows our net sales per business segment for the periods indicated.

	Three Months Ended March 31,			Year Ended December 31,							
	2020			2019			2018		2017		
	(in millions of U.S.$)(1)	(in millions of Ps.)	(in %)	(in millions of U.S.$)(2)	(in millions of Ps.)	(in %)	(in millions of Ps.)	(in %)	(in millions of Ps.)	(in %)
Consumer products	414	9,732	83.2	1,897	35,781	82.3	33,948	82.8	31,962	84.6
Professional products	50	1,182	10.1	254	4,787	11.0	4,032	9.8	3,713	9.8
Exports	33	777	6.7	156	2,932	6.7	3,046	7.4	2,091	5.6
Net sales	**497**	**11,691**	**100.0**	**2,307**	**43,500**	**100.0**	**41,026**	**100.0**	**37,766**	**100.0**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

Our Competitive Strengths

Through our flexible production capability, efficient operations and in-depth knowledge of the Mexican market, we have developed a competitive portfolio of products in all categories. This has allowed us to build iconic brands that are among the strongest in the markets where we operate. We believe our competitive strengths will continue to promote our growth and leadership in our product categories.

- *"Multi-brand" and "multi-tier" product portfolio*. We offer our consumers a wide variety of innovative solutions spanning a broad range of categories and pricing levels under our trusted brands, that aim to improve their lives every day. Through our extensive experience in the Mexican market, leadership position, and continuous market research, we have gained a clear understanding of our customers' needs and preferences to improve our existing products and create new product lines to address specific needs and desires of consumers. Our "multi-brand" and "multi-tier" product portfolio allows us to reach customers of all segments in our market with super-premium, premium, value and economy products. With this approach, consumers have the flexibility to choose among various product offerings in the same brand or category according to their preferences and budget. We have a diversified portfolio of products, some of them with brands recognized in Mexico and abroad. Our renowned brands, including Huggies, KleenBebé, Pétalo, Suavel, Vogue, Kotex, Kleenex, Depend, Evenflo and Escudo, are among the best-known in their respective categories. Based on our market research, our brands have an extraordinary "top-of-mind awareness" in the market of most of our product categories. Our products are present in virtually every household in Mexico, according to Nielsen and our own research. We believe that the leading position of our brands and our multi-brand and multi-tier product offering distinguish us from our competitors.

- *"Multi-channel" extensive distribution network*. We sell through the modern channel, which includes retailers (including e-retailers, and private and government-owned retailers), drug stores and price clubs, and the traditional channel, which includes wholesalers that, in turn, sell to small convenience stores. We believe we are the leaders in our market among participants serving both channels, a position that allows us to reach a greater number of consumers. According to our own research, we are the leading provider of household products to the traditional channel and the second provider of household products to the modern channel. We have developed an extensive distribution network. According to our estimates, 35% of our shipments are made by our own delivery force, which consists of 64 semi-trailer trucks and 171 trailers. Our network allows us to distribute products from our 11 plants and six distribution centers and warehouses to our customers across Mexico. We also maintain a highly-efficient and sophisticated logistics operation to address distribution requirements, which allows us to manage more than 2,700 stock-keeping units. We have also developed strong relationships with our customers and suppliers that enable us to tailor our approach and response to their diverse and changing needs, including with respect to frequency and volume of delivery, in a cost-effective manner. We believe this contributes to develop strong customer loyalty.

- *Innovation and product technology*. Innovation is one of our fundamental values, and we have proven capability to constantly improve the quality and functionality of our products for consumers at various price points. We believe our innovation efforts allow us to sustain and strengthen our leadership by enhancing our reputation for quality, offering our customers a broader range of products with superior value-added performance and satisfying their particular needs with attractive products not offered by our competitors. Innovation activities are based on market trends, customer and consumer insight, new technology and business models, with sustainability and product safety integrated into the process. In recent years, we have introduced products in most of our categories, using new technologies, such as diapers offering maximum softness, improved fit and a higher absorption speed to keep babies' skin dry and protected under our brands Huggies and KleenBebé, feminine and adult care products with added absorbency, comfort and discretion under our brands Kotex and Depend and tissues with added softness and active ingredients to fight the spread of the cold virus and decongest under our Kleenex brand. Following our acquisition of the feeding accessories business of Evenflo Company Inc., we modernized the brand's image and redesigned its product portfolio, adding premium products in line with our multi-tier strategy such as the Evenflo Advanced line of ergonomic bottles and nipples with an advanced anti-colic system and a new line of more absorbent and softer nursing pads. In the soap category, in 2019 we launched a new Advanced Protection line with special features, with the introduction of the new "Escudo Antibacterial Detox," an activated carbon-based soap, and "Escudo Anti-Acne" with derma clean technology.

- *Efficient manufacturing and state-of-the art production capacity.* We achieve cost efficiencies through large volume capacities, modern production equipment and partially integrated operations. We frequently review our production processes to identify opportunities for simplification, standardization and upgrades to strengthen our capabilities for innovation, expansion and improved product quality. We offer quality products with enhanced absorbency, strength, softness, comfort and texture by using superior raw materials and heavily investing in state-of-the art production technology. We have continued to increase our production efficiencies and reduce our operating costs through increasing use of recycled fibers and reducing our energy consumption. Our cost-reduction programs have resulted in over Ps.4 billion of cost savings during the last three years and at least annual savings of 5% during the last five years. In addition, to improve our production capacity we have continuously invested in new technology and equipment. Our access to KCC's technology and best practices, as well as our own technical expertise and innovation, provides us with state-of-the-art manufacturing and information systems capabilities. To respond quickly and effectively to changes in demand, we use flexible, up-to-date technology that can shift production among products in different price-point categories in a very short time frame.

- *Partnership with Kimberly-Clark Corporation*. We have had a strong relationship with KCC, our most significant shareholder, for almost 65 years, as a result of which we are able to market our products under KCC's globally-recognized brands. Our partnership with KCC is a key component supporting our innovation initiatives for products, as well as for implementing state-of-the-art technology in our production processes. Our relationship with KCC provides us with access to global innovations and developments in products and processes. This partnership also allows us to participate in global purchase agreements for certain key materials at competitive prices and share operational and commercial best practice information on a worldwide basis.

- *Experienced and incentivized management and workforce within a solid corporate culture*. Our customer-oriented and result-based corporate culture is decisive for our success. We have a strong, capable management team that shares our corporate culture and has extensive experience in the industry and markets in which we participate. They have successfully managed our company through Mexico's economic cycles while maintaining high operating profit margins and sales growth. Our management philosophy emphasizes accountability coupled with controls to deliver sustainable growth and value to our customers. Our management has significant direct incentives to improve our operating performance and create value based on performance-related compensation programs. In addition, we believe we have a highly-skilled labor force to run our operations. Our workforce has expertise in the design, engineering, machine operations and marketing, which is difficult to obtain within the industry in which we participate.

- *Social responsibility*. It is part of our mission to improve the quality of life of Mexicans with our products, within a sustainable business model where value-creation for our customers and community is on par with our growth and profitability. We are committed to the sustainability of our operations, with full recognition of our obligations with respect to the communities where we operate and the production chain that we create. Our sustainability model aims to deliver better, safe and environmentally sound solutions to our customers based on five "Rs"—reduce, recycle, re-utilize, renovate and results. Among our sustainability initiatives, we continue to pursue excellence in efficiency in energy consumption, both electricity and natural gas, to lower greenhouse gas emissions in our production processes and our distribution channels. Other initiatives include the optimization in the selection process of materials used to manufacture our products based on sustainability practices. We also emphasize the re-utilization of inputs such as water and the by-products of our processes that enable us to maintain, and in some cases improve, the quality and performance of our products. As a result of these efforts, as of the date of this offering memorandum, three of our plants have been awarded with a certificate of clean industry (*certificados de industria limpia*) by the Mexican Federal Attorney General for Environmental Protection (*Procuraduría Federal de Protección al Ambiente*, or PROFEPA), the Mexican governmental agency responsible for compliance with environmental laws and regulations. In 2019, we obtained the "Ecólogo®" certification and maintained our licenses from the Forest Stewardship Council®(FSC®) and from Green Seal for a number of our products. We also continue to prioritize the "circular economy model," where we are able to recover one hundred percent of our pulp waste, avoiding sending it to landfills. As a result of our recycling initiatives, approximately 60.0% of our fiber consumption is sourced from recycled fibers and more than 99% of the waste generated in our operations is either recycled or used in other industries. Our sustainable innovation program "Less is More" allows for the reduction of materials and packaging weight in our products, while maintaining and in some cases improving performance. Our sustainable business model has allowed us to be part of the Sustainability Index of the BMV since its inception in 2011. In 2019, we were added to the Dow Jones Sustainability Index (DJSI) MILA region (the Latin American Integrated market), one of the strictest indexes in terms of sustainability and social responsibility, which recognizes outstanding companies in each industry and, for the third consecutive year, we were listed in the British FTSE4Good index.

Our Strategy

We seek to enhance our position as a leading consumer and professional products company in Mexico by continuing to improve our efficiency while satisfying our customers' needs with innovative and environmentally sound solutions that improve people's lives every day and "transform the essential into extraordinary". To achieve these objectives, we plan on executing the following key strategies.

- *Focus on our core products and develop innovative new products*. We believe that our strong and balanced product portfolio combined with our innovative capacity is essential for our continued growth, competitiveness and profitability. We intend to continue to meet our customers' expectations and increase the recognition and consumption of our brands through improvements in quality across our various product categories, as well as through our advertising and promotion efforts. We also intend to continue to leverage on our portfolio of leading brands as a platform to launch innovative products and develop new product lines and product categories. As part of this strategy, we plan to focus on our research and product development efforts, including through KCC, to improve the performance of our products and introduce new products that suit the needs and preferences of our consumers according to changing technologies, customs and trends. As we look into the future, developing innovative and differentiated products remains the driving force for our growth and value creation, and a key element to consolidate our market position, continue building leadership brands and increase consumer loyalty.

- *Continue to focus on our "multi-brand," "multi-tier" and "multi-channel" strategy*. We believe our "multi-brand," "multi-tier" and "multi-channel" strategy is a key element to increase our penetration and market share. We plan to continue offering the best products in the categories we participate at the right price and through the right channels. The widespread availability of our economy products allows us to reach value-conscious customers. As these consumers achieve greater spending power, our goal is to encourage them to increase the frequency with which they use our products, and switch to premium products. In order to benefit from the growth of the Mexican middle-class market, we intend to continue developing products with greater levels of quality and functionality, at accessible price points. We also intend to benefit from the increasing purchasing power of premium consumers by offering a wider range of existing and new products featuring levels of comfort and quality appealing to this market segment. Our multi-channel strategy allows us to reach consumers at all points of sale, from modern retail chains to traditional convenience stores and markets. We believe that this strategy helps us to access more consumers and adapt to economic cycles, as we offer consumers a variety of innovative purchase options tailored to their different preferences, needs and budgets.

- *Increase production capacity and product improvements.* We plan to continue investing in additional production capacity to meet growing demand for our products. Our production strategy focuses on increasing the efficiency of our manufacturing and conversion equipment. We also invest in our manufacturing facilities in order to provide improved products to our consumers. Our current installed capacity of 825,000 metric tons per year of tissue and 477,000 metric tons per year of recycled fibers is expected to successfully support our growth in the medium-term and we continue to take actions aimed at expanding our capacity. For example, in 2017 we invested U.S.$79 million in a new tissue machine that started operating in such year, which allowed us to increase our total conventional tissue production installed capacity by approximately 62 thousand metric tons of conventional tissue per year.

- *Improve and enhance the efficiency of our operations.* We continuously simplify, standardize and upgrade our production and distribution platforms for faster innovation, expansion and improved product quality. This has generated valuable economies of scale in production, distribution and marketing, as well as dissemination of best practices and innovation. We also innovate to be more efficient through our permanent strategy for reducing costs at all levels of our organization and operations. Savings from our ongoing cost reduction program were equivalent to Ps.1,600 million and Ps.1,363 million in 2019 and 2018, respectively. We intend to continue working to achieve additional efficiencies, strengthen our competitiveness and improve our profitability through continuous investments in production facilities and equipment and the implementation of our ongoing cost-reduction program, while leveraging our manufacturing expertise and KCC's world-class process technology. We strive to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls.

- *Focus on cost-efficient structure to support volume and profitability.* We believe that a cost-efficient structure is a key element to create a resilient business model that allows us to strengthen our brands and boost our marketing efforts to improve volumes and profitability during challenging economic cycles. We have historically implemented initiatives to maintain a competitive cost structure, including manufacturing optimization. Through this strategy we seek to better leverage scale in the areas of supply chain, research and development, marketing and general expenses. This strategy allows us to accelerate cost reductions to fund our strategy, improving volumes during challenging economic cycles. We have also continued to improve marketing efficiency and effectiveness through an optimized media mix with more digital, mobile, search and social presence, improved message clarity and greater savings in non-media spending. We believe we have an opportunity to improve marketing efficiency in both media and non-media areas while increasing overall marketing effectiveness and improving sales growth.

- *Continued organic and inorganic growth*. We believe that we have benefited from the acquisition and integration of new brands and products, and venturing into new markets, such as the nursing products through Evenflo and the soap market with Escudo and 4e Global. We seek to continue to expand our operations in Mexico through organic growth and to pursue strategic acquisitions in select regions and categories in which we are not currently present. We believe our presence in the Mexican market will provide a platform for us to identify selective growth opportunities.

Recent Developments

Coronavirus Outbreak

The coronavirus outbreak is currently having an indeterminable adverse impact on the world and Mexico's economy. In Mexico and the vast majority of countries affected by the coronavirus, governments have declared a state of emergency and have implemented severe lockdown measures which have contributed to a general slowdown in the economy. The coronavirus outbreak has had numerous worldwide effects and negatively impacted communities, supply chains and general commercial activity. As the coronavirus outbreak is still evolving and given the uncertainty of its lasting effect, the financial impact on Mexico's economy and our business, financial condition or results of operations will depend on future developments which are highly uncertain and cannot be predicted, including but not limited to, the duration and spread of the pandemic, the actions to contain the disease or treat its impact, and the severity of its effects on the economy overall, including any recession resulting from the pandemic. The coronavirus has also caused significant volatility in the financial markets, undermining investors' confidence in the growth of countries and businesses. If the spread of the coronavirus is prolonged, it could significantly and adversely affect the economy and financial markets of Mexico and of many other countries.

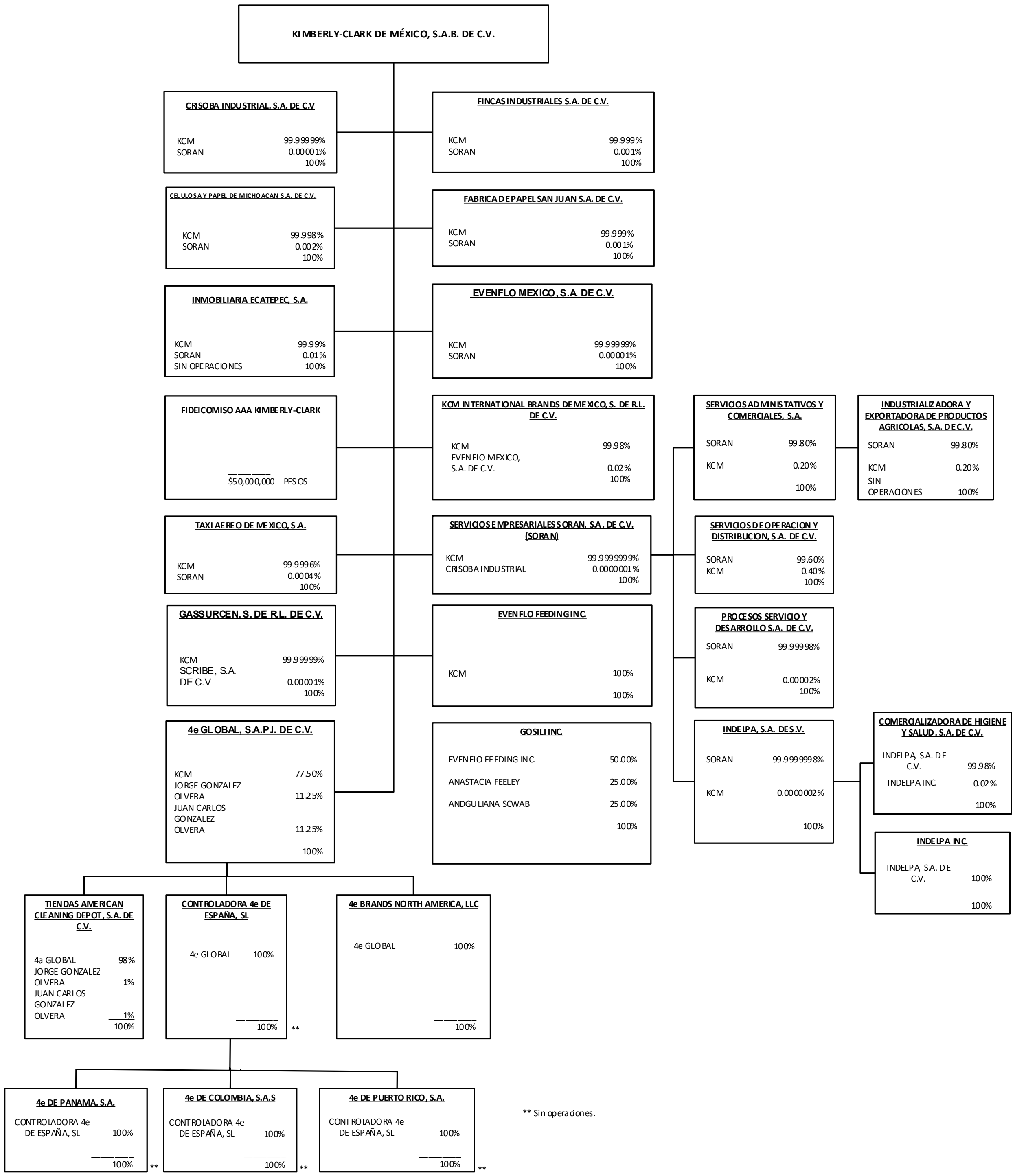
On March 31, 2020, the Mexican Ministry of Health established extraordinary measures to address the health emergency caused by the coronavirus outbreak and determined that activities considered essential could continue to operate during the pandemic. Based on the government's criteria, our activities, as well as those of entities within our supply chain, have been deemed to be essential, which has allowed us to operate during the pandemic without significant adverse impacts on the cost of production, except for the effects on our costs of the recent exchange rate volatility. Government measures have resulted in depressed demand for certain of our products, particularly in our professional segment as many enterprises that regularly purchase our products in this segment have been forced to temporarily shut down or have significantly reduced their operations. However, other categories of our products, such as bathroom tissue, sanitizers, hand soap and cleaning wet wipes, have experienced increased sales as a result of changes in consumption patterns during the coronavirus outbreak.

On May 14, 2020, the Mexican Ministry of Health established a process of gradually reopening social and economic activities beginning since June 1, 2020, as long as applicable health and safety protocols and guidelines established by the government are complied with.

The extent to which coronavirus may impact our results for the remainder of 2020 and our business, liquidity, financial condition, and results of operations cannot be fully predicted. Existing and future measures implemented by the Mexican government in connection with the coronavirus could have a material adverse effect in our business, liquidity, results of operations or financial condition. We will continue operating within applicable health and safety guidelines and applying strict hygiene and social distancing protocols across our operations and throughout our value chain, which are designed to reduce the risk of spreading coronavirus and maintain our operational resilience. See "Risk Factors Related to Mexico—Public health threats, such as the coronavirus outbreak, have had and may continue to have an adverse effect on the Mexican economy and on our business, financial condition or results of operations."

Corporate Structure

Set forth below is our simplified corporate structure:



We conduct our business mainly through Kimberly-Clark de México, S.A.B. de C.V., which generated 95.9% of our consolidated operating revenues during the fiscal year ended December 31, 2019.

Company Information

We were incorporated under the laws of Mexico in 1925 under the name La Aurora, S.A. We were acquired by KCC in 1955 and changed our name to Kimberly-Clark de México, S.A. in 1959. In 1961 our shares were listed on the BMV. In 2006, we adopted the regime of a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*), following the enactment of the Mexican Securities Market Law. Currently, we operate 11 production plants in Mexico and six distribution centers and warehouses, which are strategically located to allow us to sell and distribute our products across the entire country.

We have entered into the license agreement and the technical services agreement with certain affiliates of KCC pursuant to which we have the exclusive right within Mexico to manufacture, sell and distribute certain products under trademarks, copyrights, patents and know-how owned by KCC or its affiliates. See "Business—Intellectual Property and Research and Development—KCC Agreements."

Our headquarters are located at Av. Jaime Balmes 8, 9th floor, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510, Mexico City, Mexico, and our telephone number is +52 (55) 5282-7300. Our commercial registry (*folio mercantil*) with the Public Registry of Property and Commerce of Mexico City is 28,130, our taxpayer identification number is KCM810226DEA and our legal entity identifier is 549300JGHL56QT00KT54. Our main website is www.kimberly-clark.com.mx. The information included on our website or which may be accessed through our website is not part of this offering memorandum, is not incorporated by reference herein or otherwise and should not be relied upon in determining whether to make an investment in the notes.

The Offering

Issuer	Kimberly-Clark de México, S.A.B. de C.V.
Securities Offered...........................	2.431% Notes due 2031.
Issue Price......................................	100.000% plus accrued interest, if any, from July 1, 2020.
Maturity Date	July 1, 2031, or the Maturity Date.
Interest	The notes will bear interest from and including July 1, 2020, at the rate of 2.431% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 1, and July 1, of each year, commencing on January 1, 2021.
Principal Payments	Payment of principal of the notes will be made in three installments, as follows:

Principal Payment Date	Principal Payment Amount
July 1, 2029	U.S.$166,666,000
July 1, 2030	U.S.$166,667,000
Maturity Date	U.S.$166,667,000

On each principal payment date, the record holders of the notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of Notes, including as a result of a redemption as described under "Description of the Notes—Optional Redemption," or increased as a result of the issuance of additional Notes as described under "Description of the Notes—General—Further Issuances"; it being understood that any payment date's amortization amount resulting from such decrease or increase for any payment date will be on a pro rata basis and rounded upwards to the next U.S.$0.01).

Ranking	The notes will be unsecured obligations and will, other than with respect to certain obligations given preferential treatment pursuant to the laws of Mexico, rank *pari passu* in right of payment with all of our unsecured and unsubordinated indebtedness. The notes will be structurally subordinated to all existing and future indebtedness and other obligations of our subsidiaries, including trade payables, in respect of assets of and revenue generated by such subsidiaries. The notes will not have the benefit of any collateral securing any of our existing or future secured indebtedness, and will be effectively junior to such secured indebtedness to the extent of the assets securing such indebtedness.

As of March 31, 2020, our total long-term indebtedness was Ps.19,627 million (U.S.$836 million), all of which constituted our unsecured indebtedness, and which would have ranked equal in right of payment to the notes. As of March 31, 2020, our subsidiaries had indebtedness in an aggregate principal amount of Ps.235 million, excluding intercompany liabilities.

Use of Proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including the repayment of indebtedness. See "Use of Proceeds."
Certain Covenants	The indenture governing the notes will contain certain covenants, including limitations on liens, limitations on sale and leaseback transactions, and limitations on consolidations, mergers, sales or conveyances. All of these

limitations and restrictions are subject to a number of significant exceptions. See "Description of the Notes."

Change of Control Triggering Event	If we experience a Change of Control Triggering Event (as defined in the indenture governing the notes), we must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Within 30 days following the occurrence of a Change of Control Triggering Event, we will send notice of such event to each holder at such holders' address appearing in the register of notes. See "Description of the Notes—Repurchase at the Option of Holders Upon a Change of Control Triggering Event."
Additional Amounts	We are required by Mexican law to deduct Mexican withholding taxes from payments of interest to holders who are not residents of Mexico for tax purposes as described under "Taxation—Certain Mexican Federal Income Tax Considerations." We will pay additional amounts in respect of those payments of interest so that the amount holders receive after withholding tax will equal the amount that they would have received if no such withholding tax had been applicable, subject to limitations and exceptions as described under "Description of the Notes—Payment of Additional Amounts."
Redemption for Taxation Reasons	We may redeem all, but not less than all, of the notes at any time at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if, as a result of certain changes in tax laws, there is an increase in the additional amounts we are obligated to pay under the notes. See "Description of the Notes—Optional Redemption—Redemption for Taxation Reasons."
Make-Whole Redemption	We may, at our option, redeem the notes in whole or in part, at any time or from time to time prior to April 1, 2031 (the date that is three months prior to the Maturity Date, or the Par Call Date), on at least 10 but not more than 60 days' notice, at a redemption price, as calculated by an independent investment banker, equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the remaining scheduled payments of interest and principal on the notes through the Par Call Date (inclusive of interest accrued to the redemption date), as if the notes were redeemed on the Par Call Date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 30 basis points, in each case plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "Description of the Notes—Optional Redemption—Make-Whole Redemption." At our discretion, the notice of redemption may be subject to the satisfaction of a financing or change of control condition precedent.
Par Redemption	We may, at our option, redeem the notes, in whole or in part, at any time and from time to time on and after the Par Call Date at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "Description of the Notes—Optional Redemption—Par Redemption."

Transfer Restrictions	We have not registered the notes under the Securities Act or under the Mexican Securities Market Law. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." As required under Mexican regulations, we will notify the CNBV of the terms and conditions of the offering of the notes outside of Mexico, for statistical and informational purposes only.
Further Issuances	Subject to the covenants in the indenture governing the notes, we may from time to time, without the consent of the holders of the notes, issue further securities having the same terms and conditions as the notes in all respects. Any further issuance may be consolidated with, and form a single series with, the notes sold in this offering.
Form and Denomination	The notes will be issued in the form of global notes in fully registered form. The global notes will be exchangeable or transferable, as the case may be, for definitive certificated notes in fully registered form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See "Description of the Notes" and "Form of Notes, Clearing and Settlement." The notes will be delivered in book-entry form through the facilities of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank SA/NV, as operator of the Euroclear System, or Euroclear, and Clearstream Banking S.A., or Clearstream.
Governing Law	New York.
Trustee, Registrar, Paying Agent and Transfer Agent....................	Wells Fargo Bank, National Association.
Listing Agent	Arthur Cox Listing Services Limited.
Listing	Application has been made to Euronext Dublin for the notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin. This offering memorandum constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin.
Risk Factors	Investing in the notes involves significant risks. See "Risk Factors" beginning on page 16 for a discussion of certain risk factors you should carefully consider in evaluating an investment in the notes.
Securities Identifiers	The notes will be assigned the following securities codes: 144A: CUSIP Number: 494386 AD7 ISIN: US494386AD79 Regulation S: CUSIP Number: P60694 AF6 ISIN: USP60694AF68

Summary Consolidated Financial and Other Information

The following tables present our summary consolidated financial and operating information, as of the dates and for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and unaudited condensed consolidated interim financial statements, including the notes thereto, contained elsewhere in this offering memorandum and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum.

The consolidated financial information as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 has been derived from our audited consolidated financial statements contained elsewhere in this offering memorandum.

The consolidated financial information as of the three months ended March 31, 2020 and for the three months ended March 31, 2020 and 2019 has been derived from our unaudited condensed consolidated interim financial statements contained elsewhere in this offering memorandum. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any other period.

Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the IASB. We are not providing any reconciliation to U.S. GAAP of our consolidated financial statements or other financial information in this offering memorandum. We cannot assure you that a reconciliation would not identify material quantitative differences between our consolidated financial statements and other financial information as prepared on the basis of IFRS if such information were to be prepared on the basis of U.S. GAAP.

Our consolidated financial statements are stated in Mexican pesos. Certain financial information concerning us as of and for the year ended December 31, 2019 and as of and for the three months ended March 31, 2020 included in this offering memorandum is presented in U.S. dollars for the convenience of the investors. See "Presentation of Financial and Other Information—Currency."

	Three Months Ended March 31,			Year Ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(Thousands of U.S. dollars)(1)(3)	*(Thousands of Ps.)*(1)(3)		*(Thousands of U.S. dollars)*(2)(3)	*(Thousands of Ps.)*(2)(3)		
CONSOLIDATED STATEMENTS OF INCOME							
Net sales	497,866	11,692,238	11,013,588	2,305,946	43,499,821	41,026,097	37,765,760
Cost of sales	300,942	7,067,539	7,138,161	1,440,754	27,178,669	26,686,298	24,363,769
Gross profit	**196,924**	**4,624,699**	**3,875,427**	**865,192**	**16,321,152**	**14,339,799**	**13,401,991**
Selling expenses	55,616	1,306,122	1,229,273	263,146	4,964,048	4,714,818	4,448,828
Administrative expenses	26,271	616,975	585,641	125,109	2,360,078	2,116,926	1,971,695
Operating profit	**115,037**	**2,701,602**	**2,060,513**	**476,937**	**8,997,026**	**7,508,055**	**6,981,468**
Finance costs:							
Borrowing costs	23,565	553,410	462,856	98,416	1,856,542	1,775,539	1,461,592
Interest income	(4,234)	(99,427)	(70,009)	(15,765)	(297,387)	(288,114)	(264,473)
Exchange fluctuation – net	(1,805)	(42,385)	(25,187)	(1,290)	(24,341)	25,294	73,574
Income before income taxes	**97,511**	**2,290,004**	**1,692,853**	**395,575**	**7,462,212**	**5,995,336**	**5,710,775**
Income taxes	32,798	770,255	535,785	122,667	2,314,011	1,782,604	1,703,605
Consolidated net income	**64,712**	**1,519,749**	**1,157,068**	**272,909**	**5,148,201**	**4,212,732**	**4,007,170**
Basic and diluted earnings per share	0.50	0.50	0.38	1.67	1.67	1.37	1.31
Weighted average number of outstanding shares	3,084,833	3,084,833	3,084,833	3,084,833	3,084,833	3,084,833	3,085.119

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

(3) Except basic and diluted earnings per share and weighted average number of outstanding shares.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	As of and for the Three Months Ended March 31,		As of and for the Year Ended December 31,			
	2020	2020	2019	2019	2018	2017
	(Thousands of U.S. dollars)[(1)(3)]	*(Thousands of Ps.)*[(1)(3)]	*(Thousands of U.S. dollars)*[(2)(3)]	*(Thousands of Ps.)*[(2)(3)]		
Assets						
Current assets:						
Cash and cash equivalents	414,024	9,723,223	362,515	6,838,556	4,999,502	4,674,339
Trade accounts receivable, net	293,929	6,902,841	340,604	6,425,227	6,750,417	6,003,793
Notes receivable and others	11,480	269,598	14,269	269,173	330,058	291,391
Current derivative financial instruments	48,548	1,140,130	--	--	--	--
Inventories	149,199	3,503,887	170,996	3,225,703	3,712,003	3,174,694
Total current assets	917,179	21,539,679	888,384	16,758,659	15,791,980	14,144,217
Long-term assets:						
Right to use assets	55,627	1,306,375	68,851	1,298,820	--	--
Property, plant and equipment	716,900	16,836,191	905,938	17,089,800	17,867,530	17,476,248
Non-current derivative financial instruments	262,272	6,159,388	178,145	3,360,569	4,273,238	4,285,785
Intangibles and other assets	93,663	2,199,646	118,752	2,240,166	2,338,243	2,499,849
Goodwill	39,780	934,221	49,523	934,221	934,221	934,221
Total long-term assets	1,168,242	27,435,821	1,321,210	24,923,576	25,413,232	25,196,103
Total assets	**2,085,422**	**48,975,500**	**2,209,595**	**41,682,235**	**41,205,212**	**39,340,320**
Liabilities and stockholders' equity						
Current liabilities:						
Current portion of long-term debt	309,137	7,260,000	132,526	2,500,000	400,000	1,500,000
Bank loans	10,007	235,000	12,457	235,000	235,000	175,000
Trade accounts payable	301,777	7,087,141	298,375	5,628,610	6,016,876	4,881,863
Lease liabilities	8,601	202,001	10,236	193,098	--	--
Current derivative financial instruments	2,856	67,082	--	--	--	--
Dividends payable	211,686	4,971,382	1,890	35,650	--	--
Other accounts payable, accrued liabilities and provisions	113,267	2,660,030	121,978	2,301,009	2,115,668	1,940,219
Employee benefits	61,603	1,446,724	71,918	1,356,671	1,072,890	1,138,157
Income tax	17,212	404,228	36,900	696,085	378,564	332,351
Total current liabilities	1,036,146	24,333,588	686,280	12,946,123	10,218,998	9,967,590
Long-term liabilities:						
Long-term debt	835,740	19,627,096	1,110,677	20,952,036	24,005,567	21,630,132
Lease liabilities	53,877	1,265,276	58,902	1,111,146	--	--
Non-current derivative financial instruments	23,321	547,692	25,893	488,459	--	--
Deferred income taxes	20,320	477,215	20,739	391,227	826,158	1,108,433
Other liabilities	30,446	715,015	32,882	620,299	550,998	487,278
Total long-term liabilities	963,704	22,632,294	1,249,094	23,563,167	25,382,723	23,225,843
Total liabilities	**1,999,850**	**46,965,882**	**1,935,374**	**36,509,290**	**35,601,721**	**33,193,433**
Stockholders' equity						
Contributed	839	19,695	1,044	19,695	579,571	579,695
Earned	76,090	1,786,956	275,380	5,194,819	4,234,246	4,881,446
Other comprehensive income	13,741	322,707	3,713	70,051	746,965	629,057
Controlling entity stockholders' equity	90,670	2,129,358	280,137	5,284,565	5,560,782	6,090,198
Minority interest stockholders' equity	(5,099)	(119,740)	(5,917)	(111,620)	42,709	56,689
Total stockholders' equity	**85,571**	**2,009,618**	**274,220**	**5,172,945**	**5,603,491**	**6,146,887**
Total liabilities and stockholders' equity	**2,085,422**	**48,975,500**	**2,209,595**	**41,682,235**	**41,205,212**	**39,340,320**
OTHER FINANCIAL DATA						
EBITDA[(4)]	**136,872**	**3,214,387**	**580,082**	**10,942,782**	**9,070,393**	**8,581,292**
Total debt[(5)]/LTM EBITDA[(4)]	1.9	1.9	2.0	2.0	2.2	2.2
Net debt[(6)]/LTM EBITDA[(4)]	1.1	1.1	1.4	1.4	1.7	1.7
LTM EBITDA[(4)]/Interest Expense	7.2	7.2	7.0	7.0	6.1	7.2

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

(3) Except ratios.

(4) EBITDA represents operating profit plus depreciation and amortization. Our management uses this measure as an indicator of our operating results and financial condition; however you should not consider it in isolation, as an alternative to net income, as an indicator of our operating performance or as a substitute for analysis of our results as reported under IFRS, since, among others:

- it does not reflect the depreciation of our operating assets;
- it does not reflect our interest expense; and
- it does not reflect any income taxes we may be required to pay.

Because of the above, our EBITDA measure should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. EBITDA is not a recognized financial measure under IFRS and it may not be comparable to similar titled measures presented by other companies in our industry because not all companies use the same definition. As a result, you should rely primarily on our IFRS results and use our EBITDA measurement only as a supplement. For a reconciliation of EBITDA to our operating income, see "Selected Consolidated Financial and Other Information—Certain Reconciliations—EBITDA Reconciliation."

(5) We define total debt as long-term debt (including current portion of long-term debt) and long-term lease liabilities (including current lease liabilities), less long-term derivative financial instruments (liabilities) and current derivative financial instruments (liabilities), plus current derivative financial instruments (assets) and long-term derivative financial instruments (assets). The impact of accounting policies relating to derivative financial instruments and, in particular, hedges of debt obligations vary in significance between companies. Thus, management believes that total debt can be useful as an objective and comparable measure of our actual long-term commitments. For a reconciliation of total debt to long-term debt and lease liabilities, see "Selected Consolidated Financial and Other Information—Certain Reconciliations—Total Debt and Net Debt Reconciliations."

(6) We define net debt as total debt minus cash and cash equivalents. The impact of cash on hand to satisfy obligations as they become due vary in significance between companies. Thus, for comparison purposes, management believes that net debt can be useful as an objective and comparable measure of our liquidity because it recognizes the net cash position of our current operations. For a reconciliation of net debt to long-term debt and lease liabilities, see "Selected Consolidated Financial and Other Information—Certain Reconciliations—Total Debt and Net Debt Reconciliations."

RISK FACTORS

An investment in the notes is subject to risks and uncertainties. You should carefully consider the following risk factors, in addition to the other information presented in this offering memorandum, before buying the notes. The risks and uncertainties described below are not the only ones that we face. Any of the following risks, if they actually occur, could materially and adversely affect our business, cash flows, results of operations, financial condition and our ability to service our debt. In that event, the market price and liquidity of the notes could be materially adversely affected, and you could lose all or part of your investment in the notes. Additional risks and uncertainties that we do not know about or that we currently think are immaterial or we do not view as risks may also affect us, which could also result in the loss of all or part of your investment in the notes.

Risks Factors Related to Mexico

Our operations and results may be negatively impacted by the coronavirus outbreak, which could have a material adverse effect on our business and results of operations.

Since December 2019, a novel strain of coronavirus has spread around the world, including Mexico, and has been declared to be a "public health emergency of international concern" by the World Health Organization. As many countries around the world, on March 30, 2020, the Mexican federal government declared a health emergency as a result of the coronavirus pandemic and announced several measures to address it, including enhancement of sanitary measures, the suspension of any and all non-essential activities and a voluntary shelter in place order until June 2020, which was later extended. We cannot predict when the voluntary shelter in place order will be completely lifted. These measures and similar measures in other countries include travel and transportation restrictions, closures of office spaces and several businesses (such as shopping centers, cinemas, restaurants and gyms), and suspension of classes at schools and all massive events, such as music festivals, sport events, among others.

These measures have caused disruption in Mexican, regional and global economic activity and several industries and sectors to which we have exposure have been particularly impacted by the coronavirus pandemic, including, but not limited to, the services and entertainment industry, in particular hotels and restaurants. In addition, the slowdown in the economic activity caused by the coronavirus could have negative impacts on our business, including causing volatility in demand for our products, changes in consumer behavior and preference (including shifting to more value-conscious product categories), disruptions in our manufacturing and supply chain operations, disruptions to our cost saving programs and restructuring initiatives, limitations on our employees' ability to work and travel, significant changes in the economic or political conditions in markets in which we operate and related currency and commodity volatility. Despite our efforts to manage these possible effects, we cannot predict how much of an impact the coronavirus pandemic and government measures will ultimately have on our financial situation, cash flows and results of operations.

As a result of this disruption, the Mexican Ministry of Finance estimated as of April 1, 2020 that Mexico's gross domestic product, or GDP, could contract by as much as 3.9% in 2020. This disruption has also led to volatility and a downturn in financial markets, which has impacted prices of securities and the availability of funding through financial markets. Furthermore, as of the date of this offering memorandum, the Mexican Central Bank has reduced its interest rate by 175 basis points to 5.50% from January to June 2020 and may introduce additional decreases in the future in response to the effects of the coronavirus in the economy. The coronavirus and other macroeconomic events affecting Mexico caused significant volatility in the peso-U.S. dollar exchange rate. As of May 29, 2020, the Mexican peso appreciated from Ps.18.86 to Ps.22.18 per U.S.$1.00, a 17.6% appreciation since December 31, 2019, and continuing volatility could cause the peso to vary further. The Government's shelter in place order and other related measures, in the context of a weakened economy, lower interest rates and a weaker exchange rate, may adversely affect us in the future by, among other things, decreasing the purchase power of consumers and our sales in the professional business segment.

In response to the coronavirus pandemic and legal and regulatory measures implemented by the Mexican federal government to control the spread of coronavirus, we have been actively addressing the situation to mitigate potential impact to our people and business. We have modified certain of our business activities, including the implementation of travel restrictions, work-from-home policies for employees who have the ability to work remotely, and working shifts by groups in our facilities, and the cancellation of certain business activities. We will continue operating within applicable health and safety guidelines and applying strict hygiene and social distancing protocols across our operations and throughout our value chain, which are designed to reduce the risk of spreading coronavirus and maintain our operational resilience.

We are proactively monitoring our operations and may implement contingency plans as a response to macroeconomic uncertainty. However, there can be no assurance that the implementation of these plans will mitigate the impact of the coronavirus pandemic. The extent to which the coronavirus pandemic will impact our results will depend on the duration of this pandemic and the level of continued disruption to Mexican, regional and global economic activity, which is impossible to predict at this time. We will continue to closely monitor and evaluate the nature and extent of the impact of the coronavirus on our operations, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, consumers, partners and suppliers.

Our business and the results of our operations depend on economic, political and social conditions in Mexico.

We are formed in Mexico and most of our assets and operations are located in Mexico. As a result, we are subject to political, economic, legal, tax and regulatory risks specific to Mexico. Changes in the Mexican macroeconomic conditions have a significant influence in the demand for our products. As a result, our business, financial position and results of operations may be affected by the general condition of the local economy, price instability, the devaluation of the peso as compared to other currencies, inflation, interest rates, regulations, taxation, social instability and other political, social and economic developments in the country, over which we have no control.

In the past, Mexico has experienced prolonged periods of weak economic conditions, and recently during 2019, the Mexican GDP decreased by 0.1%, compared to the previous year, and for the three-month period ended March 31, 2020, the Mexican economy contracted 1.6% on a quarter-to-quarter basis, according to the Mexican National Statistics and Geographical Institute (*Instituto Nacional de Estadística y Geografía*, or INEGI). The Mexican government recently cut spending in response to a downward trend in international crude oil prices and as a result of the implementation of the austerity plan of the current president of Mexico, and it could further cut spending in the future. We cannot assure you that economic conditions in Mexico will not continue to slow down nor that our business, results of operations, financial condition and prospects going forward will not be materially and adversely affected as a consequence. Volumes and frequency of consumption of our products in Mexico depend on the development of the GDP, the level of disposable income of consumers, and related macroeconomic factors affecting Mexico. Decreases in the growth rate of the Mexican economy, periods of negative growth or reductions in disposable income could result in lower demand for our products.

Many countries in Latin America, including Mexico, have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Instability in the region has been caused by many different factors, including: (i) significant governmental influence over local economies, (ii) substantial fluctuations in economic growth, (iii) high levels of inflation, (iv) changes in currency values, (v) exchange controls or restrictions on expatriation of earnings, (vi) high domestic interest rates, (vii) wage and price controls, (viii) changes in governmental economic or tax policies and regulations, (ix) imposition of trade barriers, (x) unexpected changes in regulation, and (xi) overall political, social and economic instability. We cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political, economic or social developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition, results of operations and prospects.

Political conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our business and results of operations.

Political circumstances in Mexico could significantly and adversely affect Mexican economic policies which could have an effect on our operations. Mexico's presidential, federal and local elections were held on July 1, 2018 with a result of a voting majority (in the presidential, federal and local elections) in favor of *Movimiento de Regeneración Nacional*, or Morena, a left-wing political party. The elected members of Morena as the majority in the Mexican Congress took office on August 29, 2018, and the executive branch of the Mexican federal government took office on December 1, 2018.

The Mexican President strongly influences policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law policy in Mexico, which could adversely affect economic, political and social conditions in Mexico. In addition, as a result of Morena and its political allies controlling the absolute majority of both chambers of the Mexican Congress, as well as the majority in the congresses of most of the states of the country, Mr. Andrés Manuel López Obrador, the President, has considerable power to propose or amend laws and determine governmental policies and actions that relate to the Mexican economy.

Mr. López Obrador, the appointed public officials of Morena and the Mexican Congress, acting in their corresponding positions, have the ability to direct the policies of the federal government, to present new legislation and approve any amendments to existing legislation.

During his campaign and his first year and a half in office, Mr. López Obrador announced and implemented several structural changes including a significant decrease in salaries and labor benefits granted to public officers. We cannot assure you that these events, over which we have no control, will not have an adverse effect on our business, financial condition and results of operations, and we cannot predict the impact that these political conditions will have on the Mexican economy. Furthermore, we cannot assure you that political developments in Mexico or changes in Mexican laws, or public policies will not adversely affect our business, prospects, financial condition and results of operations.

During his campaign, Mr. López Obrador proposed, among other things, to modify and/or terminate certain structural reforms. As of the date of this offering memorandum, a new education reform was approved by the Mexican Congress and ratified by the legislative authorities of 22 Mexican states. In addition, the new administration canceled the New International Airport of Mexico City (Nuevo Aeropuerto Internacional de la Ciudad de México) project and announced the kickoff of the main infrastructure projects that were promised during the campaign (including a new refinery at Dos Bocas, the "Mayan train," and the construction of a new airport in Santa Lucía). In March 2020, the Mexican federal government also carried out a popular consultation (or referendum) with respect to the construction and development of a brewing facility by Constellations Brand in Baja California, Mexico, which was cancelled as a consequence of the consultation results. Elimination or mergers of certain governmental agencies and changes to the current retirement funds regime have also been proposed by Mr. Lopez Obrador and the members of Morena in Congress. Investors and credit rating agencies may be cautious about the new administration's policies, which could contribute to a decrease in the Mexican economy's resilience in the event of a global economic downturn.

On June 5, 2019, Fitch downgraded Mexico's sovereign debt, which reflects an assessment of the overall financial capacity of the government of Mexico to pay its obligations and its ability to meet its financial commitments as they become due, from BBB+ to BBB citing increased risk due to the deteriorating credit of Petróleos Mexicanos, or PEMEX, and weakness in the macroeconomic outlook due to, among other things, trade tensions. In addition, Moody's changed its outlook on Mexico's A3 rating from stable to negative. The next day, Fitch downgraded PEMEX from BBB- to BB+, citing insufficient investment to restore declining production. On March 26, 2020, S&P downgraded its credit rating for Mexico's sovereign debt from BBB+ to BBB (negative outlook). Moreover, on April 3, 2020, Fitch downgraded PEMEX from BB+ to BB, citing the continued deterioration of its stand-alone credit profile amid the downturn in the global oil and gas industry, Fitch's lower oil price assumptions and the weakening credit linkage between Mexico and PEMEX and, on April 15, 2020, Fitch revised its rating of Mexico's sovereign debt from BBB to BBB- (stable outlook). More recently, on April 17, 2020, Moody's downgraded the credit ratings for Mexico's sovereign debt from A3 to Baa1 and maintained the negative outlook. Simultaneously, on April 17, 2020, Moody's downgraded its ratings of PEMEX's senior unsecured notes, as well as its ratings of PEMEX's guarantee, from Baa3 to Ba2 and, simultaneously, Moody's withdrew PEMEX's Baa3 issuer rating and assigned a Ba2 corporate family rating to PEMEX. On April 20, 2020, Moody's also lowered PEMEX's Baseline Credit Assessment (BCA), which reflects its standalone credit strength, to caa2 from caa1. These rating actions were triggered by PEMEX's higher liquidity and business risk. We cannot assure you that the rating agencies will not announce additional downgrades of Mexico, PEMEX or any other Mexican state productive company in the future. Any recent or future downgrades could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results and prospects.

We cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political, economic or social developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition, results of operations and prospects.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy, which could affect our business, results of operations and financial condition.

The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions and policies concerning the economy, state-owned enterprises and state controlled, funded or influenced financial institutions could have a significant impact on private sector entities in general and on us in particular, and on market conditions, prices and returns on Mexican securities. See "Business—Governmental and Environmental Regulation." The Mexican government has in the past intervened in the local economy and occasionally makes significant changes in policies and regulations, which it could continue to do in the future. Such actions to control inflation and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, limits on imports and other actions. Our business, financial condition, results of operations and our ability to comply with our obligations under the notes may be adversely affected by changes in governmental policies or regulations involving or affecting our management, our operations and our tax regime.

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to foreign currencies, including U.S. dollars, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations.

Economic, political and social conditions in other countries may adversely affect our business, the market value of our securities and our results of operations.

The Mexican economy and the market value of Mexican companies may be, to varying degrees, affected by economic and market conditions in other emerging market countries and in the United States. Furthermore, economic conditions in Mexico are heavily influenced by the United States' economy, and policies that may be adopted by the U.S. government may adversely affect economic conditions in Mexico.

In particular, the economies of Mexico and the United States are highly interrelated as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. On October 1, 2018, the United States, Canada and Mexico formally agreed to renegotiate the terms and conditions of NAFTA, under the United States-Mexico-Canada Agreement, or the USMCA. Unlike NAFTA, the USMCA includes a sunset provision that requires the USMCA to be analyzed and modified, if applicable, after six years and after 16 years shall be renegotiated and restated. This treaty also includes amendments to the rules of origin in practically all sectors in order to certify a product as originating in the region, rules to deter artificial changes to exchange rates to obtain commercial advantages, additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. On November 30, 2018, Mexico, Canada and the United States entered into a protocol to substitute the NAFTA for the USMCA. On June 19, 2019 the Mexican Senate ratified the UMSCA and, on December 13, 2019, the amending protocol of the USMCA was approved by the Mexican Senate, which includes relevant amendments in labor, steel, pharmaceutical, intellectual property and environmental matters. In addition, on January 16, 2020, the United States Senate approved the USMCA, which was signed on January 29, 2020 by President Donald Trump. In addition, on that same date, the Prime Minister of Canada presented to the House of Commons of the Canadian government, the final text of the USMCA for approval, and it was approved by the Canadian Senate on March 13, 2020. The USMCA will enter into force on July 1, 2020. Uncertainties surrounding the implementation of the USMCA and the policies of the current U.S. administration, particularly with respect to matters of importance to Mexico and its economy such as trade and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

More generally, there may be changes to other existing trade agreements, greater restrictions on free trade generally, and significant increases in tariffs on imports and exports. It remains unclear what the U.S. administration or foreign governments, including China, will or will not do with respect to tariffs, NAFTA, USMCA or other international trade agreements and policies. In this regard, in June 2019, the current U.S. administration announced plans to impose an escalating series of tariffs on Mexico unless the Mexican government enacted certain policy changes. While the Mexican and U.S. governments were able to reach an agreement, we cannot assure you that we will not be materially adversely affected by such tariffs in the future. In addition to these factors, diminished oil prices and a reduction in Mexico's oil production and weaker-than-expected manufacturing activity in the U.S., could have an adverse effect on the Mexican economy and its growth prospects. These factors could have an unfavorable impact on our business and our ability to repay our debt.

In November 2020, presidential elections will take place in the United States, and that may result in a change of the nation's leadership. There cannot be assurances of any measures that might be taken by a new U.S. administration or the measures that will be taken by President Trump's administration if elected for a second period, nor can the impact of any such measures be predicted.

In addition, international oil prices significantly decreased by the end of the first quarter of 2020 due to a decrease in global demand for oil due to the coronavirus and the failure by the members of the Organization of the Petroleum Exporting Countries, or the OPEC, and other oil producing countries to reach an agreement to stabilize the oil market. This drop in the international prices of oil and its derivatives added to the weakening economic environment in Mexico, which in 2019 entered into a recession that coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar. Consequently, rating agencies cut Mexico's sovereign rating and PEMEX's stand-alone rating as PEMEX's creditworthiness has been under pressure due to debt burdens, depressed oil prices and the extraordinary need of proactive government support.

Although economic conditions in other emerging market countries and in the United States may differ significantly from economic conditions in Mexico, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican issuers or of Mexican assets. There can be no assurance that future developments in other emerging market countries and in the United States, over which we have no control, will not have a material adverse effect on our business, results of operations, financial condition or prospects.

Fluctuations in the value of the peso against the U.S. dollar may have an adverse effect on our results of operations and financial condition.

Because substantially all of our revenues are and will continue to be denominated in pesos, and our indebtedness under the notes will be denominated in U.S. dollars, if the value of the peso decreases against the U.S. dollar, our cost of financing may increase. While all of our non-peso denominated debt has been hedged against exchange rate fluctuations by using derivative financial instruments, the devaluation or depreciation of the peso could increase in peso terms the amount of our foreign currency-denominated liabilities, negatively affecting our results of operations. Such depreciation would also impact our financial condition and results of operations, given that substantially all of our sales revenue is denominated in pesos whereas we purchase many of our raw materials in

U.S. dollars. For the year ended December 31, 2019, we estimate that purchases of inputs subject to currency exchange fluctuation represented approximately 60% of our costs.

For instance, at the end of 2019, the peso had appreciated to Ps.18.86 per U.S. dollar. From December 31, 2019 to March 31, 2020, the peso sharply depreciated to Ps.23.48 per U.S.$1.00. Continued volatility could cause the peso to vary further. The Mexican government has implemented a series of measures to limit the volatility of the peso. However, we cannot assure you that such measures will be applied in the future or will be effective if applied or how such measures will impact the Mexican economy.

The Mexican Central Bank may from time to time participate in the foreign exchange market to minimize volatility and support an orderly market. The Mexican Central Bank and the Mexican government have also promoted market-based mechanisms for stabilizing foreign exchange rates and providing liquidity to the exchange market, such as using over-the-counter derivative contracts and publicly-traded futures contracts. However, the peso is currently subject to significant fluctuations against the U.S. dollar and may continue to be subject to such fluctuations in the future.

Fluctuations in currency exchange rates may adversely affect our ability to acquire assets denominated in other currencies and may also adversely affect the performance of the investments in such assets. Since assets may be purchased with and income may be payable in pesos, the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates, costs of conversion and exchange control regulations.

Severe devaluation or depreciation of the peso may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies or to make timely payments of interest and principal on our notes and any additional U.S. dollar-denominated debt that we may incur in the future. This may also have an adverse effect on our financial position, results of operations and cash flows in future periods by, for example, increasing in peso terms the amount of our foreign currency-denominated liabilities and the rate of default among our borrowers.

Inflation in Mexico, along with government measures to curb inflation, may have an adverse effect on our investments.

Mexico historically has experienced levels of inflation that are higher than the annual inflation rates of its main trading partners. The annual rate of inflation, as measured by changes in the Mexican national consumer price index calculated and published by INEGI was 2.83% for 2019, 4.83% for 2018 and 6.77% for 2017. High inflation rates could adversely affect our business and results of operations by reducing consumer purchasing power, thereby adversely affecting consumer demand for our products, increasing our costs beyond levels that we could pass on to our customers and by decreasing the benefit to us of revenues earned to the extent that inflation exceeds growth in our pricing levels.

Natural disasters and other events could adversely affect our operations.

Natural disasters, such as storms, hurricanes, earthquakes and floods (including those events resulting from climate change and extreme weather), could disrupt operations, damage infrastructure or adversely affect our production plants and distribution processes. Any of these events could increase our expenses or investments, result in a *force majeure* event under certain of our contracts and/or impact the economies of the markets affected by such disasters or events and consequently affect our business, financial condition, results of operations and prospects.

Increasing criminal activity could affect our business, results of operations and financial condition.

A significant increase in criminal activity in Mexico has had an adverse impact on economic activity throughout Mexico. A significant increase in criminal activity may have an impact across the production and supply chain and cause disruptions, in particular by increasing insurance, security and distribution costs as well as restocking time.

Also, social instability in Mexico or adverse social or political developments in the country could adversely affect our ability to conduct our business and obtain financing. We cannot assure you that the levels of criminal activity in Mexico, over which we have no control, will not increase or will decrease and will have no further adverse effects on Mexico's economy or on us.

Furthermore, the incurrence and continuance of illegal activities in Mexico have resulted in the issuance of more detailed and comprehensive anti-money laundering regulations and the increase of supervision of such activities by Mexican regulators, which have resulted in requirements to enhance our systems and reinforce our compliance measures.

The perception of higher risk in other countries, especially in emerging economies, may materially and adversely affect the Mexican economy and, in turn, the price of the notes.

Emerging markets such as Mexico are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Mexico and adversely affect the price of securities issued by Mexican issuer, including the notes.

Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. Any increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Mexico and adversely affect the Mexican economy in general, and the interest of investors in the notes, in particular in Mexico. We cannot assure you that the value of the notes will not be materially negatively affected by events in other emerging markets or the global economy in general.

Changes in taxes and other fiscal assessments may adversely affect us.

The Mexican government regularly enacts reforms to tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing, decrease disposable income and consumer spending.

We could face class action litigation.

Mexico has legislation that permits private plaintiffs and government entities, to bring class action lawsuits against companies doing business in Mexico, in respect of environmental and consumer matters. These laws may cause consumers and other market participants to initiate class action lawsuits against us, thereby increasing our exposure to liability. We cannot predict the possible outcome of any actions initiated under such laws, including the extent of liability we may face.

Risks Factors Related to our Business and Industry

A change in consumer demand for our products and/or lack of market growth could have a significant impact on our business.

We offer and sell consumer products and rely on continued demand for our brands and products in Mexico. To achieve our business goals, we must develop and sell products that appeal to consumers. This is dependent on a number of factors, including our ability to develop effective sales, advertising and marketing programs. We expect to achieve our financial targets, in part, by focusing on the most profitable product categories that we believe have growth potential and introducing innovative products. If demand for our products and/or market growth rates fall substantially below expected levels or our market share declines significantly in these businesses, our volume, and consequently our results, could be negatively impacted. This could occur due to, among other things, unforeseen negative economic or political events, unexpected changes in consumer trends and habits or negative consumer responses to pricing actions.

Significant increases in prices for raw materials, energy, transportation and other necessary supplies and services, without corresponding increases in our selling prices, could adversely affect our financial results.

Increases in the cost and availability of raw materials, including pulp and petroleum-based materials, the cost of energy, transportation and other necessary services, supplier constraints, supplier consolidation, an inability to maintain favorable supplier arrangements and relations or an inability to avoid disruptions in production output could have an adverse effect on our financial results.

Wood pulp (virgin and recycled fiber from recovered waste paper) is used extensively in our products and is subject to significant price fluctuations. Wood pulp is a key component in our products. In recent years, pulp prices have experienced significant volatility, and this volatility is expected to continue. To reduce the impact of fluctuation in the price of wood pulp we produce approximately 60% of such material by recycling recovered waste paper. However, increases in pulp prices or limits in the availability of recycled fiber could adversely affect our earnings if we cannot pass on these increases to our customers through price increases or if these increases significantly trail the increases in pulp prices.

A number of our products, such as diapers, training pants, feminine pads, adult care products, and disposable wipes, contain certain materials that are principally derived from petroleum. These materials are subject to price fluctuations based on changes in petroleum prices, availability and other factors, with these prices experiencing significant volatility in recent years. We purchase these materials from a number of suppliers. Significant increases in prices for these materials could adversely affect our earnings if we cannot pass on these increases to our customers through price increases, if these increases significantly trail the increases in prices for these materials, or if we do not utilize substitutes with lower prices for these materials.

Our manufacturing operations utilize electricity, natural gas and petroleum-based fuels. To ensure that we use all forms of energy efficiently and cost-effectively, we maintain ongoing energy efficiency improvement programs at all of our manufacturing sites. Our energy costs are also affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions (including actions taken to address climate change and related market responses). There can be no assurance that we will be fully protected against substantial changes in the price or availability of energy sources.

A significant part of our business relies on our relationship with KCC and the license agreement and the related technical services agreement therewith, and the failure to renew these agreements or changes in this relationship may adversely affect our results and financial condition.

A substantial portion of our sales are derived from sales of products under brands owned by KCC, which we produce, market, sell and distribute in Mexico through a license agreement and a related technical services agreement that we have entered into with certain affiliates of KCC.

Our license agreement and the related technical services agreement expire on November 1, 2023, and are automatically renewable for 5-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach, or for events outside our control, such as the decrease of KCC's ownership in our company below a certain threshold. The non-renewal or termination of these agreements for any reason would prevent us from selling products under brands owned by KCC in Mexico and would have an adverse effect on our business, financial condition, results of operations and prospects.

Water shortages, wastewater discharge or any failure to maintain existing concessions or permits could adversely affect our business.

Water is an essential component in the production processes of many of our products. We obtain water from various sources for our production plants, mainly through concessions granted by the federal government or pursuant to water management and treatment agreements.

In Mexico, water is deemed a public property and industries not connected to a public service water supply must obtain a water concession from the National Water Commission (*Comisión Nacional del Agua*, or CONAGUA). Water usage fees are established in the Federal Rights Law (*Ley Federal de Derechos*), which distinguishes several availability zones with different fees per unit of volume according to each zone. Water concessions are generally granted based on studies of the existing and projected groundwater supply, as well as usage volumes. We hold water concession titles from CONAGUA for the operation of six of our production facilities. Our existing water concessions may be terminated under certain circumstances or they may not be renewed on terms satisfactory to us or at all. In addition, as a result of the divestiture of our paper and notebook division, Bio Pappel Scribe provides water management and treatment services for two of our plants pursuant to water management and treatment agreements in effect and that are constantly renewed. Such agreements may be terminated or may not be renewed on terms satisfactory to us or at all which could cause us to incur additional operating costs or relocate such plants. See "Business—Energy and Water" and "Business—Governmental and Environmental Regulation." For certain of our production plants, our existing water supply may not be sufficient to meet our future production needs, and the available water supply may be adversely affected by shortages or changes in governmental regulations and environmental changes.

In addition, we cannot assure that we will be able to find alternative sources to meet our water needs in the event that our water supply is not sufficient to meet our current or future production needs.

Wastewater discharges into national bodies of water or onto the soil for its use in irrigation require a permit issued by CONAGUA. Additionally, wastewater discharges must comply with the maximum permissible levels of contaminants set forth in the applicable Mexican Official Standards. We hold five wastewater discharge permits from CONAGUA and a wastewater discharge permit from the municipal authority of Cuautitlán Izcalli, which is in the process of renewal. Wastewater discharge permits from CONAGUA are generally valid for a term of 10 years, however, the wastewater discharge permit issued by the municipal authority of Cuautitlán Izcalli has to be renewed on a yearly basis.

Failure to comply with the applicable maximum permissible levels of contaminants under the applicable Mexican Official Standards may result in administrative sanctions or fines.

Wastewater is treated in our wastewater treatment plants in order to comply with the maximum permissible levels of contaminants set forth in the applicable Mexican Official Standards, and as a result of the wastewater treatment process, cellulose sludge is generated which under the CRETI (corrosive, reactive, explosive, toxic and flammable) characterization is not classified as a hazardous waste. The cellulose sludge generated in two of our production facilities it is not disposed in landfills as a special management waste but rather purchased by the cement industry under services agreements. Such agreements may be terminated or may not be renewed on terms satisfactory to us or at all which could cause us to incur additional operating costs in order to comply with applicable environmental laws.

Increased pricing pressure, intense competition for sales of our products and the inability to innovate or market our products effectively could have an adverse effect on our financial results.

We operate in highly competitive markets. Inherent risks in our competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, a growing e-commerce marketplace, and competitive actions. Our competitors for these markets include not only well-known, branded products, but also "private label" manufacturers, low-cost manufacturers and international manufacturers. Some of these competitors may have better access to financial resources and/or greater penetration and market share, which enable them to offer a wider variety of products and services at more competitive prices.

Alternatively, some of these competitors may have significantly lower product development and manufacturing costs, particularly with respect to “private label” products, allowing them to offer products at a lower price. The actions of these competitors could adversely affect our financial results. It may be necessary for us to lower prices on our products and increase spending on advertising and promotions, each of which could adversely affect our financial results. Intense competition may slow our sales growth and earnings potential, as well as adversely impact our margins.

We may be unable to anticipate or adequately respond to changes in consumer demand for our products, which may change based on many factors, including shifting consumer purchasing patterns to lower cost options such as private-label products and mid to lower-tier value products, negative consumer response to pricing actions, consumer shifts in distribution from traditional retailers to e-tailers, changing consumer preferences due to increased concerns in regard to post-consumer waste and packaging materials and their impact on environmental sustainability, or other changes in consumer trends or habits. If we experience lower sales due to changes in consumer demand for our products, our business may be adversely affected.

Our ability to develop new products is affected by whether we can successfully develop and fund technological innovations, and receive and maintain necessary patent and trademark protection. In addition, we may incur substantial development and marketing costs in introducing new and improved products and technologies. The introduction of a new consumer product (whether improved or newly developed) usually requires substantial expenditures for advertising and marketing to gain recognition in the marketplace. If a product gains consumer acceptance, it normally requires continued advertising and promotional support to maintain its relative market position. Some of our competitors may spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions.

We may not be successful in developing new or improved products and technologies necessary to compete successfully in the industry, and we may not be successful in advertising, marketing, timely launching and selling our products.

In addition, the emergence of new sales channels, such as e-commerce, may affect customer and consumer preferences, as well as market dynamics. Failure to effectively compete in these new channels could negatively impact our results of operations.

We rely on retailers and if they perform poorly or give preference to competing products, our financial performance could be negatively affected.

We derive significant operating revenues from sales to retailers. We sell our products to retailers in the modern channel, such as supermarkets, hypermarkets and e-tailers, and to wholesalers which sell our products to retailers in the traditional channel, such as small family-owned stores. These retailers, in turn, sell our products to consumers. Any significant deterioration in the business performance of our major customers could adversely affect the sale of our products.

In addition, our products are sold in a highly competitive marketplace, which continues to experience increased concentration and the growing presence of large-format retailers, discounters and e-tailers. With the consolidation of retail trade, we are increasingly dependent on key retailers, and some of these retailers, including large-format retailers and e-tailers, may have greater bargaining power. They may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. We may also be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products, additional requirements related to safety, environmental, social and other sustainability issues, and other conditions. If we lose a significant customer or if sales of our products to a significant customer materially decrease, our business, financial condition and results of operations may be adversely affected. Except for Wal-Mart, no other customer represented over 10% of our sales in 2019. In addition, the emergence of new sales channels may affect customer preferences and market dynamics and could adversely impact our financial results. These new channels include sales of consumer and other products via e-commerce, as well as the growth of large-format retailers and discounters that exclusively sell “private label” products.

Disruption in our supply chain or the failure of third-party providers to satisfactorily perform could adversely impact our operations.

Our ability to manufacture, distribute and sell products is critical to our operations. These activities are subject to inherent risks such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, pandemics, import restrictions, regional economic, business, environmental or political events, governmental regulatory requirements or voluntary actions in response to global climate change or other concerns regarding the sustainability of our business, which could impair our ability to manufacture, distribute or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed, could adversely impact our business, financial condition and results of operations, as well as require additional resources to address.

In addition, third parties supply us with raw materials to manufacture our products or manufacture some of our products and provide certain administrative services. Disruptions or delays at these third-party manufacturers or service providers due to the reasons above or the failure of these manufacturers or service providers to otherwise satisfactorily perform, could adversely impact our operations, sales, payments to our suppliers, employees, and others, and our ability to report financial and management information on a timely and accurate basis.

KCC's stake in our company may result in us taking actions contrary to the interests of our remaining shareholders or creditors, including noteholders.

As of December 31, 2019, 48% of our outstanding share capital was held by KCC through a wholly-owned subsidiary. To the extent KCC holds a significant portion of our outstanding shares, KCC may have the power to determine the outcome of actions requiring the approval of our shareholders. See "Shareholders—Our Most Significant Shareholder." The interests of KCC may be different from the interests of our remaining shareholders, which may result in the company taking actions in a manner that differs from interests of our remaining shareholders or creditors, including your interests as a noteholder.

Damage to our reputation, the reputation of KCC or to one or more of our brands under which we sell our products could adversely affect our business.

Developing and maintaining our reputation, as well as the reputation of KCC and the brands under which we sell our products, is a critical factor in our relationship with consumers, customers, suppliers and others. Failure to maintain the reputation of our brands could materially and adversely affect our business, financial condition, results of operations and prospects. Issues that may affect our reputation include, but are not limited to, appropriately dealing with potential conflicts of interest, non-compliance with legal and regulatory requirements, safety conditions in our operations, ethical issues, money-laundering, antitrust and other governmental investigations affecting us or our business partners, privacy, record-keeping, sales and trading practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our business.

If we fail, or appear to fail, to deal with various issues that may give rise to reputational risk, we could harm our business and prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, safety conditions in our operations, adverse publicity, public concerns about product safety, quality, efficacy, environmental impacts (including packaging, energy and water use and waste management) and other sustainability or similar matters, breaches of consumer, customer, supplier, employee or other confidential information, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our business. Our business and results could also be negatively impacted by the effects of product-related litigation, allegations of product tampering or contamination, or the distribution and sale of counterfeit products.

The principal trademarks we use are registered in the countries in which we use such trademarks. While we and KCC intend to enforce our trademarks rights against infringement by third parties, our actions to establish and protect such trademark rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products on grounds that our products violate their trademarks and proprietary rights. If a competitor were to infringe on our or KCC's trademarks, enforcing our rights would likely be costly and would divert resources that would otherwise be used to operate and develop our business.

Negative or inaccurate information on social media could adversely affect our reputation.

In recent years, there has been a marked increase in the use of social media and similar platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications to disseminate information. These platforms allow individual access to a broad audience of consumers and other interested persons. Negative or inaccurate information concerning or affecting our or the KCC trademarks may be posted on such platforms at any time. This information may harm our reputation without affording us an opportunity for redress or correction, which could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

Inability to anticipate changes in consumer preferences may result in decreased demand for products.

Our success depends in part on our ability to anticipate the needs and preferences of our consumers according to changing trends. Changes in consumer preferences combined with our failure to anticipate, identify or react to these changes could result in reduced demand for our products, which could in turn adversely affect our financial condition, results of operations and cash flows.

In addition, our success depends in part on our ability to enhance our product portfolio by adding innovative new products in fast growing, profitable categories as well as increasing market share in our existing product categories. Introduction of new products and product extensions requires significant research and development as well as marketing initiatives. If our new products fail to meet consumers' preferences, then the return on that investment will be less than anticipated and our strategy to grow net sales and profits may not be successful.

Health and product liability risks related to the consumer and professional products industry could adversely affect our business, results of operation and financial condition.

We are subject to risks affecting the consumer and professional products industry generally, including risks posed by consumer product liability claims, the availability and expense of liability insurance and the potential cost and disruption of product recalls. We may also become involved in lawsuits and legal proceedings if it is alleged that the use of any of our products causes injury, illness or death. A product recall or an adverse result in any such litigation could adversely affect our financial condition, results of operations and cash flows.

Any actual or perceived health risks associated with our products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of our products. Even if our products are safe, our industry may face adverse publicity if the products of other producers are associated with health risks, which could result in reduced consumer demand for our products in the affected category. In addition, adverse publicity about the safety and quality of certain of our products may discourage consumers from buying our products or cause production and delivery disruptions.

There is no guarantee that our ongoing efforts to reduce costs will be successful.

We continue to implement plans to improve our competitive position by achieving cost reductions in our operations. In addition, we expect ongoing cost savings from our continuous improvement activities. We anticipate these cost savings will result from reducing material costs and manufacturing waste and realizing productivity gains and distribution efficiencies in each of our business segments. See our discussion of our cost savings activities in "Management's Discussion and Analysis of Financial Condition and Results of Operations." We cannot assure you that we will be able to successfully implement our cost savings plans, and therefore we may not realize all anticipated benefits.

If our information technology systems suffer interruptions, failures or breaches, our business operations could be disrupted and we could face financial and reputational damage.

Our information technology systems, some of which are dependent on services provided by KCC as well as by third parties, serve an important role in the efficient and effective operation and administration of our business. This role includes:

- ordering and managing materials from suppliers;
- managing our inventory;
- converting materials to finished products;
- facilitating order entry and fulfillment;
- processing transactions;
- summarizing and reporting our results;
- facilitating internal and external communications;
- administering human resources functions;
- collecting and storing customer, vendor, employee and investor information and personal data;
- hosting, processing and sharing confidential and proprietary research, business plans, and financial information;
- complying with regulatory, tax and other legal requirements;
- providing data security; and
- providing other processes necessary to manage our business.

These information technology systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks. Any failure of our information technology systems to perform as we anticipate could disrupt our business. While we have contingency plans in place to prevent or mitigate the impact of these events, if they were to occur and our disaster recovery plans do not effectively address the issues on a timely basis, we could suffer interruptions in our ability to manage our operations, which may adversely affect our business and financial results.

Increased cyber-security threats and computer crime also pose a potential risk to the security of our information technology systems, including those of third party service providers with whom we have contracted, as well as the confidentiality, integrity and availability of the data stored in those systems. Any breach in our technology information security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive customer, supplier, employee or investor information maintained in the ordinary course of our business. Any such event could cause damage to our reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events, which may adversely affect our business and financial results.

If we are unable to hire, develop or retain key employees or a skilled and diverse workforce, it could have an adverse effect on our business.

Our strategy includes a focus on hiring, developing and retaining our management team and a skilled and diverse workforce. Our workforce is a significant factor in developing product innovation, as well as providing key viewpoints representative of our consumer base. We compete to hire new employees and then seek to train them to develop their skills. We may not be able to successfully recruit, develop and retain the key personnel that we need. Unplanned turnover or failure to develop an effective succession plan for our leadership positions, or to hire and retain a diverse, skilled workforce, could increase our operating costs and adversely affect our results of operations.

Pending and potential future litigation, governmental investigations, administrative actions, tax matters, regulatory requirements and new legal requirements could have an adverse effect on our financial results.

In the course of our business, we are subject to various legal and administrative actions and investigations in which we assert our rights under various laws, including intellectual property and data privacy laws. We may not be successful in defending against these actions or in asserting these rights. In addition, we could incur substantial costs in defending against, or in asserting our rights in, these actions.

We are subject to income tax requirements in Mexico and other jurisdictions in which we operate. These jurisdictions have unpredictable enforcement activity. Implementation of new taxes, changes in applicable tax laws and interpretations of these tax laws and actions by tax authorities in jurisdictions in which we operate could reduce our after-tax income and have an adverse effect on our results of operations.

Aspects of our business, including consumer care, are subject to many laws and governmental regulations, as well as potential litigation. Adverse regulatory action, including a recall, regulatory or other governmental investigation or other litigation may adversely affect our financial condition and business operations.

Our sales and results of operations may also be adversely impacted by new legal requirements, including healthcare legislation, excise or other taxes, export control and foreign sanctions legislation, labor legislation, antitrust legislation and climate change and other environmental legislation and regulations. The costs and other effects of pending litigation and administrative actions against us and new legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs to us, directly for our compliance or indirectly to the extent suppliers increase prices of goods and services because of increased compliance costs or reduced availability of raw materials.

We are subject to antitrust, anticorruption, anti-bribery and anti-money laundering laws. Failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our business.

We are subject to antitrust, anticorruption, anti-bribery and anti-money laundering laws. Although we maintain policies and processes intended to comply with these laws, including a review of our internal control over financial reporting, we cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by our officers or employees. If our officers or employees fail to comply with any applicable antitrust, anticorruption, anti-bribery or anti-money laundering laws, they may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on our business, financial condition, results of operations and prospects. Furthermore, the entities or businesses we acquire may not comply with the same control standards and procedures as us. Any investigation of potential violations of antitrust, anticorruption, anti-bribery or anti-money laundering laws by governmental authorities could materially and adversely affect our business, financial condition, results of operations and prospects. This could also adversely impact our reputation and ability to, when applicable, obtain contracts, assignments, permits and other government authorizations.

In 2017, the Mexican Antitrust Commission (*Comisión Federal de Competencia*) initiated an industry wide investigation over probable antitrust pricing practices occurring before 2014 with respect to certain cellulose fiber-based hygiene products. As of the date of this offering memorandum, the investigation is ongoing. We are fully cooperating with the Mexican Antitrust Commission as it conducts its inquiry, and we have filed a leniency application in connection therewith. In compliance with antitrust regulation, in the recent years we have been constantly improving our internal controls, procedures and guidelines regarding antitrust prevention, and training our affiliates, employees, directors and officers in connection with antitrust prevention practices.

In addition, we and our affiliates are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anticorruption laws or sanctions regulations could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

We may acquire or divest product lines or businesses, which could impact our results.

We may pursue acquisitions of product lines or businesses from third parties. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired businesses, estimation and assumption of liabilities and contingencies, personnel turnover and the diversion of management's attention from other business concerns. We may be unable to identify suitable additional acquisition candidates or may be unable to successfully integrate and manage product lines or businesses that we have acquired or may acquire in the future. In addition, we may be unable to achieve anticipated benefits or cost savings from acquisitions in the timeframe we anticipate, or at all.

The inability to integrate and manage acquired product lines or businesses in a timely and efficient manner, the inability to achieve anticipated cost savings or other anticipated benefits from these acquisitions in the timeframe we anticipate or the unanticipated required increases in trade, promotional or capital spending from these acquisitions could adversely affect our business, financial condition, results of operations or liquidity.

Moreover, acquisitions could result in substantial additional indebtedness, exposure to contingent liabilities such as litigation or earn-out obligations, the potential impairment of goodwill or other intangible assets, or transactional costs, all of which could adversely affect our financial condition, results of operations or liquidity.

Alternatively, we may periodically divest product lines or businesses. These divestitures may adversely impact our results if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested products or businesses, or otherwise achieve the anticipated benefits or cost savings from the divestitures. In addition, businesses under consideration for or otherwise subject to divestiture may be adversely impacted prior to the divestiture, which could negatively affect our financial results. Furthermore, the divestitures could adversely affect our ongoing business operations, including by enhancing our competitors' positions or reducing consumer confidence in our ongoing brands and products.

We may be unable to successfully expand our operations into new markets.

If the opportunity arises, we may expand our operations into new markets. Each of the risks applicable to our ability to successfully operate in our current markets is also applicable to our ability to successfully operate in new markets. In addition to these risks, we may not possess the same level of familiarity with the dynamics and market conditions of any new markets that we may enter, which could adversely affect our ability to expand into or operate in those markets. We may be unable to create similar demand for our products and business, which could adversely affect our profitability. If we are unsuccessful in expanding our operations into new markets, it could adversely affect our business, financial condition and results of operations.

Failure to maintain our relationships with labor unions may have an adverse effect on our financial results.

The majority of our workforce is represented by labor unions. While we have enjoyed satisfactory relationships with all of the labor organizations that represent our employees and we believe our relationships with labor organizations will continue to be satisfactory, labor-related disputes may still arise. Labor disputes that result in strikes or other disruptions could also cause increases in operating costs, which could damage our relationships with our customers and adversely affect our business and financial results. In 1997 we had a strike at our Orizaba plant in connection with the negotiation of our collective bargaining agreement with the local union. Although this strike lasted less than one week and did not have a material adverse effect on our results of operations, we cannot assure you that any future strike at any of our plants will not have such a material adverse effect. We have not had any strikes since 1997.

In addition, our results may be materially and adversely impacted as a result of increases in labor costs. A shortage in the labor pool or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have a material adverse effect on our consolidated operating results or financial condition.

Our labor costs include the cost of providing benefits for employees. We sponsor a number of defined benefit plans for employees, including pension, retiree health and welfare, active health care, severance and other post-employment benefits. The annual cost of benefits can vary significantly from year to year and is materially affected by such factors as changes in the assumed or actual rate of return on major plan assets, a change in the weighted-average discount rate used to measure obligations, the rate or trend of health care cost inflation, and the outcome of collectively-bargained wage and benefit agreements.

Compliance with environmental and other governmental laws and regulations could result in added expenditures or liabilities.

Our operations are subject to federal, state and municipal laws, regulations and official standards relating to the protection of the environment and natural resources.

Our operations are subject to applicable Mexican federal, state and municipal environmental authorities, laws, regulations, Mexican Official Standards, and to regulations for the protection of the environment, including regulations relating to water supply, water quality, wastewater discharge, air quality, noise levels and hazardous and solid waste. The distribution of jurisdiction over environmental matters among the three levels is provided in the Mexican Constitution (*Constitución Política de los Estados Unidos Mexicanos*), which establishes that those matters not expressly reserved to the Mexican federal government will fall under the jurisdiction of the local governments. Therefore, state and municipal governments may issue specific environmental laws and regulations in matters that fall within their respective jurisdictions.

In Mexico, the main federal laws that we are subject to are the Mexican General Law on Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente*, or the Ecological Law"), the Mexican General Law for the Prevention and Comprehensive Management of Wastes (*Ley General para la Prevención y Gestión Integral de los Residuos*), the National Waters Law (*Ley de Aguas Nacionales*, or the Waters Law), the Mexican Federal Environmental Liability Law (*Ley Federal de Responsabilidad Ambiental*, or the Environmental Liability Law), and the Mexican General Law on Climate Change (*Ley General de Cambio Climático*, or the Climate Change Law) and other relevant regulations, as applicable. Pursuant to these laws, rules and regulations have been issued concerning environmental impact, noise emissions, air emissions, water extraction and wastewater discharge, waste management, etc., to which our operations are also subject. See "Business—Energy and Water" and "Business—Governmental and Environmental Regulation."

Additionally, we are subject to regulation by, among other agencies, the Mexican Ministry of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, or SEMARNAT), the Mexican Ministry of Labor and Social Security (*Secretaría del Trabajo y Previsión Social*), PROFEPA and the CONAGUA.

The Ecological Law is enforced by PROFEPA who monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and Mexican Official Standards. It may also initiate administrative proceedings against companies that violate environmental laws, which in extreme cases may result in the temporary or permanent shutdown of non-complying facilities, the revocation of operating licenses and/or other administrative sanctions or fines.

The Environmental Liability Law enacted on July 7, 2013 provides for a judicial process to claim the reparation or compensation of environmental damages resulting from unlawful acts or omissions. This liability regime is independent from administrative, civil or criminal liability regimes. Under this law, we could be subject to additional liabilities and penalties.

The Climate Change Law enacted on August 4, 2012 provides a legal framework to regulate policies for climate change mitigation and adaptation. Important provisions of the Climate Change Law require the development of secondary legislation, and depend on the publication of subsequent implementing regulations. For instance, the Climate Change Law provides, among other things, for (i) the elaboration of a registry of the greenhouse emissions that are generated by fixed sources, (ii) companies to report and verify their greenhouse gas emissions, if required and (iii) the application of fines to those companies that fail to report or that report false information. In this regard, on October 28, 2014, the Regulations to the General Law on Climate Change Regarding the National Registry of Emissions (*Reglamento de la Ley General de Cambio Climático en Materia del Registro Nacional de Emisiones*, or the Regulations) enacted on October 28, 2014. The purpose of the Regulations is to govern the Climate Change Law regarding the National Registry of Emissions (*Registro Nacional de Emisiones*), identifying the sectors and subsectors, which include among others, the cement industry, that must file the corresponding reports before the National Registry of Emissions. We had previously reported our direct and indirect carbon dioxide emissions to SEMARNAT under a voluntary scheme. The Climate Change Law also allows for the establishment of specific greenhouse gas reduction targets in accordance with the respective contribution of each economic sector to the national greenhouse gas emissions. On October 2, 2019, SEMARNAT published the basis for the Trial Program of the Emissions Trading Scheme (*Programa de Prueba del Sistema de Comercio de Emisiones*). This trial program establishes an initial 24-month term for the adoption of the program and 12 months to transition to the operation stage, ending in December 2022. The trial program, which began operations during the first quarter of 2020, will not have any economic consequences for the participants, however, after December 2022, SEMARNAT will establish emission caps per industrial sector according to the countries greenhouse gas emissions reduction targets. We will have to meet those caps through mitigation measures or acquire Emission Reduction Certificates in the market. We cannot anticipate the impact that the Emissions Trading Scheme and mandatory emissions caps will have on our operations in Mexico.

Modifications of existing environmental laws and regulations, the adoption of more stringent environmental laws and regulations and/or the non-compliance with such laws and regulations may result in the need for investments that are not currently provided for in our capital expenditures program and may otherwise result in a material adverse effect on our business, results of operations or financial condition.

An impairment in the carrying value of goodwill or other acquired intangibles could negatively affect our consolidated operating results and net worth.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangibles represents the fair value of trademarks, trade names, and other acquired intangibles as of the acquisition date. Goodwill and certain other acquired intangibles expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated by management at least annually for impairment. If carrying value exceeds current fair value, the intangible is considered impaired and is reduced to fair value via a charge to earnings. Events and conditions which could result in an impairment include changes in the industries in which we operate, including competition and advances in technology, a significant product liability or intellectual property claim, or other factors leading to reduction in expected sales or profitability. Should the value of one or more of the acquired intangibles become impaired, our consolidated earnings and net worth may be materially adversely affected.

We may incur additional indebtedness in the future that could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding debt obligations.

Our existing debt instruments do not have, and the indenture governing the notes will not have, limitations on our ability to incur additional indebtedness. As of December 31, 2019, we had Ps.20,952 million (U.S.$1,111 million) of total long-term indebtedness outstanding under various debt instruments. After the offering of the notes, we may incur additional indebtedness that may have the following direct or indirect effects on you:

- limit our ability to satisfy our obligations under the notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;

- require us to dedicate a portion of our cash flow from operations to servicing and repaying our indebtedness which may place us at a competitive disadvantage to our competitors with less debt;
- limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds, and
- increase the cost of additional financing.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, certain of our financing arrangements and other instruments governing our debt obligations impose operating and financial restrictions on our business. These provisions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business.

In the future, we may from time to time incur substantial additional indebtedness. If we or our subsidiaries incur additional debt, the risks that we face as a result of our existing indebtedness could further intensify.

Non-compliance with applicable Mexican laws and regulations may adversely affect us.

Under applicable Mexican federal, local and municipal laws and regulations, we are required to seek governmental concessions, permits, authorizations, licenses and other approvals in connection with the operation of our business. Obtaining the necessary governmental permits can be a time-consuming process. The governmental approval process may increase non-material costs and cause delays, depending on the nature of the activity requiring a permit. Failure to obtain, comply with the conditions and obligations, or renew required environmental permits, or any suspension or revocation of such permits could result in a negative impact on our operations.

Renewal of the municipal operating licenses for the 2020 fiscal year in some of our plants is pending to be obtained due to delays from the applicable municipal agencies. Even when municipal operating licenses renewals are applied for in a timely manner, delays in the response from the authorities is now common. Failure to have the renewal of the municipal operating licenses of the plants in place may result in the imposition of administrative fines or administrative sanctions and the temporary or permanent closure of facilities.

Additionally, from time to time we are subject to administrative inspections and proceedings to verify compliance with applicable Mexican laws and regulations, which may result in the imposition of fines or administrative sanctions.

Risk Factors Related to the Notes

There is no existing market for the trading of the notes, and we cannot assure you that you will be able to sell your notes in the future.

The notes will constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future a market for the notes will develop, or that you will be able to sell any notes you have purchased at all or for any particular price. Although we have applied to Euronext Dublin for the notes to be admitted to the Official List and for trading on the Global Exchange Market of Euronext Dublin, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, global economic conditions, political and economic developments in and affecting Mexico and the markets for similar securities. The initial purchasers have advised us that they currently intend to make a market in the notes but they are not under any obligation to do so, and any market-making with respect to the notes may be discontinued at any time without notice at the sole discretion of the initial purchasers.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum relating to this transaction, to the market for securities of Mexican issuers generally, or to global economic conditions. As a result, we cannot assure you of the level of liquidity of any trading market for the notes and, as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

The notes are subject to transfer restrictions, which could limit your ability to resell your notes.

The notes have not been registered under the Securities Act, any U.S. state securities laws or the Mexican Securities Market Law, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. These exemptions include those for offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions."

We may not be able to fulfill our repurchase obligations with respect to the notes upon a change of control that is coupled with a rating decline.

If we experience certain change of control events coupled with a rating decline, as described under "Description of the Notes—Repurchase at the Option of Holders Upon a Change of Control Triggering Event," we will be required by the indenture governing the notes to offer to repurchase all outstanding notes at a repurchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date. If a change of control triggering event were to occur, we may not have sufficient funds to repay any notes tendered for purchase or that would become immediately due and payable as a result of such change of control triggering event. We may require additional financing from third parties to fund any such repurchases, and we may not be able to obtain additional financing on satisfactory terms or at all. Our failure to repay holders who tender notes for repurchase following a change of control triggering event could result in an event of default under the indenture governing the notes and under the instruments governing our other financings.

If we were to be declared insolvent or bankrupt, holders of notes may find it difficult to collect payment on the notes.

Under Mexico's Insolvency Law (*Ley de Concursos Mercantiles*), if we become subject to an insolvency proceeding (*concurso mercantil)* or are declared bankrupt (*en quiebra*), our obligations under the notes (i) would be converted to pesos and then from pesos into UDIs (*unidades de inversión*), which is a Mexican synthetic unit adjusted by inflation, and would not be adjusted to take into account any devaluation of the peso relative to the U.S. dollar occurring after such conversion, (ii) would cease to accrue interest from the date the *concurso mercantil* is declared, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings (including statutory preferences for tax, social security, labor and secured claims) and (iv) would be satisfied at the time claims of all our creditors are satisfied.

Payments of judgments against us on the notes would be in pesos.

In the event that proceedings are brought against us in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, we would not be required to discharge those obligations in a currency other than Mexican pesos. Under the Monetary Law of the United Mexican States (*Ley Monetaria de los Estados Unidos Mexicanos*), an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican pesos, which is payable in Mexico, may be satisfied in Mexican pesos at the rate of exchange in effect at the time and place of payment or judgment. Such rate is currently determined by the Mexican Central Bank and published every banking day in the Federal Official Gazette. As a result, you may suffer a U.S. dollar shortfall if you obtain a judgment or a distribution in bankruptcy in Mexico and we elect to make payments in respect thereof in Mexican pesos.

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

Our company is organized under the laws of Mexico. A majority of our directors, executive officers and controlling persons reside outside the United States, a significant portion of the assets of our directors, executive officers and controlling persons, and a significant portion of our assets, are located outside the United States, and certain of the experts named in this offering memorandum also reside outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our Mexican counsel, Santamarina y Steta, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts or in actions for enforcement of judgments obtained in courts of jurisdiction outside Mexico, of liabilities predicated solely on U.S. federal securities laws or any jurisdiction outside Mexico and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of U.S. federal securities laws. No treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments.

Certain of our creditors (including our creditors of indebtedness represented by negotiable instruments or other instruments governed by Mexican law (*títulos ejecutivos*) that grant rights to executory proceedings (*procedimiento ejecutivo*) and the Mexican tax authority with respect to certain tax claims) are entitled to obtain pre-judgment attachment of our assets from a Mexican court at inception of the judicial proceeding. If our assets are attached in accordance with an order of a Mexican court, creditors benefitting from the attachment would have priority against other creditors (including holders of the notes) over the assets attached.

The notes will be structurally subordinated to the liabilities of our subsidiaries.

The notes will not be guaranteed by any of our subsidiaries and therefore are effectively subordinated to all existing and future liabilities of our subsidiaries. As of March 31, 2020, our subsidiaries had indebtedness in an aggregate principal amount of Ps.235 million, excluding intercompany liabilities. Our subsidiaries are separate legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the notes or to make any funds available for such purpose. The payment of dividends to us by our subsidiaries will be subject to legal and, in certain instances, contractual restrictions and will depend upon the earnings and cash flow of each subsidiary. In the event of a bankruptcy, liquidation or dissolution of one or more of our subsidiaries, following payment by such subsidiaries of their liabilities, they may not have sufficient assets to make payments to us.

In addition, while we conduct most of our operations directly, certain assets, such as plants, facilities and equipment, are owned by our subsidiaries. In the event that any of our subsidiaries is subject to an insolvency proceeding (*concurso mercantil)*, our right to receive any assets of any such subsidiaries as an equity holder will be effectively subordinated to the claims of our subsidiaries' creditors, including trade creditors.

The notes are not secured by our assets and therefore any future secured creditors will be entitled to remedies which would give them priority over the holders of the notes to collect amounts due to them.

In addition to being structurally subordinated to the existing and future debt of our subsidiaries, the notes will not be secured by any of our assets. Because the notes are our unsecured obligations, the right of repayment of the holders of the notes may be compromised relative to any future secured creditors if we enter into an insolvency proceeding (*concurso mercantil),* liquidation, reorganization or other winding up proceedings or if an event of default occurs under any such future secured debt. If this were to occur, it is possible that there would be no assets remaining from which claims of the holders of the notes could be satisfied. Further, if any assets did remain after payment of these secured creditors, the remaining assets might be insufficient to satisfy the claims of the holders of the notes and holders of other unsecured debt that is deemed the same class as the notes, and potentially all other general creditors who would participate ratably with holders of the notes. Furthermore, the notes will be subordinated to obligations given preference by mandatory provisions of Mexican law (including certain claims relating to taxes and labor).

Negative covenants in the indenture governing the notes will have a limited effect.

The indenture governing the notes will contain only limited negative covenants that apply to us and our subsidiaries. These covenants do not limit the amount of additional debt that we may incur and do not require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity. In addition, we may be able to incur a substantial amount of secured debt in respect of which the holders of the notes will be effectively subordinated to the extent the value of the collateral securing such other debt.

We may choose to redeem the notes and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We will have the right to redeem the notes, in whole or in part, prior to their maturity on the terms and at the prices provided under "Description of the Notes—Optional Redemption." We may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes being redeemed.

Our credit ratings do not reflect all risks of investing in the notes and we cannot assure you that the credit ratings for the notes will not be decreased, suspended or withdrawn by the rating agencies.

Our credit ratings are an assessment by the rating agencies of our ability to pay our debts as they mature. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued, which include assessments of our financial strength and risks. Consequently, actual or anticipated changes in our credit ratings generally affect the market value of the notes. The ratings do not constitute a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the rating agency. Our credit rating from each rating agency should be evaluated independently of ratings by any other rating agencies.

Further, the credit ratings of the notes may change after issuance. Our current ratings and the rating outlooks currently assigned to us are, and any ratings attributed to the notes will be, dependent upon economic conditions and other factors affecting credit risk that are outside our control. An explanation of the significance of such ratings may be obtained from the rating agencies.

We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting certain transaction expenses (including fees and commissions payable to the initial purchasers), will be approximately U.S.$496 million. We intend to use the net proceeds of this offering for general corporate purposes, including the repayment of some or all of our indebtedness under one or more of the BofA Credit Agreement, the First Citi Credit Agreement and a portion of the Second Citi Credit Agreement, under which affiliates of some of the initial purchasers are lenders, and a portion of publicly traded notes in Mexico. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

EXCHANGE RATES

Prior to December 21, 1994, the Mexican Central Bank kept the Mexican peso-U.S. dollar exchange rate within a range prescribed by the Mexican government through intervention in the foreign exchange market. Within the mentioned band, the Mexican Central Bank generally intervened to reduce day-to-day fluctuations in the exchange rate. In December 1994, the Mexican government suspended intervention by the Mexican Central Bank and allowed the Mexican peso to float freely against the U.S. dollar. Factors contributing to the decision included the size of Mexico's account deficit, the level of the Mexican Central Bank's foreign exchange reserves, rising interest rates for other currencies, especially the U.S. dollar, and reduced confidence in the Mexican economy on the part of international investors at the time.

Since late 2003 and until February 2015, the Mexican Central Bank conducted auctions of U.S. dollars in an attempt to reduce the levels of its foreign reserves. The Mexican Central Bank conducts open market operations on a regular basis to determine the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. The Mexican Central Bank may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions will be required to allocate more funds to their reserves, which will reduce the amount of funds available for operations, and cause the amount of available funds in the market to decrease and the interest rate to increase. The opposite happens if reserve requirements are lowered. This mechanism, formally known as "corto" or "largo," as the case may be, or more formally "the daily settlement balance target," represents a device that has been used by the Mexican Central Bank to adjust the level of interest and foreign exchange rates. This mechanism was suspended in 2013 and restarted in December 2014. We cannot assure you that the Mexican Central Bank will maintain or change its policies with respect to the Mexican peso or that the Mexican peso will not depreciate significantly in the future.

The following table sets forth, for the periods indicated, the period-end, average, high and low exchange rates published by the Mexican Central Bank expressed in Mexican pesos per U.S. dollar. On each banking business day the Mexican Central Bank determines the peso-U.S. dollar exchange rate in Mexico based on an average of wholesale foreign exchange market quotes and such rate is published on the banking business day immediately following such determination in the Official Federal Gazette and on the Mexican Central Bank's website (www.banxico.org.mx). The average exchange rates presented in the following table were calculated by using the daily average of the exchange rates on each day during the relevant period. All amounts are stated in pesos, and we have not restated the rates in constant currency units. We make no representation that the peso amounts referred to in this offering memorandum actually represent U.S. dollar amounts or that we earn revenue in U.S. dollars, or that such peso amount could have been or could be converted into U.S. dollars at any particular rate or at all.

	Mexican Central Bank Exchange Rate(1)			
Year	**Period-End**	**Average(2)**	**High**	**Low**
2015	17.2487	15.8810	17.3776	14.5559
2016	20.6194	18.6886	21.0511	17.1767
2017	19.6629	18.9066	21.9076	17.4937
2018	19.6512	19.2373	20.7160	17.9787
2019	18.8642	19.2574	20.1253	18.7719
Month				
January 2020	18.9082	18.8040	18.9407	18.6725
February 2020	19.7760	18.8443	19.7760	18.5712
March 2020	23.4847	22.3784	25.1185	19.2837
April 2020	23.9283	24.2658	24.8583	23.5645
May 2020	22.1778	23.4230	24.3812	22.1778
June 2020 (through June 19, 2020)	22.6300	22.071	22.6300	21.5837

(1) Source: Mexican Central Bank.
(2) Average of daily rates during the applicable period.

CAPITALIZATION

The following table sets forth our capitalization and long-term indebtedness under IFRS as of March 31, 2020 and as adjusted to give effect to the issuance of U.S.$500 million of notes offered hereby and the use of the proceeds therefrom (including the repayment of the BofA Credit Agreement, the First Citi Credit Agreement, a portion of the Second Citi Credit Agreement and a portion of publicly traded notes in Mexico), as further described under "Use of Proceeds."

This table should be read in conjunction with, and is qualified in its entirety by reference to, "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Financial and Other Information" and our financial statements and related notes included elsewhere in this offering memorandum.

	As of March 31, 2020		As of March 31, 2020	
	Actual	As adjusted	Actual	As adjusted
	(in thousands of U.S.$)(1)(2)		(in thousands of Ps.)(2)	
Assets:				
Cash and cash equivalents	414,024	409,272	9,723,223	9,611,634
Liabilities:				
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 7.17% and 6.98%.	180,969	74,517	4,250,000	1,750,000
3.800% Notes due 2024	253,356	253,356	5,950,000	5,950,000
3.250% Notes due 2025	253,356	253,356	5,950,000	5,950,000
2.431% Notes due 2031 offered hereby	–	500,000	–	11,742,350
BofA Credit Agreement	202,685	–	4,760,000	–
First Citi Credit Agreement	127,743	–	3,000,000	–
Second Citi Credit Agreement	127,743	63,871	3,000,000	1,500,000
Total debt	**1,145,852**	**1,145,100**	**26,910,000**	**26,892,350**
Less:				
Current portion	(309,137)	–	(7,260,000)	–
Expenses on debt issuance	(2,450)	(6,450)	(57,527)	(151,466)
Increase of debt due to fair value of hedge	1,474	1,474	34,623	34,623
Total long-term debt	**835,740**	**1,140,124**	**19,627,096**	**26,775,507**
Total stockholders' equity	85,571	85,571	2,009,618	2,009,618
Total capitalization	921,311	1,225,695	21,636,714	28,785,125
Total debt as a percentage of total capitalization	90.7%	93.0%	90.7%	93.0%

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Except percentages.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present our selected consolidated financial and other information, as of the dates and for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements, including the notes thereto, contained elsewhere in this offering memorandum and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum.

The consolidated financial information as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 has been derived from our audited consolidated financial statements contained elsewhere in this offering memorandum.

The consolidated financial information as of the three months ended March 31, 2020 and for the three months ended March 31, 2020 and 2019 has been derived from our unaudited condensed consolidated interim financial statements contained elsewhere in this offering memorandum. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any other period.

Our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the IASB. We are not providing any reconciliation to U.S. GAAP of our consolidated financial statements or other financial information in this offering memorandum. We cannot assure you that a reconciliation would not identify material quantitative differences between our consolidated financial statements and other financial information as prepared on the basis of IFRS if such information were to be prepared on the basis of U.S. GAAP.

Our consolidated financial statements are stated in Mexican pesos. Certain financial information concerning us as of and for the year ended December 31, 2019 and as of and for the three months ended March 31, 2020 included in this offering memorandum is presented in U.S. dollars for the convenience of the investors. See "Presentation of Financial and Other Information—Currency."

	Three Months Ended March 31,			Year Ended December 31,			
	2020	2020	2019	2019	2019	2018	2017
	(Thousands of U.S. dollars)(1)(3)	*(Thousands of Ps.)*(1)(3)		*(Thousands of U.S. dollars)*(2)(3)	*(Thousands of Ps.)*(2)(3)		
CONSOLIDATED STATEMENTS OF INCOME							
Net sales	497,866	11,692,238	11,013,588	2,305,946	43,499,821	41,026,097	37,765,760
Cost of sales	300,942	7,067,539	7,138,161	1,440,754	27,178,669	26,686,298	24,363,769
Gross profit	**196,924**	**4,624,699**	**3,875,427**	**865,192**	**16,321,152**	**14,339,799**	**13,401,991**
Selling expenses	55,616	1,306,122	1,229,273	263,146	4,964,048	4,714,818	4,448,828
Administrative expenses	26,271	616,975	585,641	125,109	2,360,078	2,116,926	1,971,695
Operating profit	**115,037**	**2,701,602**	**2,060,513**	**476,937**	**8,997,026**	**7,508,055**	**6,981,468**
Finance costs:							
Borrowing costs	23,565	553,410	462,856	98,416	1,856,542	1,775,539	1,461,592
Interest income	(4,234)	(99,427)	(70,009)	(15,765)	(297,387)	(288,114)	(264,473)
Exchange fluctuation – net	(1,805)	(42,385)	(25,187)	(1,290)	(24,341)	25,294	73,574
Income before income taxes	**97,511**	**2,290,004**	**1,692,853**	**395,575**	**7,462,212**	**5,995,336**	**5,710,775**
Income taxes	32,798	770,255	535,785	122,667	2,314,011	1,782,604	1,703,605
Consolidated net income	**64,712**	**1,519,749**	**1,157,068**	**272,909**	**5,148,201**	**4,212,732**	**4,007,170**
Basic and diluted earnings per share	0.50	0.50	0.38	1.67	1.67	1.37	1.31
Weighted average number of outstanding shares	3,084,833	3,084,833	3,084,833	3,084,833	3,084,833	3,084,833	3,085.119

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

(3) Except basic and diluted earnings per share and weighted average number of outstanding shares.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	As of March 31, 2020 (*Thousands of U.S. dollars*)(1)	As of March 31, 2020 (*Thousands of Ps.*)	As of December 31, 2019 (*Thousands of U.S. dollars*)(2)	As of December 31, 2019 (*Thousands of Ps.*)	2018 (*Thousands of Ps.*)	2017 (*Thousands of Ps.*)
Assets						
Current assets:						
Cash and cash equivalents	414,024	9,723,223	362,515	6,838,556	4,999,502	4,674,339
Trade accounts receivable, net	293,929	6,902,841	340,604	6,425,227	6,750,417	6,003,793
Notes receivable and others	11,480	269,598	14,269	269,173	330,058	291,391
Current derivative financial instruments	48,548	1,140,130	--	--	--	--
Inventories	149,199	3,503,887	170,996	3,225,703	3,712,003	3,174,694
Total current assets	917,179	21,539,679	888,384	16,758,659	15,791,980	14,144,217
Long-term assets:						
Right to use assets	55,627	1,306,375	68,851	1,298,820	--	--
Property, plant and equipment	716,900	16,836,191	905,938	17,089,800	17,867,530	17,476,248
Non-current derivative financial instruments	262,272	6,159,388	178,145	3,360,569	4,273,238	4,285,785
Intangibles and other assets	93,663	2,199,646	118,752	2,240,166	2,338,243	2,499,849
Goodwill	39,780	934,221	49,523	934,221	934,221	934,221
Total long-term assets	1,168,242	27,435,821	1,321,210	24,923,576	25,413,232	25,196,103
Total assets	**2,085,422**	**48,975,500**	**2,209,595**	**41,682,235**	**41,205,212**	**39,340,320**
Liabilities and stockholders' equity						
Current liabilities:						
Current portion of long-term debt	309,137	7,260,000	132,526	2,500,000	400,000	1,500,000
Bank loans	10,007	235,000	12,457	235,000	235,000	175,000
Trade accounts payable	301,777	7,087,141	298,375	5,628,610	6,016,876	4,881,863
Lease liabilities	8,601	202,001	10,236	193,098	--	--
Current derivative financial instruments	2,856	67,082	--	--	--	--
Dividends payable	211,686	4,971,382	1,890	35,650	--	--
Other accounts payable, accrued liabilities and provisions	113,267	2,660,030	121,978	2,301,009	2,115,668	1,940,219
Employee benefits	61,603	1,446,724	71,918	1,356,671	1,072,890	1,138,157
Income tax	17,212	404,228	36,900	696,085	378,564	332,351
Total current liabilities	1,036,146	24,333,588	686,280	12,946,123	10,218,998	9,967,590
Long-term liabilities:						
Long-term debt	835,740	19,627,096	1,110,677	20,952,036	24,005,567	21,630,132
Lease liabilities	53,877	1,265,276	58,902	1,111,146	--	--
Non-current derivative financial instruments	23,321	547,692	25,893	488,459	--	--
Deferred income taxes	20,320	477,215	20,739	391,227	826,158	1,108,433
Other liabilities	30,446	715,015	32,882	620,299	550,998	487,278
Total long-term liabilities	963,704	22,632,294	1,249,094	23,563,167	25,382,723	23,225,843
Total liabilities	**1,999,850**	**46,965,882**	**1,935,374**	**36,509,290**	**35,601,721**	**33,193,433**
Stockholders' equity						
Contributed	839	19,695	1,044	19,695	579,571	579,695
Earned	76,090	1,786,956	275,380	5,194,819	4,234,246	4,881,446
Other comprehensive income	13,741	322,707	3,713	70,051	746,965	629,057
Controlling entity stockholders' equity	90,670	2,129,358	280,137	5,284,565	5,560,782	6,090,198
Minority interest stockholders' equity	(5,099)	(119,740)	(5,917)	(111,620)	42,709	56,689
Total stockholders' equity	**85,571**	**2,009,618**	**274,220**	**5,172,945**	**5,603,491**	**6,146,887**
Total liabilities and stockholders' equity	**2,085,422**	**48,975,500**	**2,209,595**	**41,682,235**	**41,205,212**	**39,340,320**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

Certain Reconciliations

EBITDA Reconciliation

EBITDA represents operating profit plus depreciation and amortization. Our management uses this measure as an indicator of our operating results and financial condition; however you should not consider it in isolation, as an alternative to net income, as an indicator of our operating performance or as a substitute for analysis of our results as reported under IFRS, since, among others:

- it does not reflect the depreciation of our operating assets;
- it does not reflect our interest expense; and
- it does not reflect any income taxes we may be required to pay.

Because of the above, our EBITDA measure should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. EBITDA is not a recognized financial measure under IFRS and it may not be comparable to similar titled measures presented by other companies in our industry because not all companies use the same definition. As a result, you should rely primarily on our IFRS results and use our EBITDA measurement only as a supplement. Below is a reconciliation of our EBITDA for the periods indicated.

	Three Months Ended March 31,			Year Ended December 31,			
	2020	**2020**	**2019**	**2019**	**2019**	**2018**	**2017**
	(Thousands of U.S. dollars)[(1)]	***(Thousands of Ps.)***		***(Thousands of U.S. dollars)***[(1)]	***(Thousands of Ps.)***		
Operating profit	115,037	2,701,602	2,060,513	476,937	8,997,026	7,508,055	6,981,468
Add: Depreciation and amortization	21,835	512,785	497,727	103,145	1,945,756	1,562,338	1,599,824
EBITDA	**136,872**	**3,214,387**	**2,558,240**	**580,082**	**10,942,782**	**9,070,393**	**8,581,292**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

Total Debt and Net Debt Reconciliations

We define total debt as long-term debt (including current portion of long-term debt) and long-term lease liabilities (including current lease liabilities), less long-term derivative financial instruments (liabilities) and current derivative financial instruments (liabilities), plus current derivative financial instruments (assets) and long-term derivative financial instruments (assets). The impact of accounting policies relating to derivative financial instruments and, in particular, hedges of debt obligations vary in significance between companies. Thus, management believes that total debt can be useful as an objective and comparable measure of our actual long-term commitments.

We define net debt as total debt minus cash and cash equivalents. The impact of cash on hand to satisfy obligations as they become due vary in significance between companies. Thus, for comparison purposes, management believes that net debt can be useful as an objective and comparable measure of our liquidity because it recognizes the net cash position of our current operations.

Neither total debt nor net debt is a measurement presented in accordance with IFRS, and we do not intend total debt or net debt to represent debt as defined by IFRS. You should not consider total debt and net debt to be alternatives to debt or any other items calculated in accordance with IFRS. We believe total debt and net debt, which are non-GAAP measures, provide useful information to investors as a measure of our debt obligations. Below is a reconciliation of our total debt and net debt for the periods indicated.

	Three Months Ended March 31,		Year Ended December 31,			
	2020	2020	2019	2019	2018	2017
	(*Thousands of U.S. dollars*)(1)	(*Thousands of Ps.*)	(*Thousands of U.S. dollars*)(2)	(*Thousands of Ps.*)		
Current portion of long-term debt	309,137	7,260,000	132,526	2,500,000	400,000	1,500,000
Bank loans	10,007	235,000	12,457	235,000	235,000	175,000
Current lease liabilities	8,601	202,001	10,236	193,098	-	-
Current derivative financial instruments (liabilities)	2,856	67,082	-	-	-	-
Long-term debt	835,740	19,627,096	1,110,677	20,952,036	24,005,567	21,630,132
Long-term lease liabilities	53,877	1,265,276	58,902	1,111,146	-	-
Long-term derivative financial instruments (liabilities)	23,321	547,692	25,893	488,459	-	-
Current derivative financial instruments (assets)	(48,548)	(1,140,130)	-	-	-	-
Long-term derivative financial instruments (assets)	(262,272)	(6,159,388)	(178,145)	(3,360,569)	(4,273,238)	(4,285,785)
Total debt	**932,719**	**21,904,629**	**1,172,547**	**22,119,170**	**20,367,329**	**19,019,347**
Cash and equivalents	(414,024)	(9,723,223)	(362,515)	(6,838,556)	(4,999,502)	(4,674,339)
Net debt	**518,695**	**12,181,406**	**810,032**	**15,280,614**	**15,367,827**	**14,345,008**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with our financial statements, including the notes thereto, contained elsewhere in this offering memorandum. Our financial statements contained elsewhere in this offering memorandum have been prepared in accordance with IFRS, which differs in certain significant respects from U.S. GAAP. See "Presentation of Financial and Other Information—Financial Statements."

Our financial statements are stated in Mexican pesos. Certain financial information concerning us as of and for the year ended December 31, 2019 and as of and for the three months ended March 31, 2020, included in this offering memorandum is presented in U.S. dollars solely for the convenience of the reader.

Overview

We are one of the largest consumer products companies in Mexico. We produce, market, sell and distribute a diversified portfolio of consumer and professional (away-from-home) products under renowned brands, including Huggies, KleenBebé, Kotex, Pétalo, Suavel, Vogue, Scott, Kleenex, Depend, Diapro, Evenflo and Escudo. Some of our brand names, such as Kotex and Kleenex, have developed iconic status and are immediately recognizable to millions of consumers. We are market leaders in most of the categories in which we participate, with more than 45% of the Mexican market in most of such categories according to Nielsen Retail Index, and in 2019 we were present in virtually every Mexican household, according to our own research.

Our shares are listed on the BMV, under the ticker symbol "KIMBER." As of March 31, 2020, our market capitalization was Ps.110,807 million (approximately U.S.$4,718 million).

We are organized into business segments based on product categories and target markets, as follows:

- *Consumer products*. We offer a wide variety of innovative solutions and trusted brands that improve people's lives every day. Products in this segment include consumer tissue products, such as bathroom tissue, paper napkins, facial tissue and kitchen towels, and other personal care products, such as diapers, training pants, baby and cleaning wet wipes and feminine and adult care products. We also produce baby feeding accessories including bottles, training cups and breast pumps. Additionally we offer baby toiletries, liquid hands soaps, bar soaps and hand sanitizers. Key brands in this segment include but are not limited to Huggies, KleenBebé, Kotex, Pétalo, Suavel, Scott, Vogue, Kleenex, Depend, Diapro, Evenflo, Escudo and Blumen.
- *Professional products*. We offer a range of solutions and products for hotels, restaurants, offices, factories and other institutions. Products in this segment include hand towels, paper napkins, bathroom tissue, sanitizers and hand soap. Key brands in this segment include Kleenex, Pétalo, Kimlark, Lys, Marli and Kimberly-Clark.
- *Exports*. We also derive revenue from the export of certain of our products, primarily to the United States and to KCC's affiliates in other countries. The majority of our exports consist of tissue products, mainly hard rolls of tissue for further conversion to consumer and professional products such as hand towels, paper napkins, bathroom tissue, and other consumer products such as antibacterial soap, hand sanitizer and Evenflo feeding accessories.

In 2016, we expanded our consumer products business with the acquisition of Escudo, a leading company in the anti-bacterial soap business with more than 50 years of presence in the Mexican market and a 55% stake in 4e Global, a leading company in the liquid soap business with a broad range of products ranging from hand and body soaps to hand-sanitizer and other cleaning products. In February 2019, we increased our stake in 4e Global to 77.5%.

Our principal shareholder is KCC, one of the largest manufacturers of consumer products in the world, measured by production volume and revenues, with operations in various countries worldwide, which holds its shares of our company through its wholly-owned subsidiary Kimberly-Clark Holland Holding B.V. Through our partnership with KCC we have access to KCC's brands and technology. See "Business—Intellectual Property and Research and Development—KCC Agreements" and "Shareholders—Our Most Significant Shareholder."

We have expanded broadly through organic growth as well as acquisitions and have experienced growth in our business over recent years. Currently, we operate 11 production plants in Mexico, which are strategically located to allow us to sell our products across the entire country. We have developed an extensive distribution network, which allows us to distribute our products from our production plants and our six distribution centers and warehouses for further distribution by retailers and wholesalers across the country.

Factors Affecting Our Results of Operations

Sales. Our sales vary depending on the volume of products we sell and the prices we charge our customers. Historically, the growth in the volume of the products we sell has exceeded Mexico's economic growth. Mexico's per capita consumption rates of our products are less than those of the United States, and per capita consumption tends to increase in response to improved economic conditions and changes in demographic cultural patterns. Our "multi-brand" and "multi-tier" product portfolio allows us to reach customers of all segments in our market with super-premium, premium, value and economy products. With this approach, consumers have the flexibility to choose among various product offerings in the same category according to their preferences and budget. Historically, Mexican economic deceleration has resulted in consumption shifting towards value and economy products. As the Mexican economy recovers and consumers achieve greater spending power, our goal is to encourage them to increase the frequency with which they use our products, and switch to our premium products.

In 2017, the Mexican economy grew conservatively by 2.1%, which marked a slowdown compared to the 2.9% growth in GDP during 2016. During this period, the peso appreciated 4.6% against the U.S. dollar, as the depreciation that followed the presidential election in the United States in November 2016 was partially reversed. Inflation reached 6.8% due to the delayed effect of exchange rate depreciation and a hike in domestic fuel prices at the start of the year. Monetary policy responded promptly, with a 150 basis points increase in the target interest rate to reach 7.25% as of December 31, 2017. The increase in inflation was temporary, given the monetary policy response, the one-off nature of fuel price increases and the fact that the exchange rate decreased relative to its maximum levels.

In 2018, the Mexican economy again grew moderately by 2.1%, supported by resilient domestic consumption, a strong labor market, a dynamic exporting sector and manufacturing growth in the United States. Ultimately, the peso appreciated 0.06% against the U.S. dollar. During this period, uncertainty surrounding the Mexican presidential elections and the renegotiation of NAFTA, rising levels of government debt and volatility in the global financial market contributed to a volatile peso exchange rate. Mexico's public debt remained high for the region at 53.6% of its GDP, which limited space for the government's planned social and infrastructure spending. Inflation decreased to 4.8%, but remained above the 3% +/- 1% Mexican Central Bank target due to continued increase in fuel prices and the volatility of the peso. In response, monetary policy increased the target interest rate by 100 basis points to reach 8.25% as of December 31, 2018.

In 2019, the first year of the Andrés Manuel López Obrador administration, economic activity in Mexico observed a generalized slowdown, resulting in a 0.1% contraction in the GDP. During 2019, all engines of growth (consumption, investment, public expenditure and productivity) decelerated due to both domestic factors, including the halt in the construction of Mexico City's new international airport, the Mexican government's austerity policy and uncertainty regarding energy sector policies, among others, and external factors, including trade and geopolitical tensions, uncertainty around the USMCA ratification and geopolitical tensions between the United States and China, among others. Due to the slowdown in economic activity, a decrease in inflation and the Federal Reserve's monetary stance, during 2019 the Mexican Central Bank decreased the target interest rate by 100 basis points to a level of 7.25%. During this period, the peso showed significant volatility in a context of highly volatile financial markets around the world; however, it appreciated 4.0% against the U.S. dollar as of the end of 2019.

For the three months ended March 31, 2020, the Mexican economy contracted 1.2% on a quarter-to-quarter basis according to INEGI. Industrial and service economic activities in Mexico during the three months ended March 31, 2020 remained weak, in line with the trend observed since the middle of 2019. In addition, economic activity was primarily affected as a result of the coronavirus outbreak and the decline in oil prices. During this period, the peso depreciated 24.5% against the U.S. dollar. Inflation decreased to 2.83% due to the delayed effect of the depreciation of the peso against the U.S. dollar, the slowdown in economic activity and a decrease in oil prices. Monetary policy responded promptly, with a 75 basis points decrease in the target interest rate to reach 6.50% as of March 31, 2020.

On June 19, 2019, the Mexican Senate ratified the USMCA and, on December 13, 2019, the amending protocol of the USMCA was approved by the Mexican Senate, which includes relevant amendments in labor, steel, pharmaceutical, intellectual property and environmental matters. In addition, on January 16, 2020, the United States Senate approved the USMCA, which was signed on January 29, 2020 by the President of the United States. In addition, on that same date, the Prime Minister of Canada presented to the House of Commons of the Canadian government, the final text of the USMCA for approval, and it was approved by the Canadian Senate on March 13, 2020. The USMCA will enter into force on July 1, 2020. Uncertainties surrounding the implementation of the USMCA and the policies of the current U.S. administration, particularly with respect to matters of importance to Mexico and its economy such as trade and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

The global economy has recently experienced a period of slowdown and high volatility and has been adversely affected by a significant lack of liquidity, disruptions in the credit markets, reduced business activity, rising unemployment, decreasing interest rates and erosion of consumer confidence resulting from the coronavirus outbreak and the government measures implemented to limit the spread of the virus, which are currently having an indeterminable adverse impact on the world and Mexico's economy, negatively affecting communities, supply chains and general commercial activity. As the coronavirus outbreak is still evolving and given the uncertainty of its lasting effect, the financial impact on Mexico's economy and our business, financial condition or results of operations will depend on future developments that are highly uncertain and cannot be predicted with any degree of certainty, including, but not limited to, the duration and spread of the pandemic, the actions to contain the disease or treat its impact, and the severity of its effects on the economy overall, including any recession resulting from the pandemic.

In addition, international oil prices significantly decreased by the end of the first quarter of 2020 due to a decrease in global demand for oil due to the coronavirus and the failure by the members of the OPEC and other oil producing countries to reach an agreement to stabilize the oil market. This drop in international prices of oil and its derivatives added to the weakening economic environment in Mexico, which in 2019, entered into a recession that coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar. Consequently, rating agencies cut Mexico's sovereign rating and PEMEX's stand-alone rating as PEMEX's creditworthiness has been under pressure due to debt burdens, depressed oil prices and the extraordinary need of proactive government support.

The foregoing events occurring during the three months ended March 31, 2020 have resulted in revisions of Mexico's ratings. On March 26, 2020, S&P revised its rating of Mexico from BBB+ to BBB. On April 15, 2020, Fitch downgraded the credit ratings for Mexico's sovereign debt and, on April 17, 2020, Moody's downgraded the credit ratings for Mexico's sovereign debt from A3 to Baa1.

Cost of Sales. Our most significant costs of sales include:

- wood pulp (virgin and recycled fibers),
- oil derivative raw materials,
- chemicals and finishing supplies,
- utilities,
- labor,
- maintenance, and

- depreciation.

We estimate that approximately 60.0% of our purchases in 2019 were denominated in or linked to the U.S. dollar.

General Expenses. Our most significant general expenses include:

- advertising and promotion,
- freight and distribution costs,
- selling, general and administrative expenses, and
- fees and royalties paid to KCC.

Pursuant to the license agreement and the technical services agreement, KCC provides us with access to technology and licenses to us the brands for most of our consumer products, including tissue, diapers and feminine care products, in exchange for a royalty paid by us that is calculated as a percentage of our net sales of the products that use KCC's brands or technology.

Finance costs. Finance costs include borrowing costs, interest income and exchange fluctuation. As of the date of this offering memorandum, all of our debt is, and has generally been, either peso-denominated or hedged by using derivative financial instruments, and all of our debt accrues interest at fixed rates or has been converted to fix rates by using derivative financial instruments. We generate interest through our peso and U.S. dollar investments. We have a limited exposure to exchange-rate changes arising from our U.S. dollar-denominated obligations although in general our strategy is to reduce such exposure by holding U.S. dollar-denominated cash in addition to our U.S. dollar-denominated accounts receivable.

Critical Accounting Policies

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions regarding the carrying amounts of assets and liabilities in our audited consolidated financial statements. 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 3(c) and 4 to 8 to our audited consolidated financial statements, included elsewhere in this offering memorandum.

Allowance for rebates

The provision for discounts 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.

Allowance for doubtful accounts

The allowance for doubtful accounts is reviewed on a quarterly basis. The main factors taken into consideration to determine the amount of the allowance are the risk of the customer's financial position based on the credit limits established and delays in collection.

Allowance for obsolete inventory

The allowance for obsolescence of finished goods and raw materials inventories is recorded in cost of sales as it is incurred and estimated. The main factor considered is the substitution of products due to new product presentations.

Results of Operations

The following discussion of our results of operations for the fiscal years ended December 31, 2019, 2018 and 2017 and for the three months ended March 31, 2020 and 2019 is based on our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements included elsewhere in this offering memorandum.

Three months ended March 31, 2020 compared to the three months ended March 31, 2019

Net Sales

Net sales increased 6.2% for the three months ended March 31, 2020 to Ps.11,692 million from Ps.11,014 million for the three months ended March 31, 2019. This Ps.678 million increase resulted primarily from a 7.4% increase in sales volume, which was partially offset by a 1.2% decrease in prices and product mix in the three months ended March 31, 2020 compared to the three months ended March 31, 2019.

Our consumer products division experienced a 5.7% increase in net sales. While sales of certain consumer products showed a decrease as a result of the lockdown measures implemented by the Mexican government to control the spreading of the coronavirus, certain other products benefited from the coronavirus outbreak. Our professional products division experienced a 9.2% decrease in net sales primarily as a result of the measures implemented to stop the spread of the coronavirus which significantly reduced the demand for away-from-home products. Revenue from exports grew 55.0%, as we exported more tissue hard rolls as well as more converted product primarily as a result of an increase in demand of certain products due to the coronavirus outbreak.

Cost of Sales

Cost of sales decreased 1.0% for the three months ended March 31, 2020 to Ps.7,067 million from Ps.7,139 million for the three months ended March 31, 2019. Domestic and imported fibers, virgin pulp, fluff fibers, superabsorbent materials and resin prices compared favorably. Energy prices were also lower. The cost reduction program yielded approximately Ps.350 million for the three months ended March 31, 2020. The Mexican peso parity was slightly lower during the quarter, on average.

Gross Profit

As a result of the foregoing, gross profit increased 19.3% for the three months ended March 31, 2020 to Ps.4,625 million from Ps.3,875 million for the three months ended March 31, 2019. Gross profit as a percentage of net sales increased 440 basis points to 39.6% for the three months ended March 31, 2020 from 35.2% for the three months ended March 31, 2019.

General Expenses

General expenses increased 6.0% for the three months ended March 31, 2020 to Ps.1,923 million from Ps.1,815 million for the three months ended March 31, 2019. As a percentage of net sales, general expenses decreased 10 basis points to 16.4% for the three months ended March 31, 2020 from 16.5% for the three months ended March 31, 2019. General expenses reflect an efficient operation and our continued investment on our trademarks through innovation and communication.

Operating Profit

As a result of the foregoing, operating profit increased 31.1% for the three months ended March 31, 2020 to Ps.2,702 million from Ps.2,061 million for the three months ended March 31, 2019. Operating profit margin increased 440 basis points to 23.1% for the three months ended March 31, 2020 from 18.7% for the three months ended March 31, 2019.

Finance Costs

Finance costs increased 12.0% for the three months ended March 31, 2020 to Ps.412 million from Ps.368 million for the three months ended March 31, 2019. The difference is primarily explained by an increase in the value of the put option of the minority shareholders of 4e Global, which was partially offset by a decrease in our debt position and a foreign exchange gain of Ps.42 million during the three months ended March 31, 2020, compared to a gain of Ps.25 million gain during the three months ended March 31, 2019.

Income Taxes

Income taxes increased 43.7% for the three months ended March 31, 2020 to Ps.770 million from Ps.536 million for the three months ended March 31, 2019. The effective rate was 33.6% for the three months ended March 31, 2020 compared to 31.6% for the three months ended March 31, 2019.

Net Income

As a result of the foregoing, net income increased 31.3% for the three months ended March 31, 2020 to Ps.1,520 million from Ps.1,157 million for the three months ended March 31, 2019.

Year ended December 31, 2019 compared to year ended December 31, 2018

Net Sales

Net sales increased 6.0% in 2019 to Ps.43,500 million from Ps.41,026 million in 2018. This Ps.2,474 million increase resulted primarily from a 0.6% increase in sales volume and a 5.4% increase in prices and product mix in 2019 compared to 2018.

Our consumer products division experienced a 5.5% increase in net sales, primarily from increase in prices and product mix. Our professional products division experienced a 18.7% increase in net sales partly influenced by the sale of more hard rolls in the domestic market., prices and mix. Revenue from exports experienced a 3.7% decrease, as we sold more tissue hard rolls in the Mexican market for our professional business segment reducing the availability for exports.

Cost of Sales

Cost of sales increased 1.8% in 2019 to Ps.27,179 million from Ps.26,686 million in 2018 Virgin fibers, fluff, superabsorbent materials and resins compared favorably while recycled fiber and energy were slightly positive. The Mexican peso parity was slightly higher, on average, against the U.S. dollar. Our cost reduction program generated savings of approximately Ps.1,600 million in 2019.

Gross Profit

As a result of the foregoing, gross profit increased 13.8% in 2019 to Ps.16,321 million from Ps.14,340 million in 2018. Gross profit as a percentage of net sales increased 250 basis points to 37.5% in 2019 from 35.0% in 2018.

General Expenses

General expenses, which includes selling expenses and administrative expenses, increased 7.2% in 2019 to Ps.7,324 million from Ps.6,832 million in 2018. As a percentage of net sales, general expenses increased 10 basis points to 16.8% in 2019 from 16.7% in 2018. Our general expenses reflect an efficient operation and our continued investment behind our brands through innovation and communication.

Operating Profit

As a result of the foregoing, operating profit increased 19.8% in 2019 to Ps.8,997 million from Ps.7,508 million in 2018. Operating profit margin increased 240 basis points to 20.7% in 2019 from 18.3% in 2018.

Finance Costs

Finance costs increased 1.5% in 2019 to Ps.1,535 million from Ps.1,513 million in 2018. The difference is primarily explained by the following factors:

- Borrowing costs increased to Ps.1,857 million in 2019 from Ps.1,776 million in 2018.
- Exchange fluctuation reflected a gain of Ps.24 million in 2019 from a loss of Ps.25 million in 2018.

Income Taxes

Income taxes increased 23.0% in 2019 to Ps.2,314 million from Ps.1,783 million in 2018. The effective rate was 31.0% in 2019 from 29.7% in 2018.

Net Income

As a result of the foregoing, net income increased 22.2% in 2019 to Ps.5,148 million from Ps.4,213 million in 2018.

Year ended December 31, 2018 compared to year ended December 31, 2017

Net Sales

Net sales increased 8.6% in 2018 to Ps.41,026 million from Ps.37,766 million in 2017. This Ps.3,260 million increase resulted primarily from a 1.3% increase in our sales volume and a 7.3% increase in our prices and product mix from 2017 to 2018.

Our consumer products division experienced a 6.3% growth in net sales, primarily due to an increase in prices and product mix. Our professional products division experienced an 8.6% growth. Our export division experienced a 45.8% increase in net sales primarily as a result of a sales volume increase due to a new tissue machine in 2017.

Cost of Sales

Cost of sales increased 9.5% in 2018 to Ps.26,686 million from Ps.24,364 million in 2017. Prices of virgin pulp, domestic and imported recycled fibers, superabsorbent materials, resins and energy compared negatively versus the previous year. The Mexican peso was slightly weaker against the U.S. dollar. Our program for costs reductions generated savings of approximately Ps.1,400 million in 2018.

Gross Profit

As a result of the foregoing, gross profit increased 7.0% in 2018 to Ps.14,340 million from Ps.13,402 million in 2017. Gross profit as a percentage of net sales experienced a decrease of 50 basis points to 35.0% in 2018 from 35.5% in 2017.

General Expenses

General expenses increased 6.4% in 2018 to Ps.6,832 million from Ps.6,420 million in 2017. As a percentage of net sales, general expenses experienced a decrease of 30 basis points to 16.7% in 2018 from 17.0% in

2017. Our general expenses reflect an efficient operation and our continued investment on our trademarks through innovation and communication.

Operating Profit

As a result of the foregoing, operating profit increased 7.5% in 2018 to Ps.7,508 million from Ps.6,981 million in 2017. Operating profit margin decreased 20 basis points to 18.3% in 2018 from 18.5% in 2017.

Finance Costs

Finance costs increased 19.0% in 2018 to Ps.1,513 million from Ps.1,271 million in 2017. The difference is primarily explained by the following factors:

- Borrowing costs increased to Ps.1,776 million in 2018 from Ps.1,462 million in 2017, primarily due to a highest level of net debt and an increase in interest rates during 2018.

- Exchange fluctuation reflected a loss of Ps.25 million in 2018 from a loss of Ps.74 million in 2017.

Income Taxes

Income taxes increased 4.6% in 2018 to Ps.1,783 million from Ps.1,704 million in 2017. The effective rate was 29.7% in 2018 from 29.8% in 2017.

Net Income

As a result of the foregoing, net income increased 5.1% in 2018 to Ps.4,213 million from Ps.4,007 million in 2017.

Liquidity and Capital Resources

Liquidity

Liquidity represents our ability to generate sufficient cash flows from operating activities to meet our obligations as well as our ability to obtain appropriate financing. Therefore, liquidity cannot be considered separately from capital resources that consist primarily of current and potentially available funds for use in achieving our objectives. Currently, our liquidity needs arise primarily from working capital requirements, debt payments, capital expenditures and dividends. In order to satisfy our liquidity and capital requirements, we primarily rely on our own capital, including cash generated from operations, and the issuance of debt.

The impact of the coronavirus in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general, which could limit our ability to obtain financing or hedges in a timely manner, on acceptable terms or at all. Existing and future measures implemented by the Mexican government to control the spread of the coronavirus could have a material adverse effect in our business, liquidity, results of operations or financial condition. See "Risk Factors Related to Mexico—Our operations and results have been negatively impacted by the coronavirus outbreak, which we expect will have a continued and likely material adverse effect on our business and results of operations."

Cash Flows From Operating Activities

Three months ended March 31, 2020 and 2019

For the three months ended March 31, 2020, net cash flows from operating activities increased by Ps.390 million to Ps.2,667 million as compared to Ps.2,277 million three months ended March 31, 2019, primarily as a result of an increase of Ps.656 million in EBITDA, which was partially offset by an increase in taxes paid.

Years ended December 31, 2019 and 2018

For the year ended December 31, 2019, net cash flows from operating activities increased by Ps.2,908 million to Ps.9,862 million as compared to Ps.6,954 million for the year ended December 31, 2018, primarily as a result of a Ps.1,873 million increase in EBITDA combined with improvements in accounts receivable and inventory management.

Years ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash flows from operating activities increased by Ps.1,428 million to Ps.6,954 million as compared to Ps.5,526 million for the year ended December 31, 2017, primarily as a result of a Ps.489 million increase in EBITDA which was partially offset with an increase in accounts payable.

Net Cash Flows Used in Investing Activities

Three months ended March 31, 2020 and 2019

For the three months ended March 31, 2020, net cash flows used in investing activities decreased by Ps.142 million to Ps.150 million as compared to Ps.292 million three months ended March 31, 2019, primarily as a result of the investment of Ps.125 million to increase our stake in 4e Global in 2019.

Years ended December 31, 2019 and 2018

For the year ended December 31, 2019, net cash flows used in investing activities decreased by Ps.844 million to Ps.929 million as compared to Ps.1,773 million for the year ended December 31, 2018, primarily as a result of a reduction in capital expenditures.

Years ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash flows used in investing activities decreased by Ps.788 million to Ps.1,773 million as compared to Ps.2,561 million for the year ended December 31, 2017, primarily as a result of a decrease in capital expenditures since in 2017 we started up a new tissue machine.

Net Cash Flows Used In Financing Activities

Three months ended March 31, 2020 and 2019

For the three months ended March 31, 2020, net cash flows used in financing activities decreased by Ps.45 million to Ps.380 million as compared to Ps.425 million three months ended March 31, 2019, primarily as a result of higher interest earned and a decrease in debt.

Years ended December 31, 2019 and 2018

For the year ended December 31, 2019, net cash flows used in financing activities increased by Ps.2,151 million to Ps.6,972 million as compared to Ps.4,821 million for the year ended December 31, 2018, primarily as a result of new debt of Ps.1,542 million in 2018 compared to debt payment for Ps.400 million in 2019.

Years ended December 31, 2018 and 2017

For the year ended December 31, 2018, net cash flows used in financing activities decreased by Ps.753 million to Ps.4,821 million as compared to Ps.5,574 million for the year ended December 31, 2017, primarily as a result of an increase in debt by Ps.880 million.

Indebtedness

Our long-term indebtedness decreased to Ps.19,627 million as of March 31, 2020, from Ps.20,952 million as of December 31, 2019, primarily as a result of long term debt of Ps.3,778 that became short term debt in addition to the increase in the peso value of dollar denominated debt by Ps 2,455 million.

On April 8, 2014, we obtained U.S.$250 million through our offering of 3.800% notes due 2024, or the 3.800% Notes due 2024, issued for general corporate purposes.

On March 12, 2015, we obtained U.S.$250 million through our offering of 3.250% notes due 2025, or the 3.250% Notes due 2025, issued for general corporate purposes.

On January 29, 2016, we obtained U.S.$200 million through a credit agreement with Bank of America, N.A., or the BofA Credit Agreement, for general corporate purposes. The BofA Credit Agreement bears interest at a rate of LIBOR plus 1.10% and matures on January 29, 2021. We intend to use a portion of the proceeds from this offering to repay all or a portion of the amount outstanding under the BofA Credit Agreement.

On May 24, 2017, we obtained Ps.3,000 million through a credit agreement with Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, or the First Citi Credit Agreement, for general corporate purposes. The Citi Credit Agreement bears interest at a rate of 28-days TIIE plus 0.30% and matures on May 24, 2022. We intend to use a portion of the proceeds from this offering to repay all or a portion of the amount outstanding under the First Citi Credit Agreement.

On May 14, 2018, we obtained an additional Ps.3,000 million through a credit agreement with Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, or the Second Citi Credit Agreement, for general corporate purposes. The Citi Credit Agreement bears interest at a rate of 28-days TIIE plus 0.50% and matures Ps.1,500 million on May 14, 2023, and Ps.1,500 million on May 14, 2026. We may use a portion of the proceeds from this offering to repay all or a portion of the amount outstanding under the Second Citi Credit Agreement.

In addition, we have issued and outstanding the following notes (*certificados bursátiles*) in the Mexican capital markets:

- Notes issued in November 2010 in the aggregate amount of Ps.2,500 million, maturing in October 2020 and bearing interest at a rate of 7.17%; and

- Notes issued in September 2013 in the aggregate amount of Ps.1,750 million, maturing in September 2023 and bearing interest at a rate of 6.98%.

Our outstanding notes contain standard covenants. As of the date of this offering memorandum, we are in compliance with all of our covenants under our outstanding indebtedness.

The following table sets forth our outstanding long-term indebtedness as of the dates indicated below:

	As of March 31,		As of December 31,		
	2020		2019		2018
	(in thousands of U.S.$)[1]	(in thousands of Ps.)	(in thousands of U.S.$)[2]	(in thousands of Ps.)	
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 7.17% and 6.98%.	80,969	4,250,000	225,294	4,250,000	4,650,000
3.800% Notes due 2024	253,356	5,950,000	250,342	4,722,500	4,917,500
3.250% Notes due 2025	253,356	5,950,000	250,342	4,722,500	4,917,500
BofA Credit Agreement	202,685	4,760,000	200,274	3,778,000	3,934,000
First Citi Credit Agreement	127,743	3,000,000	159,031	3,000,000	3,000,000
Second Citi Credit Agreement	127,743	3,000,000	159,031	3,000,000	3,000,000
Total debt	**1,145,852**	**26,910,000**	**1,244,315**	**23,473,000**	**24,419,000**
Less:					
Current portion	(309,137)	(7,260,000)	(132,526)	(2,500,000)	(400,000)
Expenses on debt issuance	(2,450)	(57,527)	(3,282)	(61,905)	(79,647)
Increase of debt due to fair value of hedge	1,474	34,623	2,170	40,941	66,214
Total long-term debt	**835,740**	**19,627,096**	**1,110,677**	**20,952,036**	**24,005,567**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

Contractual Obligations

The following table reflects our contractual obligations (other than financial debt) and commercial commitments as of December 31, 2019. Commercial commitments primarily include commitments for the acquisition of machinery, equipment and raw materials and other potential cash outflows as follows:

		Payments due by period (in thousands of Ps.)			
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Acquisition of machinery, equipment and construction projects	331,061	331,061	---	---	---
Acquisition of raw materials, spare parts and others	678,924	678,924	---	---	---

In addition, we have contractual obligations under our operating lease agreements of real estate and offices with non-cancelable terms ranging from one to six years. The following table reflects our liability for lease agreements of industrial buildings, warehouses and space for administrative offices as of December 31, 2019.

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

Capital Expenditures

During the three months ended March 31, 2020, we made capital expenditures of Ps.155 million, primarily for ordinary maintenance projects and investments related to our cost reduction program and product innovation.

During 2019, we made capital expenditures of Ps.772 million, primarily for ordinary maintenance projects and investments related to our cost reduction program and product innovation. In 2018 and 2017, we made capital expenditures of Ps.2,578 million and Ps.1,792 million, respectively. During 2018 and 2017, our major expenditures were for investments in expansion projects, in particular, a new tissue machine for our production plant in Morelia. We expect to fund our capital expenditures program through a combination of internally generated funds and debt, including a portion from the proceeds of this offering.

Dividends and Stock Repurchases

As part of our value-creation strategy, we have consistently paid dividends to our shareholders. The total amount of dividend payments equaled Ps.4,781 million, Ps.4,874 million and Ps.4,890 million in 2019, 2018 and 2017, respectively. In addition, in 2017 we repurchased 3,141,564 shares.

Consistent with our strategy to maximize shareholder value, in some past years we have repurchased stock. We plan to continue to repurchase our stock on an opportunistic basis if cash flows exceed amounts necessary to make planned investments in our businesses and payments on debt and payment of dividends. We did not repurchase any shares during the three months ended March 31,2020, full year 2019 and 2018 and share repurchases amounted to Ps.110 million in 2017.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to risks such as changes in foreign currency exchange rates, interest rates and commodity prices. We employ a variety of practices to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes, and not for speculation. All derivative instruments are entered into with major financial institutions. Our credit exposure under these arrangements is limited to agreements with a positive fair value at the reporting date. Credit risk with respect to the counterparties is actively monitored but is not considered significant, since these transactions are executed with a diversified group of financial institutions.

Presented below is a description of our risks (foreign currency risk, interest rate risk and other pricing risk) together with a sensitivity analysis, performed annually, of each of these risks based on selected changes in market rates and prices. These analyses reflect management's view of changes which are reasonably possible to occur over a one-year period.

Foreign Currency Risk

We are exposed to fluctuations in foreign currencies relative to the peso because our accounts receivable are denominated in pesos, while some of our raw material costs are incurred in U.S. dollars. To reduce our exchange rate risk, we keep part of our cash in U.S. dollars. See note 17 to our audited and unaudited condensed consolidated interim financial statements included elsewhere in this offering memorandum. In addition, our export business serves as a partial natural hedge of our foreign currency risk. Export sales as of March 31, 2020 were Ps.778 million. In 2019, our export sales were Ps.2,932 million and we estimate that purchases of inputs the prices of which fluctuate due to changes in the exchange rate represented approximately 60.0% of our costs. We also continually analyze the financial derivatives markets to seek opportunities to manage our foreign currency risk.

We hedge our exposure to foreign currency through cross currency swaps. Such instruments as of March 31, 2020 convert U.S.$700 million of debt into Ps.10,614.8 million.

Foreign currency contracts and transactional exposures are sensitive to changes in foreign currency exchange rates. An annual test is performed to quantify the effects that possible changes in foreign currency exchange rates would have on annual net income based on our foreign currency contracts and transactional exposures at the current year-end. The balance sheet effect is calculated by multiplying each affiliate's net monetary asset or liability position by a 10.0% change in the peso exchange rate versus the U.S. dollar.

See notes 14 and 15 to our audited consolidated financial statements included elsewhere in this offering memorandum for additional information about our foreign currency risk.

Interest Rate Risk

Until 2018, interest rate risk was managed through the maintenance of a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments. As of March 31, 2020, all of our debt was fixed rate through interest rate swaps. As of December 31, 2019, all of our debt was fixed rate through interest rate swaps. In 2018 we entered into interest rate swaps to hedge 100% of our debt accruing interest at variable rate to reduce the risk of interest rate variations.

The (unfavorable) favorable effect of cash flow hedge that was reclassified to net income were Ps.3,363 million for the three months ended March 31, 2020, and Ps.907 million, Ps.56 million and Ps.439 million for the years ended December 31, 2019, 2018 and 2017, respectively, which complement the exchange rate effect and the contracted interest which correspond to the hedged item. See note 15 to our audited consolidated financial statements included elsewhere in this offering memorandum for additional information about our interest rate risk.

Other Pricing Risks

We are subject to other pricing risks, the most significant of which relates to the price of wood pulp. Selling prices of tissue products are influenced, in part, by the market price for pulp, which is determined by industry supply and demand. Increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks, as we believe that no efficient financial hedge market exists for wood pulp. We reduce this risk by using recycled fiber, different types of fiber and different suppliers, as well as sourcing from different geographical regions. As of December 31, 2019, approximately 60.0% of our fiber consumption is sourced from recycled fibers.

Our energy, manufacturing and transportation costs are affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. There can be no assurance we will be fully protected against substantial changes in the price or availability of energy sources. We constantly analyze hedging options with respect to the prices of gas, but as of December 31, 2019, we were not party to any such hedging instruments. In addition, we are subject to price risk for utilities and manufacturing inputs, which are used in our manufacturing operations.

Off-Balance Sheet Arrangements

We do not currently have transactions involving off-balance sheet arrangements.

INDUSTRY

Mexico's Macroeconomic Environment

In 2017, the Mexican economy grew conservatively by 2.1%, which marked a slowdown compared to the 2.9% growth in GDP during 2016. During this period, the peso appreciated 4.6% against the U.S. dollar, as the depreciation that followed the presidential election in the United States in November 2016 was partially reversed. Inflation reached 6.8% due to the delayed effect of exchange rate depreciation and a hike in domestic fuel prices at the start of the year. Monetary policy responded promptly, with a 150 basis points increase in the target interest rate to reach 7.25% as of December 31, 2017. The increase in inflation was temporary, given the monetary policy response, the one-off nature of fuel price increases and the fact that the exchange rate decreased relative to its maximum levels.

In 2018, the Mexican economy again grew moderately by 2.1%, supported by resilient domestic consumption, a strong labor market, a dynamic exporting sector and manufacturing growth in the United States. Ultimately, the peso appreciated 0.06% against the U.S. dollar. During this period, uncertainty surrounding the Mexican presidential elections and the renegotiation of NAFTA, rising levels of government debt and volatility in the global financial market contributed to a volatile peso exchange rate. Mexico's public debt remained high for the region at 54% of its GDP, which limited space for the government's planned social and infrastructure spending. Inflation decreased to 4.8%, but remained above the 3% +/- 1% Mexican Central Bank target due to continued increase in fuel prices and the volatility of the peso. In response, monetary policy increased the target interest rate by 100 basis points to reach 8.25% as of December 31, 2018.

In 2019, the first year of the Andrés Manuel López Obrador administration, economic activity in Mexico observed a generalized slowdown, resulting in a 0.1% contraction in the GDP. During 2019, all engines of growth (consumption, investment, public expenditure and productivity) decelerated due to both domestic factors, including the halt in the construction of Mexico City's new international airport, the Mexican government's austerity policy and uncertainty regarding energy sector policies, among others, and external factors, including trade and geopolitical tensions, uncertainty around the USMCA ratification and geopolitical tensions between the United States and China, among others. Due to the slowdown in economic activity, a decrease in inflation and the Federal Reserve's monetary stance, during 2019, the Mexican Central Bank decreased the target interest rate by 100 basis points to a level of 7.25%. During this period, the peso showed significant volatility in a context of highly volatile financial markets around the world; however, it appreciated 4.02% against the U.S. dollar as of the end of 2019.

For the three months ended March 31, 2020, the Mexican economy contracted at an average of 1.2% on a quarter-to-quarter basis according to INEGI. Industrial and service economic activities in Mexico during the three months ended March 31, 2020 remained weak, in line with the trend observed since the middle of 2019. In addition, economic activity was primarily affected as a result of the coronavirus outbreak and the decline in oil prices. During this period, the peso depreciated 24.5% against the U.S. dollar. Inflation decreased to 2.83% due to the delayed effect of the depreciation of the peso against the U.S. dollar, the slowdown in economic activity and a decrease in oil prices. Monetary policy responded promptly, with a 75 basis points decrease in the target interest rate to reach 6.50% as of March 31, 2020.

On June 19, 2019, the Mexican Senate ratified the USMCA and, on December 13, 2019, the amending protocol of the USMCA was approved by the Mexican Senate, which includes relevant amendments in labor, steel, pharmaceutical, intellectual property and environmental matters. In addition, on January 16, 2020, the United States Senate approved the USMCA, which was signed on January 29, 2020, by President Donald Trump. In addition, on that same date, the Prime Minister of Canada presented to the House of Commons of the Canadian government, the final text of the USMCA for approval, and it was approved by the Canadian Senate on March 13, 2020. The USMCA will enter into force on July 1, 2020. Uncertainties surrounding the implementation of the USMCA and the policies of the current U.S. administration, particularly with respect to matters of importance to Mexico and its economy, such as trade and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

The global economy has recently experienced a period of slowdown and high volatility and has been adversely affected by a significant lack of liquidity, disruptions in the credit markets, reduced business activity, rising unemployment, decreasing interest rates and erosion of consumer confidence resulting from the coronavirus outbreak and the government measures implemented to limit the spread of the virus, which are currently having an indeterminable adverse impact on the world and Mexico's economy, negatively affecting communities, supply chains and general commercial activity. As the coronavirus outbreak is still evolving, and given the uncertainty of its lasting effect, the financial impact on Mexico's economy and our business, financial condition or results of operations will depend on future developments that are highly uncertain and cannot be predicted with any degree of certainty, including, but not limited to, the duration and spread of the pandemic, the actions to contain the disease or treat its impact and the severity of its effects on the economy overall, including any recession resulting from the pandemic.

In addition, international oil prices significantly decreased by the end of the first quarter of 2020 due to a decrease in global demand for oil due to the coronavirus and the failure by the members of the OPEC and other oil producing countries to reach an agreement to stabilize the oil market. This drop in international prices of oil and its derivatives added to the weakening economic environment in Mexico, which in 2019, entered into a recession that coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar.

According to the World Bank, Mexico has the 11th largest economy in the world and the second in Latin America in terms of GDP. Economic activity in Mexico is expected to continue declining in 2020 as the coronavirus outbreak negatively impacts multiple key indicators, including exports, oil prices and tourism. As of June 2020, Mexico's economy is expected to contract by 7.5% in 2020, compared to the January 2020 expectation that Mexico's economy would grow by 1.2%. Mexico's recovery is expected to begin in 2021 with a 3.0% increase led by private consumption and the normalization of exports. Mexico's anticipated economic performance over the next two years aligns with the expected economic performance for Latin America and the Caribbean, or LAC. Assuming that the measures LAC nations have taken to mitigate the spread of coronavirus are relaxed in the first half of 2020, the World Bank expects economic activity in LAC to contract 7.2% in 2020 and to grow 2.8% in 2021.

Overview of the Tissue and Hygiene Industry

We primarily participate in the tissue and hygiene industry, which includes sanitary protection, disposable diapers, adult care products, wipes, toilet paper, tissues, kitchen towels and paper napkins, among others, for households (consumed products) and institutions (professional or away-from-home products). According to Euromonitor, the coronavirus outbreak has increased demand for tissue and hygiene products in Mexico. In response to the coronavirus outbreak, Mexico's government issued several orders that limited non-essential economic activities. The government orders resulted in people being confined to their homes, which caused households to purchase an excess of tissue products. The coronavirus outbreak has also fueled an increased focus on hygiene, which has helped drive product demand.

Economic development and income levels are closely correlated to the expansion of the tissue and hygiene industry. According to IBISWorld, higher levels of disposable income in a population encourages consumers to select premium or brand name products. In 2019, per capita disposable income in the United States grew 2.4% due to policy changes regarding minimum wage. Over the five years to 2020, the United States sanitary paper product manufacturing industry saw revenue increase at an annualized rate of 0.2% to U.S.$12.9 billion. During this period, the U.S. dollar appreciated and low-cost products gained popularity, the birth rate declined and the number of businesses declined 1.9%, all of which hindered market expansion. Demographic changes also impacted industry performance. The industry's most profitable segment is comprised of diapers and incontinence products. The most important age groups for this segment tend to be children aged 0-4 years and adults aged 65 years and older (age groups that require diapers or adult incontinence products). From 2015 to 2020, the number of births has declined at a modest annualized rate of 0.3%, but a 0.4% increase in 2020 supports industry growth. Similarly, the aging population (adults over the age of 65) has increased at an annualized rate of 3.3% From 2015 to 2020, increasing demand for adult incontinence products. In 2020, as a result of the coronavirus outbreak, unemployment rates have drastically increased in the United States. This is expected to cause a 1.6% decrease in disposable income on a per capita basis. Per capita disposable income determines an individual's ability to purchase goods or services. Despite the recent decline, per capita disposable income is forecast to grow at an annualized rate of 2.3% from 2020 to 2025. This anticipated recovery should increase consumer spending.

The level of consumer spending affects the composition of industry sales, the average selling price of industry products and the total revenue generated by the industry. Since sanitary paper products are considered necessities, demand for these products is relatively stable regardless of economic conditions. Consumers are able to respond to fluctuations in economic conditions by alternating between high quality and economical product lines. Major companies participating in this industry typically sell both high-end and less expensive generic paper products in order to counter changes in consumer preferences. Beyond product categories that satisfy basic hygiene requirements, a key battleground for the industry continues to be how to engage economically established consumers to show interest in everyday luxury products and capture more discretionary spending.

Environmental concerns and sustainability demands in the U.S., and around the world, have impacted market expansion as some consumers pivot towards reusable products such as menstrual cups and cloth diapers which have seen an increase in demand. While the impact on overall demand for sanitary paper products has only been mild, environmental concerns are gaining more attention globally. Currently, consumers' preference for convenience has outweighed this concern, but the market for sustainable products is growing. In Mexico, retail sales of recycled toilet paper were valued at Ps.20.7 billion and grew at a combined annual growth rate, or CAGR, of 7.9% from 2014 to 2019 and are forecast to continue to grow from 2019 to 2024.

The Mexican retail tissue and hygiene industry observed strong demand during the last five years, according to Euromonitor. Mexico's positive economic performance has allowed consumers to increase their spending, encouraging demand for tissue and hygiene in larger packaging formats. According to Euromonitor, the Mexican retail sales of consumer products and professional products industries were valued at approximately Ps.90.3 billion and Ps.8.0 billion in 2019, respectively, and grew at a CAGR of 5.5% and 6.9% from 2014 to 2019, respectively. We expect that increases in per capita consumption, together with consumer migration to more premium products and projected increases in the Mexican population, will provide us with substantial growth opportunities.

Consumer Products Industry

Retail Tissue Products

The Mexican market for retail tissue products comprises of bathroom tissue, facial tissue, kitchen towels and paper napkins, among others. The Mexican market for retail tissue products is serviced principally by Essity, CMPC and our company. We participate in the Mexican market for consumer tissue products primarily through our brands Kleenex, Cottonelle, Pétalo, Suavel, and Vogue. In addition to the three national producers, there are several smaller-scale producers that distribute their products on a regional or local level only. Imports do not account for a significant portion of sales of consumer tissue products in the Mexican market.

The current value of the retail tissue category in Mexico grew 7.0% with a Ps.31.1 billion valuation in 2019 compared to the Ps.29.2 billion valuation in 2018, according to Euromonitor. This increase in value was driven by population growth, competitive innovation and 7.0% increase in the average unit price of retail tissue. Toilet paper saw continued value growth with a Ps.24.7 billion valuation in 2019, compared to Ps.23.1 billion in 2018 and grew at a CAGR of 6.7% between 2018 and 2019. Retail tissue is a highly competitive consumer product category which leads to continued innovation. In Mexico, that innovation includes adding scents to products. Our company added new scents to our Pétalo brand products, we also launched Kleenex Aromas (facial tissues) in 2019. Innovation has helped our company continue to lead the field with a market share of 68.9% in 2019. We have led the retail tissue market for the past five years.

The following chart shows the value of the retail tissue products market by product category in Mexico.

Retail Sales of Tissue by Category: Value 2014-2019

MXN million	2014	2015	2016	2017	2018	2019
Paper Towels	893.4	955.3	1,023.1	1,100.0	1,186.0	1,241.7
Paper Tableware	2,803.2	3,019.1	3,250.1	3,503.3	3,569.4	3,853.0
- Napkins	2,803.2	3,019.1	3,250.1	3,503.3	3,569.4	3,853.0
- Tablecloths	-	-	-	-	-	-
Facial Tissues	1,092.8	1,129.3	1,171.1	1,218.5	1,285.8	1,360.9
- Boxed Facial Tissues	866.3	894.4	927.6	966.0	1,023.6	1,088.3
- Pocket Handkerchiefs	226.5	234.9	243.5	252.5	262.2	272.7
Toilet Paper	18,148.5	19,366.7	20,296.3	21,154.0	23,142.5	24,693.0
- Non-Recycled Toilet Paper	3,992.7	4,268.7	3,623.8	3,161.3	3,872.3	4,035.4
- Recycled Toilet Paper	14,155.8	15,098.0	16,672.5	17,992.7	19,270.2	20,657.7
Retail Tissue	22,937.9	24,470.4	25,740.6	26,975.7	29,183.6	31,148.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

In Mexico, "private label" products accounted for approximately 5.9% of the total LBN brand shares of retail tissue value sales in Mexico in 2019, according to Euromonitor. Private labels have maintained a significant market share overtime due to the price difference between branded and "private label" products. The recent economic recession and contraction in consumer spending that followed encouraged consumers to shift towards cheaper alternatives. With the current financial impact of the coronavirus outbreak, it is expected that a considerable proportion of such users will continue to use "private label" products.

Retail Hygiene Products

We participate in the retail hygiene products market which primarily includes baby diapers and feminine and adult care products. The factors pointing to continued strong growth for retail hygiene products include demand that is driven by global population growth, mainly due to increased birth rates in emerging countries, lower infant mortality rate, increased longevity and an aging population, greater market penetration, higher disposable incomes, more awareness of the importance of hygiene and innovation. The growth potential is greatest in emerging markets where market penetration and frequency of use are significantly lower than in mature markets and where urbanization, improved infrastructure and the retail trade are evolving rapidly.

In mature markets, baby diapers and feminine care products have attained high market penetration and frequency of use, while market penetration and frequency of use of adult care products, for which the aging population is driving demand, among other factors, remains relatively low. In emerging markets, the use of all product categories is expanding as the disposable income level grows and as awareness of the importance of hygiene gains a more central role.

Mexico's retail hygiene is made of four product categories: nappies/diapers/pants, sanitary protections (feminine care products), retail adult incontinence (adult care products), and wipes.

Baby Care Products

We participate in the baby care market in Mexico. We sell disposable diapers, training pants, wet wipes, strollers, infant car seats and other baby hygiene products, including shampoo and cream and bar soap. The Mexican market for baby diapers was valued at approximately Ps.41.5 billion in 2019 and grew at a CAGR of 4.1% from 2014 to 2019, according to Euromonitor. Significant market growth is taking place in Mexico, where infant mortality rates are falling according to INEGI, and GDP is forecast to recover from the impact of the coronavirus outbreak with 3.0% growth, according to the World Bank. We also sell baby feeding accessories, including bottles, training cups and breast pumps in Mexico, the United States and Canada.

Mexico’s birth rate slowed down over the course of the last six years. According to Euromonitor, the population of children aged 0-4 years old decreased 0.66%, from 11.2 million to 11.1 million, from 2014 to 2019. Despite this decline, the current penetration rate of baby care products in the Mexican market leaves room for further expansion. There is still a large population of children aged 0-4 years old in Mexico and the value of the baby diaper market has increased each year since 2014.

The Mexican market for baby diapers is heavily consolidated and serviced principally by our company and Productos Internacionales Mabe, S.A. de C.V., or Mabesa, and Wal-Mart de México. We participate in the Mexican market for baby diapers primarily through our brands, Huggies and KleenBebé. We are the leader in the market for baby diapers in Mexico in terms of amount of sales, with a market share of 69.9% in 2019 according to Euromonitor. We are also the leader in the baby feeding accessories and baby wipes markets in Mexico in terms of amount of sales, with market shares in 2019 of 64.8% and 57.5%, respectively, according to Nielsen.

Feminine Care Products

We participate in the Mexican market of feminine care products, selling feminine pads, pantyliners, tampons and feminine wipes. The Mexican market for feminine care products was valued in 2019 at approximately Ps.8.8 billion and grew at a CAGR of 7.2% from 2014 to 2019, according to Euromonitor. There are approximately 64.6 million women in Mexico according to Euromonitor. While the markets in Western Europe and North America have high penetration, emerging markets such as Asia and Latin America offer significant potential. The number of women in Mexico between the ages of 15-49 is expected to increase about 2.2% by 2024, according to Euromonitor. Though there are significant cultural barriers preventing the market for feminine care products from growing, the Mexican government is aware of the importance of promoting hygiene and sexual education. As a result of this, the Mexican federal government launched the Formation Program for Mentors in Sexual Education at School and Gender in Education (*Programa de Formación de Formadores en Educación Sexual en la Escuela y Género en Educación*) in 2008. This program is designed to train elementary school teachers in sexual education and gender so they teach this topic as part of the elementary school curriculum in Mexico.

According to Euromonitor, the Mexican market for feminine care products is heavily consolidated with Procter & Gamble, Essity and our company accounting for majority of the sales. The Mexican market for feminine care products is serviced principally by P&G, Essity and our company. We participate in the Mexican market for feminine care products through our brand Kotex. We are the second largest participant in the market for feminine care products in Mexico in terms of amount of sales, with a market share of 35.9% in 2019, according to Euromonitor.

Adult Care Products

We participate in the adult care products market in Mexico, selling disposable underwear, cleaning wet wipes, bed protectors and undergarment protectors. The Mexican market for adult care products was valued in 2019 at approximately Ps.2.9 billion and grew at a CAGR of 11.1% from 2014 to 2019 according to Euromonitor. Incontinence, which is considered a disease by the World Health Organization, affects approximately 5% of the world’s population. It is expected that the proportion of people affected by incontinence will increase on a global scale as a result of an aging population and a higher proportion of overweight people. According to information from the World Health Organization, as of April 2020 worldwide obesity has nearly tripled since 1975. The occurrence of incontinence affects twice as many women than men (according to the Mexican Ministry of Health, it is estimated that approximately 50% of Mexican women will suffer from some kind of incontinence problem during their lifetime).

The industry of incontinence products is expected to grow as the base of consumers for incontinence products is set to increase considerably as Mexico’s population continues to age and product awareness increases, mainly among lower income population segments. Based on information by Euromonitor, the population of Mexicans aged 45 and older is expected to reach 38.5 million by the end of 2024, a 14.5% increase on the same figure at the end of 2019. More importantly, according to Euromonitor, the number of Mexican people aged over 60, who are more prone to incontinence, is expected to reach 16.4 million by the end of 2024, a 19% increase on the same figure in 2019.

The Mexican market for adult care products is serviced principally by Essity, Mabesa and our company. We participate in the Mexican market for adult care products through our brands Depend and Diapro. We are the second largest participant in the market for adult care products in Mexico in terms of amount of sales, with a market share of 25.5%, according to Euromonitor.

Wipes

We participate in the wipes market in Mexico, selling homecare wipes, floor cleaning systems, wet wipes and personal wipes. The Mexican market for wipes was valued in 2019 at approximately Ps.5.9 billion and grew at a CAGR of 7.0% from 2014 to 2019 according to Euromonitor. In Mexico, baby wipes account for the majority of the sale of wipes, representing approximately 72.6% of the market value in 2019. Personal wipes saw current value growth of 7.0% in 2019 to reach Ps.5.3 billion. This growth was driven by an increase in sales of baby wipes and general purpose wipes.

The Mexican market for wipes is serviced principally by Mabesa, Indelpa SA de CV and our company. We participate in the Mexican market for wipes through our brands KleenBebé and Huggies. We are the largest participant in the market for wipes in Mexico in terms of amount of sales, with a market share of 41.9%, according to Euromonitor.

Professional Products Industry

The professional tissue and hygiene products industry is highly competitive, both in Mexico and international markets.

Professional Tissue and Hygiene

The Mexican professional tissue and hygiene products industry was valued at approximately Ps.8.0 million in 2019 and grew at a CAGR of 6.9% from 2014 to 2019, according to Euromonitor. In 2019, tourism was an important growth factor for the Mexican professional tissue and hygiene products market. Increased commercial construction across several cities in Mexico drove tourism up and increased demand. As a result of the coronavirus outbreak, tourism has halted and sales are expected to decline in 2020. However, the impact is not expected disrupt the market long term, Euromonitor forecasts the market to increase at a 7.0% current value CAGR (4.0% 2019 constant value CAGR) to reach Ps.11.4 billion in 2024. Global and emerging markets, such as Mexico, have experienced outbreaks of epidemics, like the Ebola virus and the H1N1 flu, and are now experiencing the coronavirus outbreak. The importance of health and hygiene has been stressed in these countries by international bodies such as the World Health Organization. In coming years, greater usage of tissue products in hospitals, restaurants and workplaces in Mexico can be expected as a result of regulatory requirements. Existing relatively low levels of tissue paper consumption per capita present a significant potential for future growth of professional tissue products in the Mexican market.

The Mexican market for these products is serviced principally by Absormex CMPC Tissue, S.A. de C.V., or CMPC, Essity, and our company. We are the leader in the market for professional tissue products in Mexico through our brands Kleenex, Pétalo, Kimlark, Lys, Marli and Kimberly-Clark. In 2019, we were among the leaders in the professional products category in Mexico, according to Euromonitor.

Health Care Products

In addition, we participate in the Mexican market for health care products through our brand Kimberly-Clark. The disposable health care products industry includes surgical drapes and gowns, infection control products, face masks, examination gloves, respiratory products, pain management products and other disposable health care products.

Government spending on health care has been increasing in developed as well as developing countries such as Mexico. According to the Mexican Federal Budget Law for 2020 (*Presupuesto de Egresos de la Federación para el Ejercicio Fiscal 2020*), the Mexican government has raised expenditures on health care from Ps.135 billion in

2015 to Ps.226 billion for 2020. In addition, advancements in medical procedures, access to affordable health care and better living conditions have spurred private spending by individuals and employers. Increasing life expectancy, aging "baby boomers" and the availability of cures for a large number of ailments compared to the past are likely to result in increasing expenditure on health care facilities and related procedures, which in turn is expected to have a favorable effect on the disposable health care products industry.

BUSINESS

Overview

We are one of the largest consumer products companies in Mexico. We produce, market, sell and distribute a diversified portfolio of consumer and professional (away-from-home) products under renowned brands, including Huggies, KleenBebé, Kotex, Pétalo, Suavel, Vogue, Scott, Kleenex, Depend, Diapro, Evenflo and Escudo. Some of our brand names, such as Kotex and Kleenex, have developed iconic status and are immediately recognizable to millions of consumers. We are market leaders in most of the categories in which we participate, with more than 45% of the Mexican market in most of such categories according to Nielsen Retail Index, and in 2019 we were present in virtually every Mexican household, according to our own research.

Our shares are listed on the BMV under the ticker symbol "KIMBER." As of March 31, 2020, our market capitalization was Ps.110,807 million (approximately U.S.$4,718 million).

We are organized into business segments based on product categories and target markets, as follows:

- *Consumer products*. We offer a wide variety of innovative solutions and trusted brands that improve people's lives every day. Products in this segment include consumer tissue products, such as bathroom tissue, paper napkins, facial tissue and kitchen towels, and other personal care products, such as diapers, training pants, baby and cleaning wet wipes and feminine and adult care products. We also produce baby feeding accessories including bottles, training cups and breast pumps. Additionally we offer baby toiletries, liquid hands soaps, bar soaps and hand sanitizers. Key brands in this segment include but are not limited to Huggies, KleenBebé, Kotex, Pétalo, Suavel, Scott, Vogue, Kleenex, Depend, Diapro, Evenflo, Escudo and Blumen.
- *Professional products*. We offer a range of solutions and products for hotels, restaurants, offices, factories and other institutions. Products in this segment include hand towels, paper napkins, bathroom tissue, sanitizers and hand soap. Key brands in this segment include Kleenex, Pétalo, Kimlark, Lys, Marli and Kimberly-Clark.
- *Exports*. We also derive revenue from the export of certain of our products, primarily to the United States and to KCC's affiliates in other countries. The majority of our exports consist of tissue products, mainly hard rolls of tissue for further conversion to consumer and professional products such as hand towels, paper napkins, bathroom tissue, and other consumer products such as antibacterial soap, hand sanitizer and Evenflo feeding accessories.

In 2016, we expanded our consumer products business with the acquisition of Escudo, a leading company in the anti-bacterial soap business with more than 50 years of presence in the Mexican market and a 55% stake in 4e Global, a leading company in the liquid soap business with a broad range of products ranging from hand and body soaps to hand-sanitizer and other cleaning products. In February 2019, we increased our stake in 4e Global to 77.5%.

Our principal shareholder is KCC, one of the largest manufacturers of consumer products in the world, measured by production volume and revenues, with operations in various countries worldwide, which holds its shares of our company through its wholly-owned subsidiary Kimberly-Clark Holland Holding B.V. Through our partnership with KCC we have access to KCC's brands and technology. See "Business—Intellectual Property and Research and Development—KCC Agreements" and "Shareholders—Our Most Significant Shareholder."

We have expanded broadly through organic growth as well as acquisitions and have experienced growth in our business over recent years. Currently, we operate 11 production plants in Mexico, which are strategically located to allow us to sell our products across the entire country. We have developed an extensive distribution network, which allows us to distribute our products from our production plants and our six distribution centers and warehouses for further distribution by retailers and wholesalers across the country.

The table below shows our net sales per business segment for the periods indicated.

	Three Months Ended March 31,			Year Ended December 31,							
	2020			2019			2018		2017		
	(in millions of U.S.$)[(1)]	(in millions of Ps.)	(in %)	(in millions of U.S.$)[(2)]	(in millions of Ps.)	(in %)	(in millions of Ps.)	(in %)	(in millions of Ps.)	(in %)
Consumer products........	414	9,732	83.2	1,897	35,781	82.3	33,948	82.8	31,962	84.6
Professional products	50	1,182	10.1	254	4,787	11.0	4,032	9.8	3,713	9.8
Exports	33	777	6.7	156	2,932	6.7	3,046	7.4	2,091	5.6
Net sales........................	**497**	**11,691**	**100.0**	**2,307**	**43,500**	**100.0**	**41,026**	**100.0**	**37,766**	**100.0**

(1) Converted into U.S. dollars for convenience purposes only at the rate of Ps.23.4847 per U.S.$1.00, the exchange rate calculated on March 31, 2020 and published by the Mexican Central Bank on April 1, 2020 in the Federal Official Gazette. See "Exchange Rates."

(2) Converted into U.S. dollars for convenience purposes only at the rate of Ps.18.8642 per U.S.$1.00, the exchange rate calculated on December 31, 2019 and published by the Mexican Central Bank on January 2, 2020 in the Federal Official Gazette. See "Exchange Rates."

Our Competitive Strengths

Through our flexible production capability, efficient operations and in-depth knowledge of the Mexican market, we have developed a competitive portfolio of products in all categories. This has allowed us to build iconic brands that are among the strongest in the markets where we operate. We believe our competitive strengths will continue to promote our growth and leadership in our product categories.

- *"Multi-brand" and "multi-tier" product portfolio*. We offer our consumers a wide variety of innovative solutions spanning a broad range of categories and pricing levels under our trusted brands, that aim to improve their lives every day. Through our extensive experience in the Mexican market, leadership position, and continuous market research, we have gained a clear understanding of our customers' needs and preferences to improve our existing products and create new product lines to address specific needs and desires of consumers. Our "multi-brand" and "multi-tier" product portfolio allows us to reach customers of all segments in our market with super-premium, premium, value and economy products. With this approach, consumers have the flexibility to choose among various product offerings in the same brand or category according to their preferences and budget. We have a diversified portfolio products, some of them with brands recognized in Mexico and abroad. Our renowned brands, including Huggies, KleenBebé, Pétalo, Suavel, Vogue, Kotex, Kleenex, Depend, Evenflo and Escudo, are among the best-known in their respective categories. Based on our market research, our brands have an extraordinary "top-of-mind awareness" in the market of most of our product categories. Our products are present in virtually every household in Mexico, according to Nielsen and our own research. We believe that the leading position of our brands and our multi-brand and multi-tier product offering distinguish us from our competitors.

- *"Multi-channel" extensive distribution network*. We sell through the modern channel, which includes retailers (including e-retailers, and private and government-owned retailers), drug stores and price clubs, and the traditional channel, which includes wholesalers that, in turn, sell to small convenience stores. We believe we are the leaders in our market among participants serving both channels, a position that allows us to reach a greater number of consumers. According to our own research, we are the leading provider of household products to the traditional channel and the second provider of household products to the modern channel. We have developed an extensive distribution network. According to our estimates, 35% of our shipments are made by our own delivery force, which consists of 64 semi-trailer trucks and 171 trailers. Our network allows us to distribute products from our 11 plants and six distribution centers and warehouses to our customers across Mexico. We also maintain a highly-efficient and sophisticated logistics operation to address distribution requirements, which allows us to manage more than 2,700 stock-keeping units. We have also developed strong relationships with our customers and suppliers that enable us to tailor our approach and response to their diverse and changing needs, including with respect to frequency and volume of delivery, in a cost-effective manner. We believe this contributes to develop strong customer loyalty.

- *Innovation and product technology*. Innovation is one of our fundamental values, and we have proven capability to constantly improve the quality and functionality of our products for consumers at various price points. We believe our innovation efforts allow us to sustain and strengthen our leadership by enhancing our reputation for quality, offering our customers a broader range of products with superior value-added performance and satisfying their particular needs with attractive products not offered by our competitors. Innovation activities are based on market trends, customer and consumer insight, new technology and business models, with sustainability and product safety integrated into the process. In recent years, we have introduced products in most of our categories, using new technologies, such as diapers offering maximum softness, improved fit and a higher absorption speed to keep babies' skin dry and protected under our brands Huggies and KleenBebé, feminine and adult care products with added absorbency, comfort and discretion under our brands Kotex and Depend and tissues with added softness and active ingredients to fight the spread of the cold virus and decongest under our Kleenex brand. Following our acquisition of the feeding accessories business of Evenflo Company Inc., we modernized the brand's image and redesigned its product portfolio, adding premium products in line with our multi-tier strategy such as the Evenflo Advanced line of ergonomic bottles and nipples with an advanced anti-colic system and a new line of more absorbent and softer nursing pads. In the soap category, in 2019 we launched a new Advanced Protection line with special features, with the introduction of the new "Escudo Antibacterial Detox," an activated carbon-based soap, and "Escudo Anti-Acne" with derma clean technology.

- *Efficient manufacturing and state-of-the art production capacity.* We achieve cost efficiencies through large volume capacities, modern production equipment and partially integrated operations. We frequently review our production processes to identify opportunities for simplification, standardization and upgrades to strengthen our capabilities for innovation, expansion and improved product quality. We offer quality products with enhanced absorbency, strength, softness, comfort and texture by using superior raw materials and heavily investing in state-of-the art production technology. We have continued to increase our production efficiencies and reduce our operating costs through increasing use of recycled fibers and reducing our energy consumption. Our cost-reduction programs have resulted in over Ps.4 billion of cost savings during the last three years and at least annual savings of 5% during the last five years. In addition, to improve our production capacity we have continuously invested in new technology and equipment. Our access to KCC's technology and best practices, as well as our own technical expertise and innovation, provides us with state-of-the-art manufacturing and information systems capabilities. To respond quickly and effectively to changes in demand, we use flexible, up-to-date technology that can shift production among products in different price-point categories in a very short time frame.

- *Partnership with Kimberly-Clark Corporation*. We have had a strong relationship with KCC, our most significant shareholder, for almost 65 years, as a result of which we are able to market our products under KCC's globally-recognized brands. Our partnership with KCC is a key component supporting our innovation initiatives for products, as well as for implementing state-of-the-art technology in our production processes. Our relationship with KCC provides us with access to global innovations and developments in products and processes. This partnership also allows us to participate in global purchase agreements for certain key materials at competitive prices and share operational and commercial best practice information on a worldwide basis.

- *Experienced and incentivized management and workforce within a solid corporate culture*. Our customer-oriented and result-based corporate culture is decisive for our success. We have a strong, capable management team that shares our corporate culture and has extensive experience in the industry and markets in which we participate. They have successfully managed our company through Mexico's economic cycles while maintaining high operating profit margins and sales growth. Our management philosophy emphasizes accountability coupled with controls to deliver sustainable growth and value to our customers. Our management has significant direct incentives to improve our operating performance and create value based on performance-related compensation programs. In addition, we believe we have a highly-skilled labor force to run our operations. Our workforce has expertise in the design, engineering, machine operations and marketing, which is difficult to obtain within the industry in which we participate.

- *Social responsibility*. It is part of our mission to improve the quality of life of Mexicans with our products, within a sustainable business model where value-creation for our customers and community is on par with our growth and profitability. We are committed to the sustainability of our operations, with full recognition of our obligations with respect to the communities where we operate and the production chain that we create. Our sustainability model aims to deliver better, safe and environmentally sound solutions to our customers based on five "Rs"—reduce, recycle, re-utilize, renovate and results. Among our sustainability initiatives, we continue to pursue excellence in efficiency in energy consumption, both electricity and natural gas, to lower greenhouse gas emissions in our production processes and our distribution channels. Other initiatives include the optimization in the selection process of materials used to manufacture our products based on sustainability practices. We also emphasize the re-utilization of inputs such as water and the by-products of our processes that enable us to maintain, and in some cases improve, the quality and performance of our products. As a result of these efforts, as of the date of this offering memorandum, three of our plants have been awarded with a certificate of clean industry (*certificados de industria limpia*) by the PROFEPA, the Mexican governmental agency responsible for compliance with environmental laws and regulations. In 2019, we obtained the "Ecólogo®" certification and maintained our licenses from the Forest Stewardship Council®(FSC®) and from Green Seal for a number of our products. We also continue to prioritize the "circular economy model," where we are able to recover one hundred percent of our pulp waste, avoiding sending it to landfills. As a result of our recycling initiatives, approximately 60.0% of our fiber consumption is sourced from recycled fibers and more than 99% of the waste generated in our operations is either recycled or used in other industries. Our sustainable innovation program "Less is More" allows for the reduction of materials and packaging weight in our products, while maintaining and in some cases improving performance. Our sustainable business model has allowed us to be part of the Sustainability Index of the BMV since its inception in 2011. In 2019, we were added to the Dow Jones Sustainability Index (DJSI) MILA region (the Latin American Integrated market), one of the strictest indexes in terms of sustainability and social responsibility, which recognizes outstanding companies in each industry and, for the third consecutive year, we were listed in the British FTSE4Good index.

Our Strategy

We seek to enhance our position as a leading consumer and professional products company in Mexico by continuing to improve our efficiency while satisfying our customers' needs with innovative and environmentally sound solutions that improve people's lives every day and "transform the essential into extraordinary". To achieve these objectives, we plan on executing the following key strategies.

- *Focus on our core products and develop innovative new products*. We believe that our strong and balanced product portfolio combined with our innovative capacity is essential for our continued growth, competitiveness and profitability. We intend to continue to meet our customers' expectations and increase the recognition and consumption of our brands through improvements in quality across our various product categories, as well as through our advertising and promotion efforts. We also intend to continue to leverage on our portfolio of leading brands as a platform to launch innovative products and develop new product lines and product categories. As part of this strategy, we plan to focus on our research and product development efforts, including through KCC, to improve the performance of our products and introduce new products that suit the needs and preferences of our consumers according to changing technologies, customs and trends. As we look into the future, developing innovative and differentiated products remains the driving force for our growth and value creation, and a key element to consolidate our market position, continue building leadership brands and increase consumer loyalty.

- *Continue to focus on our "multi-brand," "multi-tier" and "multi-channel" strategy*. We believe our "multi-brand," "multi-tier" and "multi-channel" strategy is a key element to increase our penetration and market share. We plan to continue offering the best products in the categories we participate at the right price and through the right channels. The widespread availability of our economy products allows us to reach value-conscious customers. As these consumers achieve greater spending power, our goal is to encourage them to increase the frequency with which they use our products, and switch to premium products. In order to benefit from the growth of the Mexican middle-class market, we intend to continue developing products with greater levels of quality and functionality, at accessible price points. We also intend to benefit from the increasing purchasing power of premium consumers by offering a wider range of existing and new products featuring levels of comfort and quality appealing to this market segment. Our multi-channel strategy allows us to reach consumers at all points of sale, from modern retail chains to traditional convenience stores and markets. We believe that this strategy helps us to access more consumers and adapt to economic cycles, as we offer consumers a variety of innovative purchase options tailored to their different preferences, needs and budgets.

- *Increase production capacity and product improvements.* We plan to continue investing in additional production capacity to meet growing demand for our products. Our production strategy focuses on increasing the efficiency of our manufacturing and conversion equipment. We also invest in our manufacturing facilities in order to provide improved products to our consumers. Our current installed capacity of 825,000 metric tons per year of tissue and 477,000 metric tons per year of recycled fibers is expected to successfully support our growth in the medium-term and we continue to take actions aimed at expanding our capacity. For example, in 2017 we invested U.S.$79 million in a new tissue machine that started operating in such year, which allowed us to increase our total conventional tissue production installed capacity by approximately 62 thousand metric tons of conventional tissue per year.

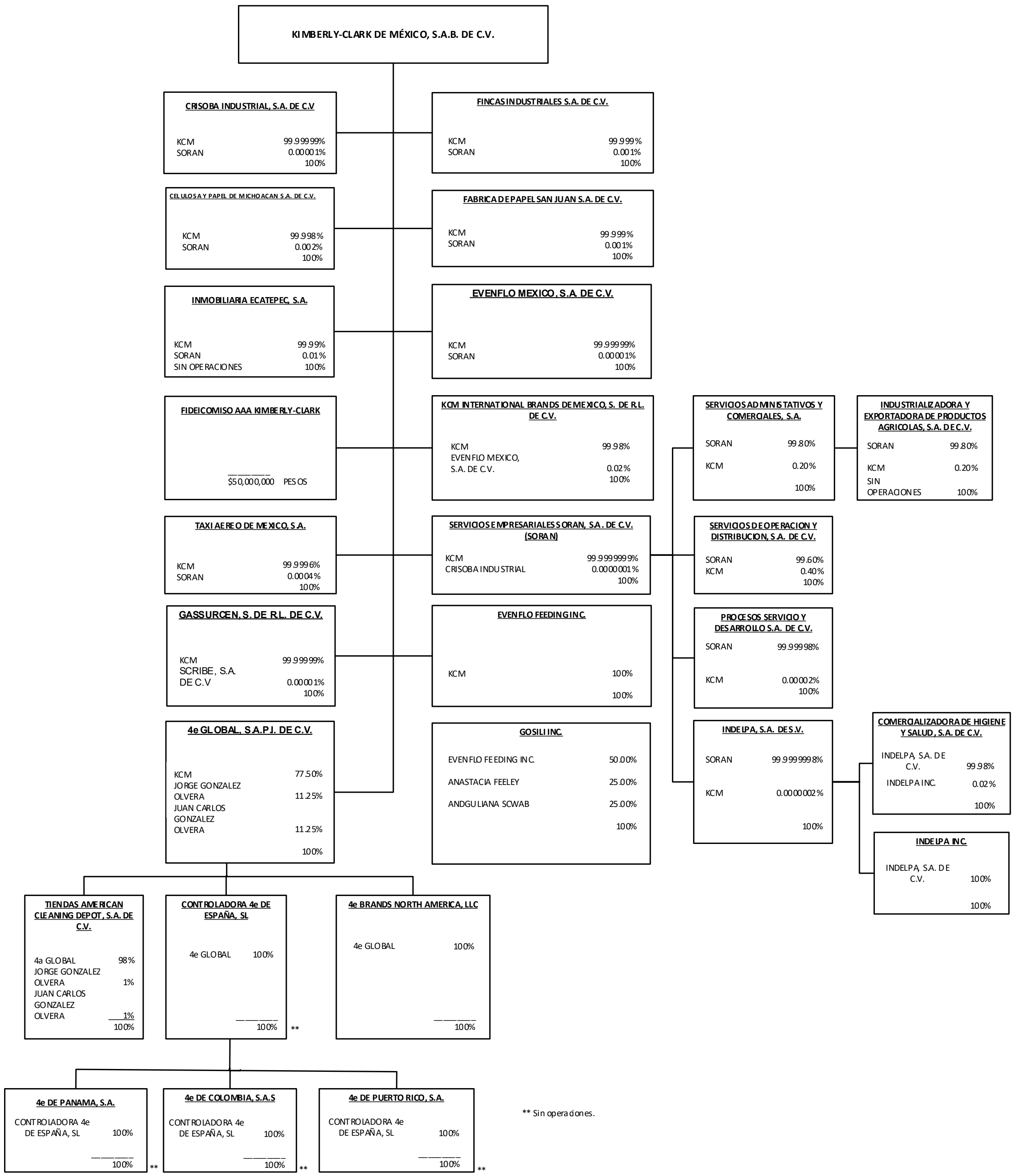
- *Improve and enhance the efficiency of our operations.* We continuously simplify, standardize and upgrade our production and distribution platforms for faster innovation, expansion and improved product quality. This has generated valuable economies of scale in production, distribution and marketing, as well as dissemination of best practices and innovation. We also innovate to be more efficient through our permanent strategy for reducing costs at all levels of our organization and operations. Savings from our ongoing cost reduction program were equivalent to Ps.1,600 million and Ps.1,363 million in 2019 and 2018, respectively. We intend to continue working to achieve additional efficiencies, strengthen our competitiveness and improve our profitability through continuous investments in production facilities and equipment and the implementation of our ongoing cost-reduction program, while leveraging our manufacturing expertise and KCC's world-class process technology. We strive to maintain a low-cost operation with a focus on environmentally sustainable and effective cost controls.

- *Focus on cost-efficient structure to support volume and profitability.* We believe that a cost-efficient structure is a key element to create a resilient business model that allows us to strengthen our brands and boost our marketing efforts to improve volumes and profitability during challenging economic cycles. We have historically implemented initiatives to maintain a competitive cost structure, including manufacturing optimization. Through this strategy we seek to better leverage scale in the areas of supply chain, research and development, marketing and general expenses. This strategy allows us to accelerate cost reductions to fund our strategy, improving volumes during challenging economic cycles. We have also continued to improve marketing efficiency and effectiveness through an optimized media mix with more digital, mobile, search and social presence, improved message clarity and greater savings in non-media spending. We believe we have an opportunity to improve marketing efficiency in both media and non-media areas while increasing overall marketing effectiveness and improving sales growth.

- *Continued organic and inorganic growth*. We believe that we have benefited from the acquisition and integration of new brands and products, and venturing into new markets, such as the nursing products through Evenflo and the soap market with Escudo and 4e Global. We seek to continue to expand our operations in Mexico through organic growth and to pursue strategic acquisitions in select regions and categories in which we are not currently present. We believe our presence in the Mexican market will provide a platform for us to identify selective growth opportunities.

Corporate Structure

Set forth below is our simplified corporate structure:



Products

We are organized into business segments based on product categories. We produce, distribute and market a wide variety of products in our consumer and professional segments. We also derive revenue from the export of products. Below is a description of the products carried by our different business segments.

Consumer Products

We offer a wide variety of innovative solutions and trusted brands that improve people's lives every day. Products in this segment include consumer tissue products, such as bathroom tissue, paper napkins, facial tissue and kitchen towels, and other personal care products, such as diapers, training pants, cleaning wet wipes and feminine and adult care products. We also produce baby feeding accessories including bottles, training cups and breast pumps. Additionally we offer baby toiletries, liquid hands soaps, bar soaps and hand sanitizers. Key brands in this segment include but are not limited to Huggies, KleenBebé, Kotex, Pétalo, Suavel, Scott, Vogue, Kleenex, Depend, Diapro, Evenflo, Escudo and Blumen.

We have a "multi-brand," "multi-tier" and "multi-channel" approach for each category of consumer products we produce, targeting different market segments with the objective of offering consumers a broad choice of products with various features and prices to better serve their needs, through the modern and traditional distribution channels. In addition, we have an ongoing innovation program to improve the quality and functionality of our products for consumers at various price points.

The table below sets forth the principal brands of our consumer products division.

Bathroom Tissue	***Paper Napkins***	***Diapers***	***Wet Wipes***
Kleenex Cottonelle	Kleenex	Huggies Supreme	Huggies Supreme
Pétalo	Pétalo	Huggies UltraConfort	Huggies Natural Care
Kleenex	Lys	Huggies All Around	Kleen Bebé Suavelastic
Suavel	Suavel	Kleen Bebé Suavelastic	Kleen Bebé Absorsec
Delsey	Fancy	Kleen Bebé Comodisec	
Vogue		Kleen Bebé Absorsec	

Kitchen Towels	***Soap***	***Baby Toiletries***	***Incontinence Products***
Kleenex	Escudo	Huggies	Depend
Pétalo	Blumen	KleenBebé	Diapro
Vogue			

Baby Feeding Accessories	***Facial Tissue***	***Feminine Care***
Evenflo	Kleenex	Kotex

We also manufacture certain products, including bathroom tissue and paper napkins to supermarket chains for resale under "private label" brands.

Professional Products

We offer a range of solutions and products for hotels, restaurants, offices, factories and other institutions. Products in this segment include hand towels, paper napkins, bathroom tissue and hand soap, as well as dispensers. We sell these products to resellers that distribute our products on a consignment basis to the relevant end users. All of our professional products are leaders in their categories, with market participation rates above 45.0%, according to Nielsen.

The principal brands of our professional products division are Kleenex, Pétalo, Scott, Marli, and Sanitas.

Exports

We export unfinished tissue rolls to the United States and finished products to North America and Central America through KCC's affiliates. The majority of our exports consist of tissue products, mainly hard rolls of tissue for further conversion to consumer and professional products such as hand towels, paper napkins, bathroom tissue, and other consumer products such as antibacterial soap and hand sanitizer. We also export our Evenflo feeding accessories through this business segment, as well as processed materials for consumer products, professional products and non-woven fabrics. Export sales allow us to operate at higher production capacity rates at times when our production capacity exceeds demand in the Mexican market.

Raw Materials

We utilize a variety of raw materials. Wood pulp, in the form of hard wood, soft wood, eucalyptus and recycled fiber from recovered waste paper, is the primary raw material for our tissue products and is a component of disposable diapers, training pants, feminine pads and adult care products. Polypropylene and other synthetics and chemicals are the primary raw materials for manufacturing nonwoven fabrics, which are used in disposable diapers, training pants, cleaning wet wipes, feminine pads, and adult care products, and away-from-home wipes. Superabsorbent materials are important components of disposable diapers, training pants and adult care products.

In order to guarantee the quality of our raw materials, we maintain strict quality controls at each step of our supply chain, from product specification to receipt, warehousing and consumption. We believe that effective communication, between our marketing, product development, production planning, purchasing, manufacturing facilities and other areas, as well as with our suppliers, is fundamental to the functioning of our supply chain.

As of the date of this offering memorandum, the prices of the raw materials used in our business are not subject to controls by the Mexican government, and the prices of these materials vary according to their prices in the international markets. Certain prices of materials provided by Mexican suppliers are quoted in U.S. dollars.

Wood Pulp and Recycled Fibers

Wood pulp is a key raw material for the manufacturing of tissue, which is the basis for many of our products, including bathroom tissue, facial tissue, kitchen towels, paper napkins, diapers, feminine care and adult care products. We acquire pulp in the international markets from a variety of suppliers.

Pulp is classified by its source, which may be either a tree or a plant which is harvested annually, its region of origin and the process by which it has been extracted. The most common method for the extraction of pulp is the kraft method. The kraft method is a process for conversion of wood into wood pulp consisting of almost pure cellulose fibers. It entails treatment of wood chips with a mixture of chemicals that breaks the bonds that link lignin to the cellulose. We frequently use northern or southern softwood kraft pulp, southern hardwood kraft pulp and eucalyptus pulp.

We purchase the wood pulp we use from third parties which are trustworthy with respect to quality, service and delivery times. We acquire the wood pulp we need by placing purchase orders based on our forecasted manufacturing needs. Given the volume of our pulp purchases over many years, we believe we have a reliable supply of virgin pulp available from various suppliers, such as Georgia Pacific, Domtar, International Paper and Fibria, among others. We have agreements with certain of our suppliers having one-year terms and providing for delivery of set volumes of pulp. We do not depend on any single supplier for wood pulp.

We also use recycled fiber as a source of pulp. Approximately 60.0% of our fiber consumption is sourced from recycled fibers. We recycle fiber at our plants located in Bajío, Ecatepec and Ramos Arizpe. We purchase waste paper for recycling from Mexican suppliers, such as Recycle, S.A. and Reciclables de Papel y Cartón, S.A. de C.V. and abroad principally from U.S. suppliers such as International Paper, Harmon Recycling and Waste Management, among others. We buy more imported than domestic waste paper for recycling, and aim to maintain a balance between quality, price and yield amidst fluctuations of supply and demand.

Others

Other raw materials we use in our production, manufacturing, conversion and packaging processes are:

- absorbent polymers for diapers, feminine care products and adult care products;
- polyethylene, which is used principally for packing various finished products;
- polypropylene and two-component fiber for the production of non-woven fabrics;
- cartons and corrugated cardboard, which is used to pack and ship finished products; and
- chemicals such as caustic soda, chlorine, resins, starch, clarifying agents, solvents, dyes, colorants and absorbents, among others, which are used in certain of our production processes.

We purchase these raw materials from domestic and international third party suppliers. We continually seek suppliers which offer the best quality and prices. We frequently conduct research and analyses to determine which markets are the most favorable for our raw and packaging material purchases, and we maintain an ongoing program to develop new suppliers in Mexico and abroad.

Our raw materials local suppliers include Berry, Henkel, Empaques Flexibles, Convertidora Industrial, 3M, Copamex Industrias and Nalco de México, among others. Our foreign suppliers include Exxonmobil, LG and Basf, among others.

Inventory

We manage inventory with the aim of minimizing the quantity of our inventories, since carrying inventory has significant costs, through several strategies and techniques, including adjusting production forecasting demand among others. Our inventory turnover ratio for 2019 was 7.6.

Energy and Water

Our tissue production processes require the use of significant volumes of water. Water is a scarce and expensive commodity in Mexico, and water usage is subject to concessions, usage fees and recycling standards. We obtain water for most of our plants pursuant to water concessions from the CONAGUA obtained on a plant-by-plant basis. See "—Governmental and Environmental Regulation." Historically, we have been able to renew all our water concessions. We also have entered into a water management and treatment agreement dated October 19, 2006, with Bio Pappel Scribe, pursuant to which Bio Pappel Scribe provides water management and treatment services for two of our plants. In addition, our tissue manufacturing facilities use closed-cycle water systems, which allow us to reuse most of the water we require for our tissue production processes and reduce our clean water consumption and discharges. We believe that our water supplies are sufficient for all of our current and planned activities in each of our plants.

Our water concessions may be terminated if, among other things, we use less or more water than permitted under the concession title or we fail to pay required concession-related fees and do not cure such situations in a timely manner. Although we have not undertaken independent studies to confirm the sufficiency of the existing groundwater supply, we believe that our existing concessions satisfy our current water requirements in each of our plants.

Our manufacturing operations utilize electricity, natural gas and petroleum-based fuels. We purchase power for our plants and other facilities from *Comisión Federal de Electricidad*, the Mexican state-owned power generation and distribution company, and from Grupo Macquarie. Also, we have entered with Iberdrola Mexico, S.A. de C.V., into certain agreements to purchase power under self-generation and co-generation regimes.

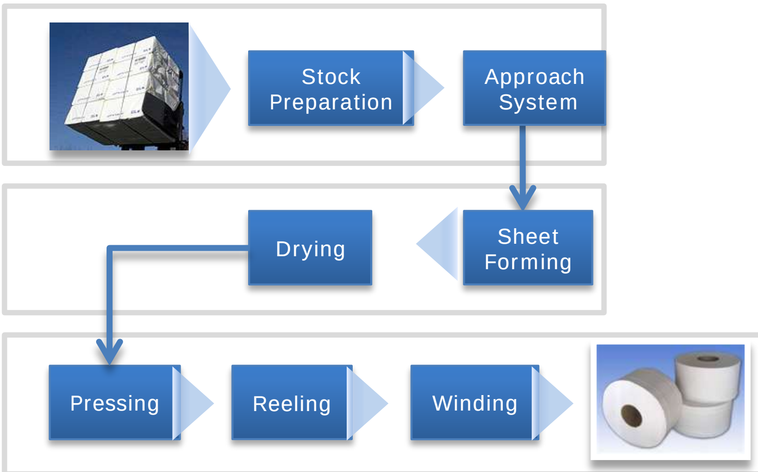
As part of our energy savings strategy we have developed and continuously implement a program to improve the efficiency of our productions plants. In addition, among other measures to save energy, we shut down certain equipment during peak hours, whenever it is possible. We also have made investments in more efficient equipment, such as high-performance engines, induction lighting lamps and heat recovery systems to reduce energy consumption. To improve the use of our energy resources, from time to time, KCC's energy specialists perform inspections and audits and provide technical assistance to detect additional opportunities to save energy in our production processes.

Manufacturing and Production

We use a variety of production processes to manufacture our wide array of products. Most of our production processes have certain elements in common, such as continuous, automated and highly-efficient performance, as well as state-of-the-art technology. We rely on our highly experienced and knowledgeable teams dedicated to the continuous updating and improvement of our production processes and assets. We also have access to KCC's production technology and best practices, research and development and vendors of machinery and equipment.

Tissue-based products are manufactured from virgin and post-consumer waste. A substantial portion of our raw materials consists of wood pulp and recycled fibers, see "—Raw Materials." Our personal care product category (infant, child and adult diapers, feminine pads & liners and cleaning wet wipes) use chemically produced super-absorbent materials as well as polypropylene non-woven outer covers, inner linings and structured layers.

The diagram below shows the main stages of our production process for tissue based products.



The production of tissue-based products generally begins with pulp and water, which are screened through wires, pressed through rollers, dried with natural gas & steam and wound onto large rolls. The rolled tissue is then sold for industrial usage, cut into sheets or smaller rolls for consumer usage or converted into consumer products.

In order to manufacture diapers and feminine pads, rolls of fluff pulp and non-woven fabrics are fed into machines that shape the product, add super-absorbent materials and assemble functionality features (leakage protection, fastening systems and elastics).

Real Property

Our office headquarters is located in Mexico City. We have the right to occupy our offices pursuant to a lease agreement dated May 1, 2019. The term of the contract expires on April 30, 2026

We operate 11 plants, which are strategically located throughout Mexico to service the areas of greatest population concentration. See "—Distribution." Each plant includes one warehouse for finished products. In addition to our warehouses on each of our plants, we also have six separate distribution centers throughout Mexico. See "—Distribution." Our plants have flexible production capability, which allows us to shift production among products in different price-point categories to respond quickly to changes in demand. The following chart lists each of our plants, its location and the products produced at the plant.

Plant	Location	Products
Bajío	San Juan del Río, State of Querétaro	Recycled fibers, tissue paper, bathroom tissue, paper napkins and paper kitchen towels
Ecatepec	State of Mexico	Recycled fiber, tissue paper, bathroom tissue, paper napkins, facial tissues and paper hand towels
Evenflo	Cuautitlán, State of Mexico	Baby feeding accessories
Morelia	State of Michoacán	Tissue paper, bathroom tissue and paper hand towels
Orizaba	Escamela, State of Veracruz	Tissue paper, bathroom tissue, paper napkins and facial tissues

Plant	Location	Products
Prosede	Cuautitlán, State of Mexico	Non-woven fabrics, covers, feminine care products, diapers, training pants, disposable undergarments, and bed protectors for adults
Ramos Arizpe	State of Coahuila	Recycled fiber, tissue paper, bathroom tissue, paper napkins and diapers
Texmelucan	State of Puebla	Bathroom tissue, paper napkins, paper hand towels, gel alcohol and soaps
Tlaxcala	Apizaco, State of Tlaxcala	Non-woven fabrics, diapers and pre-moistened towelettes
Toluca	State of Mexico	Bathroom tissue, paper hand towels, paper napkins, paper hand towels and kitchen towels
4e Global	State of Mexico	Liquid soap

The following chart lists each of our distribution centers and its location.

Distribution Center	Location
Mexico City, Metropolitan Area	State of Mexico
Monterrey	State of Nuevo León
Guadalajara	State of Jalisco
Cd. Obregón	State of Sonora
Tepotzotlán	State of Mexico
Villahermosa	State of Tabasco

The following map shows the location of our plants and distribution centers.

None of the properties owned by us is subject to any mortgage, lien or encumbrance. Pursuant to our energy supply agreements with Iberdrola we have granted Iberdrola the right to use (*usufructo*) one hectare of land within our Ramos Arizpe plant.

Distribution

We maintain a distribution system that covers nearly the entire territory of Mexico. We believe our established distribution system provides us with an important competitive advantage over companies that may wish to enter the Mexican consumer and professional products markets.

We have a warehouse at each of our 11 plants, which stores finished products. In addition, through our subsidiaries, we maintain six distribution centers throughout Mexico, which collect finished products of each type from our 11 plant warehouses. Shipments are made to customers either from a plant warehouse or a distribution center, depending on the volume and nature of the goods being shipped and the geographical location of the customer. Alternatively, many customers pick up goods directly from our production plants and finished product distribution centers.

Our own delivery force consists of 64 semi-trailer trucks and 171 trailers. According to our estimates, approximately 35% of our shipments are made by our own delivery force, while the remaining 65% are made by third parties.

Customers

We are not party to any long-term purchase agreement with our customers. We sell our products pursuant to purchase orders that we receive from our customers. An important part of our sales are to large retailers and large wholesalers. Other than Wal-Mart, no other customer represented over 10% of our sales in 2019. We support our sales strategy by providing vendor financing to our customers for periods, generally, of 45 days. These terms vary depending on the credit risk associated with the customer, among other factors.

Marketing

Our marketing and advertising activities include the use of the Internet, television, radio and billboards. Our advertising strategy is to focus principally on television advertisements during prime-time hours and to reinforce this exposure with advertisements in magazines, flyers, newspapers, radio and other media outlets. In addition, we focus on maintaining a strong presence in social media, such as Facebook, Twitter, Google+ and YouTube. As of June 20, 2020, our brands had over 7.2 million total followers on Facebook and 46 thousand total followers on Twitter, which we primarily use for customer care marketing and promotion.

Advertising plays a major role in stimulating awareness, differentiation and sales of consumer products. We, in conjunction with KCC, have developed a marketing strategy to promote the sale and consumption of our products. We have invested aggressively in advertising to maintain and expand our markets in value-added products, primarily infant, family, adult and feminine care products, thus increasing our market share.

In order to provide more dynamic and specialized marketing of our products, our strategy is to classify our markets and develop targeted efforts for each consumer segment or distribution channel. Our principal channels are large retailers, as well as wholesalers. Also, we continue growing in the convenience stores and pharmacy channels. Presence in these channels entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of customers in each of the different types of locations or distribution channels. In response to this analysis, we tailor our product, price, packaging and distribution strategies to meet the particular needs of and exploit the potential of each channel.

In addition, we have been implementing a multi-segmentation strategy in the majority of our markets. This strategy consists of the implementation of different product/price/package portfolios by market group. These groups are defined based on consumption frequency, competitive intensity and socio-economic levels, rather than solely on the types of distribution channels.

We regularly sponsor consumer and trade promotions to strengthen the goodwill of and loyalty to our brands.

In addition to our marketing staff, we maintain a sales force of more than 290 people, in addition to approximately 1400 sales agents in the field. Our sales force is specialized by product category and geographic region. The function of our sales force is to develop and maintain contact with our customers and to process their orders. Our sales force also performs a customer service function by meeting with customers and learning their needs on a one-on-one basis.

Intellectual Property and Research and Development

We have our own proprietary trademarks and we sell products under brands that are owned by KCC pursuant to the license agreement and the technical services agreement that we have entered into with certain affiliates of KCC.

KCC Agreements

The license agreement and the technical services agreement replace the "Trademark and Patent License Agreement" and the "Technical Services Contract," each dated December 27, 1972, between KCC and us, under which we produced, manufactured and distributed KCC's products in Mexico before November 1, 2013.

Pursuant to the license agreement, we have the exclusive right within Mexico to manufacture, sell and distribute certain products under trademarks, copyrights, patents and know-how owned by KCC or its affiliates. Also, we have a non-exclusive right to sell in Mexico products manufactured by KCC and its affiliates outside Mexico, the right to sell our products to KCC and its affiliates in countries other than Mexico, and the right to sell our products to third parties outside Mexico with the prior authorization of KCC. The license agreement does not preclude us from manufacturing, selling and distributing in any country products that do not compete with the products subject to the license agreement.

Under the license agreement, we are required to comply with KCC's quality standards with respect to the manufacture, conversion, packaging, handling, storage, promotion and advertisement of the products subject to such agreement. In addition, KCC has the right to approve the materials, specifications, packages, labels and other advertising and promotional materials used in connection with the products we sell under the license agreement. We pay KCC a royalty fee under the license agreement, which we believe is in market terms.

KCC is not obligated to provide funds for advertising and marketing under the license agreement, and we are prohibited from manufacturing, selling and distributing products that would imitate, infringe upon, or cause confusion with the products or trademarks of KCC, except with the consent of KCC.

The license agreement has an initial ten-year term, commencing on November 1, 2013, and is automatically renewable for successive five-year periods, subject to the right of either party to give one-year prior notice that it does not wish to renew such agreement. The license agreement is subject to termination by either party in the event of material breach, and by KCC in case that (i) KCC's participation in our company –for any reason other than voluntary and free decision– is reduced below a certain threshold, and (ii) if our company becomes insolvent or makes an assignment for the benefit of creditors, or is placed in liquidation, bankruptcy or similar proceedings, or the company's property management is expropriated, confiscated, limited or otherwise restricted, and such actions are not absolved in a 90-day period. In addition, KCC has the right to terminate the license agreement in the event of a decrease of KCC's ownership in our company below a certain threshold and in the event we become insolvent or bankrupt.

Pursuant to the technical services agreement, KCC or its affiliates provide us with technical services, including the identification of new products, improvements to existing products, designs and materials for the manufacture of the products we sell under the license agreement, as requested by us from time to time. These services are paid for on a case-by-case basis, depending on the nature and scope of the services, in market terms. The technical services agreement will be in effect for the same term as the license agreement and is subject to early termination in case the license agreement ceases to be effective. Our technical services agreement allows us to work closely with KCC in research and development to improve the performance of our products and introduce new products which suit the needs and preferences of our consumers according to consumption patterns.

For more information on our relationship with KCC see "Shareholders—Our Most Significant Shareholder" and "Certain Transactions With Related Parties."

Own Brands and Other License Agreements

Our main trademarks, excluding those we license from KCC, are KleenBebé, Pétalo and Suavel. Our most important brands are protected by trademarks through registration with the Mexican Industrial Property Institute (*Instituto Mexicano de la Propiedad Industrial*). Protection of a trademark in Mexico continues for as long as the brand is registered and used. Currently, we have approximately 350 brand files and registries in Mexico.

We also have entered into certain license agreements with WDC (México), S. de R.L. de C.V., or Disney, pursuant to which we have the non-exclusive right within Mexico to use certain copyrights owned by Disney or its affiliates for our child and baby toiletries, diapers, training pants and other products. We pay Disney royalty fees under these license agreements, which we believe are in market terms. Usually we enter into these agreements for one-year terms and select the trademarks and copyrights we will use according to the current trends and the trends and preferences we anticipate. In addition, we have the right to use other trademarks and copyrights owned by Disney International and its affiliates pursuant to a global license agreement entered into between KCC and Disney International, which expires on December 31, 2020.

We operate registered websites targeting consumers in Mexico.

Insurance

We maintain a comprehensive insurance program that is consistent with industry practices for production plants of similar type, geographic location and capacity as our plants. Our insurance policies are underwritten by recognized insurance companies in Mexico and abroad. Among other insurance policies, we maintain commercial general liability insurance, environmental liability insurance, insurance coverage for our fleet, directors and officers liability insurance and operational "all risks" property insurance for our plants with business interruption coverage.

Workforce

As of December 31, 2019, we had approximately 8,689 employees, of which 6,101 were members of labor unions. We believe we have a good relationship with our employees and their labor unions. Since 1997, we have not experienced a labor strike. See "Risk Factors—Risks Factors Related to our Business and Industry—Labor disputes could impact our financial results."

All the employees that work at our plants are unionized. The collective bargaining agreements are renegotiated every two years, with wages renegotiated once per year, the timing of which varies from plant to plant. Workers at our Bajío, Morelia, Texmelucan and Tlaxcala plants are members of the *Sindicato de Trabajadores de las Industrias Papelera, Cartonera, Maderera, Celulosas, sus Materias Primas, Similares y Conexos de la República Mexicana, C.T.M* (Mexican Workers Federation Union of Workers in the Paper, Carton, Wood, Cellulose, their Raw Materials and Similar and Related Industries). Workers at our Orizaba and Ramos Arizpe plants are members of the *Sindicato de Trabajadores de la Industria del Papel y Celulosa del Estado de Veracruz, C.T.M.* (Mexican Workers Federation Union of Workers in the Paper and Cellulose Industries of the State of Veracruz) and the *Sindicato de Trabajadores de la Planta Kimberly-Clark de México, Ramos Arizpe, C.T.M.* (Mexican Workers Federation Union of Kimberly-Clark of Mexico Ramos Arizpe Plant Workers). Workers at our Ecatepec, Toluca and Cuautitlán plants are members of the *Sindicato de Trabajadores de la Industria de la Celulosa Cartonera, Papelera, en Todas sus Formas, Similares y Derivados de la República Mexicana*, C.R.O.C. (*Confederación Revolucionaria de Obreros y Campesinos*) of Workers in the Cellulose Carton and Paper. Workers at our Evenflo plant are members of the *Sindicato Progresista "Justo Sierra" de Trabajadores de Servicios de la República Mexicana* (Mexican Union "Justo Sierra" of Services Workers of the Mexican Republic). Workers at our 4e Global plant are members of the *Sindicato Libertad* (Mexican Liberty Union).

We believe that we pay wages that are competitive with those in our industry in general and have a generous employee profit-sharing plan. In addition, we maintain a pension plan for our salaried employees, which complements the government-operated social security plan. To be eligible for our pension plan, employees must have been with our company for a minimum of ten years and be at least 60 years old.

In addition, our key managers are also entitled to receive annual performance bonuses, which are based upon our company's performance and the individual manager's performance. In the past, such bonuses have included shares representing our capital stock, with the prior recommendation of our Compensation Committee. We may grant these types of bonuses in the future.

Seasonality

Some of our product sales demonstrate a minor amount of seasonality, some with higher levels of consumption at holiday times, as in the case of paper napkins, and others with lower consumption in the summer than in the winter, as in the case of diapers. We coordinate our marketing efforts and production to take advantage of seasonal trends.

Competition

According to Nielsen and our own estimates, we are the leader in most of the markets in which we participate in terms of amount of sales and sales volumes. Our competitors in Mexico include subsidiaries of large international manufacturers, such as Essity, Procter & Gamble, Ontex and CMPC, and local companies including Fábrica de Papel San Francisco. Essity, CMPC and Fábricas de Papel San Francisco are our largest competitors in consumer tissue products. In the market for feminine care products, our main competitors are Essity and Procter & Gamble. Ontex and CMPC are our largest competitors in baby diapers.

Imports of consumer products represent a very small portion of sales in the Mexican market.

Social Responsibility and Sustainability

It is part of our mission to improve the quality of life of Mexicans with our products, within a sustainable business model where value-creation for our customers and community is on par with our growth and profitability. We are committed to the sustainability of our operations, with full recognition of our obligations with respect to the communities where we operate and the production chain that we create. Our sustainability model aims to deliver better, safe and environmentally sound solutions to our customers based on five "Rs"—reduce, recycle, re-utilize, renovate and results. Among our sustainability initiatives, we continue to pursue excellence in efficiency in energy consumption, both electricity and natural gas, to lower greenhouse gas emissions in our production processes and our distribution channels. Other initiatives include the optimization in the selection process of materials used to manufacture our products based on sustainability practices. We also emphasize the re-utilization of inputs such as water and the by-products of our processes that enable us to maintain, and in some cases improve, the quality and performance of our products. As a result of these efforts, as of the date of this offering memorandum, three of our plants have been awarded with a certificate of clean industry (*certificados de industria limpia*) by the PROFEPA, the Mexican governmental agency responsible for compliance with environmental laws and regulations. In 2019, we obtained the "Ecólogo®" certification and maintained our licenses from the Forest Stewardship Council®(FSC®) and from Green Seal for a number of our products. We also continue to prioritize the circular economy model, where we are able to recover one hundred percent of our pulp waste, avoiding sending it to landfills. As a result of our recycling initiatives, approximately 60.0% of our fiber consumption is sourced from recycled fibers and more than 99% of the waste generated in our operations is either recycled or used in other industries. Our sustainable innovation program "Less is More" allows for the reduction of materials and packaging weight in our products, while maintaining and in some cases improving performance. Our sustainable business model has allowed us to be part of the Sustainability Index of the BMV since its inception in 2011. In 2019, we were added to the Dow Jones Sustainability Index (DJSI) MILA region (the Latin American Integrated market), one of the strictest indexes in terms of sustainability and social responsibility, which recognizes outstanding companies in each industry and, for the third consecutive year, we were listed in the British FTSE4Good index.

Governmental and Environmental Regulation

We are subject to a wide range of government regulation and supervision in Mexico, including with regard to labor and social security, water usage, wastewater discharge profit sharing and environmental matters. Labor and social security regulation includes requirements for providing certain minimal benefits to employees, principally consisting of minimum wages, holidays, vacation premiums, severance payments and year-end bonuses.

Our operations are subject to environmental regulation at the federal, state and municipal level in Mexico. The principal legislation is the Ecological Law. Under the Ecological Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, the Ecological Law and its regulations set forth standards for wastewater discharge that apply to our operations and require that we file periodic reports with respect to air and water emissions and hazardous waste. In connection with our compliance with environmental laws, as of the date of this offering memorandum, three of our plants have a certificate of clean industry (*certificados de industria limpia*) from PROFEPA. The certificates of clean industry are issued under a voluntary program coordinated by PROFEPA, pursuant to which PROFEPA assists companies with environmental compliance, improvement of production efficiency, environmental performance and competitiveness.

Our environmental policies derive from our commitment to long term sustainability, our compliance with environmental laws and regulations, BMV's Sustainability Index standards and KCC environmental best practices. Each of our manufacturing facilities has an environmental policy which complies with applicable legal requirements, KCC policies and applicable agreements and conventions with other governmental and private organizations. Our environmental policies are based in the conservation and use of natural resources, promoting recycling of paper and water. Our environmental management system undergoes yearly evaluations both by our company and by KCC. Each of our manufacturing facilities is in compliance with the principal mandates of our environmental policies. We believe we are in material compliance with applicable environmental laws.

Water we use in Mexico is regulated primarily by the Waters Law, and regulations issued thereunder, which created the CONAGUA. The CONAGUA is in charge of overseeing the national system of water use. Under the Waters Law, concessions for the use of a specific volume of ground or surface water generally run from five to fifty-year terms, depending on the supply of groundwater in each region as projected by the CONAGUA. Concessionaires may request concession terms be extended before the expiration of the same. The Mexican federal government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for two consecutive years. For more information on our water concessions, see "—Energy and Water."

Certain of our products are subject to the regulations of the Federal Commission for Protection Against Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios*).

Legal Proceedings

We are currently a party to various legal proceedings and administrative and governmental investigations arising in the normal course of our business that we believe are routine in nature and incidental to the operations of our business. Litigation and investigations may include class actions involving consumers, shareholders, employees or injured persons, tax assessments and claims related to commercial, labor, employment, antitrust, intellectual property, securities or environmental matters. We will continue to be subject to legal proceedings and governmental investigations. See "Risk Factors—Risks Related to our Business and Industry—Pending and potential future litigation, governmental investigations, administrative actions, tax matters, regulatory requirements and new legal requirements could have an adverse effect on our financial results."

In 2017, the Mexican Antitrust Commission (*Comision Federal de Competencia*) initiated an industry wide investigation over probable antitrust pricing practices occurring before 2014 with respect to certain cellulose fiber-based hygiene products. As of the date of this offering memorandum, the investigation is ongoing. We are fully cooperating with the Mexican Antitrust Commission as it conducts its inquiry. In this context, we filed an application for leniency with the Mexican Antitrust Commission. We expect that the statements of objections may be issued by the Mexican Antitrust Commission at some point during the second half of 2020. We do not expect this contingency to have a material impact on our operations and/or financial situation.

In compliance with antitrust regulation, in the recent years we have been constantly improving our internal controls, procedures and guidelines regarding antitrust prevention, and training our affiliates, employees, directors and officers in connection with antitrust prevention practices.

Other than as described herein, we have not been involved in any governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened) of which we are aware, during the last 12 months, which may have, or have had in the recent past, significant effects upon our financial position or profitability). See note 20 to our audited consolidated financial statements for additional information about our contingencies.

MANAGEMENT

We are a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*) incorporated on August 29, 1925 and existing under the laws of Mexico. Our current Board of Directors was elected on February 27, 2020. The term of the directors ends upon the election of the new members at the annual shareholders' meeting, which is expected to be held in the first quarter of 2021. Pursuant to our bylaws and applicable law, at least 25% of the members of our Board of Directors are required to be independent directors. According to our bylaws and applicable law, independent directors are those who may serve on the board and act free from conflicts of interests and who qualify as independent directors pursuant to the Mexican Securities Market Law.

Board of Directors

The following table sets forth the current members of our Board of Directors and their respective positions:

Name	Age	Position
Claudio X. González Laporte	85	Director/Chairman
Valentín Diez Morodo*	80	Director/Vice Chairman
Kim Underhill	54	Director
Jorge Ballesteros Franco*	73	Director
Emilio Carrillo Gamboa*	82	Director
Antonio Cosío Ariño*	84	Director
Pablo R. González Guajardo	52	Director
Maria Henry	52	Director
Michael Hsu	55	Director
Alison Lewis	51	Director
Esteban Malpica Fomperosa*	70	Director
Fernando Senderos Mestre*	69	Director

* Independent director.

The business address of our directors is Av. Jaime Balmes 8, 9th floor, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510, Mexico City, Mexico. Except as indicated below and in "Shareholders," there are no potential conflicts of interest between the duties of the members of our Board of Directors and their private interests.

The following sets forth biographical information for each of the members of our Board of Directors:

Claudio X. González Laporte

Mr. González Laporte joined our company in 1956 and has served as Chairman of our Board of Directors since 1973. Other positions of Mr. González Laporte at our company include Executive Vice-President. Mr. González Laporte is member of the Board of Directors of various entities, including Fondo México, Grupo Carso, S.A.B. de C.V., Alfa, S.A.B. de C.V., Grupo Televisa, S.A.B., Grupo México, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V. and is counsel to Fondo Capital. Mr. González Laporte is Emeritus Director of General Electric Company, Chairman of the Mexican Business Council and Member of the Advisory Board of the Baker Institute for Public Policy and of the Salzburg Seminar (Salzburg, Austria). Mr. González Laporte holds a degree in Chemical Engineering from Stanford University.

Valentín Diez Morodo

Mr. Diez Morodo has been a member of our Board of Directors since 1983, and is member of the Board of Directors of various entities, including Grupo Financiero Banamex, S.A. de C.V., Grupo Kuo, S.A.B. de C.V., Grupo Dine, S.A.B. de C.V., Mexichem, S.A.B. de C.V., Grupo México, S.A.B. de C.V., Bodegas Vega Sicilia, S.A., Acciones y Valores de México, S.A. de C.V., ProMéxico, Zara México, S.A. de C.V., OHL México, S.A.B. de

C.V., Telefónica México, S.A. de C.V. and Instituto de Empresa, Madrid. Mr. Diez Morodo holds a degree in Business Administration from Universidad Iberoamericana.

Kim Underhill

Ms. Underhill serves as Group President at KCC. Ms. Underhill joined KCC in 1988 and since then has held a number of positions with increasing responsibilities within research and engineering, supply chain and marketing, including president of the KCC's professional business unit, which provides a wide range of commercial products and services globally and president for the consumer Europe business unit.

Jorge Ballesteros Franco

Mr. Ballesteros Franco has been a member of our Board of Directors since 1995, and is also the Chairman of the Board of Directors of Controladora Corporación GMD, S.A. de C.V. and member of the Board of Directors of various entities, including Grupo Mexicano de Desarrollo, S.A.B., Desarrollos Hidráulicos de Cancún, S.A. de C.V. and Fondo Chiapas, S.A. de C.V. and Sociedad de Inversión de Capitales. Mr. Ballesteros Franco holds a degree in Engineering from Universidad Iberoamericana and a Master of Science from Stanford University.

Emilio Carrillo Gamboa

Mr. Carrillo Gamboa has been a member of our Board of Directors since 1981, and is founding partner of Bufete Carrillo Gamboa and member of the Board of Directors of various entities, including Grupo Modelo, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B., Grupo Posadas, S.A.B. de C.V., Grupo México, S.A.B. de C.V., Grupo Profuturo, S.A.B. de C.V., Southern Copper Corporation and The Mexico Fund, Inc. Mr. Carrillo Gamboa holds a degree in Law from Universidad Nacional Autónoma de México.

Antonio Cosío Ariño

Mr. Cosio Ariño has been a member of our Board of Directors since 1987, and is also Chief Executive Officer of Compañía Industrial Tepeji del Rio, S.A. de C.V. and Fábrica de Hilados y Tejidos Puente Sierra, S.A. de C.V., and a member of the Board of Directors of various entities, including Bodegas de Santo Tomás, S.A. de C.V. and Grupo Hotelero Brisas, S.A. de C.V. Mr. Cosio Ariño holds a degree in Civil Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Pablo R. González Guajardo

Mr. González Guajardo joined our company in 1996 and has served as our Chief Executive Officer since 2007, Assistant Managing Director from 2005 to 2007 and as Consumer Products Group Assistant Director from 1998 to 2000. Other positions of Mr. González Guajardo at our company include Infant Products Marketing Manager and Family Care Sector at Kimberly-Clark Corporation. Mr. González Guajardo is member of the Board of Directors of various entities, including América Móvil S.A.B. de C.V., Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa and The Brookings Institution. Mr. González Guajardo is also a member of the Advisory Council of GE International Mexico and Chairman of the Consejo de la Comunicación, founding partner of Mexicanos Primero and Chairman of the City Council and of the State of Mexico and UNETE. Mr. González Guajardo holds a degree in Law from Escuela Libre de Derecho and a Master of Business Administration from Stanford University.

Maria Henry

Ms. Henry is a senior vice president and chief financial officer for KCC. Ms. Henry has more than 27-years of experience holding senior management positions at a variety of international companies. Prior to joining KCC, Ms. Henry acted as executive vice president and chief financial officer for The Hillshire Brands Company. Prior to the formation of Hillshire Brands, Ms. Henry was chief financial officer of Sara Lee Corporation's North American Retail and Foodservice business. Prior to this role, she spent five years as the executive vice president and chief financial officer of Culligan International.

Michael Hsu

Mr. Hsu has been a member of our Board of Directors since February 2014, and was elected Group President-K-C North America in 2013. Mr. Hsu joined KCC in 2012. Prior to joining KCC, Mr. Hsu served as Executive Vice President and Chief Commercial Officer of Kraft Foods, Inc., a North American grocery manufacturing and processing conglomerate, from January 2012 to July 2012, as President of Sales, Customer Marketing and Logistics from 2010 to 2012 and as President of its grocery business unit from 2008 to 2010. Prior to that, Mr. Hsu served as President and Chief Operating Officer, Foodservice at H. J. Heinz Company, a manufacturer and marketer of food products.

Alison Lewis

Ms. Lewis serves as Chief Growth Officer at KCC. Ms. Lewis joined KCC in 2019 from Johnson & Johnson, where she served as Chief Marketing Officer of the Global Consumer business since 2013. Prior to her role at Johnson & Johnson, Ms. Lewis served as Chief Marketing Officer, Senior Vice President, North America at The Coca-Cola Company, where she held several assignments after joining that company in 1996.

Esteban Malpica Fomperosa

Mr. Malpica Fomperosa has been a member of our Board of Directors since 1996, and is managing partner of Praemia, S.C. and member of the Board of Directors of various entities, including El Puerto de Liverpool, S.A.B. de C.V., Gruma, S.A.B. de C.V., Empresas ICA, S.A.B. de C.V., and Hypermarcas, S.A. in Brasil. Mr. Malpica Fomperosa is a Public Accountant certified by the Instituto Mexicano de Contadores Públicos, A.C.

Fernando Senderos Mestre

Mr. Senderos Mestre has been a member of our Board of Directors since 1994, and is Chairman of the Board of Directors and Chief Executive Officer of Grupo Kuo, S.A.B. de C.V., Chairman of the Board of Directors and Chairman of the Executive Committee of Dine, S.A.B. de C.V. and Desc, S.A. de C.V., Chairman of the Board of Directors of Desc, S.A. de C.V. and member of the Board of Directors of various entities, including Industrias Peñoles, S.A.B. de C.V., Grupo Televisa, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B. de C.V. and Grupo Carso, S.A.B. de C.V. Mr. Senderos Mestre holds a degree in Business Administration from Universidad Anáhuac.

Key Executive Officers

Our chief executive officer is appointed by the Board of Directors and holds office at its discretion. Our current key executive officers are as follows:

Officer	Position	Age	Years in our company
Pablo R. González Guajardo	Chief Executive Officer	52	23
Xavier Cortés Lascurain	Chief Financial Officer	49	23
Ommar H. Parra de la Rocha	Consumer Products Sales Director	49	>1
Jorge Alberto Morales Rojas	Transformation and Execution Director	62	15
Cristina Pichardo López	Marketing, Baby and Adult Care Director	44	12
Regina Celorio Calvo	Marketing Beauty and Feminine Care, KCM 3.0 and Corporate Communications Director	36	8
Mara Bonilla Garduño	Marketing Family Care	40	2
Armando Bonilla Ruiz	Exports Director	49	>1
Luiz Roberto Neves Rodrigues	Supply Chain Director	48	2
Catalina Uribe Restrepo	Procurement Director	48	2
Ernesto Reyes Díaz	Personal Care Manufacturing Director	51	25
Juan Antonio González Urevig	Tissue Manufacturing Director	52	26
Roberto García Palacios	Innovation, Technical Development and Quality and Sustainability Director	49	27
Jesús A. González Laporte	Director of Strategic Operations Planning	82	58
Alejandro Lascurain Curbelo	Human Resources Director	59	30
Virgilio Isa Cantillo	Strategic Projects Director	61	31
Fernando Alberto Vergara Rosales	Corporate Comptroller	63	35
Alejandro Argüelles de la Torre	General Counsel	51	22
Carlos Conss Curiel	Information Services Director	64	39
Salvador Escoto Barjau	Treasurer and Investor Relations Director	50	>1

The business address of our key executive officers is Av. Jaime Balmes 8, 9th floor, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510, Mexico City, Mexico. Except as indicated below and in "Shareholders," there are no potential conflicts of interest between the duties of our key executive officers and their private interests.

The following sets forth selected biographical information for each of our executive officers:

Pablo R. González Guajardo

See "—Board of Directors."

Xavier Cortés Lascurain

Mr. Cortés Lascurain joined our company in 1996 and has served as our Chief Financial Officer since 2012. Other positions of Mr. Cortés Lascurain at our company include Strategic Planning Director, Planning Financial Analysis Deputy Director, Major Projects Manager and International Finance Manager. Mr. Cortés Lascurain holds a degree in Chemical Engineering from Universidad Nacional Autónoma de México and a Master of Business Administration from Stanford University.

Ommar H. Parra de la Rocha

Mr. Parra joined our company in 2019 and has served since then as our Consumer Products Sales Director. Prior to joining our company, Mr. Parra served for more than 20 years at Nestlé México holding different positions during his career, including Corporate Sales Vicepresident. Mr. Parra holds a degree in military management and a masters in administration from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Jorge Alberto Morales Rojas

Mr. Morales Rojas joined our company in 2005 and has served as our Businesses Director since 2010. Other positions of Mr. Morales Rojas at our company include Marketing Director Household Products, Professional, Marketing Deputy Director of Household Products, Deputy Director Professional and Institutional Products Marketing Manager and Planning Analysis. Mr. Morales Rojas holds a degree in Chemical Engineering from Universidad Nacional Autónoma de México.

Cristina Pichardo López

Ms. Pichard joined our company in 2013 and has served as our Marketing, Baby and Adult Care Director since 2017. Other positions of Ms. Pichard at our company include Marketing Manager and Head of Feeding Products and Furniture. Ms. Pichard holds a degree in marketing from Universidad Tecnológica de México.

Regina Celorio Calvo

Ms. Celorio joined our company in 2011 and currently serves as our Marketing Beauty, Feminine Care and Corporate Communications Director. Other positions of Ms. Celorio at our company include marketing manager for the "Kotex" brand. Ms. Celorio holds a degree in business administration from Universidad Iberoamericana.

Mara Bonilla Garduño

Ms. Bonilla joined our company in 2017 and has served as our Marketing Family Care Director since 2020. Other positions of Ms. Bonilla at our company include Director of Evenflo.

Armando Bonilla Ruiz

Mr. Bonilla joined our company in 2019 and has served as our Exports Director since then. Prior to joining our company, Mr. Bonilla served as Marketing Director at L'Oreal in Mexico. Mr. Bonilla acted as Chairman of the Marketing Committee at the Mexican Communications Council. Mr. Bonilla holds a degree in engineering from Pontificia Universidad Javeriana, Cali, Colombia and a masters in strategic marketing from Universidad los Andes, Bogotá, Colombia.

Luiz Roberto Neves Rodrigues

Mr. Neves joined our company in 2018 and has served as our Supply Chain Director since then. Prior to joining our company, Mr. Neves served as Supply Chain Manager for Latin America and Brazil at Monsanto and Cargill. Mr. Neves holds a degree in chemical engineering from and a Master of Business Administration from Fundación Getúlio Vargas.

Catalina Uribe Restrepo

Ms. Uribe joined our company in 2018 and has served as our Procurement Director since then. Prior to joining our company, Ms. Uribe served as Procurement Director at Diageo Mexico. Ms. Uribe holds a degree in food engineering from Universidad La Sallista de Medellín, Colombia.

Ernesto Reyes Díaz

Mr. Reyes joined our company in 1996 and has served as our Personal Care Manufacturing Director since 2014. Other positions of Mr. Reyes at our company include Director at the Ecatepec Plant. Mr. Reyes holds a degree in chemical Engineering from Universidad de la Américas-Puebla.

Juan Antonio González Urevig

Mr. González joined our company in 1994 and has served as our Tissue Manufacturing Director since 2014. Other positions of Mr. González at our company include Director at the Orizaba Plant, Production manager at the Bajio and Ramos Arizpe Plants. Mr. González holds a degree in mechnical engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Roberto García Palacios

Mr. García joined our company in 1992 and has served as our Innovation, Technical Development and Quality and Sustainability Director since 2013. Other positions of Mr. García at our company include Diector at the Ramos Arizpe Facility. Mr. García holds a degree in mechanical engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Jesús A. González Laporte

Mr. González Laporte joined our company in 1961 and has served as our Director of Operations Strategic Planning since 2001. Other positions of Mr. González Laporte at our company include Deputy Chief Operating Officer and Manager of the Orizaba Mill. Mr. González Laporte holds a degree in Chemical Engineering from Stanford University.

Alejandro Lascurain Curbelo

Mr. Lascurain Curbelo joined our company in 1990 and has served as our Human Resources Director since 2007. Other positions of Mr. Lascurain Curbelo at our company include Human Resources Deputy Director and Corporate Compensation Manager. Mr. Lascurain Curbelo holds a degree in Actuary from Universidad Anáhuac and a Master of Business Administration from Instituto Tecnológico Autónomo de México.

Virgilio Isa Cantillo

Mr. Isa Cantillo joined our company in 1988 and has served as our Children’s Products Marketing Director since 2006. Other positions of Mr. Isa Cantillo at our company include Infant Care & Feminine Protection Deputy Director, Deputy Marketing Director of Personal Care Products, Group Manager and Brand Manager. Mr. Isa Cantillo holds a degree in Architecture from Universidad Autónoma Metropolitana.

Fernando Alberto Vergara Rosales

Mr. Vergara Rosales joined our company in 1984 and has served as our Corporate Comptroller since 2012. Other positions of Mr. Vergara Rosales at our company include Financial Comptroller and Technical Financial Manager. Mr. Vergara Rosales holds a degree as Public Accountant from Instituto Politécnico Nacional.

Alejandro Argüelles de la Torre

Mr. Arguelles de la Torre joined our company in 1997 and has served as our General Counsel since 2013. Other positions of Mr. Arguelles de la Torre at our company include Legal Manager and Legal Disputes Advisor. Mr. Arguelles de la Torre holds a degree in Law from Universidad Anáhuac.

Carlos Conss Curiel

Mr. Conss Curiel joined our company in 1981 and has served as our Information Services Deputy Director since 2000. Other positions of Mr. Conss Curiel at our company include Information Services Manager and Operative Development Systems Manager. Mr. Conss Curiel holds a degree in Business Administration from Universidad de las Américas and a Master of Business Administration from Universidad Anáhuac.

Salvador Escoto Barjau

Mr. Escoto joined our company in 2019 and has served as our Treasurer and Head of Investor Relations since then. Prior to joining our company, Mr. Escoto acted as Planning Director at INVEX Infraestructura, Chief Financial Officer at Actica Sistemas, Director of Concession Operations at ICA, S.A.B. de C.V. and Financing Director at Grupo Isolux. Mr. Escoto holds a degree in Industrial Engineering from Universidad Iberoamericana

Committees of the Board of Directors

Our Board of Directors has an Audit and Corporate Practices Committee and a Compensation Committee.

Audit and Corporate Practices Committee

The Audit and Corporate Practices Committee is comprised of Messrs. Emilio Carrillo Gamboa, who serves as Chairman of the committee, Antonio Cosío Ariño, Esteban Malpica Fomperosa and Fernando Ruíz Sahagún. All members of the Audit and Corporate Practices Committee are independent within the meaning of the Mexican Securities Market Law. The Audit and Corporate Practices Committee is responsible for issuing its opinion on any matters regulated under the Mexican Securities Market Law and our by-laws, evaluating the performance of our external auditors as well as reviewing external auditor reports and opinions and reviewing and recommending our financial statements for approval of our Board of Directors. The Audit and Corporate Practices Committee is also responsible for reporting to our Board of Directors on any situation related to our internal control and audit system, issuing an opinion in respect of the report of our chief executive officer, requesting, when deemed convenient, an opinion from an independent expert in order to correctly perform its duties, requesting from our key executive officers and other employees the reports which were used to prepare our financial information, investigating any breach of our guidelines, operating policies, internal control and audit systems and accounting records by evaluating any documents, records and other evidence and receiving any comments from our shareholders, advisors, key executive officers, employees and any third party regarding such breaches, requesting to meet periodically with our key executive officers and the delivery of any information related to our internal and audit control, calling for a shareholders meeting, monitoring compliance of our chief executive officer with the resolutions of any shareholders meeting, monitoring the establishment of internal mechanisms and controls that allow us to verify our operations and elaborating and submitting to our Board of Directors the main criteria for the evaluation of our key executive officers.

The Audit and Corporate Practices Committee usually meets four times per year.

Compensation Committee

The Compensation Committee is comprised of Messrs. Valentín Diez Morodo, who serves as Chairman of the committee, Michael Hsu and Fernando Senderos Mestre. The Compensation Committee is in charge of elaborating and submitting to our Board of Directors the main criteria for the evaluation of our key executive officers, analyzing, suggesting and approving the general compensation structure of our company, as well as the policies and guidelines regarding compensation and is responsible for the implementation of development programs for our officers and employees, among other functions.

Code of Conduct

We rely on self-regulated measures that govern our business practices. For example, our Code of Conduct covers general aspects and policies for our interaction with:

- employees, to ensure respect for their security, dignity and individuality to facilitate an environment for their well-being and development;
- suppliers, to maintain trustful and enduring relations, based on honesty, precision and the diligent treatment of the information obtained from us as a result of our business relationship;

- customers, to satisfy their needs by providing products of the highest quality and accurate and complete information about our products and support their growth and development through the value of our brands; and
- competitors, to compete vigorously and objectively on the basis of ethical and lawful practices.

SHAREHOLDERS

As of December 31, 2019, our authorized capital stock was represented by 3,084,832,507 shares. Our outstanding capital stock consists of two classes of shares: Series A shares and Series B shares. Our bylaws state that Series B shares may not represent more than 48.0% of our total share capital.

Our Series A shares are publicly traded in Mexico directly and in the form of *certificados de participación ordinarios*, or CPOs. Our shares are listed on the BMV under the ticker symbol "KIMBER." As of March 31, 2020, our market capitalization was Ps.110,807 million (approximately U.S.$4,718 million). Our Series A shares also are traded in the over-the-counter market in the United States in the form of "Level 1" American Depositary Shares represented by America Depositary Receipts, or ADRs. As of the date hereof, all of our Series B shares are owned by KCC through its wholly-owned subsidiary Kimberly-Clark Holland Holding B.V. The following table sets forth information concerning the percentage of our share ownership as of December 31, 2019:

Shareholder	Series	Number of Shares of Common Stock	Percentage Ownership of Common Stock
General public	A	1,604,438,673	52.0%
Kimberly-Clark Holland Holding B.V.	B	1,480,393,834	48.0%
Total		**3,084,832,507**	**100%**

Series A and Series B shares are identical in all respects, including with respect to voting, except that Series B shares can only be held by non-Mexican investors. Our bylaws provide that if a Series B share is acquired by a Mexican investor, such share must be converted into a Series A share so that the shareholder may benefit from the economic and corporate rights of such share. Series A shares cannot be held by non-Mexican investors except through CPOs, or ADRs.

The CPOs represent interests in Series A shares of our common stock held by Nacional Financiera, S.N.C. or Nafin (as CPO trustee), with one CPO representing an interest in one Series A share of common stock. Each ADR represents an interest in five CPOs, which is equivalent to an interest in five Series A shares of our common stock.

Holders of CPOs and ADRs hold beneficial interests in Series A shares, regardless of their nationality. Holders of CPOs and ADRs do not have the right to vote the underlying shares, and such shares are voted by Nafin as CPO trustee in accordance with the majority of votes cast by other holders of Series A shares.

Citibank, N.A. is the depositary for the American Depositary Shares.

Our Most Significant Shareholder

As of December 31, 2019, 48.0% of our outstanding share capital was held by KCC through its wholly-owned subsidiary Kimberly-Clark Holland Holding B.V. KCC is one of the largest manufacturers of consumer tissue-based and paper products in the world, measured by production volume and revenues, with operations in various countries worldwide. Our financial results are not consolidated into those of KCC. To the extent KCC holds a significant portion of our outstanding shares, KCC may have the power to determine the outcome of actions requiring the approval of our shareholders. In addition, KCC's chairman and chief executive officer serves on our Board of Directors and in certain circumstances, KCC may have the power to determine the outcome of actions requiring approval by our Board of Directors. The rights of our most significant shareholder are contained in our bylaws and we will be managed in accordance with our bylaws and with the provisions of Mexican law.

The remaining 52.0% of our outstanding share capital is held by a mix of private investors, including holders of CPOs and ADRs, and direct holders of Series A shares of our common stock.

To the best of our knowledge, except for Messrs. Claudio X. González Laporte (Chairman of our Board of Directors) and Valentín Diez Morodo (Vice Chairman of our Board of Directors), none of our directors and executive officers currently beneficially owns more than 1.0% of our outstanding Series A shares or Series B shares. This information is based on information provided by directors and executive officers. To the best of our knowledge Mr.

Claudio X. González Laporte is the only director and executive officer beneficially owning more than 5.0% of our outstanding capital stock.

CERTAIN TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of our business, we enter into commercial transactions with some of our subsidiaries, affiliates and related parties, including our most significant shareholder, KCC, and its affiliates. We believe that our transactions with related parties are on terms comparable to those that would result from arm's length negotiations with unaffiliated parties and are reviewed and approved by our Audit and Corporate Practices Committee.

Among others, on November 1, 2013 we entered into a license agreement and a related technical services agreement with certain affiliates of KCC, under which KCC licenses certain brand names under which we produce and market some of our products. Under these agreements, KCC also provides us with access to its technology and intellectual property. See "Business—Intellectual Property and Research and Development—KCC Agreements" for additional information about our license agreement and the related technical service agreement with KCC.

We purchase products and materials from, and pay fees for technical services to, KCC and certain of its affiliates and subsidiaries. The aggregate amount of these purchases and fees was Ps.452 million for the three months ended March 31, 2019, and Ps.1,685 million and Ps.1,596 million for the years ended December 31, 2019 and 2018, respectively.

We also sell our products to KCC and certain of its affiliates and subsidiaries. The aggregate amount of the balances outstanding for these transactions were Ps.408 million as of March 31, 2020, and Ps.223 million, Ps.120 million and Ps.75 million as of December 31, 2019, 2018 and 2017 respectively.

See note 18 to our audited consolidated financial statements and our unaudited condensed consolidated interim financial statements included elsewhere in this offering memorandum for additional information about our transactions with related parties.

DESCRIPTION OF THE NOTES

This section of this offering memorandum summarizes the material terms of the indenture and the notes. It does not, however, describe all of the terms of the indenture and the notes. Upon request, we will provide you with a copy of the indenture. See "Available Information" for information concerning how to obtain a copy.

In this section of this offering memorandum, references to "we," "us" and "our" are to Kimberly-Clark de México, S.A.B. de C.V. only and not to any of our subsidiaries or affiliates. References to "holders" mean those who have notes registered in their names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in notes issued in book-entry form through DTC or in notes registered in street name. Owners of beneficial interests in the notes should refer to "Form of Notes, Clearing and Settlement."

General

Indenture

The notes will be issued under an indenture to be dated as of July 1, 2020, between us and Wells Fargo Bank, National Association, as trustee (the "trustee," which term includes any successor as trustee).

Principal and Interest

The aggregate principal amount of the notes will initially be U.S.$500,000,000. The notes will mature on July 1, 2031 (the "Maturity Date"). Payment of principal of the notes will be made in three installments, as follows:

Principal Payment Date	Principal Payment Amount
July 1, 2029	U.S.$166,666,000
July 1, 2030	U.S.$166,667,000
Maturity Date	U.S.$166,667,000

On each principal payment date, the record holders of the notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of notes, including as a result of a redemption as described in "—Optional Redemption," or increased as a result of the issuance of additional notes as described under "—Further Issuances"; it being understood that any payment date's amortization amount resulting from such decrease or increase for any payment date will be on a pro rata basis and rounded upwards to the next U.S.$0.01).

The notes will bear interest at a rate of 2.431% per year from July 1, 2020. Interest on the notes will be payable semi-annually on January 1 and July 1 of each year, beginning on January 1, 2021, to the holders in whose names the notes are registered at the close of business on the December 17 or June 16 immediately preceding the related interest payment date.

We will pay interest on the notes on the interest payment dates stated above and on the Maturity Date. Each payment of interest due on an interest payment date or on the Maturity Date will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We will compute interest on the notes on the basis of a 360-day year consisting of twelve 30-day months.

If any payment under the notes is due on a day that is not a Business Day, we will make such payment on the next Business Day. Payments postponed to the next Business Day in this situation will be treated under the indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the notes or the indenture. No interest will accrue on the postponed amount from the original due date to the next Business Day.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not (i) a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order to close or (ii) a day on which banking and financial institutions in New York City or Mexico City are closed for business with the general public.

Ranking of the Notes

The notes will be solely our unsecured obligations and will, other than with respect to certain obligations given preferential treatment pursuant to the laws of Mexico, rank *pari passu* in right of payment with all of our unsecured and unsubordinated indebtedness. The notes will not have the benefit of any collateral securing any of our existing or future secured indebtedness, and will be effectively junior to such secured indebtedness to the extent of the assets securing such indebtedness. Furthermore, the notes will not be guaranteed by any of our subsidiaries. Accordingly, claims of creditors of our subsidiaries, including trade creditors and banks and other lenders, will have priority over the claims of holders of the notes with respect to the assets of our subsidiaries. Additionally, each of our subsidiaries will pay its indebtedness (including trade payables) before such subsidiary will be able to distribute any of its assets to us in the event of a bankruptcy, *concurso mercantil*, *quiebra*, liquidation or reorganization. In addition, holders of minority interests in such subsidiaries may receive distributions prior to or *pro rata* with us depending on the terms of the equity interests.

As of March 31, 2020, our total long-term indebtedness was Ps.19,627 million (U.S.$836 million), all of which constituted our unsecured indebtedness, and which would have ranked equal in right of payment to the notes.

Form and Denominations

The notes will be issued only in registered form without coupons and in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Except in limited circumstances, the notes will be issued in the form of global notes. See "Form of Notes, Clearing and Settlement."

Further Issuances

We reserve the right, from time to time without the consent of holders of the notes, to issue additional notes on terms and conditions identical to those of the notes, which additional notes will increase the aggregate principal amount of, and will be consolidated and form a single series with, the notes; *provided, however*, that unless such additional notes are issued under a separate CUSIP number, such additional notes must be fungible with the original notes for U.S. federal income tax purposes.

Payment of Additional Amounts

We will make payment of the principal of, and premium, if any, and interest on the notes without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any taxing authority, unless such withholding or deduction is required by law or by the interpretation or administration thereof (including as described under "Taxation—Certain Mexican Federal Income Tax Considerations").

Subject to the limitations and exceptions described below, we will pay to holders of the notes all additional amounts that may be necessary so that every net payment of interest or principal to the holder will not be less than the amount provided for in the notes. By net payment, we mean the amount that we or our paying agent will pay the holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by a taxing authority of Mexico, or the jurisdiction in which any successor of us is organized (wherein any successor assumes the obligations of the notes and the indenture following a merger, consolidation or transfer, lease or conveyance of substantially all of our assets and properties), or through which payments on the notes are made (each, a "Taxing Jurisdiction").

Our obligation to pay additional amounts is, however, subject to several important exceptions. We will not pay additional amounts to any holder for or on account of any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder or beneficial owner of such note, as the case may be, and Mexico (or a relevant Taxing Jurisdiction), including such holder or beneficial owner being or having been a citizen or resident of such relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business or having had a permanent establishment therein (other than the mere receipt of a payment or the ownership or holding of a note);

- any estate, inheritance, gift or other similar tax, assessment or other governmental charge imposed with respect to the notes;

- any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Mexico (or a relevant Taxing Jurisdiction) of the holder or any beneficial owner of the note if compliance is required by law, regulation or by an applicable income tax treaty, as a precondition to exemption from, or reduction in the rate of, such tax, assessment or other governmental charge and we have given the holders at least 30 days' notice prior to the first payment date with respect to which such certification, identification or reporting requirement is required to the effect that holders will be required to provide such information and identification;

- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the notes;

- any taxes, duties, assessments or other governmental charges with respect to a note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such note would have been entitled to such additional amounts on presenting such note for payment on any date during such 30-day period;

- any payment on a note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note; and

- any taxes withheld or deducted on or in respect of any note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as FATCA), any treaty, law, regulation or other official guidance enacted by the United States implementing FATCA, any agreement between either of the Company or any subsidiary guarantor and the United States implementing FATCA pursuant to Section 1471(b)(1) of the U.S. Internal Revenue Code of 1986, as amended, or any law of any jurisdiction implementing an intergovernmental approach to FATCA.

The limitations on our obligations to pay additional amounts described in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, in such holder's reasonable judgment, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice (such as IRS Form W-8 BEN and W-9).

Applicable Mexican regulations currently allow us to withhold at a reduced rate; *provided* that we comply with certain information reporting requirements. Therefore, the limitations on our obligations to pay additional amounts described in the third bullet point above will not apply if Article 166, Section II, paragraph a), of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta)*, or a substitute or equivalent provision, is in effect, unless (a) the provision of the information, documentation or other evidence described in the third bullet point above is expressly required by applicable Mexican laws and regulations in order to apply Article 166, Section II, paragraph a) of the Mexican Income Tax Law, or substitute or equivalent provision, (b) we cannot obtain the information, documentation or other evidence necessary to comply with applicable Mexican laws and regulations on our own through reasonable diligence and (c) we would not otherwise meet the requirements for application of applicable Mexican laws and regulations.

In addition, the limitation described in the third bullet point above does not require that any person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Ministry of Finance and Public Credit of Mexico to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any Mexican or other taxes withheld to the applicable taxing authorities in accordance with applicable law. We will also provide the trustee with documentation satisfactory to the trustee evidencing the payment of Mexican or other taxes in respect of which we have paid any additional amounts. We will provide copies of such documentation to the holders of the notes or the relevant paying agent upon request.

To give effect to the foregoing, we will, upon the written request of any holder, indemnify and hold harmless and reimburse the holder for the amount of any such taxes (including interest and penalties) described above (other than any taxes for which the holder would not have been entitled to receive additional amounts pursuant to any of the conditions described above) so imposed on, and paid by, such holder as a result of any payment of principal or interest on the notes, so that the net amount received by such holder after such reimbursement will not be less than the net amount the holder would have received if such tax had not been imposed or levied and so paid. Holders will be obligated to provide reasonable documentation in connection with the foregoing.

We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in Mexico (or a relevant Taxing Jurisdiction) in connection with the notes and will indemnify the holders for any such taxes paid by holders.

Any reference in this offering memorandum, the indenture or the notes to principal, premium, if any, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any additional amount that may be payable with respect to that amount under the obligations referred to in this subsection.

In the event that additional amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all rights, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

Optional Redemption

We will not be permitted to redeem the notes before their stated maturity, except as set forth below. The notes will not be entitled to the benefit of any sinking fund – meaning that we will not deposit money on a regular basis into any separate account to repay your notes. In addition, you will not be entitled to require us to repurchase your notes from you before the stated maturity, except as set forth under "—Repurchase at the Option of Holders Upon a Change of Control Triggering Event." Unless we default in the payment of the redemption price, interest will cease to accrue on the notes on and after the redemption date.

We may at any time purchase notes in the open market, in privately-negotiated transactions, in liability management transactions or otherwise at any price.

Make-Whole Redemption

We will have the right, at our option, to redeem the notes, in whole or in part, at any time and from time to time prior to April 1, 2031, the date that is three months prior to the Maturity Date (the "Par Call Date"), on at least 10 but not more than 60 days' notice, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) through the Par Call Date (inclusive of interest accrued to the redemption date) as if notes were redeemed on the Par Call Date, discounted to the Par Call Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points, plus accrued and unpaid interest and additional amounts, if any, on the principal amount of the notes to be redeemed to the redemption date. In connection with such optional redemption, the following defined terms apply:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the period from the redemption date to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the period from the redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotation or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us from time to time.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc. and J.P. Morgan Securities LLC or their respective affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in the city of New York selected from time to time by us; *provided, however,* that if any of the foregoing shall cease to be a primary United States government securities dealer in the city of New York (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) (as computed on the third Business Day immediately preceding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date), accrued and unpaid interest, if any, on the principal amount of the notes to be redeemed to the redemption date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by the trustee in compliance with the requirements of the principal securities exchange, if any, on which the notes are listed or, if the notes are not then listed on a securities exchange, on a pro rata basis, by lot or any other method as the trustee shall deem fair and appropriate (subject to the procedures of DTC).

Par Redemption

We will have the right, at our option, to redeem the notes, in whole or in part, at any time and from time to time on and after the Par Call Date at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

Redemption for Taxation Reasons

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date of this offering memorandum we would be obligated, after taking such measures as we may consider legal and reasonable to avoid this requirement, to pay additional amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to the notes (see "—Payment of Additional Amounts" and "Taxation—Certain Mexican Federal Income Tax Considerations"), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus any accrued and unpaid interest, if any, and any additional amounts due thereon up to but not including the date of redemption; *provided, however,* that (i) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay such additional amounts if a payment on the notes were then due and (ii) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, we will deliver to the trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right of redemption for taxation reasons have occurred; and

- an opinion of Mexican legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such additional amounts as a result of such change or amendment.

This notice, after it is delivered by us to the trustee, will be irrevocable.

Merger, Consolidation or Sale of Assets

We may not, in a single transaction or series of related transactions, consolidate with or merge into any other person (whether or not we are the surviving or continuing person) or, directly or indirectly, transfer, convey, sell, assign, lease or otherwise dispose of all or substantially all of our assets and properties and may not permit any person to consolidate with or merge into us unless all of the following conditions are met:

- if we are not the successor, surviving, or continuing Person in the transaction, the successor Person is organized and validly existing under the laws of Mexico or the United States or any country that is a member of the Organisation for Economic Co-operation and Development or any political subdivision thereof and expressly assumes by a supplemental indenture our obligations under the notes and the indenture;

- immediately after the transaction, no default under the notes has occurred and is continuing. For this purpose, "default under the notes" means an event of default or an event that would be an event of default with respect to the notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. See "—Defaults, Remedies and Waiver of Defaults"; and

- we have delivered to the trustee an officers' certificate and opinion of counsel, each stating, among other things, that the conditions precedent under the indenture related to the consummation of the transaction have been met.

If the conditions described above are satisfied, we will not have to obtain the approval of the holders of a majority in principal amount of the notes in order to merge or consolidate or to sell or otherwise dispose of our properties and assets substantially as an entirety. In addition, these conditions will apply only if we wish to merge into, or consolidate with another person, or sell or otherwise dispose of all or substantially all of our assets and properties. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another person, any transaction that involves a change of control of our company, but in which we do not merge or consolidate and any transaction in which we sell or otherwise dispose of less than substantially all of our assets.

Repurchase at the Option of Holders Upon a Change of Control Triggering Event

Upon the occurrence of any Change of Control Triggering Event, each holder of notes will have the right to require us to repurchase all or any part of such holder's notes pursuant to the offer described below (the "Change of Control Offer") at a purchase price (the "Change of Control Purchase Price") equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, on the principal amount of the notes to be repurchased to the purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following the occurrence of a Change of Control Triggering Event, we will provide written notice to the holders of the following:

- that a Change of Control Triggering Event has occurred and a Change of Control Offer is being made and that all notes timely tendered will be accepted for payment;

- the Change of Control Purchase Price and the purchase date, which shall be, subject to any contrary requirements of applicable law, a Business Day no earlier than 10 nor later than 60 days from the date such notice is given (such specified date, the "Change of Control Payment Date");

- the circumstances and relevant facts regarding the Change of Control Triggering Event; and

- the procedures that holders of notes must follow in order to tender their notes (or portions thereof) for payment, and the procedures that holders of notes must follow in order to withdraw an election to tender notes (or portions thereof) for payment.

We will publish such notice in accordance with the rules of the Global Exchange Market of Euronext Dublin.

On the Business Day preceding the Change of Control Payment Date, we will deposit with the relevant paying agent funds in an amount equal to the Change of Control Purchase Price in respect of all notes or portions thereof so tendered.

"Change of Control" means the occurrence of the following: (i) any event as a result of which Kimberly-Clark Corporation ceases to hold, directly or indirectly, at least 33.33% of our voting securities; or (ii) the direct or indirect sale, transfer, conveyance or other disposition in one or a series of related transactions, of all or substantially all of our and our subsidiaries' properties or assets taken as a whole.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Decline.

"Fitch" means Fitch Ratings, Ltd. or any successor to the rating agency business thereof.

"Investment Grade Rating" means BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody's or Fitch.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Rating Agencies" means Moody's, S&P and Fitch.

"Rating Decline" means the occurrence, at any time within 90 days after the earlier of the date of public notice of the occurrence of a Change of Control or of our intention to effect a Change of Control (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies), of any of the following events expressly stated by the applicable Rating Agency to have been as a result of such Change of Control (i) in the event the notes have an Investment Grade Rating by at least two of the Rating Agencies on the date of such public notice, the rating of the notes by at least two Rating Agency shall be below an Investment Grade Rating; (ii) in the event the notes have an Investment Grade Rating by any, but not two or more, of the Rating Agencies on the date of such public notice, the rating of the notes by such Rating Agency will be changed to below an Investment Grade Rating; or (iii) in the event the notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two Rating Agency shall be decreased by one or more gradations (including gradations within rating categories as well as between rating categories).

"S&P" means Standard & Poor's Ratings Services or any successor to the rating agency business thereof.

We will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

Our ability to pay cash to holders of notes following the occurrence of a Change of Control Triggering Event may be limited by our then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Securities Exchange Act of 1934, as amended, and any other securities laws or regulations in connection with the repurchase of notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described above, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under this covenant by virtue of such compliance.

One of the events that constitutes a Change of Control under the indenture is the disposition of "all or substantially all" of our assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of "all or substantially all" of the property or assets of a Person. In the event that holders elect to require us to purchase the notes and we contest such election, we cannot assure you as to how a court interpreting New York law would interpret the phrase under certain circumstances.

Our obligation to make an offer to repurchase the notes as a result of a Change of Control Triggering Event may be waived or modified at any time prior to the occurrence of such Change of Control Triggering Event with the written consent of the holders of a majority in principal amount of the notes. See "—Modification and Waiver."

Covenants

The following covenants will apply to us and our subsidiaries for so long as any note remains outstanding. These covenants restrict our ability and the ability of our subsidiaries to enter into certain transactions. However, these covenants do not limit our ability to incur Indebtedness or require us to comply with financial ratios or to maintain specified levels of net worth or liquidity.

Limitation on Liens

We may not, and we may not allow any of our subsidiaries to, permit to exist any Indebtedness or Guarantee, if such Indebtedness or Guarantee is secured by a Lien upon any Operating Property, unless, concurrently with the issuance or assumption of such Indebtedness or Guarantee or the creation of such Lien, the notes (together with, at our option, any other indebtedness of or guarantee by us or our subsidiaries then existing or thereafter created which is not subordinated to the notes) shall be secured equally and ratably with (or at our option prior to) such Indebtedness or Guarantee for so long as such Indebtedness or Guarantee is so secured; *provided*, *however*, that the foregoing restriction shall not apply to:

(i) any Lien on (a) any Operating Property acquired, constructed, developed, extended or improved by us or any of our subsidiaries (singly or together with other Persons) after the date of the indenture or any property reasonably incidental to the use or operation of such Operating Property (including any real property on which such Operating Property is located), or (b) any shares or other ownership interest in, or any Indebtedness of, any Person that holds, owns or is entitled to such property, products, revenue or profits, in each of clauses (a) and (b) above, to the extent such Lien is created, incurred or assumed (x) during the period such Operating Property was being constructed, developed, extended or improved, or (y) contemporaneously with, or within 360 days after, such acquisition or the completion of such construction, development, extension or improvement in order to secure or provide for the payment of all or any part of the purchase price or other consideration of such Operating Property or the other costs of such acquisition, construction, development, extension or improvement (including costs such as escalation, interest during construction and financing and refinancing costs);

(ii) any Lien on any Operating Property existing at the time of acquisition thereof and which (a) is not created as a result of or in connection with or in anticipation of such acquisition and (b) does not attach to any other Operating Property other than the Operating Property so acquired;

(iii) any Lien on any Operating Property acquired from a Person that is merged with or into us or any of our subsidiaries or any Lien existing on Operating Property of any Person at the time such Person becomes our subsidiary, in either such case which (a) is not created as a result of or in connection with or in anticipation of any such transaction and (b) does not attach to any other Operating Property other than the Operating Property so acquired;

(iv) any Lien which secures Indebtedness or a Guarantee owing by any of our subsidiaries to us or any other of our subsidiaries;

(v) any Lien existing on the date of the indenture; or

(vi) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (i) through (v) inclusive; *provided, however,* that the principal amount of Indebtedness or Guarantee secured thereby shall not exceed the principal amount of Indebtedness or Guarantee so secured at the time of such extension, renewal or replacement plus an amount necessary to pay any fees and expenses, including premiums and defeasance costs related to such transaction, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements on such property).

Notwithstanding the foregoing, we or any of our subsidiaries may issue or assume Indebtedness or a Guarantee secured by a Lien which would otherwise be prohibited under the provisions of the indenture described in this section or enter into a sale and leaseback transaction that would otherwise be prohibited by the provision of the indenture described under "—Limitations on Sale and Leasebacks"; *provided, however,* that the aggregate amount of such Indebtedness, Guarantee or Attributable Debt of such sale and leaseback transaction together with the aggregate amount (without duplication) of (i) Indebtedness or Guarantees outstanding at such time that we or our subsidiaries previously incurred pursuant to this section, plus (ii) the Attributable Debt of all of our and our subsidiaries' sale and leaseback transactions outstanding at such time that were previously incurred pursuant to the provisions of the indenture described in the first bullet point under "—Limitation on Sales and Leasebacks," shall not exceed the greater of (x) U.S.$500 million or (y) 15.0% of Consolidated Total Assets.

"Attributable Debt" means, with respect to any sale and leaseback transaction, the lesser of (i) the fair market value of the asset subject to such transaction and (ii) the present value, discounted at a rate per annum equal to the discount rate inherent in the applicable lease, of the obligations of the lessee for net rental payments (excluding, however, any amounts required to be paid by such lessee, whether or not designated as rent or additional rent, on account of maintenance and repairs, services, insurance, taxes, assessments, water rates or similar charges and any amounts required to be paid by such lessee thereunder contingent upon monetary inflation or the amount of sales, maintenance and repairs, insurance, taxes, assessments water rates or similar charges) during the remaining term of the lease (as determined in good faith by us in accordance with IFRS).

"Consolidated Total Assets" means the total assets appearing on our consolidated balance sheet as set forth on our most recent consolidated balance sheet and computed in accordance with IFRS.

"Guarantee" means any obligation, contingent or otherwise (including an aval), of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, direct or indirect, contingent or otherwise, or entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however,* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning. The term "Guarantee" shall not apply to a guarantee of intercompany Indebtedness among us and our subsidiaries or among our subsidiaries.

"Indebtedness" means, with respect to any Person (without duplication) (i) any obligation of such Person for borrowed money; and (ii) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clause (i) above. For the purpose of determining any particular amount of Indebtedness under this definition, Guarantees of Indebtedness otherwise included in the determination of such amount shall not be included.

"IFRS" means International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

"Lien" means any mortgage, pledge, lien or security interest.

"Operating Property" means as of any date of determination, any real and tangible property owned by us or any of our subsidiaries that constitutes all or any part of any production facility, warehouse or distribution center and is used in the ordinary course of our business, other than any such property which, individually or, in the case of a series of related transactions, in the aggregate, in the good faith opinion of the board of directors, is not of material importance to the business conducted or assets owned by us and our subsidiaries taken as a whole; *provided, however,* that no property will be an Operating Property unless its net book value exceeds 1.00% of Consolidated Total Assets.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

Limitation on Sales and Leasebacks

We may not, and we may not allow any of our subsidiaries to, enter into any sale and leaseback transaction with respect to any Operating Property, unless:

- the aggregate principal amount of all debt then outstanding that is secured by any lien on any Operating Property that does not ratably secure the notes (excluding any secured indebtedness permitted under (i) through (vi) under "—Limitation on Liens") plus the aggregate amount of our

Attributable Debt and the Attributable Debt of our subsidiaries in respect of sale and leaseback transactions then outstanding (other than any sale and leaseback transaction permitted under the following bullet point) would not exceed an amount equal to the greater of (x) U.S.$500 million or (y) 15.0% of Consolidated Total Assets; or

- we or one of our subsidiaries, within 12 months of the sale and leaseback transaction, (i) retire an amount of our secured debt, which is not subordinated to the notes and which shall, at the time of incurrence, have a remaining maturity of at least 12 months, in an amount equal to the greater of (a) the net cash proceeds of the sale or transfer of the Operating Property that is the subject of the sale and leaseback transaction or (b) the fair market value (as determined in good faith by our board of directors) of the Operating Property leased, or (ii) apply the net cash proceeds of such sale or transfer, or, in the case such sale or transfer is other than for cash, the fair market value (as determined in good faith by our board of directors) to the acquisition, purchase, construction, development, extension or improvement of any property or assets constituting Operating Property.

A "sale and leaseback transaction" is an arrangement between us or one of our subsidiaries and a bank, insurance company or other lender or investor where we or our subsidiary leases Operating Property for an initial term of three years or more that was or will be sold by us or our subsidiary to that lender or investor for a sale price of U.S.$5.0 million or its equivalent or more.

Provision of Information

For so long as the notes remain outstanding, we will provide to the holders (or to the trustee, with a written direction to send to the holders) a URL address providing access to the following items in English:

(i) our consolidated annual financial statements audited by an internationally recognized firm of independent public accountants within 120 days of the end of each fiscal year, and our consolidated quarterly financial statements within 60 days of the end of each of the first three fiscal quarters of each fiscal year. These annual and quarterly financial statements will be prepared in accordance with IFRS and such annual financial statements will be accompanied by a management discussion on our results of operations for the periods presented;

(ii) copies of all public filings containing material information about our business made with any stock exchange or securities regulatory agency within 30 days after filing (or a summary thereof); and

(iii) any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Securities Act.

If we become aware that a default or event of default or an event that with notice or the lapse of time would be an event of default has occurred and is continuing, as the case may be, we will also file a certificate with the trustee describing the details thereof and the action we are taking or propose to take.

Listing

Application has been made to Euronext Dublin for the notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin. This offering memorandum constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin.

Defaults, Remedies and Waiver of Defaults

A holder of the notes will have special rights if an event of default occurs and is not cured, as described below.

Events of Default

Each of the following will be an "event of default" with respect to the notes:

- we fail to pay the principal of the notes on its due date, including the failure to make a required payment to purchase notes tendered pursuant to the provisions contained herein;

- we fail to pay interest on the notes within 30 days after its due date;

- we remain in breach of any covenant in the indenture for the benefit of holders of the notes, for 90 days after we receive a notice of default (sent by the trustee or the holders of not less than 25.0% in principal amount of the notes) stating that we are in breach;

- we file for bankruptcy, or other events of bankruptcy, insolvency, reorganization, *concurso mercantil*, *quiebra*, or similar proceedings relating to us occur;

- we are in a default under any instrument relating to Indebtedness exceeding individually or in the aggregate U.S.$100.0 million (or its equivalent in other currencies) due to a failure to pay principal or interest when due or that results in the acceleration of the debt prior to its maturity and such default continues for more than the period of grace, if any, applicable thereto and the period for payment has not been expressly extended; or

- a final judgment is rendered against us in an aggregate amount in excess of U.S.$100.0 million (or its equivalent in other currencies) that is not discharged or bonded in full within 90 days.

Remedies Upon Event of Default

If an event of default with respect to the notes occurs and is not cured or waived, the trustee, at the written request of holders of not less than 25.0% in principal amount of the notes, may declare the entire principal amount of all the notes to be due and payable immediately, and upon any such declaration the principal, any accrued interest and any additional amounts shall become due and payable. If, however, an event of default occurs because of bankruptcy, insolvency, reorganization, *concurso mercantil* or *quiebra* relating to us, the entire principal amount of the notes and any accrued interest and any additional amounts will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional amounts will become immediately due and payable.

Each of the situations described in the preceding paragraph is called an acceleration of the maturity of the notes. The right of the holders to give such acceleration notice shall terminate if the event giving rise to such right shall have been cured before such right is exercised. If the maturity of the notes is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in principal amount of the notes may cancel the acceleration for all the notes; *provided* that all amounts then due (other than amounts due solely because of such acceleration) have been paid and all other defaults with respect to the notes have been cured or waived.

If any event of default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use under the circumstances in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee protection reasonably satisfactory to it, known as an indemnity, from expenses and liability. If the trustee receives an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indenture with respect to the notes.

Before a holder of the notes bypasses the trustee and brings its own lawsuit or other formal legal action or takes other steps to enforce its rights or protect its interests relating to the notes, the following must occur:

- the trustee must have received written notice that an event of default has occurred and the event of default has not been cured or waived;
- the holders of not less than 25.0% in principal amount of the notes must make a written request that the trustee take action with respect to the notes because of the default and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action;
- the trustee must not have taken action for 60 days after the above steps have been taken; and
- during those 60 days, the holders of a majority in principal amount of the notes must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25.0% in principal amount of the notes.

A holder will be entitled, however, at any time to bring a lawsuit for the payment of money due on any note held by that holder on or after its due date.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to, or make a request of, the trustee and how to declare or cancel an acceleration of the maturity.

Waiver of Default

The holders of not less than a majority in principal amount of the notes may waive a past default for all the notes. If this happens, the default will be treated as if it had been cured. No one can waive a payment default on any note, however, without the approval of the particular holder of that note.

Modification and Waiver

There are three classes of changes we can make to the indenture or the outstanding notes under the indenture.

Changes Requiring Each Holder's Approval

The following changes cannot be made without the approval of each holder of an outstanding note affected by the change:

- a change in the stated maturity of any principal or interest payment on the notes;
- a reduction in the principal amount, the interest rate or the redemption price for the notes;
- a change in the obligation to pay additional amounts;
- a change in the obligation and price for repurchase following the occurrence of a Change of Control Triggering Event;
- a change in the currency of any payment on the notes;
- a change in the place of any payment on the notes;
- an impairment of the holder's right to sue for payment of any amount due on its notes;

- a reduction in the percentage in principal amount of the notes needed to change the indenture or the notes; and

- a reduction in the percentage in principal amount of the notes needed to waive our compliance with the indenture or to waive defaults.

Changes Not Requiring Approval

Some changes will not require the approval of holders of notes. These changes are limited to specific kinds of changes, like the addition of covenants, events of default or security, and other clarifications and changes that would not adversely affect the holders of outstanding notes under the indenture in any material respect.

Changes Requiring Majority Approval

Any other change to the indenture or the notes will be required to be approved by the holders of a majority in principal amount of the notes affected by the change or waiver. The required approval must be given by written consent.

The same majority approval will be required for us to obtain a waiver of any of our covenants in the indenture. Our covenants include, among other restrictions, restrictions on our ability to merge and create liens on our interests, which we describe under "—Merger, Consolidation or Sale of Assets" and "—Covenants." If such holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in the notes or the indenture, as it affects any note, that we cannot change without the approval of each holder of that note as described under "—Modification and Waiver—Changes Requiring Each Holder's Approval," unless each holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the notes or request a waiver.

Defeasance

We may, at our option, elect to terminate (i) all of our obligations with respect to the notes ("legal defeasance"), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the notes, the replacement of mutilated, destroyed, lost or stolen notes and the maintenance of agencies with respect to the notes, or (ii) our obligations under the covenants in the indenture, so that any failure to comply with such obligations will not constitute an event of default ("covenant defeasance") in respect of the notes. In order to exercise either legal defeasance or covenant defeasance, we must irrevocably deposit with the trustee money or U.S. government obligations, or any combination thereof, in such amounts as will be sufficient (as certified by an independent financial professional), to pay the principal, premium, if any, and interest (including additional amounts) in respect of the notes then outstanding on the maturity date of the notes, and comply with certain other conditions.

In the case of legal defeasance, we must deliver to the trustee an opinion of U.S. tax counsel of recognized standing, confirming that:

(a) We have received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(b) Since the issue date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such opinion shall state that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred.

In the case of covenant defeasance, we must deliver to the trustee an opinion of independent U.S. tax counsel reasonably acceptable to the trustee to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

If we elect either legal defeasance or covenant defeasance with respect to the notes, we must so elect it with respect to all of the notes.

Special Rules for Actions by Holders

When holders take any action under the indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

Only Outstanding Notes are Eligible for Action by Holders

Only holders of outstanding notes will be eligible to vote or participate in any action by holders of notes. In addition, we will count only outstanding notes in determining whether the various percentage requirements for voting or taking action have been met. For these purposes, a note will not be "outstanding" if it has been replaced or surrendered for cancellation or if we have deposited or set aside, in trust for its holder, money for its payment or redemption and all other amounts due until such date. Notes held by (or for the benefit of) us or any of our affiliates are not eligible to vote.

Determining Record Dates for Action by Holders

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the indenture. In some limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global notes may be set in accordance with procedures established by the depositary from time to time.

Payment Provisions

Payments on the Notes

We will pay principal on the notes on the principal payment dates set forth under "—General—Principal and Interest," and we will pay interest on the notes on the interest payment dates and on the Maturity Date, to the holders in whose names the notes are registered at the close of business on the regular record date relating to the relevant interest payment date, but we will pay the interest on the notes due on the Maturity Date on a day that is not an interest payment date to the persons or entities entitled to receive the principal of such notes. We will pay the amount of principal due on the Maturity Date to the holders of the notes against surrender of such notes at the proper place of payment.

The regular record dates relating to the principal and interest payment dates for the notes are December 17 and June 16. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 p.m. (New York City time) on that day.

Payments on Global Notes

For notes issued in global form, we will make payments on the notes in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the notes. An indirect holder's right to receive such payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Notes

For notes issued in certificated form, if any, we will pay interest that is due on an interest payment date by check mailed on such interest payment date to the holder at the holder's address appearing in the register of notes as of the close of business on the regular record date, and we will make all other payments by check against presentation of the note. All payments by check will be made in same-day funds, that is, funds that become available on the day the check is cashed. If we issue notes in certificated form, holders of notes in certificated form will be able to receive payments of principal and interest on their notes at the office of our paying agent maintained in the city of New York.

Alternatively, upon the request of a holder of an aggregate principal amount of notes of at least U.S.$1,000,000, we will pay any amount that becomes due on such notes by wire transfer of immediately available funds to an account at a bank in the city of New York, on the due date. To request wire payment, the holder must give the relevant paying agent appropriate wire transfer instructions at least 10 Business Days before the requested wire payment is due. In the case of interest payments due on interest payment dates, the instructions must be given by the person or entity who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the notes are surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Paying Agents

If we issue notes in certificated form, we may appoint one or more financial institutions to act as our paying agents, at whose designated offices the notes may be surrendered for payment at their maturity. We may add, replace or terminate any paying agent from time to time; *provided* that if any notes are issued in certificated form, so long as such notes are outstanding, we will maintain a paying agent in the city of New York. Initially, we have appointed the trustee, at its corporate trust office in the city of New York, as our paying agent. We will notify you of changes in the paying agents as described under "—Notices."

Unclaimed Payments

All money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After the expiration of such two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or any other Person.

Transfer Agents

We may appoint one or more transfer agents, at whose designated offices any notes in certificated form may be transferred or exchanged and also surrendered before payment is made on the Maturity Date or upon their redemption or repurchase, if any. For so long as the notes remain outstanding, we will maintain a transfer agent in the city of New York. Initially, we have appointed the trustee, at its corporate trust office in the city of New York, as transfer agent. We must notify you of changes in the transfer agents as described under "—Notices." If we issue notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of our transfer agent in the city of New York, Wells Fargo Bank, National Association, 150 East 42nd Street, 40th Floor, New York, New York 10017. We will not charge any fee for the registration or transfer or exchange, except that we may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

Notices

As long as we issue notes in global form, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If we issue notes in certificated form, notices, including upon the occurrence of a Change of Control Triggering Event, to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. From and after the date the notes are listed on the Global Exchange Market of Euronext Dublin we will provide notices to holders as required by the rules of such exchange for so long as it is required by its rules.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law

The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York, United States of America.

Submission to Jurisdiction

In connection with any legal action or proceeding arising out of or relating to the notes or the indenture (subject to the exceptions described below), we have agreed:

- to submit to the jurisdiction of any U.S. federal or New York state court in the Borough of Manhattan, the City of New York;
- that all claims in respect of such legal action or proceeding may be heard and determined in such New York State or U.S. federal court and will waive (and the trustee will waive), the defense of an inconvenient forum to the maintenance of such action or proceeding and any right to any other jurisdiction in such action or proceeding on account of law, the place of residence or domicile or for any other reason; and
- to appoint CT Corporation System, with an office at 28 Liberty Street, New York, New York 10005, United States of America as process agent.

The process agent will receive, on our behalf, service of copies of the summons and complaint and any other process which may be served in any such legal action or proceeding brought in such New York state or U.S. federal court sitting in the city of New York. Service may be made by mailing or delivering a copy of such process to us at the address specified above for the process agent.

A final judgment in any of the above legal actions or proceedings will be conclusive and may be enforced in other jurisdictions, in each case, to the extent permitted under the applicable laws of such jurisdiction.

In addition to the foregoing, the holders may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any holder to bring any action or proceeding against us or our properties in other courts where jurisdiction is independently established.

To the extent that we have or hereafter may acquire or have attributed to us any sovereign or other immunity under any law, we have agreed to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding our obligations under the notes.

Currency Indemnity

Our obligations under the notes will be discharged only to the extent that the relevant holder is able to purchase U.S. dollars with any other currency paid to that holder in accordance with any judgment or otherwise. If the holder cannot purchase U.S. dollars in the amount originally to be paid, we have agreed to pay the difference.

The holder, however, agrees that, if the amount of U.S. dollars purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to us. The holder will not be obligated to make this reimbursement if we are in default of our or its obligations under the notes. See “Risk Factors—Risk Factors Related to the Notes—Payments of judgments against us on the notes would be in pesos.”

Our Relationship with the Trustee

Wells Fargo Bank, National Association is initially serving as the trustee, paying agent, transfer agent and registrar for the notes. Wells Fargo Bank, National Association and its affiliates may have other business relationships with us from time to time.

FORM OF NOTES, CLEARING AND SETTLEMENT

Global Notes

The notes will be issued in the form of two or more registered notes in global form, without interest coupons, or the global notes, as follows:

- notes sold to qualified institutional buyers under Rule 144A will be represented by one or more Rule 144A global notes; and
- notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Regulation S global notes.

Upon issuance, each of the global notes will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC, or DTC participants, or persons who hold interests through DTC participants, including Euroclear and Clearstream.

We expect that under procedures established by DTC:

- upon deposit of each global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the initial purchasers; and
- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described under "—Certificated Notes."

Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described under "Transfer Restrictions."

Transfers Within and Between Global Notes

Beneficial interests in a Regulation S global note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A global note only if the transfer is made pursuant to Rule 144A and the transferor first delivers to the trustee a certificate (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S global note only upon receipt by the trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Transfers of beneficial interests within a global note may be made without delivery of any written certification or other documentation from the transferor or the transferee. Transfers of beneficial interests in a Regulation S global note for beneficial interests in the Rule 144A global note or vice versa will be effected by DTC by means of an instruction originated by the trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for so long as it remains such an interest. Such transfer shall be made on a delivery free of payment basis and the buyer and seller will need to arrange for payment outside the clearing system. The transferor shall also provide or cause to be provided to the trustee all information necessary to allow the trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended. The trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Book-Entry Procedures for the Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the trustee, nor the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations; and certain other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC (including Euroclear or Clearstream).

So long as DTC or its nominee is the registered owner of a global note, DTC or its nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the registered owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the notes represented by a global note will be made by the trustee to DTC's nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or us.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers within a Rule 144A global note or a Regulation S global note between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a global note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear or Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form unless:

- DTC notifies us at any time that it is unwilling or unable to continue as depositary for the global notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed within 90 days;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated notes; or

- certain other events provided in the indenture should occur, including the occurrence and continuance of an event of default with respect to the notes.

In all cases, certificated notes delivered in exchange for any global note will be registered in the names, and issued in any approved denominations, requested by the depositary and will bear a legend indicating the transfer restrictions of that particular global note.

In connection with any proposed transfer outside the Book Entry Only system, there shall be provided to the trustee all information necessary to allow the trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended. The trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

For information concerning paying agents and transfer agents for any notes issued in certificated form, see "Description of the Notes—Payment Provisions—Paying Agents" and "Description of the Notes—Transfer Agents."

TAXATION

POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR MEXICAN, UNITED STATES OR OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING, IN PARTICULAR, THE APPLICATION TO THEIR PARTICULAR SITUATIONS OF THE TAX CONSIDERATIONS DISCUSSED BELOW.

Certain Mexican Federal Income Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the ownership and disposition of the notes by holders that are not residents of Mexico for tax purposes and that do not hold the notes through a permanent establishment in Mexico to which the holding of the notes is attributable for tax purposes. For purposes of this summary, each such holder is a "foreign holder." This summary is based upon the provisions of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*), in effect on the date of this offering memorandum, which is subject to change (including with retroactive effect) or to new or different interpretations, which could affect the continued validity or accuracy of this summary. This summary does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to own or dispose of the notes. This summary does not describe any tax consequences arising under the laws of any state, municipality or taxing jurisdiction other than under Mexican Income Tax Law.

For purposes of Mexican taxation, residence in Mexico, for tax purposes, is a highly technical and fact oriented definition; therefore, any determination of residence should take into account the particular situation of each holder. An individual is a resident of Mexico, if such person has established his or her domicile in Mexico. When such person has a home in another jurisdiction, the individual will be considered a resident of Mexico for tax purposes, if the center of vital interests of the individual is located in Mexico, which is deemed to occur if (i) more than 50% of such individual's total income, in any calendar year, is from a Mexican source of income, or (ii) such individual's principal center of professional activities is located in Mexico. Unless otherwise proven, Mexican nationals are deemed residents of Mexico for tax purposes. Furthermore, for purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes described above, is treated as a non-resident of Mexico for tax purposes, and a foreign holder for purposes of this summary, and generally subject to taxation at the Mexican federal level as specified in this summary.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico.

A permanent establishment for tax purposes in Mexico of a foreign person will be regarded as a resident of Mexico for tax purposes, and such permanent establishment will be required to pay taxes in Mexico in accordance with applicable Mexican tax laws, in respect of any and all income attributable to such permanent establishment for tax purposes in Mexico.

Taxation of Payments of Interest

Under the Mexican Income Tax Law, payments of interest (including original issue discount and premiums, which are deemed interest under the Mexican Income Tax Law) made by us in respect of the notes to a foreign holder will generally be subject to a Mexican withholding tax assessed at a rate of 4.9%, if, as expected, the following requirements are met:

- the notes are placed outside Mexico through banks or broker-dealers, in a country with which Mexico has a treaty for the avoidance of double taxation in effect;

- a notice is filed before the CNBV describing the main characteristics of the notes offering pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis, 24 Bis 1 and other applicable provisions of the General Regulations Applicable to Issuers and Other Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*); and
- we comply with the information requirements specified from time to time by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) under its general rules, including, after completion of the offering of the notes, the filing of certain information related to the notes offering and this offering memorandum.

If any of such requirements is not met, the withholding tax applicable to interest payments under the notes made to non-residents of Mexico will be imposed at a rate of 10% or higher.

In addition, if the beneficial owners, whether directly or indirectly, severally or jointly with related parties, receiving more than 5% of the aggregate amount of each interest payment under the notes are (i) shareholders holding more than 10% of our voting stock, directly or indirectly, severally or jointly with related parties, or (ii) corporations or other entities having more than 20% of their stock owned, directly or indirectly, jointly or severally, by us or persons related to us, the Mexican withholding tax will be applied at a 35% rate.

Payments of interest in respect of the notes made by us to a non-Mexican pension or retirement fund will be exempt from Mexican withholding taxes if:

- such fund is organized pursuant to the laws of its country of residence and is the beneficial owner of the interest payment;
- such income is exempt from income taxes in such country; and
- such fund provides certain information to us, that we may in turn provide to the Mexican Tax Administration Service in accordance with rules issued by the Mexican Tax Administration Service for these purposes.

Holders or beneficial owners of the notes may be requested, subject to specified exemptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments that we make to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely or completely provided, we may withhold Mexican tax from that interest payment on the notes to that holder or beneficial owner at the maximum applicable rate, and our obligation to pay additional amounts relating to those withholding taxes would be limited as described under "Description of the Notes—Payment of Additional Amounts."

Taxation of Principal Payments

Under the Mexican Income Tax Law, payments of principal made by us in respect of the notes to a foreign holder will not be subject to Mexican withholding tax.

Taxation of Dispositions and Acquisitions of the Notes

Under the Mexican Income Tax Law, gains resulting from the sale or disposition of the notes by a foreign holder to another foreign holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the notes by a foreign holder to a purchaser who is a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes will be subject to Mexican federal income or other taxes pursuant to the rules described above in respect of interest payments. The acquisition of the notes at a discount by a foreign holder will be deemed interest income, and subject to Mexican withholding taxes, if the seller is a Mexican resident or a foreign resident deemed to have a permanent establishment in Mexico.

Other Mexican Taxes

Under current Mexican tax laws, there are no estate, inheritance, succession or gift taxes generally applicable to the ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of Mexican income taxes upon the recipient. There are no Mexican stamp, issuer registration or similar taxes or duties payable by foreign holders of the notes with respect to the notes.

U.S. Federal Income Tax Considerations

The following is a summary of the U.S. federal income tax considerations generally applicable to the ownership and disposition of the notes by a U.S. holder (defined below). This summary applies only to U.S. holders that purchase the notes pursuant to this offering at their issue price and that hold the notes as "capital assets" (generally, property held for investment) for U.S. federal income tax purposes. Moreover, this summary is for general information only and does not address all of the tax consequences that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under U.S. federal income tax laws (such as banks and other financial institutions, insurance companies, tax-exempt entities, regulated investment companies, dealers in securities or currencies, traders in securities that elect to use a mark to market method of accounting, brokers, expatriates, entities treated as partnerships for U.S. federal income tax purposes, persons who hold their notes as part of a straddle, hedge, synthetic securities, conversion transaction or other integrated investment comprised of notes, U.S. holders whose functional currency is not the U.S. dollar, persons subject to the alternative minimum tax or persons deemed to sell the notes under the constructive sale provisions of the Code), all of whom may be subject to tax rules that differ significantly from those summarized below. The discussion below does not address U.S. federal estate and gift tax considerations, the Medicare tax on net investment income or the effect of any state, local or non-U.S. tax law. This discussion is for general information only and is not intended as legal or tax advice to any particular holder. This summary does not provide a complete analysis or listing of all potential tax considerations.

EACH PROSPECTIVE U.S. HOLDER SHOULD CONSULT ITS TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN, AND ANY OTHER TAX CONSIDERATIONS TO IT OF AN INVESTMENT IN THE NOTES.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, administrative rulings and official pronouncements of the Internal Revenue Service, or the IRS, and judicial decisions, all as in effect on the date of this offering memorandum and all of which are subject to change and differing interpretations, possibly with retroactive effect.

For purposes of this summary, a "U.S. holder" is a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity subject to tax as a corporation that is formed or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of the source thereof; or
- a trust (1) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) that has in effect a valid election under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes holds notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding notes should consult its tax advisor regarding the tax consequences of the ownership and disposition of the notes.

U.S. Holders

Payment of Interest

Interest on the notes (which includes all Mexican tax withheld from the interest payments to a U.S. holder and any additional amounts) will generally be taxable to a U.S. holder as ordinary income at the time it is paid or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder may be entitled to deduct or credit against its U.S. federal income tax liability any foreign taxes withheld from payments on the notes, subject to certain limitations. The election to deduct or credit foreign taxes applies to all of such U.S. holder's foreign taxes for a particular tax year. Interest income on the notes will generally constitute non-U.S. source income and will generally be treated as "passive category income" for foreign tax credit limitation purposes. The rules governing the foreign tax credit are complex. U.S. holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange, Redemption, Retirement or Other Dispositions

Upon the sale, exchange, redemption, or other taxable disposition of a note, a U.S. holder will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the sum of cash and the fair market value of all other property received on such disposition (except to the extent attributable to accrued but unpaid interest not previously included in income, which will generally be includible as ordinary interest income as described above) and such U.S. holder's adjusted tax basis in such a note. A U.S. holder's adjusted tax basis in a note will generally equal the cost of such note to such U.S. holder decreased by any payments received on the note other than stated interest. Such gain or loss will generally be long-term capital gain or loss if such U.S. holder's holding period for the note exceeds one year at the time of such sale, exchange, redemption, retirement, or other taxable disposition. Long-term capital gains recognized by individuals and other non-corporate U.S. holders are generally subject to tax at a reduced U.S. federal income tax rate. Capital losses are subject to limits on deductibility.

Any gain or loss recognized by a U.S. holder will generally be treated as U.S.-source gain or loss for foreign tax credit limitation purposes. A U.S. holder that is eligible for the benefits of the income tax treaty between Mexico and the United States (the "Treaty") may elect to treat such gain as Mexican source. A U.S. holder that is not eligible for the benefits of the Treaty or that fails to make the election to treat any gain as Mexican source may not be able to use the foreign tax credit arising from any foreign tax imposed on the disposition of a note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from non-U.S. sources. A prospective investor should consult its tax advisor regarding the tax considerations in its particular circumstance of Mexican tax imposed on gain on a disposition of the notes, including the availability of the foreign tax credit and the election to treat any gain as Mexican source.

Foreign Asset Reporting

Individual and certain other non-corporate U.S. holders may be required to submit to the IRS certain information with respect to their beneficial ownership of the notes, if such notes are not held on their behalf by a financial institution. A U.S. holder that is required to submit such information to the IRS and fails to do so may be subject to penalties. U.S. holders should consult their tax advisors regarding the reporting requirements that may be imposed with respect to the ownership of the notes.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES IN THEIR PARTICULAR CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are acting as joint book-running managers of the offering and as representatives of the initial purchasers named below. BofA Securities, Inc. is acting as co-manager of the offering and as an initial purchaser. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
Citigroup Global Markets Inc.	U.S.$ 240,642,000
J.P. Morgan Securities LLC	240,642,000
BofA Securities, Inc.	18,716,000
Total	**U.S.$ 500,000,000**

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers must purchase all the notes, severally and not jointly, if they purchase any of the notes.

We have been advised by the initial purchasers that they propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States to non-U.S. persons (as defined in Regulation S) in reliance on Regulation S. See "Transfer Restrictions." The price at which the notes are offered may be changed at any time without notice. The initial purchasers may offer and sell the notes through their respective affiliates.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

The notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV, and may not be offered or sold publicly, or otherwise be subject to intermediation (*intermediación*) activities in Mexico, except pursuant to an exception set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercando de Valores*).

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions."

Application has been made to Euronext Dublin for the notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes. If an active public trading market for the notes is not maintained, the market price and liquidity of the notes may be adversely affected.

We have agreed that, for a period of 30 days from the date of this offering memorandum, we will not, without the prior written consent of Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any U.S. dollar denominated debt securities issued or guaranteed by us (other than the notes).

The notes will constitute a new class of securities with no established trading market. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering.
- Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

Delivery of the notes is expected on or about July 1, 2020, which will be the fifth business day following the date of pricing of the notes, or "T+5", against payment for the notes. Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their delivery date should consult their own advisors.

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. In addition, some of the initial purchasers are lenders under our credit agreements. They have received, or may in the future receive, customary fees and commissions for these transactions.

We intend to use all or a portion of the proceeds from this offering to repay some or all amounts due under the BofA Credit Agreement, the First Citi Credit Agreement and the Second Citi Credit Agreement. Some of the initial purchasers of this offering are affiliates of the lenders under these credit agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Prohibition of Sales to European Economic Area and United Kingdom Retail Investors

The notes may not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA") or in the United Kingdom (the "UK"). For these purposes, a "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

In the UK, this offering memorandum is being distributed only to, and is directed only at, qualified investors (as defined in the Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), or (ii) high net worth entities and other persons to whom it may be lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes in the UK will be engaged in only with, relevant persons. Any person in the UK who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Notice to Prospective Investors in Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Chile

The offer of the notes is subject to General Rule No. 336 of the Chilean Securities Commission (*Comisión para el Mercado Financiero*, or CMF). The notes being offered will not be registered under the Chilean Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros)* both kept by the CMF and, therefore, the notes are not subject to the oversight of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the notes in Chile. Accordingly, the notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the CMF. Pursuant to the Chilean Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law and, as such, subject to registration in Chile. However, pursuant to General Rule No.336 of the CMF, the notes may be privately offered in Chile to certain "qualified investors" identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: June 22, 2020. The offer of the notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF.

2. The subject matter of this offer are securities not registered with the Securities Registry *(Registro de Valores)*, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) both kept by CMF. As a consequence, the notes are not subject to the oversight of the CMF.

3. Since the notes are not registered in Chile, the issuer is not obliged to provide publicly available information about the notes in Chile.

4. The notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry kept by the CMF.

CMF Rule 336 further requires the following information to be included in the Spanish language:

Aviso a los Inversionistas Chilenos

La oferta de los bonos se acoge a la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos en Chile, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General N° 336 de la Comisión para el Mercado Financiero. De conformidad con la Ley de Mercado de Valores Chilena, se entiende por oferta pública de valores la dirigida al público en general o a ciertos sectores o a grupos específicos de éste. Considerando lo amplio de dicha definición, incluso una oferta dirigida a un pequeño grupo de inversionistas puede ser considerada como una oferta dirigida a ciertos sectores o a grupos específicos del público y por lo tanto considerada como pública y sujeta a inscripción en Chile bajo la ley aplicable. Sin embargo, en conformidad con lo dispuesto por la Norma de Carácter General N°336, los bonos podrán ser ofrecidos privadamente a ciertos "inversionistas calificados," identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General N° 216 de la Comisión para el Mercado Financiero de fecha 12 de junio de 2008).

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. *La oferta de los bonos comienza el 22 de Junio de 2020, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF.*

2. *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo tanto, tales valores no están sujetos a la fiscalización de esa Comisión.*

3. *Por tratarse de valores no inscritos en Chile, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los mismos.*

4. *Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment hereto) contains a misrepresentation; *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial

Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Notice to Prospective Investors in Singapore

Each initial purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has represented and agreed that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any notes or cause the notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA;

(b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any other applicable securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

(1) in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

(2) outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The notes have not been and will not be registered in Mexico with the National Registry of Securities maintained by the CNBV. Accordingly, the notes may not be offered or sold publicly or otherwise be the subject of brokerage activities in Mexico, absent an available exemption under Article 8 of the Mexican Securities Market Law.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States.

(2) It acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes and that notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes.

(4) It will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act.

(5) It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

(6) It acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or exchange for interest between global notes), the holder of such notes may be required to provide certifications relating to the manner of such transfer or qualification for exchange as provided in the indenture.

(7) It acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.

(8) It acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of each Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to another exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act and, in each of such cases, in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above.**
>
> **The foregoing legend may be removed from this Note only with the consent of the issuer."**

The following is the form of restrictive legend which will appear on the face of each Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.**
>
> **The foregoing legend may be removed from this Note with the consent of the Issuer after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note."**

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Form of Notes, Clearing and Settlement."

LEGAL MATTERS

Certain legal matters in connection with this international offering will be passed upon for our company with respect to New York law by Skadden, Arps, Slate, Meagher & Flom LLP, and with respect to Mexican law by Santamarina y Steta, S.C. Certain legal matters in connection with this international offering will be passed upon for the initial purchasers with respect to New York law by Simpson Thacher & Bartlett LLP and with respect to Mexican law by Galicia Abogados, S.C.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, were audited by Galaz, Yamazaki, Ruíz Urquiza, S.C., member of Deloitte Touche Tohmatsu Limited. Galaz, Yamazaki, Ruiz Urquiza, S.C., is a member of the Association of Public Accountants of Mexico (*Colegio de Contadores Públicos de México, A.C.*).

AVAILABLE INFORMATION

We will furnish, upon prior written request of any registered owner of a note, or note holder, or beneficial owner of a note, or note owner, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act: (a) to such note holder or note owner, (b) to a prospective purchaser of such note (or beneficial interest therein) who is a qualified institutional buyer designated by such note holder or note owner or (c) to the trustee for delivery to such note holder or note owner or such prospective purchaser so designated, in each case in order to permit compliance by such note holder or note owner with Rule 144A in connection with the resale of such note (or a beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, (1) we are subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act, as amended, or (2) we qualify for the exemption to Rule 12g3-2(b).

In addition, for so long as the notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, copies of the following items will be available in physical form at Av. Jaime Balmes 8, 9th floor, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510, Mexico City, Mexico:

- this offering memorandum;
- a copy of our bylaws (*estatutos sociales*);
- our audited consolidated financial statements;
- a copy of the indenture governing the notes; and
- any other documents relating to the offering of the notes referred to herein.

Except as disclosed in this offering memorandum, since December 31, 2019 there has been no material adverse change in our prospects and since March 31, 2020 there has been no significant change in our financial or trading position.

INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Kimberly-Clark de México, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements as of March 31, 2020, and for the three months ended March 31, 2020 and 2019

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

Unaudited Condensed Consolidated Interim Statement of Financial Position

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

Assets	Notes	March 31, 2020 (Unaudited)	December 31, 2019
Current assets:			
Cash and cash equivalents		$ 9,723,223	$ 6,838,556
Trade accounts receivable - net	4	6,902,841	6,425,227
Notes receivable and others		269,598	269,173
Current derivative financial instruments	15	1,140,130	-
Inventories	5	3,503,887	3,225,703
Total current assets		21,539,679	16,758,659
Long-term assets:			
Right-of-use assets	6	1,306,375	1,298,820
Property, plant and equipment	7	16,836,191	17,089,800
Non current derivative financial instruments	15	6,159,388	3,360,569
Intangibles and other assets	8	2,199,646	2,240,166
Goodwill	9	934,221	934,221
Total long-term assets		27,435,821	24,923,576
Total		$ 48,975,500	$ 41,682,235
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of long-term debt	10	$ 7,260,000	$ 2,500,000
Bank loans		235,000	235,000
Trade accounts payable		7,087,141	5,628,610
Lease liabilities	6	202,001	193,098
Current derivative financial instruments	15	67,082	-
Dividends payable		4,971,382	35,650
Other accounts payable, accrued liabilities and provisions	11	2,660,030	2,301,009
Employee benefits		1,446,724	1,356,671
Income tax	12	404,228	696,085
Total current liabilities		24,333,588	12,946,123
Long-term liabilities:			
Long-term debt	10	19,627,096	20,952,036
Lease liabilities	6	1,265,276	1,111,146
Non current derivative financial instruments	15	547,692	488,459
Deferred income taxes		477,215	391,227
Other liabilities	13	715,015	620,299
Total long-term liabilities		22,632,294	23,563,167
Total liabilities		46,965,882	36,509,290
Stockholders' equity			
Contributed		19,695	19,695
Earned		1,786,956	5,194,819
Other comprehensive income		322,707	70,051
Controlling entity stockholders' equity	16	2,129,358	5,284,565
Minority interest stockholders' equity		(119,740)	(111,620)
Total stockholders' equity		2,009,618	5,172,945
Total		$ 48,975,500	$ 41,682,235

See accompanying notes to condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Income

For the three months ended March 31, 2020 and 2019
(Thousands of Mexican pesos, except as indicated)

	Notes	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Net sales		$ 11,692,238	$ 11,013,588
Cost of sales		7,067,539	7,138,161
Gross profit		4,624,699	3,875,427
Selling expenses		1,306,122	1,229,273
Administrative expenses		616,975	585,641
Operating profit		2,701,602	2,060,513
Finance costs:			
Borrowing costs		553,410	462,856
Interest income		(99,427)	(70,009)
Exchange fluctuation – net		(42,385)	(25,187)
Income before income taxes		2,290,004	1,692,853
Income taxes	12	770,255	535,785
Consolidated net income before minority interest		1,519,749	1,157,068
Net loss minority interest		(8,120)	(4,209)
Net income attributable to controlling interest		$ 1,527,869	$ 1,161,277
Basic earnings per share (in pesos)		$ .50	$ .38
Weighted average number of outstanding shares (in thousands)		3,084,833	3,084,833

See accompanying notes to condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Other Comprehensive Income

For the three months ended March 31, 2020 and 2019
(Thousands of Mexican pesos)

	Notes	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Consolidated net income		$ 1,519,749	$ 1,157,068
Other comprehensive income:			
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	15	252,656	(314,646)
Consolidated comprehensive income before minority interest		1,772,405	842,422
Comprehensive loss minority interest		(8,120)	(4,209)
Comprehensive income attributable to controlling interest		$ 1,780,525	$ 846,631

See accompanying notes to condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2020 and 2019
(Thousands of Mexican pesos)

	Contributed	Earned	Other comprehensive income					
	Common stock	Retained earnings	Actuarial losses	Translation effects of foreign operations	Valuation of derivative financial instruments	Controlling Entity stockholders' equity	Minority interest net of obligation to purchase it (Note 13a)	Total stockholders' equity
Balance, January 1, 2019	$ 579,571	$ 4,234,246	$ (128,718)	$ 145,682	$ 730,001	$ 5,560,782	$ 42,709	$ 5,603,491
Stockholders' equity reimbursement	(559,876)	(4,221,614)				(4,781,490)		(4,781,490)
Reimbursement of equity held by minority interest (Note 3b)		26,088				26,088	(151,088)	(125,000)
Comprehensive income		1,161,277			(314,646)	846,631	(4,209)	842,422
Balance, March 31, 2019 (unaudited)	$ 19,695	$ 1,199,997	$ (128,718)	$ 145,682	$ 415,355	$ 1,652,011	$ (112,588)	$ 1,539,423
Balance, January 1, 2020	**$** 19,695	$ 5,194,819	$ (209,778)	$ 145,682	$ 134,147	$ 5,284,565	$ (111,620)	$ 5,172,945
Dividends declared		(4,935,732)				(4,935,732)		(4,935,732)
Comprehensive income		1,527,869			252,656	1,780,525	(8,120)	1,772,405
Balance, March 31, 2020 (unaudited)	$ 19,695	$ 1,786,956	$ (209,778)	$ 145,682	$ 386,803	$ 2,129,358	$ (119,740)	$ 2,009,618

See accompanying notes to condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Thousands of Mexican pesos)

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Operating activities:		
Income before income taxes	$ 2,290,004	$ 1,692,853
Items related to investing and financing activities:		
Depreciation and amortization	512,785	497,727
Exchange fluctuations	(42,385)	(25,187)
Interest expense - net	453,983	392,847
	3,214,387	2,558,240
Trade accounts receivable and other	(366,242)	(385,671)
Inventories	(278,184)	(124,699)
Trade accounts payable	767,635	507,129
Other accounts payable, accrued liabilities and provisions	312,103	185,985
Employee benefits and retirement	84,769	72,524
Income taxes paid	(1,067,280)	(536,926)
Net cash flows provided by operating activities	2,667,188	2,276,582
Investing activities		
Additions to property, plant and equipment	(154,563)	(170,358)
Increase in the equity of subsidiaries with minority interest		(125,000)
Other assets	4,599	3,264
Net cash flows used in investing activities	(149,964)	(292,094)
Excess cash to apply in financing activities	2,517,224	1,984,488
Financing activities		
Interest paid	(304,875)	(354,829)
Payment of lease liabilities	(75,102)	(69,804)
Net cash flows used in financing activities	(379,977)	(424,633)
Increase in cash and cash equivalents	2,137,247	1,559,855
Effects of exchange rate changes on balance held in foreign currency	747,420	(24,899)
Cash and cash equivalents at the beginning of period	6,838,556	4,999,502
Cash and cash equivalents at the end of period	$ 9,723,223	$ 6,534,458

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations of $(3,437,000) and $182,000 in the three months period ended March 31, 2020 and 2019, respectively.

See accompanying notes to condensed consolidated interim financial statements.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As of March 31, 2020 and for the three months ended March 31, 2020 and 2019
(Thousands of Mexican pesos, except as indicated)

1. General information

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

2. Significant event

Over the past few months, we have seen the profound impact that the novel coronavirus (COVID-19) is having on human health, the Mexican economy, and society. The Entity has been actively addressing the COVID-19 situation and its impact, to mitigate the potential effects on its people and business. During the first quarter and especially in March, we experience increased demand for some products. On March 31, 2020, the "Ministry of Health" published in the "Official Gazette of the Federation" the Agreement establishing extraordinary actions to attend to the health emergency caused by COVID-19, in which the activities considered essential and, according to article one, section II, may continue to operate during the pandemic were defined. Based on the government's criteria, the Entity's activities, as well as those of entities within its supply chain, are considered to be essential, which has allowed the Entity to operate during the pandemic without significant adverse impacts on the cost of production, except for the effects of exchange rate volatility.

3. Basis of presentation

a. ***Unaudited condensed consolidated interim financial statements***

The accompanying condensed consolidated interim financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and 2019 are unaudited and have been prepared in accordance with International Financial Reporting Standards ("IFRS or IAS"), IAS No. 34, *Interim Financial Reporting*. All adjustments (consisting mainly of ordinary, recurring adjustments) considered necessary for the fair presentation of the accompanying condensed consolidated interim financial statements in accordance with IAS 34 have been included. The results of operations for the periods presented are not necessarily indicative of results for the full year.

These unaudited condensed consolidated interim financial statements do not include all of the information required in a complete set of annual financial statements, and therefore should be read in conjunction with the audited consolidated financial statements of the Entity and their respective notes as of and for the year ended December 31, 2019.

The accounting policies and methods of computation are consistent with the audited consolidated financial statements for the year ended December 31, 2019.

The accompanying condensed consolidated interim financial statements have been translated from Spanish into English for use outside of Mexico.

b. ***Basis of consolidation***

The condensed consolidated interim 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.

- Certain subsidiaries which comprise the liquid soap and antibacterial gel businesses and others, of which it owns 77.5% beginning in February 2019 and 55% until January 2019.

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

4. Accounts receivable from customers - net

	March 31, 2020 (Unaudited)	December 31, 2019
Trade	$ 8,342,477	$ 7,786,490
Allowance for rebates	(1,281,004)	(1,209,748)
Allowance for doubtful accounts	(158,632)	(151,515)
Net	$ 6,902,841	$ 6,425,227

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Allowance for rebates:		
Balance at the beginning of the period	$ (1,209,748)	$ (934,153)
Increases	(2,137,145)	(1,716,428)
Applications	2,065,889	1,601,375
Ending balance	$ (1,281,004)	$ (1,049,206)

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

	March 31, 2020 (Unaudited)	December 31, 2019
Finished goods	$ 1,281,535	$ 1,229,688
Work in process	351,488	367,200
Raw materials and spare parts	1,870,864	1,628,815
Total	$ 3,503,887	$ 3,225,703

6. Leases

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

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Right-of-use assets		
Balance at the beginning	$ 1,536,385	$ 1,374,781
Additions	73,884	-
Ending balance	1,610,269	1,374,781
Depreciation of right-of-use asset		
Balance at the beginning	$ (237,565)	$ -
Additions	(66,329)	(59,573)
Ending balance	(303,894)	(59,573)
Net	$ 1,306,375	$ 1,315,208

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

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Balance at the beginning	$ 1,304,244	$ 1,370,943
Additions	73,884	-
Payments	(75,102)	(69,804)
Interest paid	22,418	19,722
Exchange rate fluctuation - net	141,833	(9,487)
Ending balance	1,467,277	1,311,374
Short-term	(202,001)	(208,371)
Long-term	$ 1,265,276	$ 1,103,003

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

2022	$ 180,275
2023	169,052
2024	171,953
2025	173,884
Thereafter	570,112
	$ 1,265,276

7. Property, plant and equipment

	March 31, 2020 (Unaudited)	December 31, 2019
Depreciable fixed assets	$43,453,654	$43,289,257
Accumulated depreciation	(27,930,844)	(27,525,762)
Net	15,522,810	15,763,495
Land	741,814	741,814
Construction in progress	571,567	584,491
Total	$16,836,191	$17,089,800

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2019	$ 6,060,819	$34,618,228	$ 1,042,979	$41,722,026
Additions	545	212,303	155	213,003
Disposals			(1,381)	(1,381)
Balance at March 31, 2019 (unaudited)	$ 6,061,364	$34,830,531	$ 1,041,753	$41,933,648
Balance at the beginning of 2020	$ 6,266,460	$35,985,583	$ 1,037,214	$43,289,257
Additions	17,234	161,761	1,452	180,447
Disposals		(8,944)	(7,106)	(16,050)
Balance at March 31, 2020 (unaudited)	$ 6,283,694	$36,138,400	$ 1,031,560	$43,453,654

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2019	$ (2,823,577)	$ (22,614,480)	$ (566,524)	$ (26,004,581)
Additions	(28,762)	(354,105)	(19,816)	(402,683)
Disposals			1,054	1,054
Balance at March 31, 2019 (unaudited)	$ (2,852,339)	$ (22,968,585)	$ (585,286)	$ (26,406,210)

	Buildings	Machinery and equipment	Transportation equipment	Total
Balance at the beginning of 2020	$ (2,988,260)	$ (23,887,241)	$ (650,261)	$ (27,525,762)
Additions	(32,343)	(359,876)	(18,146)	(410,365)
Disposals			5,283	5,283
Balance at March 31, 2020 (unaudited)	$ (3,020,603)	$ (24,247,117)	$ (663,124)	$ (27,930,844)

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

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

8. Intangibles and other assets

	March 31, 2020 (Unaudited)	December 31, 2019
Trademarks and licenses	$ 1,842,598	$ 1,842,598
Patents and permits	25,636	25,636
Customer relationships	583,441	583,441
	2,451,675	2,451,675
Accumulated amortization	(672,977)	(636,886)
Trademarks and licenses with indefinite life	374,372	374,372
Total intangibles	2,153,070	2,189,161
Other assets	46,576	51,005
Total	$ 2,199,646	$ 2,240,166

Accumulated amortization	Trademarks and licenses	Patents and permits	Customer relationships	Total
Balance at the beginning of 2019	$ (290,898)	$ (12,199)	$ (188,876)	$ (491,973)
Additions	(28,181)	(443)	(6,847)	(35,471)
Balance at March 31, 2019 (unaudited)	$ (319,079)	$ (12,642)	$ (195,723)	$ (527,444)
Balance at the beginning of 2020	$ (406,651)	$ (13,969)	$ (216,266)	$ (636,886)
Additions	(28,801)	(443)	(6,847)	(36,091)
Balance at March 31, 2020 (unaudited)	$ (435,452)	$ (14,412)	$ (223,113)	$ (672,977)

The useful lives used for calculating amortization are:

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

9. Goodwill

Feeding accessories business	$ 582,771
Liquid soap business	351,450
Total	$ 934,221

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

The discount rates utilized for the feeding accessories business in 2019 were 11.8% for the domestic portion and 8.4% for the foreign portion.

The discount rate utilized for liquid soap business was 11.7% for 2019.

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

10. Long-term debt

	March 31, 2020 (Unaudited)	December 31, 2019
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 7.17% and 6.98%, with maturities in 2020 and 2023.	$ 4,250,000	$ 4,250,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	5,950,000	4,722,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	5,950,000	4,722,500
Credit contract with Bank of America for USD$200 million, unsecured, bearing interest based on a monthly London Interbank Offered Rate Libor plus 110 point spread. At March 31, 2020 the net annual rate was 2.146%.	4,760,000	3,778,000
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 30 point credit spreads. As of March 31, 2020, the annualized rate is 7.115%.	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 point credit spreads. As of March 31, 2020, the annualized rate is 7.717%.	3,000,000	3,000,000
Total	26,910,000	23,473,000

	March 31, 2020 (Unaudited)	December 31, 2019
Current portion	(7,260,000)	(2,500,000)
Expenses on debt issuance	(57,527)	(61,905)
Increase of debt due to fair value hedge	34,623	40,941
Long-term debt	$ 19,627,096	$ 20,952,036

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

Long-term debt matures as follows:

2022	3,000,000
2023	3,250,000
2024	5,950,000
2025	5,950,000
2026	1,500,000
	$ 19,650,000

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

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

11. Other accounts payable, accrued liabilities and provisions

Are composed as follows:

	March 31, 2020 (Unaudited)	December 31, 2019
Provisions	$ 519,483	$ 473,011
Value added tax, withholdings and taxes other than income tax	1,123,496	995,487
Other accrued services	1,017,051	832,511
Total	$ 2,660,030	$ 2,301,009

Provisions are composed as follows:

	March 31, 2020 (Unaudited)	December 31, 2019
Promotion	$ 152,304	$ 154,136
Freight	367,179	318,875
Total	$ 519,483	$ 473,011

	Promotion	Freight	Total
Balance at the beginning of 2019	$ 178,520	$ 271,736	$ 450,256
Increases	87,007	678,268	765,275
Applications	(131,898)	(669,158)	(801,056)
Balance at March 31, 2019 (unaudited)	$ 133,629	$ 280,846	$ 414,475
Balance at the beginning of 2020	$ 154,136	$ 318,875	$ 473,011
Increases	124,675	733,692	858,367
Applications	(126,507)	(685,388)	(811,895)
Balance at March 31, 2020 (unaudited)	$ 152,304	$ 367,179	$ 519,483

12. Income taxes

The statutory income tax rate is 30% for the three months ended March 31, 2020 and 2019.

a. Income taxes recognized in the statement of income:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Current	$ 775,423	$ 546,503
Deferred	(5,168)	(10,718)
Total income taxes	$ 770,255	$ 535,785

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

	March 31, 2020 (Unaudited) Rate %	March 31, 2019 (Unaudited) Rate %
Statutory rate	30.0	30.0
Effects of inflation	.7	.1
Non-deductible items	2.5	1.3
Tax incentive and others	.4	0.2
Effective rate	33.6	31.6

c. Deferred income tax recognized in other comprehensive income:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Due to valuation of derivative financial instruments	$ (108,282)	$ 134,848

13. Other liabilities

Is comprised as follows:

	March 31, 2020 (Unaudited)	December 31, 2019
Obligation to purchase minority interest	$ 360,275	$ 260,275
Retirement benefits	354,740	360,024
Total	$ 715,015	$ 620,299

a. Call and put option

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

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

For the period ended March 31, 2020 the Entity decided to increase the Obligation to Purchase minority interest, since the related subsidiary increase its sales and operating profit results. However, final amount will be determined at the end of year based on proper valuation.

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:

	December 31, 2019
Projected benefit obligation	$ 733,610
Plan assets	(373,586)
Net liability	360,024
Annual cost	$ 61,914

The valuation is calculated on an annual basis. As of March 31, 2020 (unaudited) plan assets are for $350,947.

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

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

14. Risks

a. Liquidity risk

The Entity's liquidity risk is limited as it has a healthy cash flow profile due to its diversified sales, which are made to customers and distributors with solvent financial positions. As of March 31, 2020, considering the profile of the Entity's debt it believes it has enough cash on hand to mitigate the negative effects of any potential external event which could temporarily result in a liquidity reduction and impact the Entity's ability to meet its short-term obligations.

When the Entity acquires debt, it seeks to ensure staggered maturities to further mitigate the liquidity risk. The profile of future maturities as of March 31, 2020 is spaced out over six years. None of the Entity's annual maturities under its current debt profile exceeds the annual net cash flow provided by operating activities as of March 31, 2020.

The Entity has sound relations with different financial institutions and considers that it has access to different types of financing through loans in Mexico or abroad, whether directly with such institutions or through the capital markets. For such purpose the Entity permanently maintains ratings of the Standard & Poor's and Fitch Ratings agencies for debt both in pesos and in foreign currency. As of March 31, 2020, debt ratings by Standard & Poor's were "AAA" in pesos and "BBB+" in U.S. dollars, whereas those of Fitch Ratings were "AAA" in pesos and "A" in U.S. dollars. In all cases, these are considered investment-grade ratings.

b. Market risk

- Exchange rate

  The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in Note 17.

  Furthermore, the prices of a significant portion of the inputs that the Entity utilizes in its production processes are established in foreign currency or tend to be adjusted for exchange rate movements. To mitigate this risk, an export business is maintained. Also, the financial derivatives markets are continually analyzed to seek opportunities to mitigate these risks. As of March 31, 2020 the Entity had not entered into any hedge instrument on supplies purchases. Export sales as of March 31, 2020 were $778 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 March 31, 2020, 59% of the debt was at a fixed rate and 41% at a variable rate. To reduce the risk of interest rate variations the Entity entered into derivative financial instruments denominated “interest rate swaps” with the aim to change the one hundred percent of its debt to a fixed rate.

- Other pricing risks

  The main pricing risk is related with movements in cellulose prices and recycling fibers. To reduce this risk, the Entity has different strategies in place such as paper-recycling plants. Approximately 60% of the cellulose consumed by the Entity as of March 31,2020 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions. 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 March 31, 2020, the Entity had not contracted any hedge instrument related to natural gas.

15. Derivative financial instruments

a. Cross currency swaps and interest rate swaps

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

The Entity has derivative financial instruments, interest rate swaps, in order to hedge against its total risk exposure in an aggregate manner.

At March 31, 2020 and December 31, 2019 the fair value of the contracts are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019
Contracts to convert 325 million of U.S. dollar-denominated debt to $4,508.1 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to annual fixed rates in pesos of 6.85% and 6.21%, respectively.	$ 4,057,455	$ 2,111,443
Contracts to convert 175 million of US dollar-denominated debt to $2,528.2 million of Mexican peso debt and to convert annual fixed rates in USD from 3.8% and 3.25% to variable rates based on the 28-day TIIE plus certain points credit spreads. As of March 31, 2020 annual rates in pesos are 7.285% and 7.4375%	2,101,933	1,018,763

	March 31, 2020 (Unaudited)	December 31, 2019
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 point credit spread to variable pesos rate based on the 28-day TIIE plus 31.75 point credit spread. As of March 31, 2020 annual rate in pesos is 7.066%.	1,140,130	230,363
Total	7,299,518	3,360,569
Less:		
Current derivative financial instrument assets	(1,140,130)	-
Non current derivative financial instrument assets	$ 6,159,388	$ 3,360,569

Maturity of the contract are as follows:

2024	$ 3,276,509
2025	2,882,879
	$ 6,159,388

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, since 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 $3,363,706 and $(271,178) for the three months ended March 31, 2020 and 2019 (both unaudited), respectively, which complement the exchange rate effect and the contracted interest which correspond to the hedged item.

b. Interest rate swaps on peso - denominated debt

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

The fair value of the contracts are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019
Contract to convert the variable 28-day TIIE rate, plus 5 basis points, to an 8.115% fixed rate with maturity in 2024.	$ 47,282	$ 37,237
Contract to convert the variable 28-day TIIE rate, plus 22 basis points, to an 8.34% fixed rate with maturity in 2025	144,104	125,999
Contract to convert the variable 28-day TIIE rate, plus 31.75 basis points, to an 8.44% fixed rate with maturity in 2021.	67,082	43,820
Contract to convert the 28-day TIIE rate, plus 30 basis points, to a fixed 8.344% rate with maturity in 2022.	140,203	96,134
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.545% rate with maturity in 2023.	93,258	67,333
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.67% rate with maturity in 2026.	122,845	117,936
Total	614,774	488,459
Less:		
Current derivative financial instrument liabilities	(67,082)	-
Non current derivative financial instrument liabilities	$ 547,692	$ 488,459

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

The (unfavorable) favorable effect of these contracts for $(19,912) and $13,826 for the three months ended March 31, 2020 and 2019 (both unaudited), respectively, are presented in results as part of borrowing costs.

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

As of March 31, 2020 (Unaudited), the Entity has a contract for the purchase of 26 million dollars with maturity as of April 30, 2020 at $23.973 pesos per dollar. As of December 31, 2019, the Entity has a contract for the purchase of 18 million dollars with maturity as of January 31, 2020 at $19.01 pesos per dollar.

Determination of fair value of those instruments includes estimations over future currency exchange rates and interest rates, as well as the counterparty credit risk and were the measured using present value of future net cash flows taking into consideration forward interest rates, forward exchange rates and rates of the contracts, which is considered a level 2 measure in the fair value categories.

16. Stockholders' equity

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

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

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

In accordance with the Mexican income tax law, total stockholders' equity, except for stockholders' contributions and their related tax restatement, as well as retained earnings determined based on the provisions of such law, is subject to a dividend tax, payable by the Entity, in the event of distribution.

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

17. Foreign currency balances and transactions

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

	March 31, 2020 (Unaudited)	December 31, 2019
Monetary assets	$ 184,908	$ 180,191
Monetary liabilities (see Note 15)	878,652	867,172

Exchange rates used to value such balances were $23.80 and $18.89 Mexican pesos per one U.S. dollar, respectively.

Transactions denominated in thousands of U.S. dollars for the three months ended March 31, 2020 and 2019 were as follows:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Export sales	$ 42,782	$ 28,980
Purchases of raw materials, spare parts and services	147,108	172,343
Purchases of machinery and equipment	3,594	4,087

18. Related parties

For the three months ended March 31, 2020 and 2019 the Entity had the following transactions with related parties:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Kimberly-Clark Corporation:		
Purchases and technical services	$ 452,244	$ 397,426
Machinery and equipment	42,368	3,950
Net sales and others	426,382	108,328

As of March 31, 2020 and December 31, 2019 the Entity had the following balances with related parties:

	March 31, 2020 (Unaudited)	December 31, 2019
Kimberly-Clark Corporation:		
Trade accounts payable	448,330	314,566
Trade accounts receivable	407,791	222,542

19. Business segment information

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

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

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

Information corresponding to each business segment, based on a managerial approach for the three months ended March 31, 2020 and 2019 is as follows:

	March 31, 2020 (unaudited)			
	Consumer Products	Professional	Exports	Total
Net sales	$ 9,731,989	$ 1,182,541	$ 777,708	$ 11,692,238
Operating profit	2,339,041	251,958	110,603	2,701,602
Depreciation and amortization	430,694	53,517	28,574	512,785

	March 31, 2019 (unaudited)			
	Consumer Products	Professional	Exports	Total
Net sales	$ 9,210,539	$ 1,301,839	$ 501,210	$ 11,013,588
Operating profit	1,942,804	111,134	6,575	2,060,513
Depreciation and amortization	425,479	53,410	18,838	497,727

20. Authorization of issuance of financial statements

On June 15, 2020, the issuance of these condensed consolidated interim financial statements was authorized by Mr. Pablo R. González Guajardo, General Director, and Mr. Xavier Cortés Lascurain, Finance Director, consequently they do not reflect events that occurred after that date.

* * * * * *

Kimberly-Clark de México, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019, 2018 and 2017 and Independent Auditors' Report Dated February 10, 2020

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México

Tel: +52 (55) 5080 6000
www.deloitte.com/mx

Independent Auditors' Report to the Board of Directors and Stockholders of Kimberly-Clark de México, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Kimberly-Clark de México, S. A. B. de C. V. and its Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2019, 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, 2019, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Basis for opinion

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

Key audit matters

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

Allowance for rebates

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

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

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

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

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

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

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

Annual report presented to the Mexican Stock Exchange

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

Those charged with governance are responsible for overseeing the Entity’s financial reporting process, reviewing the content of the consolidated financial statements and submitting them for the approval of the Entity’s Board of Directors.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit executed in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Deloitte.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

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

Consolidated Statements of Financial Position

December 31, 2019, 2018 and 2017
(Thousands of Mexican pesos)

Assets	Notes	2019	2018	2017
Current assets:				
Cash and cash equivalents		$ 6,838,556	$ 4,999,502	$ 4,674,339
Trade accounts receivable - net	4	6,425,227	6,750,417	6,003,793
Notes receivable and others		269,173	330,058	291,391
Inventories	5	3,225,703	3,712,003	3,174,694
Total current assets		16,758,659	15,791,980	14,144,217
Long-term assets:				
Right-of-use assets	6	1,298,820	-	-
Property, plant and equipment	7	17,089,800	17,867,530	17,476,248
Derivative financial instruments	15	3,360,569	4,273,238	4,285,785
Intangibles and other assets	8	2,240,166	2,338,243	2,499,849
Goodwill	9	934,221	934,221	934,221
Total long-term assets		24,923,576	25,413,232	25,196,103
Total		$ 41,682,235	$ 41,205,212	$ 39,340,320

Liabilities and stockholders' equity	Notes	2019	2018	2017
Current liabilities:				
Current portion of long-term debt	10	$ 2,500,000	$ 400,000	$ 1,500,000
Bank loans		235,000	235,000	175,000
Trade accounts payable		5,628,610	6,016,876	4,881,863
Lease liabilities	6	193,098	-	-
Other accounts payable, accrued liabilities and provisions	11	2,336,659	2,115,668	1,940,219
Employee benefits		1,356,671	1,072,890	1,138,157
Income tax	12	696,085	378,564	332,351
Total current liabilities		12,946,123	10,218,998	9,967,590
Long-term liabilities:				
Long-term debt	10	20,952,036	24,005,567	21,630,132
Lease liabilities	6	1,111,146	-	-
Derivative financial instruments	15	488,459	-	-
Deferred income taxes	12	391,227	826,158	1,108,433
Other liabilities	13	620,299	550,998	487,278
Total long-term liabilities		23,563,167	25,382,723	23,225,843
Total liabilities		36,509,290	35,601,721	33,193,433
Stockholders' equity				
Contributed		19,695	579,571	579,695
Earned		5,194,819	4,234,246	4,881,446
Other comprehensive income		70,051	746,965	629,057
Controlling entity stockholders' equity	16	5,284,565	5,560,782	6,090,198
Minority interest stockholders' equity		(111,620)	42,709	56,689
Total stockholders' equity		5,172,945	5,603,491	6,146,887
Total		$ 41,682,235	$ 41,205,212	$ 39,340,320

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income

Years ended December 31, 2019, 2018 and 2017
(Thousands of Mexican pesos, except as indicated)

	Notes	2019	2018	2017
Net sales		$ 43,499,821	$ 41,026,097	$ 37,765,760
Cost of sales		27,178,669	26,686,298	24,363,769
Gross profit		16,321,152	14,339,799	13,401,991
Selling expenses		4,964,048	4,714,818	4,448,828
Administrative expenses		2,360,078	2,116,926	1,971,695
Operating profit		8,997,026	7,508,055	6,981,468
Finance costs:				
Borrowing costs		1,856,542	1,775,539	1,461,592
Interest income		(297,387)	(288,114)	(264,473)
Exchange fluctuation – net		(24,341)	25,294	73,574
Income before income taxes		7,462,212	5,995,336	5,710,775
Income taxes	12	2,314,011	1,782,604	1,703,605
Consolidated net income before minority interest		5,148,201	4,212,732	4,007,170
Net loss minority interest		(7,898)	(13,980)	(30,133)
Net income attributable to controlling interest		$ 5,156,099	$ 4,226,712	$ 4,037,303
Basic earnings per share (in pesos)		$ 1.67	$ 1.37	$ 1.31
Weighted average number of outstanding shares (in thousands)		3,084,833	3,084,833	3,085,119

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Other Comprehensive Income

Years ended December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos)

	Notes	2019	2018	2017
Consolidated net income		$ 5,148,201	$ 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	13	(81,060)	(24,453)	(15,882)
Items that may be reclassified subsequently to statements of income				
Changes in valuation of derivative financial instruments – net of tax	15	(595,854)	142,361	53,428
		(676,914)	117,908	37,546
Consolidated comprehensive income before minority interest		4,471,287	4,330,640	4,044,716
Comprehensive loss minority interest		(7,898)	(13,980)	(30,133)
Comprehensive income attributable to controlling interest		$ 4,479,185	$ 4,344,620	$ 4,074,849

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2019, 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 net of obligation to purchase it (Note 13a)	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
Stockholders' equity reimbursement	(559,876)	(4,221,614)				(4,781,490)		(4,781,490)
Reimbursement of equity held by minority interest (Note 3b)		26,088				26,088	(151,088)	(125,000)
Minority interest - other							4,657	4,657
Comprehensive income		5,156,099	(81,060)		(595,854)	4,479,185	(7,898)	4,471,287
Balance, December 31, 2019	$ 19,695	$ 5,194,819	$ (209,778)	$ 145,682	$ 134,147	$ 5,284,565	$ (111,620)	$ 5,172,945

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended December 31, 2019, 2018 and 2017

(Thousands of Mexican pesos)

	2019	2018	2017
Operating activities:			
Income before income taxes	$ 7,462,212	$ 5,995,336	$ 5,710,775
Items related to investing and financing activities:			
Depreciation and amortization	1,945,756	1,562,338	1,599,824
Exchange fluctuations	(24,341)	25,294	73,574
Interest expense - net	1,559,155	1,487,425	1,197,119
	10,942,782	9,070,393	8,581,292
Trade accounts receivable and other	387,923	(784,657)	(679,685)
Inventories	486,300	(537,309)	(313,496)
Trade accounts payable	(265,912)	1,143,398	413,863
Other accounts payable, accrued liabilities and provisions	232,214	167,203	(16,765)
Employee benefits and retirement	237,283	(36,479)	(211,497)
Income taxes paid	(2,158,479)	(2,068,755)	(2,247,615)
Net cash flows provided by operating activities	9,862,111	6,953,794	5,526,097
Investing activities			
Additions to property, plant and equipment	(771,988)	(1,792,043)	(2,577,711)
Reimbursement of equity in subsidiaries held by minority interest and other acquisitions	(174,632)	-	-
Other assets	18,008	19,464	16,996
Net cash flows used in investing activities	(928,612)	(1,772,579)	(2,560,715)
Excess cash to apply in financing activities	8,933,499	5,181,215	2,965,382
Financing activities			
Borrowings	-	3,042,000	3,162,810
Payment of loans	(400,000)	(1,500,000)	(2,500,000)
Interest paid	(1,500,199)	(1,488,757)	(1,252,703)
Payment of lease liabilities	(290,432)	-	-
Dividends paid	-	-	(4,874,193)
Stockholders' equity reimbursement	(4,781,490)	(4,874,036)	-
Repurchase of own stock	-	-	(109,731)
Net cash flows used in financing activities	(6,972,121)	(4,820,793)	(5,573,817)
Increase (decrease) in cash and cash equivalents	1,961,378	360,422	(2,608,435)
Effects of exchange rate changes on balance held in foreign currency	(122,324)	(35,259)	(178,718)
Cash and cash equivalents at the beginning of year	4,999,502	4,674,339	7,461,492
Cash and cash equivalents at the end of year	$ 6,838,556	$ 4,999,502	$ 4,674,339

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations of $546,000 in 2019, $(28,000) in 2018 and $770,000 in 2017, and valuation of derivative financial instruments of $(243,645) in 2018 and $133,614 in 2017.

See accompanying notes to consolidated financial statements.

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 soaps. Some of the main brands include: Huggies®, KleenBebé®, Kleenex®, Suavel®, Pétalo®, Cottonelle®, Depend®, Kotex®, Evenflo®, Escudo® and Blumen®.

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

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

- IFRS 16 Leases

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

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

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

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

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

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

- IFRIC 23 Uncertainty over income tax treatments

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

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

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

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

The following IFRS took effect as of January 1, 2018.

- IFRS 9 Financial Instruments

  The transition 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.

Effective January 1, 2017, certain modifications to IFRS 7 Disclosure Initiative, are mandatory.

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes in cash and cash equivalents.

Other amendments to IFRS that became effective have no effect on the Entity's amounts and disclosures included in these 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 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.

- Certain subsidiaries which comprise the liquid soap and antibacterial gel businesses and others, of which it owns 77.5% beginning in February 2019 and 55% in 2018 and 2017. The increase in interest is caused by a stockholders' equity contribution by the Entity and a reimbursement of stockholders' equity to the minority interest.

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

c. ***Critical accounting judgments and key information for estimates***

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

The estimates and assumptions are reviewed on an ongoing basis. Review of accounting estimates are recognized in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods (see Notes 4 through 8).

d. ***Cash equivalents***

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

e. ***Financial assets***

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

- Loans and accounts receivable

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

- Impairment of financial assets

  As regards the impairment of financial assets, IFRS 9 requires the use of an expected credit loss method 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 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. ***Leases***

- The Entity as a lessee

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

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

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

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

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

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

h. ***Property, plant and equipment***

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

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

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

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

i. ***Borrowing costs***

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

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

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

j. ***Intangibles***

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

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

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

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

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

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

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

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

l. ***Business combinations***

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

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

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

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

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

m. ***Goodwill***

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

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

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

n. ***Financial liabilities***

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

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

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

- Borrowings and trade payables

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

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

- Derecognition of financial liabilities

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

o. ***Income taxes***

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

- Current income tax

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

- Deferred income tax

  Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities included in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, applying the rate corresponding to these differences and, as appropriate, tax losses to be amortized or tax credits are included. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

- Current and deferred tax

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

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

p. ***Provisions***

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

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

q. ***Employee benefits***

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

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

r. ***Retirement benefits***

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

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

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

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

s. ***Derivative financial instruments***

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

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

t. ***Revenue recognition for contracts with customers***

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

These revenues are recognized, beginning 2018, 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 such as sales returns and rebates.

4. Assign the transaction price to the performance obligations.

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

Until 2017, revenues from the sale of goods were recognized when all of the following conditions were met:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- The amount of revenue can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the Entity; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

u. ***Foreign currency transactions***

The functional currency of the Entity is the Mexican peso.

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

Exchange rate differences are recognized in results of the period.

4. Accounts receivable from customers - net

	2019	2018	2017
Trade	$ 7,786,490	$ 7,820,264	$ 7,294,594
Allowance for rebates	(1,209,748)	(934,153)	(1,162,523)
Allowance for doubtful accounts	(151,515)	(135,694)	(128,278)
Net	$ 6,425,227	$ 6,750,417	$ 6,003,793

Allowance for rebates:	2019	2018	2017
Balance at January 1,	$ (934,153)	$ (1,162,523)	$ (1,120,879)
Increases	(7,435,624)	(6,629,392)	(6,614,446)
Applications	7,160,029	6,857,762	6,572,802
Balance at December 31,	$ (1,209,748)	$ (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

	2019	2018	2017
Finished goods	$ 1,229,688	$ 1,192,345	$ 1,183,004
Work in process	367,200	455,562	350,997
Raw materials and spare parts	1,628,815	2,064,096	1,640,693
Total	$ 3,225,703	$ 3,712,003	$ 3,174,694

6. Leases

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

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

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

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

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

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

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

7. Property, plant and equipment

	2019	2018	2017
Depreciable fixed assets	$ 43,289,257	$ 41,722,026	$ 39,957,158
Accumulated depreciation	(27,525,762)	(26,004,581)	(24,740,385)
Net	15,763,495	15,717,445	15,216,773
Land	741,814	741,814	741,814
Construction in progress	584,491	1,408,271	1,517,661
Total	$ 17,089,800	$ 17,867,530	$ 17,476,248

At December 31, 2019, 2018 and 2017, the amount of unamortized capitalized borrowing costs amounted to $130,474, $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
Additions	205,641	1,393,672	8,696	1,608,009
Disposals		(26,317)	(14,461)	(40,778)
Balance at December 31, 2019	$ 6,266,460	$ 35,985,583	$ 1,037,214	$ 43,289,257

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 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)
Additions	(164,683)	(1,293,416)	(96,425)	(1,554,524)
Disposals		20,655	12,688	33,343
Balance at December 31, 2019	$ (2,988,260)	$ (23,887,241)	$ (650,261)	$ (27,525,762)

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

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

8. Intangibles and other assets

	2019	2018	2017
Trademarks and licenses	$ 1,842,598	$ 1,773,882	$ 1,773,882
Patents and permits	25,636	25,636	25,636
Customer relationships	583,441	583,441	583,441
	2,451,675	2,382,959	2,382,959
Accumulated amortization	(636,886)	(491,973)	(349,832)
Trademarks and licenses with indefinite life	374,372	374,372	374,372
Total intangibles	2,189,161	2,265,358	2,407,499
Other assets	51,005	72,885	92,350
Total	$ 2,240,166	$ 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
Additions	68,716			68,716
Balance at December 31, 2019	$ 1,842,598	$ 25,636	$ 583,441	$ 2,451,675
Accumulated amortization				
Balance at the beginning of 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)
Additions	(115,753)	(1,770)	(27,390)	(144,913)
Balance at December 31, 2019	$ (406,651)	$ (13,969)	$ (216,266)	$ (636,886)

The useful lives used for calculating amortization are:

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

9. Goodwill

Feeding accessories business	$ 582,771
Liquid soap business	351,450
Total	$ 934,221

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

The following discount rates were utilized for the feeding accessories business: 11.8% for 2019 and 14% for 2018 and 2017 for the domestic portion; and, in the case of the foreign portion, 8.4%, 9% and 8% for 2019, 2018 and 2017, respectively.

The following discount rates were utilized for liquid soap business: 11.7% for 2019 and 14% for 2018 and 2017.

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

10. Long-term debt

	2019	2018	2017
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 7.17% and 6.98%, with maturities in 2020 and 2023.	$ 4,250,000	$ 4,650,000	$ 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%.	4,722,500	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%.	4,722,500	4,917,500	4,907,500

	2019	2018	2017
Credit contract with Bank of America for USD$200 million, unsecured, bearing interest based on a monthly London Interbank Offered Rate Libor plus 110 spread. At December 31, 2019 the net annual rate was 3.0544%.	3,778,000	3,934,000	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, 2019, the annualized rate is 7.8675%.	3,000,000	3,000,000	3,000,000
Credit contract with Citibanamex, denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 50 credit spreads. As of December 31, 2019, the annualized rate is 8.2412%.	3,000,000	3,000,000	-
Total	23,473,000	24,419,000	22,891,000
Current portion	(2,500,000)	(400,000)	(1,500,000)
Expenses on debt issuance	(61,905)	(79,647)	(79,151)
Increase of debt due to fair value hedge	40,941	66,214	318,283
Long-term debt	$ 20,952,036	$ 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, 2019, 2018 and 2017.

Long-term debt matures as follows:

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

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

As of December 31, 2019, 2018 and 2017, the fair value of debt approximates its carrying value.

11. Other accounts payable, accrued liabilities and provisions

Are composed as follows:

	2019	2018	2017
Provisions	$ 473,011	$ 450,256	$ 314,697
Value added tax, withholdings and taxes other than income tax	995,487	751,010	769,155
Other accrued services	868,161	914,402	856,367
Total	$ 2,336,659	$ 2,115,668	$ 1,940,219

Provisions are composed as follows:

	2019	2018	2017
Promotion	$ 154,136	$ 178,520	$ 100,144
Freight	318,875	271,736	214,553
Total	$ 473,011	$ 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
Increases	460,398	2,697,665	3,158,063
Applications	(484,782)	(2,650,526)	(3,135,308)
Balance at December 31, 2019	$ 154,136	$ 318,875	$ 473,011

12. Income taxes

The statutory income tax rate is 30% for the years 2019, 2018 and 2017.

a. Income taxes recognized in profit or loss

	2019	2018	2017
Current	$ 2,476,000	$ 2,114,968	$ 2,024,777
Deferred	(161,989)	(332,364)	(321,172)
Total income taxes	$ 2,314,011	$ 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:

	2019 Rate %	2018 Rate %	2017 Rate %
Statutory rate	30.0	30.0	30.0
Effects of inflation	.3	(.2)	(.5)
Non-deductible items	1.3	1.4	1.2
Tax incentive and others	(.6)	(1.5)	(.9)
Effective rate	31.0	29.7	29.8

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

	2019	2018	2017
Due to valuation of derivative financial instruments	$ 255,366	$ (61,012)	$ (22,898)
Due to actuarial loss	34,739	10,479	6,807
Total	$ 290,105	$ (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:

	2019	2018	2017
Property, plant and equipment	$ 956,620	$ 1,106,398	$ 1,331,140
Intangibles arising from business combination	13,349	19,070	24,790
Inventories	21,448	19,071	17,723
Loss carryforwards (expiring from 2023 to 2038)	(164,167)	(204,071)	(130,933)
Other liabilities and provisions	(493,514)	(427,167)	(386,133)
Derivative financial instruments	57,491	312,857	251,846
Total	$ 391,227	$ 826,158	$ 1,108,433

13. Other liabilities

Is comprised as follows:

	2019	2018	2017
Obligation to purchase minority interest	$ 260,275	$ 260,275	$ 260,275
Retirement benefits	360,024	290,723	227,003
Total	$ 620,299	$ 550,998	$ 487,278

a. Call and put option

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

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

b. Retirement benefits

The liability and the annual cost for labor obligations derive from a pension plan for qualifying personnel, retirement severance payments and legal seniority premium.

The present value of the obligations for defined benefits and the annual cost are calculated by an independent actuary based on the projected unit credit method. To meet this obligation, the Entity has established administration funds that are balanced between fixed and variable rates with a moderate risk.

Relevant information regarding these obligations is as follows:

	2019	2018	2017
Projected benefit obligation	$ 733,610	$ 605,604	$ 587,067
Plan assets	(373,586)	(314,881)	(360,064)
Net liability	360,024	290,723	227,003
Annual cost	$ 61,914	$ 47,907	$ 41,928

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

	2019 %	2018 %	2017 %
Discount rate	8.75	9.75	8.75
Expected return on plan assets	8.75	9.75	8.75
Expected rate of salary increase	4.50	4.50	4.50

As of December 31, 2019, 2018 and 2017, employee benefits expense totaled $3,753, $3,245 and $2,905 million, respectively.

14. Risks

a. Liquidity risk

The Entity's liquidity risk is limited as it has a healthy cash flow profile due to its diversified sales, which are made to customers and distributors with solvent financial positions. As of December 31, 2019, considering the profile of the Entity's debt it believes it has enough cash on hand to mitigate the negative effects of any potential external event which could temporarily result in a liquidity reduction and impact the Entity's ability to meet its short-term obligations.

When the Entity acquires debt, it seeks to ensure staggered maturities to further mitigate the liquidity risk. The profile of future maturities as of December 31, 2019 is spaced out over seven years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the result before income taxes for the year 2019, nor the net cash flow provided by operating activities as of December 31, 2019.

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

b. Market risk

- Exchange rate

The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in Note 17.

Furthermore, the prices of a significant portion of the inputs that the Entity utilizes in its production processes are established in foreign currency or tend to be adjusted for exchange rate movements. To mitigate this risk, an export business is maintained. Also, the financial derivatives markets are continually analyzed to seek opportunities to mitigate these risks. As of December 31, 2019 the Entity had not entered into any hedge instrument on supplies purchases. Export sales in the year 2019 were $2,932 million Mexican pesos and it is estimated that the purchases of those inputs whose prices fluctuate due to changes in the exchange rate represent about 60% of its costs.

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

- Interest rates

As of December 31, 2019, 58% of the debt was at a fixed rate and 42% at a variable rate. To reduce the risk of interest rate variations, during 2018 the Entity entered into derivative financial instruments denominated "interest rate swaps" with the aim to change the one hundred percent of its debt to a fixed rate.

- Other pricing risks

The main pricing risk is related with movements in cellulose prices and recycling fibers. To reduce this risk, the Entity has different strategies in place such as paper-recycling plants. Approximately 60% of the cellulose consumed by the Entity during 2019 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions. The Entity believes that no efficient financial hedge market exists for cellulose.

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

15. Derivative financial instruments

a. Cross currency swaps and interest rate swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, the Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2019, 2018 and 2017 convert U.S. dollar-denominated for 700 million of debt into $10,614.8 million Mexican pesos.

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

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

	2019	2018	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.	$ 2,111,443	$ 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, 2019 annual rates in pesos are 7.821% and 7.9625%	1,018,763	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, 2019 annual rate in pesos is 7.879%.	230,363	405,062	449,533
Derivative financial instruments - asset	$ 3,360,569	$ 4,053,404	$ 4,285,785

Maturity of the contract are as follows:

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

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

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

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

The (unfavorable) favorable (unfavorable) effect of cash flow hedge that was reclassified to net income were $(907,426), $56,430 and $(439,171) for the 2019, 2018 and 2017 years, respectively, which complement the exchange rate effect and the contracted interest which correspond to the hedged item.

b. Interest rate swaps on peso - denominated debt

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

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

	2019	2018
Contract to convert the variable 28-day TIIE rate, plus 5 basis points, to an 8.115% fixed rate with maturity in 2024.	$ (37,237)	$ 15,218
Contract to convert the variable 28-day TIIE rate, plus 22 basis points, to an 8.34% fixed rate with maturity in 2025	(125,999)	46,718
Contract to convert the variable 28-day TIIE rate, plus 31.75 basis points, to an 8.44% fixed rate with maturity in 2021.	(43,820)	33,393
Contract to convert the 28-day TIIE rate, plus 30 basis points, to a fixed 8.344% rate with maturity in 2022.	(96,134)	49,299

	2019	2018
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.545% rate with maturity in 2023.	(67,333)	30,696
Contract to convert the 28-day TIIE rate, plus 50 basis points, to a fixed 8.67% rate with maturity in 2026.	(117,936)	44,510
Derivative financial instruments – (liability) asset	$ (488,459)	$ 219,834

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

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

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

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

Determination of fair value of those instruments includes estimations over future currency exchange rates and interest rates, as well as the counterparty credit risk and were the measured using present value of future net cash flows taking into consideration forward interest rates, forward exchange rates and rates of the contracts, which is considered a level 2 measure in the fair value categories.

16. Stockholders’ equity

As of December 31, 2019, 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.

In accordance with the Mexican income tax law, total stockholders’ equity, except for stockholders’ contributions and their related tax restatement, as well as retained earnings determined based on the provisions of such law, is subject to a dividend tax, payable by the Entity, in the event of distribution.

As of December 31, 2019, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $24,798,000, the net tax income account until 2013 for $2,498,000 and the net tax income account that started in 2014 for $29,864,000, approximately.

During the years ended December 31, 2019, 2018 and 2017, the Entity paid stockholders' equity reimbursements of $4,781,490, $4,874,036 and dividends of $4,874,193, respectively. If such stockholders' equity reimbursement and dividends had not been paid, stockholders' equity would have been $14,529,719, $9,748,229 and $4,874,193, higher as of such dates.

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

17. Foreign currency balances and transactions

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

	2019	2018	2017
Monetary assets	$ 180,191	$ 175,368	$ 116,336
Monetary liabilities (see Note 15)	867,172	855,969	831,835

Exchange rates used to value such balances were $18.89, $19.67 and $19.63 Mexican pesos per one U.S. dollar in 2019, 2018 and 2017, respectively.

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

	2019	2018	2017
Export sales	$ 151,098	$ 157,098	$ 109,786
Purchases of raw materials, spare parts and services	611,969	667,366	593,305
Purchases of machinery and equipment	19,369	38,635	61,296

18. Related parties

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

	2019	2018	2017
Kimberly-Clark Corporation:			
Purchases and technical services	$ 1,685,187	$ 1,595,935	$ 1,550,454
Machinery and equipment	14,827	76,070	380,344
Net sales and others	873,053	568,557	306,734
Trade accounts payable	314,566	275,541	324,125
Trade accounts receivable	222,542	120,276	75,692

Other - As of December 31, 2019, 2018 and 2017, employee benefits granted to Entity's key senior management were $228,311, $217,831 and 227,870, respectively.

19. Business segment information

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

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

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

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

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

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

	2017			
	Consumer Products	Professional	Exports	Total
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

20. Commitments

At December 31, the Entity held the following commitments:

	2019	2018	2017
Acquisition of machinery, equipment and construction projects	$ 331,061	$ 460,016	$ 1,084,393
Acquisition of raw materials, spare parts and other	678,924	526,418	401,238

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

21. Authorization of issuance of financial statements

On February 10, 2020, the issuance of these consolidated financial statements was authorized by Mr. Pablo R. González Guajardo, General Director, and Mr. Xavier Cortés Lascurain, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Stockholders' Ordinary Meeting.

* * * * * *

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

Av. Jaime Balmes 8, 9th floor
Colonia Los Morales Polanco
Alcaldía Miguel Hidalgo, 11510
Mexico City, Mexico

INDEPENDENT AUDITORS

Galaz, Yamazaki, Ruíz Urquiza, S.C.
a member firm of Deloitte Touche Tohmatsu Limited
Paseo de la Reforma 505, 28th floor
Colonia Cuauhtémoc
Alcaldía Cuauhtémoc, 06500
Mexico City, Mexico

TRUSTEE, PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Wells Fargo Bank, National Association
150 East 42nd Street
New York, New York 10017
United States

LEGAL ADVISORS

To Kimberly-Clark de México as to U.S. Law

Skadden, Arps, Slate, Meagher & Flom LLP
One Manhattan West
New York, New York 10001
United States

To the Initial Purchasers as to U.S. Law

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
United States

To Kimberly-Clark de México as to Mexican Law

Santamarina y Steta, S.C.
Campos Elíseos 345, 2nd Floor
Colonia Chapultepec Polanco
Alcaldía Miguel Hidalgo, 11560
Mexico City, Mexico

To the Initial Purchasers as to Mexican Law

Galicia Abogados, S.C.
Blvd. Manuel Ávila Camacho 24, 7th Floor
Colonia Lomas de Chapultepec
Alcaldía Miguel Hidalgo, 11000
Mexico City, Mexico

LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2, D02 T380
Ireland

U.S.$500,000,000

Kimberly-Clark de México

S.A.B. de C.V.

2.431% Notes due 2031

OFFERING MEMORANDUM

Joint Bookrunners

Citigroup **J.P. Morgan**

Co-Manager

BofA Securities

Global Coordinator

Citigroup

June 24, 2020