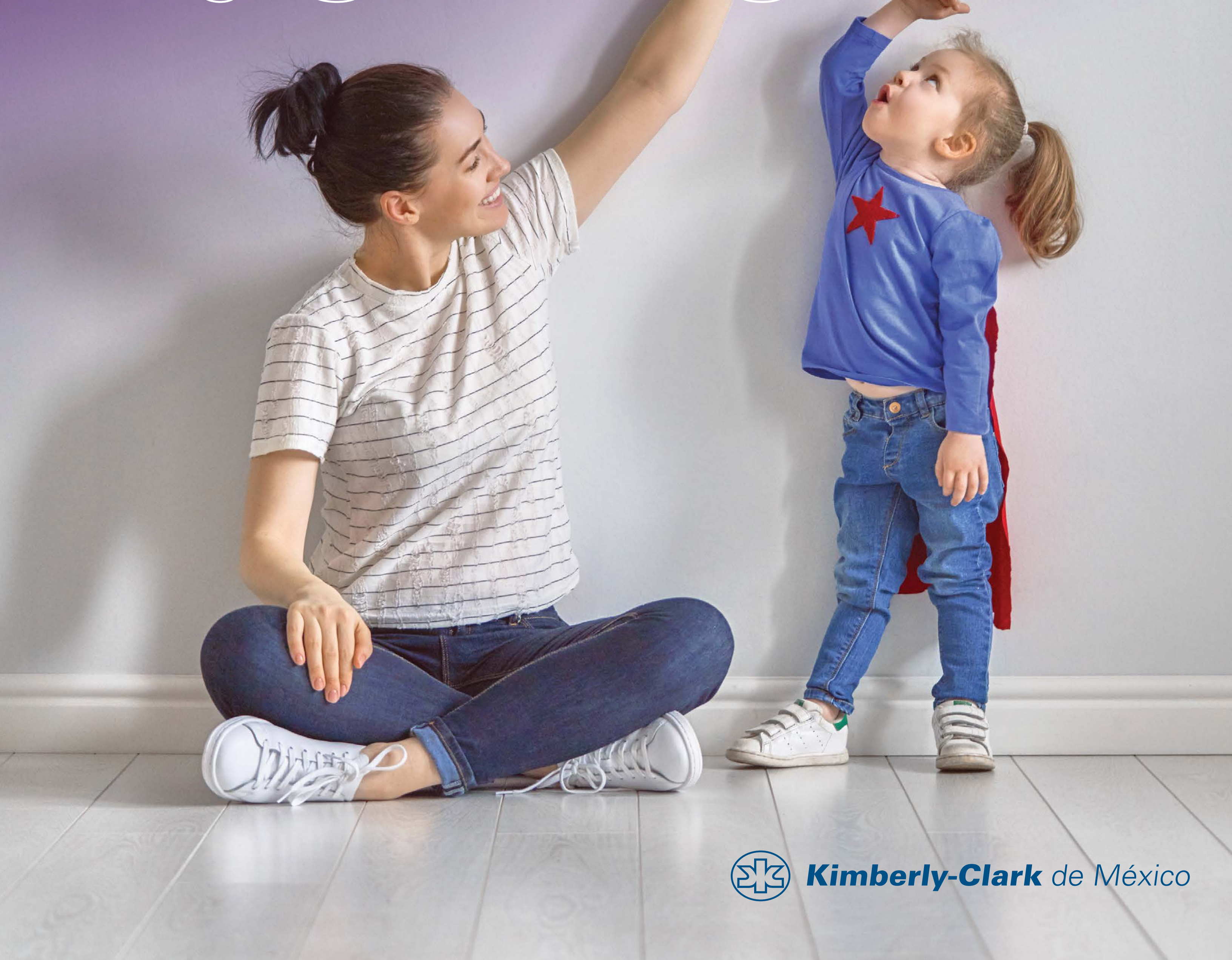
2022 ANNUAL REPORT

We grow by innovating. We innovate by growing.



Kimberly-Clark de México

Contents

Kimberly-Clark de México is a Mexican company that makes, distributes and sells cleaning, personal care and hygiene products such as: diapers and baby products, feminine napkins, incontinence products, toilet paper, napkins, tissues, paper towels, wet wipes and soaps. Among its main brands are Huggies®, KleenBebé®, Kleenex®, Evenflo®, Pétalo®, Suavel®, Cottonelle®, Depend®, Kotex® Escudo® and Blumen®. Because of its continuous innovation and consumer-centric approach, the company is a leader in most of the categories in which it participates. KCM is listed on the Mexican Stock Exchange under the ticker symbol "KIMBER."

Making the essential extraordinary Every day, for a lifetime.

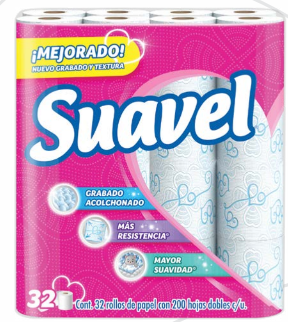
Throughout our history, innovation has been the engine of our constant and sustainable growth. This is still true today: through new and better products, we meet the changing needs of our clients, which strengthens our leadership and lays the groundwork for future growth, creating a virtuous circle of value creation for all our stakeholders.

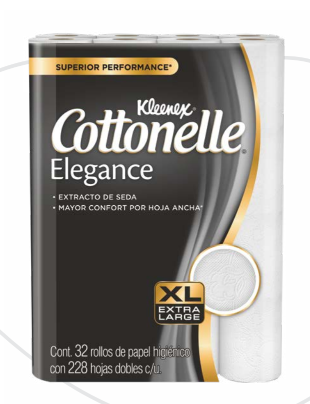
Consumer-centric innovation and transformation

Our consumers are at the heart of everything we do. We are committed to improving their quality of life, which inspires us to defend and expand our leadership, to be extraordinary, and to be greater every day.

Suavel®

Our most colorful and vibrant brand, a favorite among consumers, incorporated some upgrades in its toilet paper portfolio, with a superior stamping technology that provides a fluffier product with a more modern design. This change was accompanied by a new, more vibrant packaging to communicate all the benefits to our consumer, improving the shopping experience and use of the product. This is part of the Suavel brand promise: **"the best of the expensive papers at a super price."**



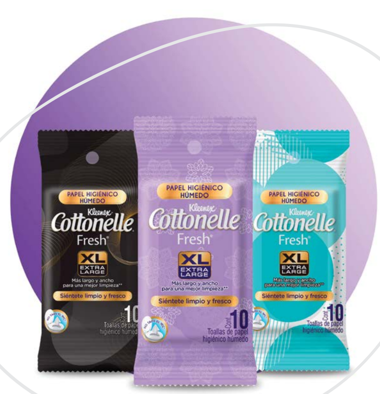


Cottonelle® Elegance

Kleenex® Cottonelle® is a brand renowned for its softness and premium quality in the toilet paper category. The brand is known for incorporating the best technology in every product, guaranteeing superior performance and a unique experience. Cottonelle® Elegance has become the fastest-growing brand in the premium category, offering XL sheets that provide softness, fragrance and skin care. With its focus on technology and quality, Kleenex® Cottonelle® has become one of the best options on the market for those seeking soft, premium toilet paper.

Cottonelle® Fresh

Kleenex® Cottonelle® Fresh wet wipes are the leading brand in their category. The perfect complement for achieving perfect cleanliness, this plastic-free, flushable product dissolves in water and can be disposed of in the lavatory. The brand was recently launched in the new 10-sheet package, ideal for packing on the go, and an XL sheet that provides maximum comfort.

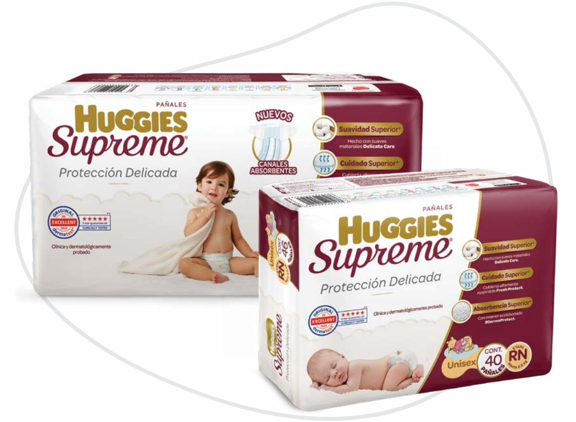


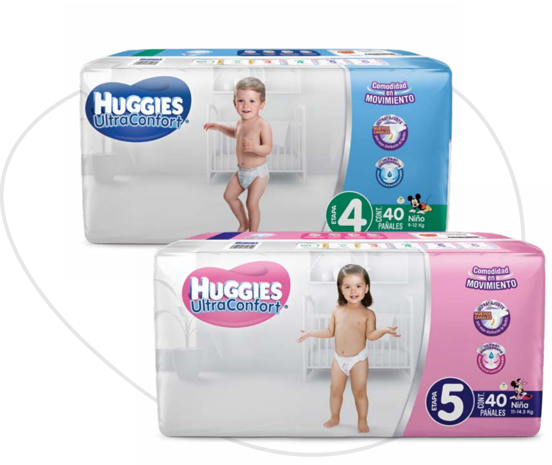
Comprehensive solutions for **baby care, inspired by a mom's hug**

Comprehensive solutions using the highest-quality materials, the most advanced technology and an exceptional design that transforms baby care into a truly extraordinary experience.

Huggies® Supreme® petits and big stages

The only clinically and dermatologically tested diaper now includes a wetness indicator in its entire portfolio, so that you can see when it's time to change the diaper; and absorbent channels in the bigger stages that quickly distribute liquids to protect baby's delicate skin.



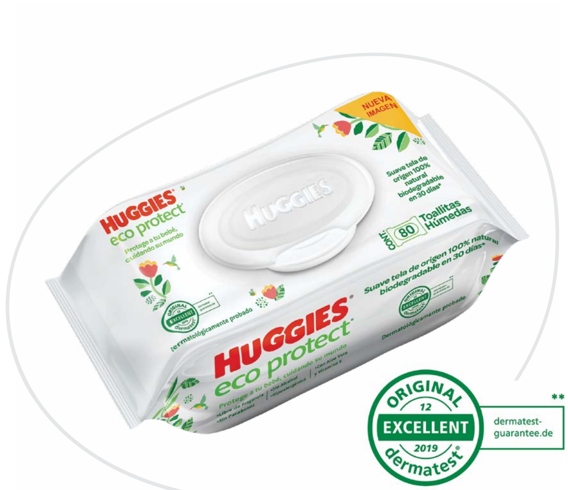


Huggies® UltraConfort®

In the newborn 1 and 2 phases, we incorporated a wetness indicator to know when to change baby's diaper, and a back pouch to avoid accidents. In the bigger phases, we added a new ultra-soft outer cover, an ultra-breathable inner cover, and a stage change indicator, so you know when to switch to the next stage, keeping your baby extra comfortable.

Huggies® Eco Protect® Wet wipes

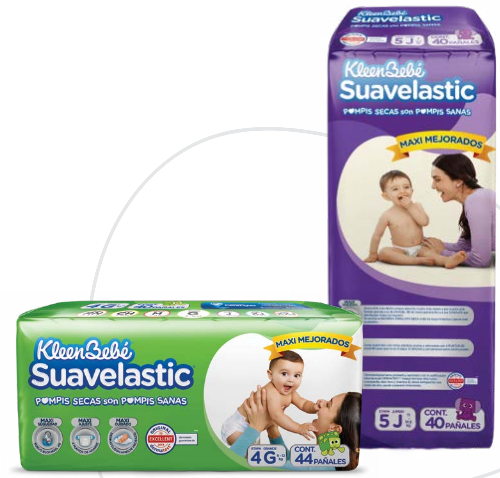
Huggies Eco Protect wet wipes are made with soft, 100% natural fiber, biodegradable in 30 days and dermatologically tested.



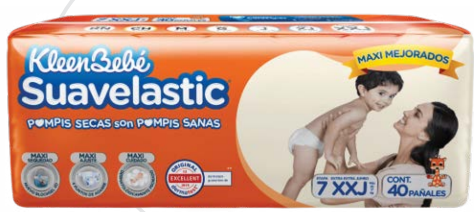
Dermatológicamente probado

Practical innovations so you can enjoy **motherhood to its fullest**

Practical, convenient innovation to make motherhood easier in all its stages, so you can enjoy it to its fullest.



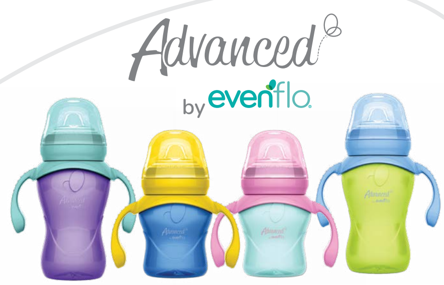
MAXI-IMPROVED: Now 40% dryer, absorbs much more quickly and for longer thanks to latest-generation, dermatologically tested BLOCKGEL 4D.

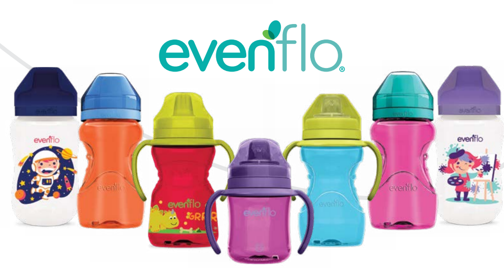


STAGE 7: We added a new stage 7 diaper with bigger babies in mind, keeping their bottoms dry for longer so mommy and baby can enjoy their time together with less interruption.

Evenflo® Sippy Cups

New sippy cups to accompany babies in all the stages of their development, with accessories compatible between the bottles, to mix and match for comprehensive solutions. Soft nipples made with certified food-grade materials.





Living securely in every phase of your adult life

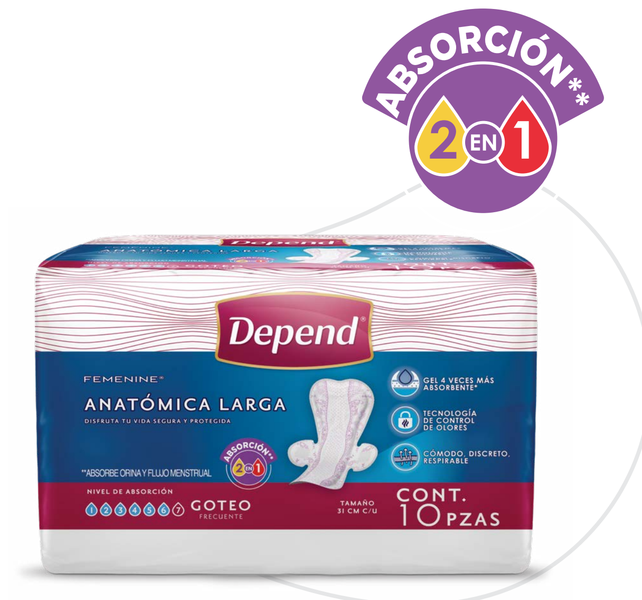
Always living securely is being confident in maximum absorption, discretion and skincare in every phase of your adult life.

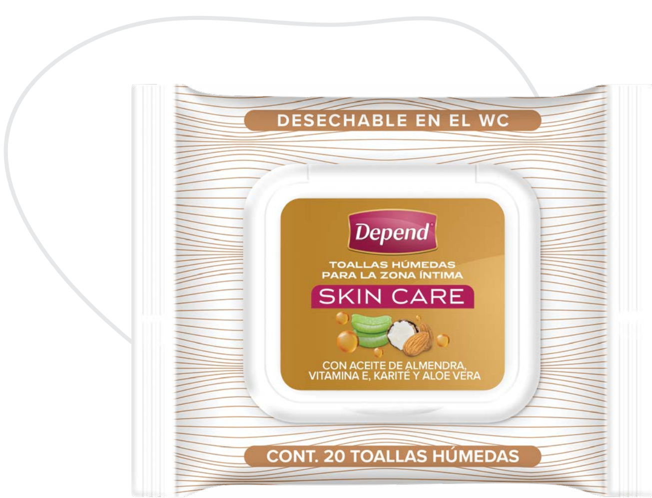
Aware that incontinence is not just a problem for the elderly—it can appear starting in your 30s—Kimberly-Clark offers solutions for protection and care that let active people live their lives feeling confident and protected.

2 in 1 Women's Depend

Dual protection with new Women's Depend sanitary napkins-panty liners.

Their 2-in-1 technology absorbs bladder leakage and menstrual flow.

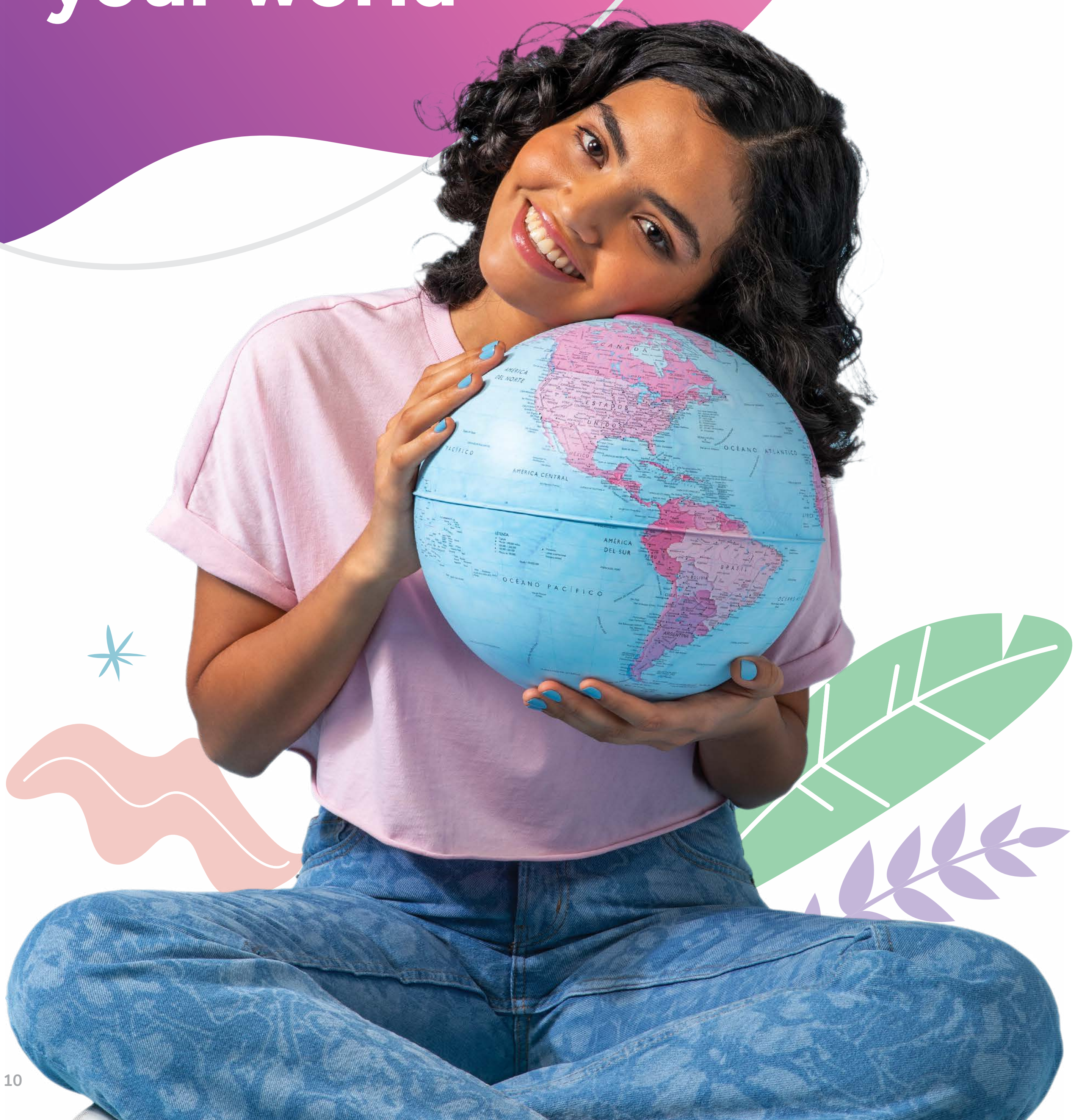




Depend Skin Care Wipes

Intimate care on the go. New Depend Skin Care wipes are ideal for cleaning and caring for intimate areas thanks to their natural ingredients, hypoallergenic formula and practical carrying pouch. They're also flushable!

Innovation to protect **you and your world**



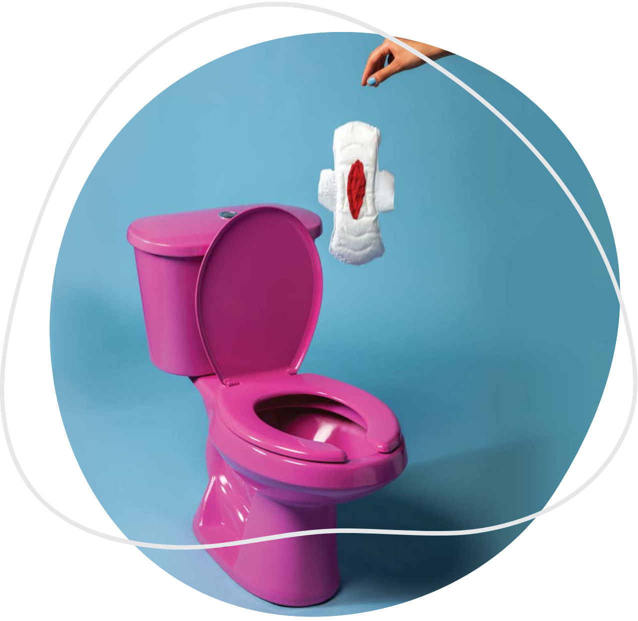
Kotex® Cero, the first and only generation of flushable sanitary napkins and panty liners. Environmentally friendly.

Kotex® Cero

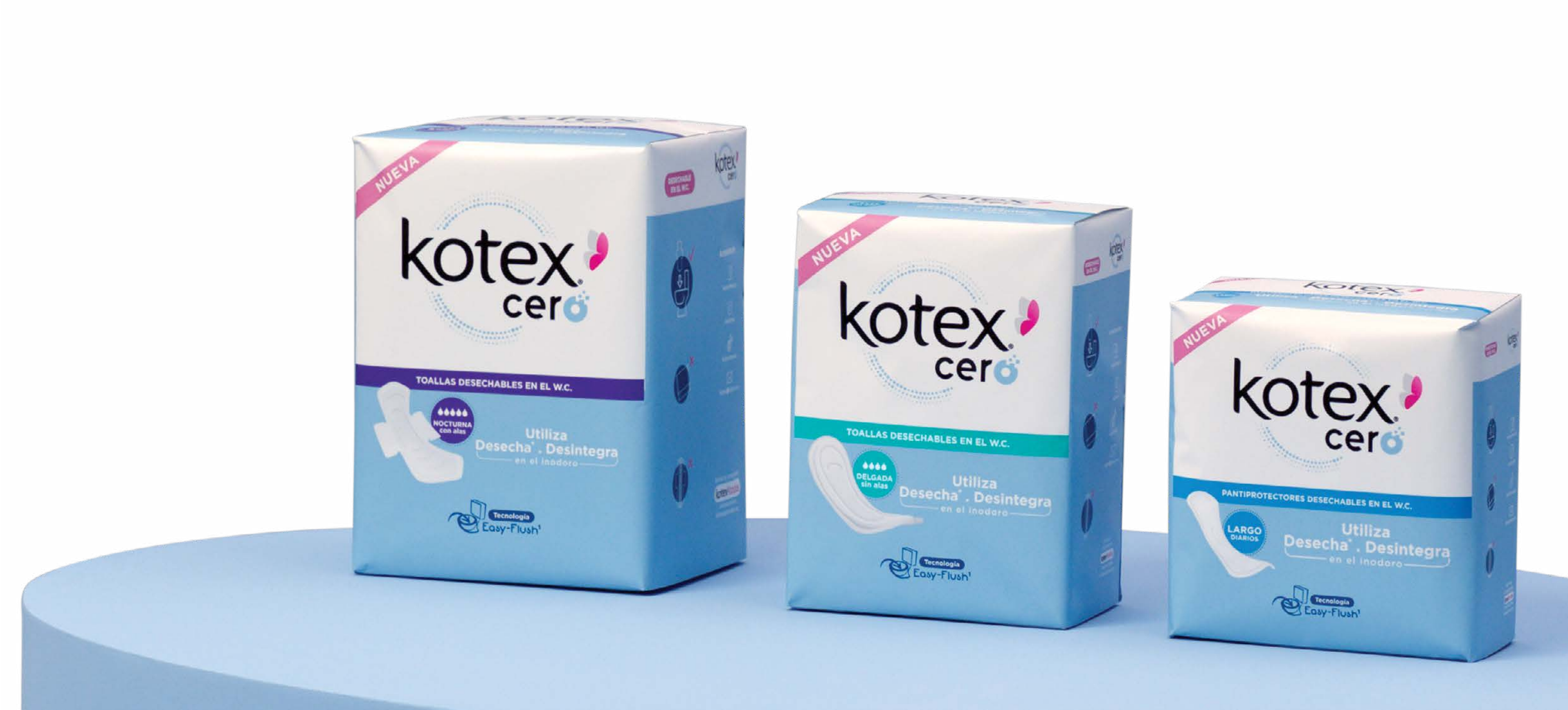
Kotex® once again revolutionizes the world of protection. **Kotex® Cero** products are completely flushable and dissolve in the lavatory, fully biodegradable in 30 days, so they help reduce the waste associated with menstrual products. The package is compostable too.

Kotex® Cero has been endorsed by various authorities and specialists for the secure performance of their Easy-Flush breakup technology, and passed all testing required by INDA* and EDANA.* They are also APLOMEX* approved. Furthermore, after various toxicity and water quality tests, **Kotex® Cero** was proven free of pollutants, and because it is water soluble, it also generates no microplastics.

Kotex® Cero offers protection, made with biodegradable materials, a water-soluble base and easy-lock technology. Dermatologically tested with the endorsement of **Dermatest®**.

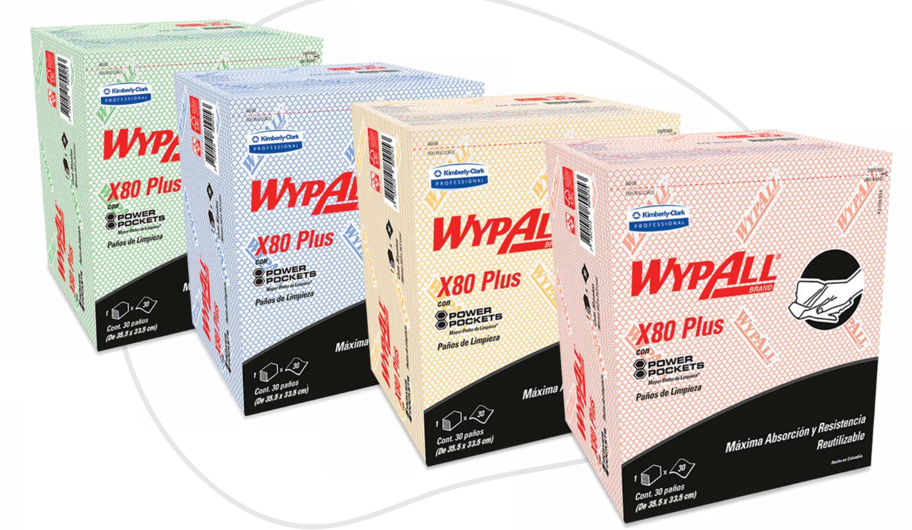


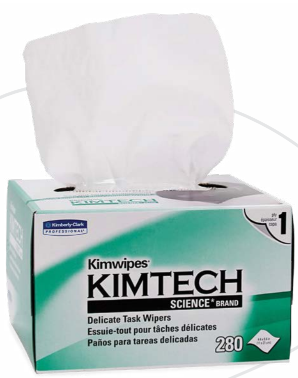
*International Nonwovens Disposables Association
*European Disposables and Nonwovens Association
*Asociación de Plomeros de México

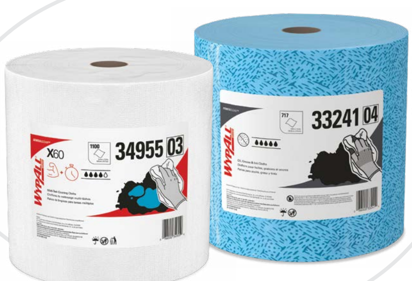


Innovation in hygiene and cleaning solutions

We help create exceptional workplaces through our hygiene and cleaning solutions. We do so through the best products and excellent performance in the operation and standardizing of production and cleaning processes.







WypAll®

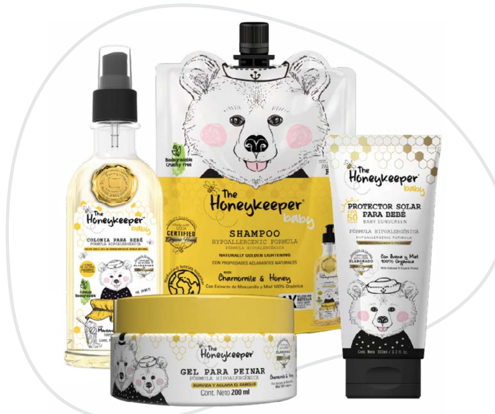
With **WypAll®**, we innovate by offering confidence in every cleaning, with professional, practical, easy-to-use cleaning wipes. We help make businesses more efficient through superior performance, optimization of storage spaces and less waste than common cleaning rags.

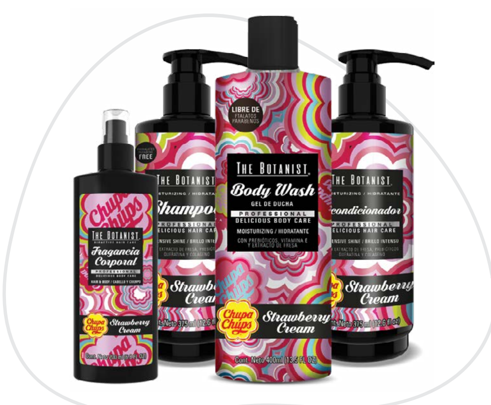
Our products are organized into General cleaning, **Specialized Cleaning and Heavy Cleaning,** ready to help people working in every industry and at all levels of cleanliness.

Turning your day-to-day into a unique moment

Experiences that turn your day-to-day into a unique moment. We are experts in the Personal Care category, and we are working to grow our catalog toward others as well.

Specialized in caring for baby's skin and hair, with 100% USDA-certified organic honey added. This year we ventured into new categories like **Baby Hair Gel, Cologne and Sun Protection.** All of our products are cruelty free, paraben- and sulfate-free, and dermatologically tested.

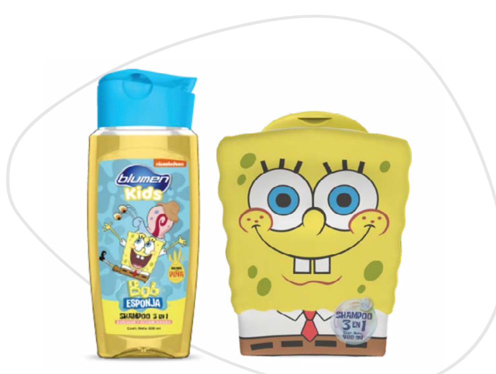




Our **The Botanist** Brand partnered with Chupa Chups, whose most popular flavors are now part of a line of hair care products. Our probiotic-enriched formulas help you maintain your scalp's biological balance, with added proteins and natural extracts that bring intense shin and moisture to your hair.

Make bathtime fun time.

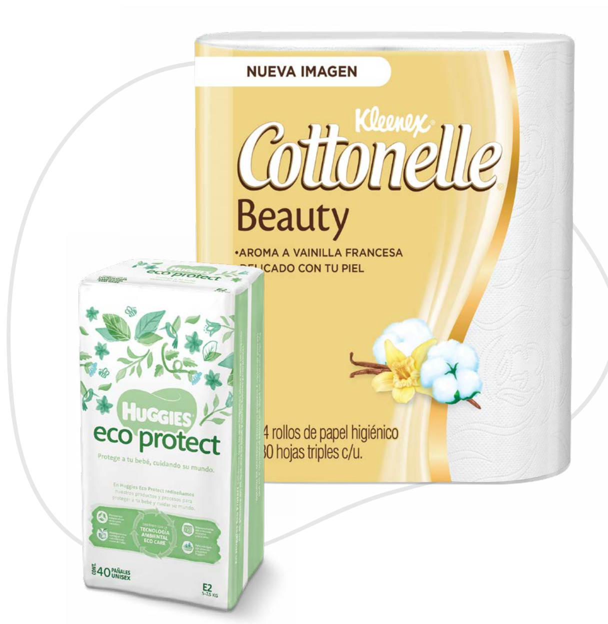
Our catalog now includes licensed SpongeBob products, to develop shampoos and other products with innovative packaging and unique fragrances.



Mexico City, March 2, 2023

Letter to shareholders

2022 was a good year for the company, and we laid the foundations for continuing growth in 2023.



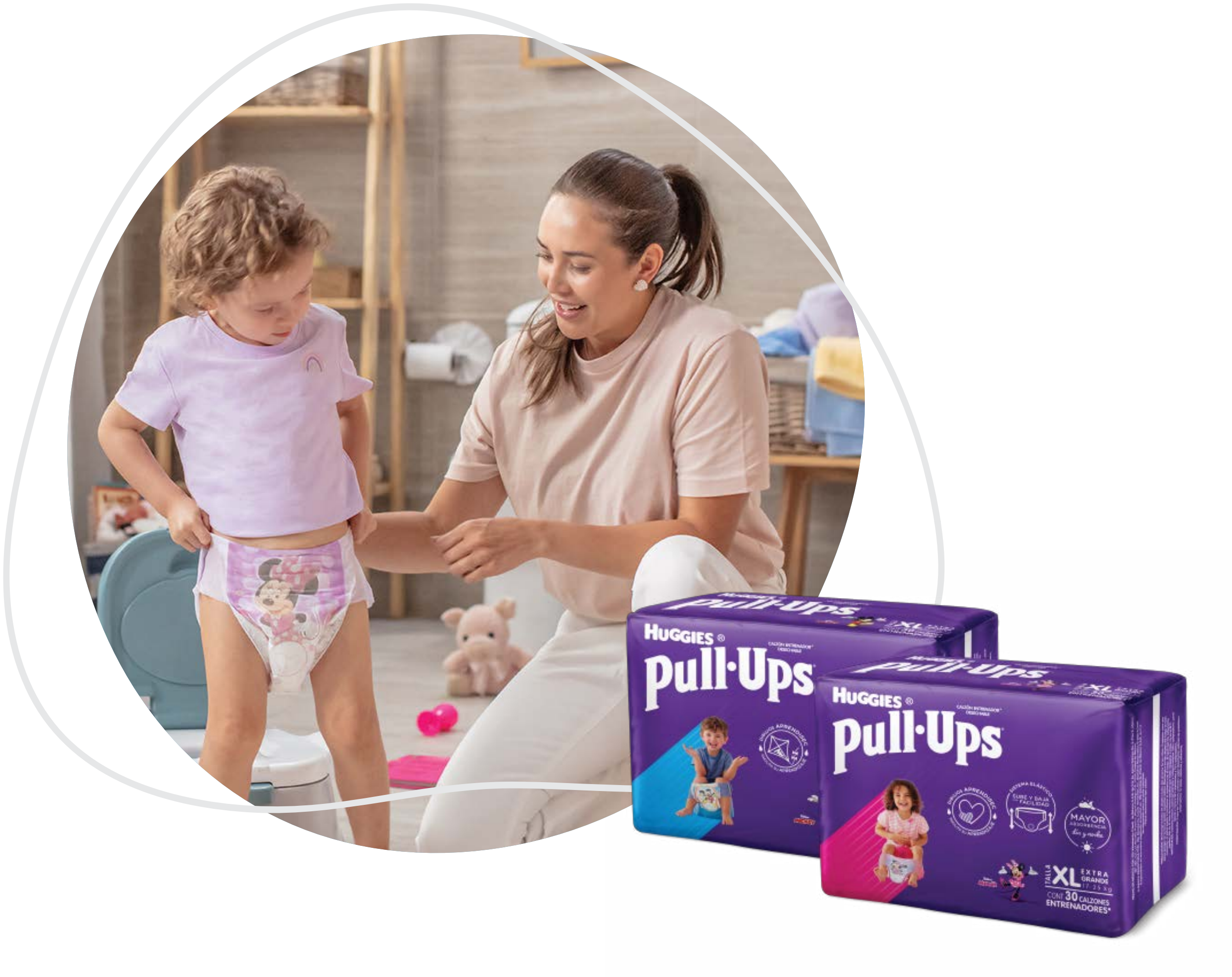
A very important focus of our work in 2022 was to continue applying actions and protocols to protect our employees and their families against COVID-19. By the end of the year, 100 percent of them had been fully vaccinated against COVID-19 and 80 percent of them had received the booster. We also continued our plans in support of suppliers and clients and the communities where we operate, making sure that our products—many of which were indispensable during the pandemic—were always available in stores. These actions will continue for as long as necessary.

The economy began to slacken in 2022 as domestic consumption was hampered by sharply higher inflation. On the costs side, we continue to deal with an unprecedented situation in which an abrupt rise in the cost of our inputs has been compounded by increased distribution expenses resulting from supply chain disruptions. These increases had been occurring since 2021, squeezing our margins downward. But the actions we took allowed for a sequential improvement in each quarter of the year, and significant growth in our sales and margins.

In fact, sales growth reached a record level for our company, for the third year in a row. And although sales volume was affected by our price hikes, our brands' positioning remains rock-solid.

With higher sales and improved efficiency and productivity, and the record savings from our cost and expense reduction program, operating income rose 7.1 percent, despite strong cost pressures. EBITDA meanwhile grew 6.0 percent, and net income 9.8 percent. Our operating results, along with close control and optimization of our working capital, resulted in solid cash flow generation. With this, our net leverage index (net debt/EBITDA) remained at a very healthy 1.5 times, even after investments in fixed assets and dividends to shareholders.

Also during the year, we issued Securities Certificates in order to refinance debt coming due in the next three years, on very favorable terms.



Growth in the Mexican economy in 2023 is expected to remain modest, in the absence of any particular catalysts, specifically the lack of investment at the levels this country needs. The economy will take some time to return to its prepandemic vigor, particularly as regards GDP per capita. Consumption will advance slowly, despite wage increases and a heavy influx of wage remittances, because savings have dwindled, recently created jobs are low-paying and mainly in the informal sector, and high inflation is putting pressure on family budgets. There will be growth, but not by any means at the level the country requires.

As regards inflation in the raw materials we use and in our distribution expenses, we expect most of these to improve as the year progresses. Still, we are starting from an already-high price level from the preceding years, and the extent and timing of any declines remains uncertain.

As we continue dealing with this situation, we are acting in every area of the company's operations to identify opportunities for improving our products, volume and sales, and to significantly reduce our cost and expenses, while investing heavily to support our brands. Some of the opportunities we have identified are:

1. More efficient investment in promotions, and additional price hikes where necessary, based on our revenue growth management models;

2. Strengthening the structure and execution capacity of our commercial area;

3. Accelerating the innovations that continue to set us apart and build consumer preference;

4. Leveraging our multi-brand, multi-channel strategy;

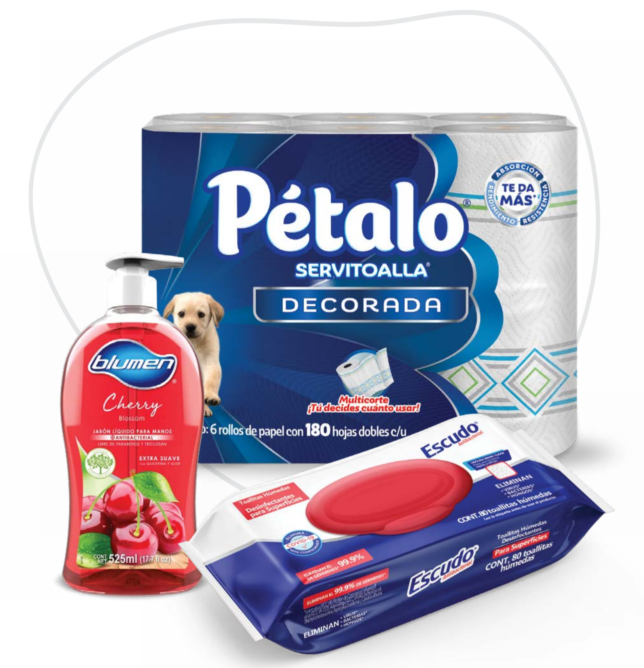
5. Incorporating manufacturing equipment that not only supports innovation but enhances quality, productivity and efficiency, while lowering costs;

6. Strengthening our cost reduction program for another year of record savings; and

7. Actions to optimize working capital and generate more cash.

Together, these actions will boost our speed to the market and improve our offering for consumers and clients, while making more efficient use of our resources, doing more with less.

We are convinced that these programs will bring another good year for our company, and by the end of 2023 we expect to reach our target margins.



They should also position us even better to accelerate our growth and strengthen results in the years to come.

The attached report attests to this company's actions and results in the areas of innovation, operations, sustainability, social responsibility and human resources.

Dear Shareholders, we would once again like to thank you for your support and confidence in our management for the year just ended, and reiterate our commitment to deploying the plans and programs necessary for Kimberly-Clark de México to continue the success that has always characterized us as a company.

Very sincerely,

Claudio X. González L.
Chairman of the Board of Directors

Pablo R. González G.
Chief Executive Officer

This report was approved in its entirety by the Board of Directors in its meeting on February 7, 2023.

Operating Summary

Financial results

This year, despite a challenging economic climate, our brands kept up their solid positioning, which together with key innovations and our continuing focus on execution, supported an 8.9 percent growth in our sales—a record high for total sales and also for most of our categories.

We also continued to seek out more and better operating efficiencies and to apply our cost and expense reduction program, which once again brought record savings.

Thanks to all of this, operating income grew 7.1 percent and EBITDA rose 6.0 percent. Net earnings increased 9.8 percent for the year. We were able to improve the company's profitability from quarter to quarter, throughout the year. These results, together with a constant improvement and optimization of our working capital, led to solid cash flow generation, which brought our net debt to EBITDA leverage ratio to 1.5 times, even after investing in Capex and paying dividends to shareholders.

Innovation

Throughout 2022, we continued to build value through key innovations, which differentiate us by improving quality of life for our consumers every day, for a lifetime. We developed and launched products focused on their needs and designed to deliver super performance and greater care, security and protection.

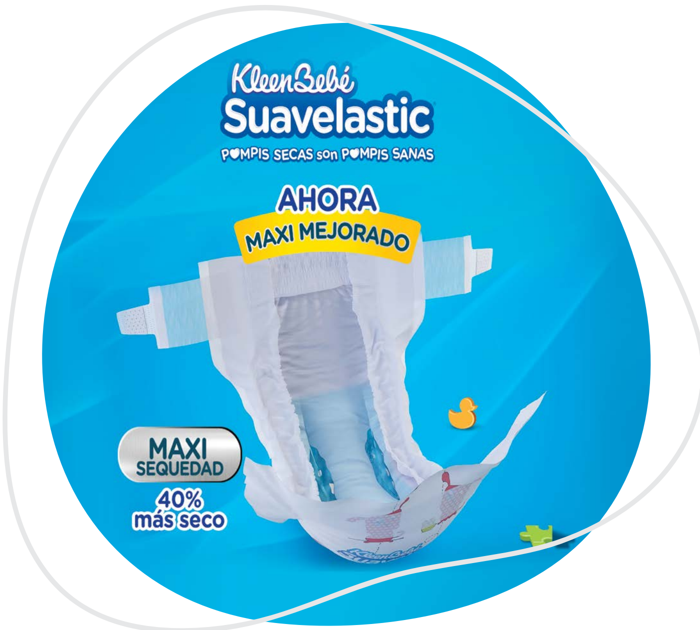
In the Feminine Protection category, we evolved toward ground-breaking innovation and a new product vision with a cutting-edge focus, and new products that lead this category in sustainability.

This began with the launch of Kotex® and Unika® Black panty liners, that conceal and blend in with darker underwear for a more discreet look.

In sustainability-focused launches, our Kotex® Unika® menstrual cup is the first option for reusable menstrual cups on the Mexican mass market. It is uniquely designed for the comfort, confidence, fit and efficiency our consumers expect.

New Kotex® Delicate Cleaning wet wipes offer superior softness and cleanliness, now made with biodegradable material so they can be safely disposed of in the lavatory. This new line is complemented by Kotex® Delicate Cleaning Intimate Shampoo, which helps control odor and balance pH—and like the wet wipes, it is dermatologically tested.

In the last quarter of the year, we launched a transcendental, globally disruptive advance in which Kotex® once again revolutionizes the world of protection, bringing a more practical and sustainable solution for menstrual cycles with Kotex® Cero, the first generation of flushable feminine napkins and panty liners that break up in the lavatory. With Easy-Flush breakup technology, these products are safe for sewing system and break down fully in 30 days. This technology will help reduce solid waste from menstrual products. Furthermore, the Kotex® Cero portfolio has the first compostable packaging at KCM and in this category.



With these innovations, Kotex® launches the first category with a complete solution for conscious, responsible and sustainable intimate care, made up of feminine napkins, panty liners, menstrual cups and wet wipes. A solid step in our "Sustainable Ambition 2030" initiative.

In the diaper category, Huggies Supreme® introduced a new more efficient absorption system with better distribution of fluids. We also incorporated new ultra-soft materials in the fit system making Huggies still the softest diaper on the market.

Huggies Ultraconfort® incorporated a containment system at the back of the diaper that reduces the risk of leakage, along with softer covers for continuing differentiation in its segment.

This year, KleenBebé Suavelastic® introduced Maxi-Dry technology, for 40% drier diapers. This brand also launched a new Stage 7 diaper, meeting our consumers' need for larger-sized tape-on diapers.

In the incontinence category, we launched Depend® Feminine® Long Napkins with an internal cover that ensures maximum dryness and a better wearing experience for consumers. In our entire feminine napkin category we added menstrual flow capacity, offering the dual benefit of its absorbent core.

In our nonwoven fabric category, where our aim is to develop new and different materials for use in our products, we invested in cutting edge technology to boost our competitive advantage in softness, innovation and costs, while reducing the amount of plastic that goes into our products. We also developed high-specialty products like materials for the construction industry.

In the Personal Care category, we launched the Kleenex® Essential Care brand, a line of liquid and bar soaps with added benefits like moisturization and natural ingredients in the premium segment. We also freshened our line of Kleenex® soaps with fragrances that enhance the sensory experience.

In the Toilet Paper category we developed Pétalo® Family Balance 40s for the Club channel, with substantial improvements in softness, whiteness and visual appeal thanks to a new embossing. Additionally, among our product improvements was the launch of Kleenex® Mega Jumbo 500 sheets in a pack of 6 individually wrapped rolls, with a new more attractive design and better user experience. We renewed the Suavel® toilet paper line with more softness and resistance through advanced embossing technology. We supported diversity, equality and inclusion with special Pride and Pink Month editions of toilet paper and facial tissues under Kleenex® brands. And to complement the dry portion of the daily hygiene and cleaning routine, we introduced Kleenex® Cottonelle Fresh® on-the-go wet wipes in portable pouch.

In the paper towel category, Servitoallas® introduced the Pétalo® Quick Clean brand, the fastest-absorbing towel on the market.

In the Baby Feeding category, we launched a new catalog of sippy cups designed and manufactured internally for the Advanced by Evenflo® and Orange line, standardizing components and improving profitability.

Operations

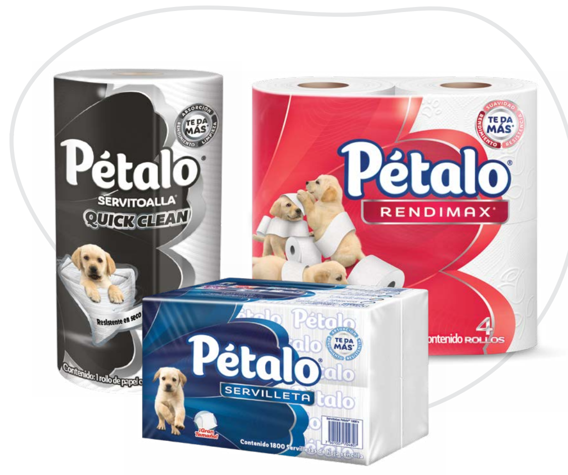
En 2022 la estrategia productiva se enfocó en establecer Our productive strategy in 2022 involved key changes in operations, in which we laid solid foundations for a much more efficient, productive and modern future, continuing our mission of sustaining this company's growth by a cutting-edge technological platform that drives quality and innovation in Personal Care and Home Products.

In Personal Care, we transformed the cost structure of our baby diapers, incontinence and menstrual products through state-of-the-art technology that enabled us to switch from nonwoven fabrics to polypropylene and polyethylene resins. We also further reduced the content of plastic in our products and substantially improved the functionality and softness of all of our product covers.

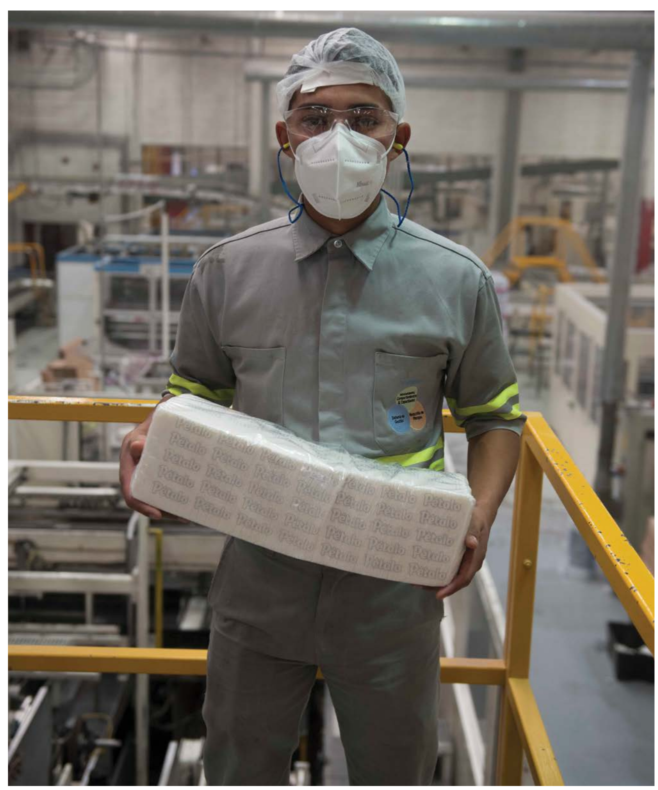
We continued to invest in technology to pursue export opportunities in baby diapers and wet wipes. We also invested in our injection equipment with the aim of replacing imports of sippy cups from Asia in the food category, and automated various operations to improve our operating efficiency.

In Tissue, we began a multi-year project to modernize and upgrade practically all of our manufacturing complexes.

Among other things, we built finished product warehouses at the Morelia and San Juan del Río plants and reorganized our manufacturing network and distribution to be more efficient in production costs and customer service. We shut down operations at the Toluca plant, where we decommissioned some assets and relocated others to plants in Ecatepec, Bajío, Ramos Arizpe and Morelia. This asset reorganization enabled us to begin an internal process at each site to boost production, human resources, and technological sells. To do so, we started up two modern toilet paper conversion lines at the Morelia plant, one at Ramos Arizpe, one at Ecatepec and another at San Juan del Río. We are also rebuilding and updating assets for conversion at the Orizaba plant while rebuilding and modernizing the number two paper making machine. Last but not least, we installed modern wrapping, packing and bagging equipment on various production lines for Tissue manufacturing.



Continuing our savings program, we maintained initiatives to achieve competitive cost advantages which generated more than 1.7 billion pesos in savings and, for the ninth year in a row, were equivalent to at least 5.0% of the cost of goods sold.



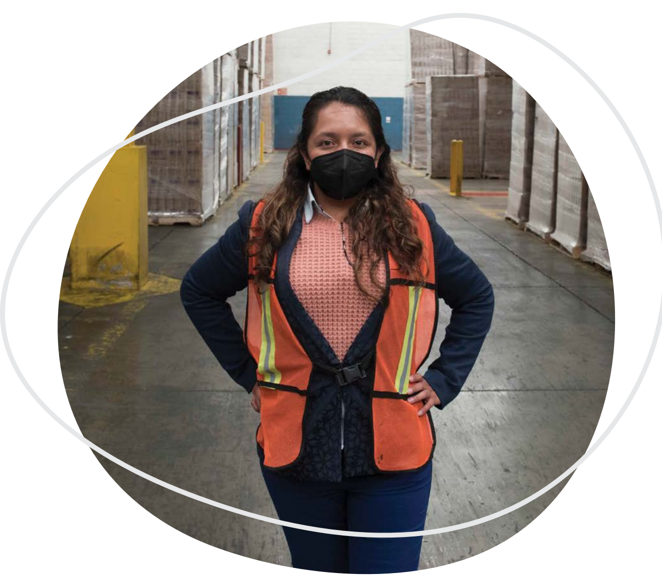
Sustainability

As part of our commitment to the United Nations Global Compact, we signed on to the new Target Gender Equality accelerator program, which provides us with a framework and best practices for pursuing our goals. We developed a proposal based on the ten principles and integrated with the Sustainable Development Goals.

We worked toward our 2030 Sustainable Development Agenda, with positive contributions to 13 out of the 17 UN Sustainable Development Goals (SDGs), and achieved the following results:

Within our operations, we monetized more than 98 percent of our waste, using it in other industrial processes, as alternative fuel, for example. We have reduced our direct emissions by more than 30% against our baseline; we maintained our leadership in water use efficiency, prioritizing the use of postconsumer sources; 100 percent of our virgin fibers come from sustainable sources; and we renewed our Ecólogo®, FSC® and Green Seal certifications, which guarantee the sustainability of our entire value chain.

In recognition of our environmental compliance, four of our operations obtained Clean Industry Certification from the Mexican environmental protection agency. Additionally, our San Juan del Río plant maintained its Water Quality Certification from the National Water Commission, attesting to the excellent quality of our water discharge for subsequent use in irrigating neighboring farms.



As part of our environmental commitment, in 2022 we prepared an Organizational Lifecycle Analysis of all operations at Kimberly-Clark de México (KCM), following internationally approved methodologies. The results will enable us to strategically focus efforts and resources on phases where our actions can have the greatest impact.

For the sixth year in a row, we qualified for inclusion in the British sustainable index of the FTSE and were once again recognized as constituents of the Dow Jones Sustainability Index (DJSI) MILA region for the Latin American Integrated Market. Additionally, for the third year in a row, KCM was one of only three Mexican companies included in the Dow Jones Sustainability Index (DJSI) Emerging Markets, where we lead the Household & Personal Products group in 25 emerging economies that make up this index.

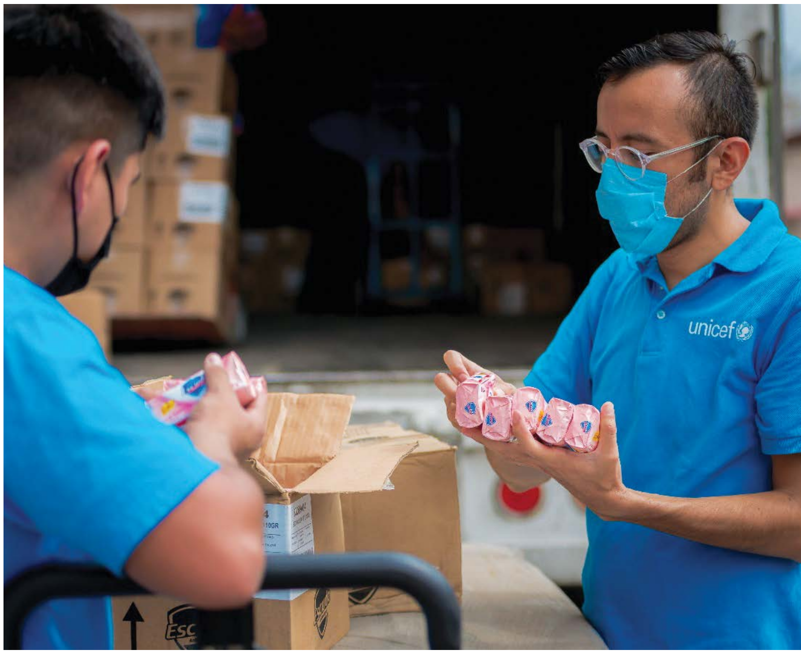
Social Responsibility

The health and wellness of all our employees have always been a priority, and through our new KCM Wellness program we offer workshops and sessions on issues relating to physical and mental wellness, as well as culture and financial education.

One of our continuing brand efforts is Embracing Their Development by Huggies®, a joint effort with UNICEF, which continued to expand its presence last year and has become a benchmark in programs for psychomotor childhood development. In 2022, more than a million people visited and benefited from the content developed by specialists on the program's website, to support baby's holistic development at home. Also, through various online social platforms, we reached more than 20 million parents and caregivers with content and information endorsed by experts in child development.

In a similar vein, KleenBebé®, in partnership with the Mexican Red Cross, continued its *Apapachos de la Vida* program, providing guidance on maternal and infant health for parents and caregivers. During the year, the program visited 34 communities in Chiapas, Morelos and Querétaro, and with the support of 400 volunteers we benefited more than 20,000 people. Through health fairs, mothers received essential information on topics like healthy pregnancy, breastfeeding, the importance of vaccination, prevention of gastrointestinal illness, and infant care and hygiene.

Kotex®, for its part, continued its Kotex® For All social responsibility and continuous action platform, strengthening its position within the brand strategy with the aim of supporting Mexican women. In 2022, it continued to work alongside various key agents and organizations like Fundación Origen, which supports women in vulnerable situations of poverty and violence through a help line, generating 120,000 positive direct and indirect impacts. We also participated in various efforts and initiatives in support of the Casa Origen Centers in the first half of the year and, in an alliance with PYMO and Pro México Indígena, we offered educational interventions and sexual education workshops to women in indigenous communities, with activities and opportunities for reflection that encourage assertive, informed and autonomous decision-making by women regarding their own bodies and care. Kotex® For All continues to work and strengthen its support platform to exponentially increase the scope of its benefits to Mexican women and make them universally accessible.



Through our Kleenex® brand, we reaffirmed our commitment to the LGBTTIQ+ community by supporting its visibility and care through a special edition of facial and toilet tissues in support of Casa Frida, a facility that provides assistance, lodging, care and attention for the overall health of around 800 community members fleeing extreme violence, persecution or displacement. We also recommitted to our alliance with Fundación COI in the battle against breast cancer, producing special editions in support of this cause in October, and funded specialized oncology visits for 150 patients.

The Depend® Always With You program worked on six core areas in 2022: contributing to the normalization of incontinence, donating products for elderly adults in vulnerable situations, and continuing support for poor and disadvantaged people with and without incontinence. Through actions like this we helped more than 26,000 people and recycled more than 180,000 product bags, helping to bring security and protection to elderly adults and improving their quality of life.

Escudo® Antibacterial, together with the Planet Water Foundation, built two water towers in marginalized communities of Mexico State. This joint action brought together KCM employee volunteers in bringing potable water to more than 3,600 community members. They also participated in educational campaigns about the importance of proper handwashing, preventing illness and thus reducing school absenteeism.

Finally, we have always been firm supporters of the Mexican government's Youth Building the Future program since it was first created, and have welcomed more than 550 apprentices into our operations, many of whom have stayed on to work at KCM. We are convinced that this training program can have a positive impact on our society and our country.

Human Resources

The year 2022 brought continuing challenges to KCM as we entered the post-pandemic phase and gradually returned to normal. Faithful to our culture of staying close to clients and consumers, we never stopped operating, and we made the decision to return to in-person work beginning in the second half of the year, always being sure to protect the health and wellness of all of our employees and their families.

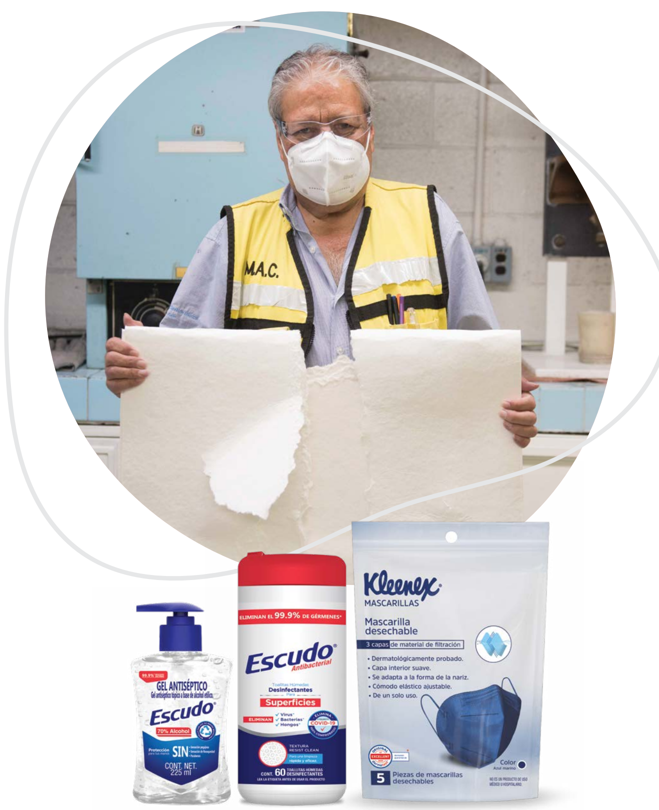
Fortunately, COVID-19 brought no further deaths in the KCM family in 2022, although people were kept home from work as new strains spread among the population. In this context, we made the strategic decision to transfer the operations of our Toluca plant to other productive facilities in order to improve processes and optimize costs. We are sincerely grateful to the staff of the Toluca plant for the 11 years in which they were part of KCM, since the plant opened in 2011, with very good results.

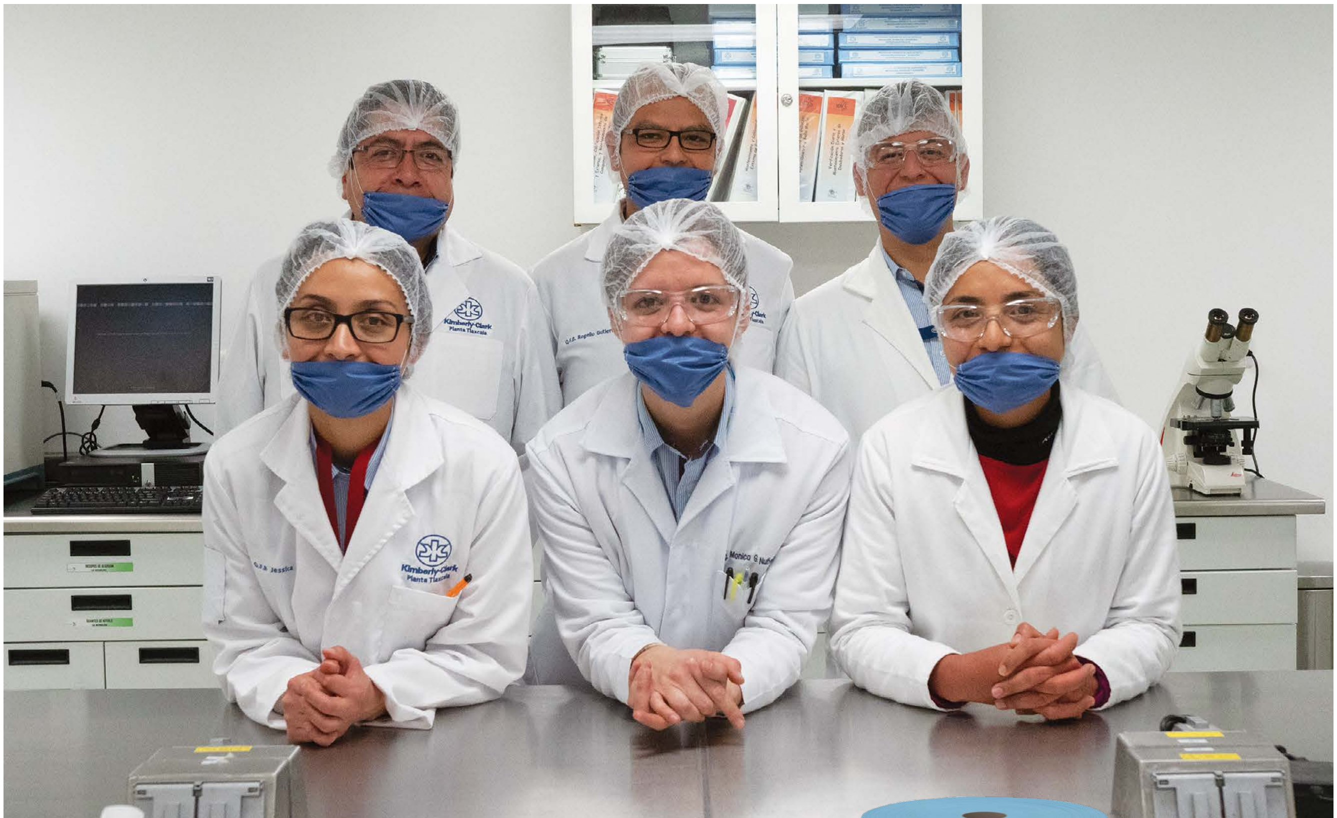
We also continued to invest resources and efforts in industrial health and safety in all our operations, but we recognize that there is still a long way to go and we have not achieved the results we hoped for in industrial safety. 2022 was not a good year in this regard, but we are redoubling efforts and taking the measures necessary to correct the situation. There is no result or achievement that is worth risking the physical safety of our people. This is how it has always been, and will always be.

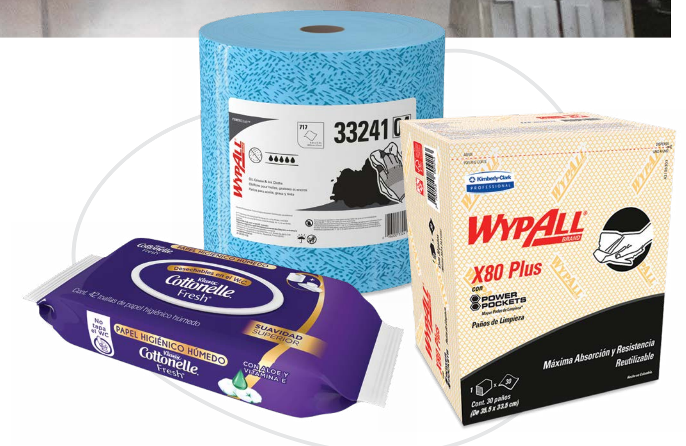
We continued to promote equality in our organization, and our hiring, inclusion and development practices are aimed at eradicating discrimination and encouraging full respect for the individual and their rights, while ensuring we have the most highly trained, committed and competitive personnel. This has always been a factor in our success. We maintain a relationship of mutual respect and recognition with our unions, having been leaders in the prompt legitimation of all of our collective bargaining agreements long before other companies and the law required it. Additionally, the results of wage and contractual review—according to competitive parameters and always in a climate of cordiality—have been approved by a wide margin of votes by unionized workers, according to the new legislation.

Faithful to our culture, we foster a challenging work environment in which employees can grow, develop their potential, and be recognized and rewarded for their contributions. Our compensation scheme is results-oriented, and is summed up in the phrase "when the company does well, our people do well." This is evident in our profit-sharing program, consistently one of the highest in the country.

Our sincere recognition and gratitude to all of KCM's employees for their commitment and results, and we urge you to continue supporting our efforts and growing alongside KCM.







Relationship with Kimberly-Clark Corporation (KCC)

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

In 2022, we undertook key projects in various categories, making ourselves an increasingly invaluable part of the KCC supply chain. Among these were projects in institutional products, like Waterless WypAll® surface cleaning wipes and nonwoven fabrics for conversion of Block It House Wrap and KleenGuard™ A40 coveralls. We also continued producing Cottonelle Fresh® Care flushable moist wipes, and wet wipes for babies with Huggies Simply Clean®.

We are working on other developments for 2023, strengthening our position as a key source of supply for our partner.

Financial data highlights

Figures in millions of pesos	2022	2021
Net sales	51,055	46,894
Gross earnings	16,773	15,786
Margin	32.9%	33.7%
Operating income	8,941	8,350
Margin	17.5%	17.8%
Net income	4,936	4,494
Margin	9.7%	9.6%
EBITDA	10,903	10,285
Margin	21.4%	21.9%
Net earnings per share (pesos)	1.61	1.46

Net sales
millions of pesos

2022 51,055

2021 46,894

+8.9%
22 vs 21

Operating income
millions of pesos

2022 8,941

2021 8,350

+7.1%
22 vs 21

EBITIDA
millions of pesos

2022 10,903

2021 10,285

+6.0%
22 vs 21

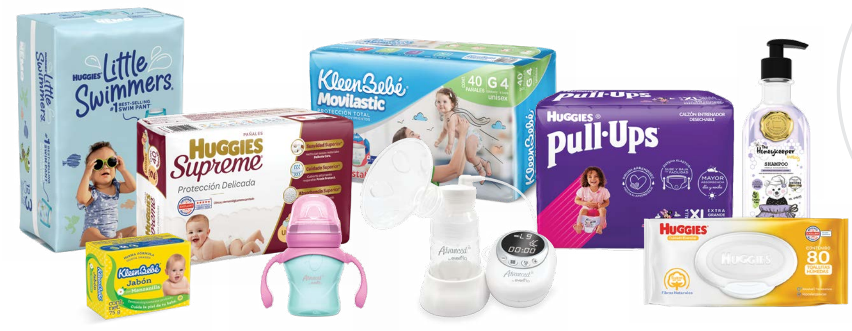
Net income
millions of pesos

2022 4,936

2021 4,494

+9.8%
22 vs 21

Product portfolio

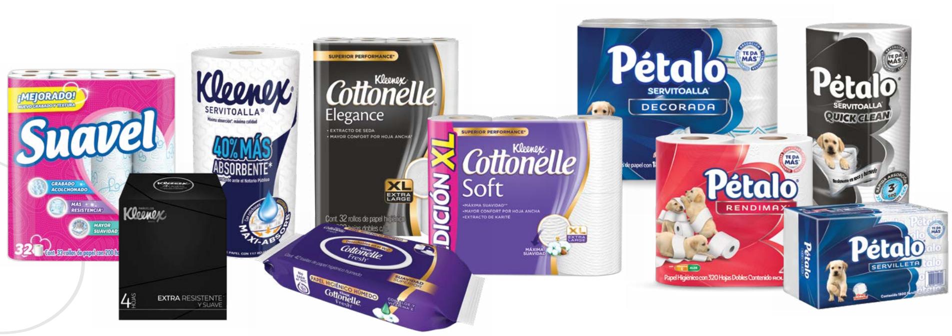


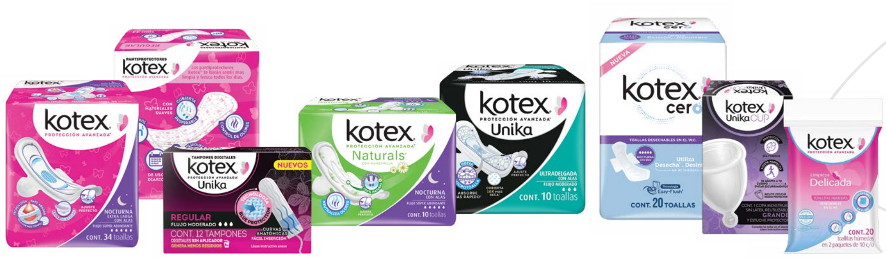
BABIES

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

HOME

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



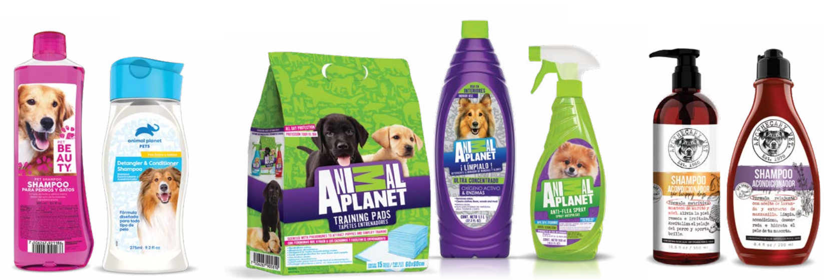


WOMEN

Feminine pads, panty liners, tampons, intimate wipes and menstrual cups

PETS

Shampoo, spray, repellent, cleaner

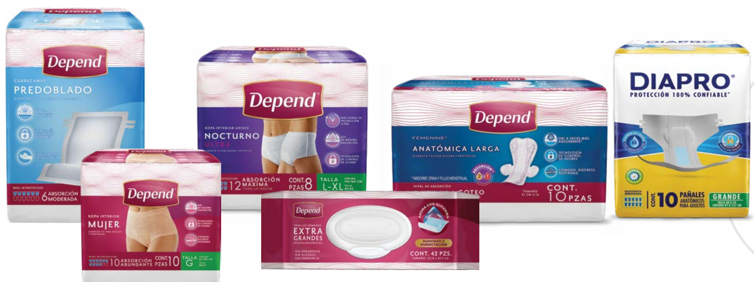


PERSONAL CARE

Bar soap, liquid hand soap, foaming liquid soap, liquid body wash

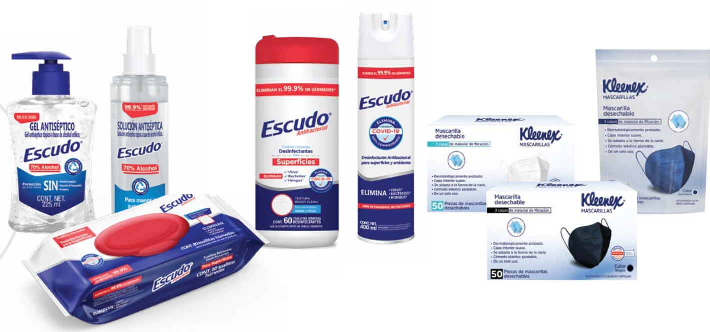
ADULTS

Underwear, protectors, feminine pads, prefolded



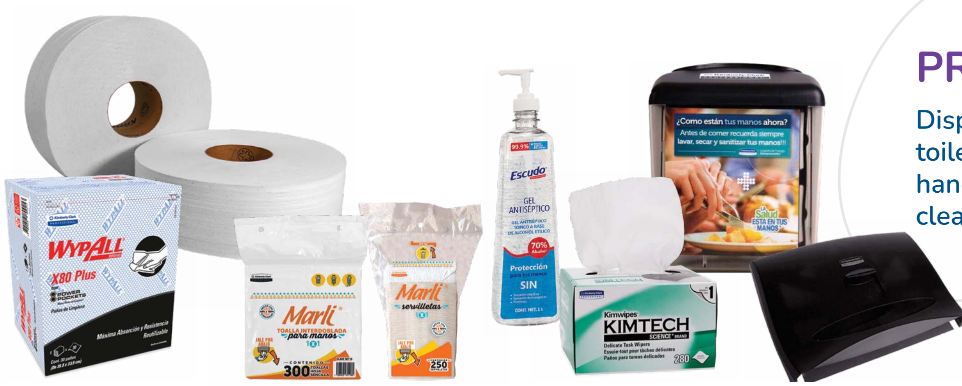
CLEANING AND PROTECTION

Wet wipes, anti-bacterial gel, disinfecting spray, facemasks



PROFESSIONAL

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



Board of directors

DIRECTORS

Claudio X. González Laporte
Chairman

Valentín Diez Morodo*
Vice Chairman

Michael Hsu
Vice Chairman

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

* Independent

ALTERNATIVE DIRECTORS

Guillermo González Guajardo

Jorge Babatz García

Jesús González Laporte

Jorge A. Lara Flores
Fernando López Guerra Larrea
Antonio Cosío Pando
Fernando Ruiz Sahagún
Sergio Chagoya Díaz
Aarón Levet Velasco
Daniela Ruiz Massieu
Juan Carlos Machorro Guerrero
Jorge León Orantes Baena

Senior **officers**

Pablo González Guajardo
Chief Executive Officer

Xavier Cortés Lascurain
Finance

Ommar H. Parra de la Rocha
Consumer Sales

Jorge Morales Rojas
Transformation and Execution

Cristina Pichardo López
Marketing, Baby, Incontinence and Beauty Care Products

Regina Celorio Calvo
Marketing, Women's Care, Home and Feminine Protection

Armando Bonilla Ruiz
Foreign Trader

Ernesto Reyes Díaz
Personal Care Manufacturing

Roberto García Palacios
Tissue Manufacturing

Carlos Franco Solís
Innovation, Technical Development, Quality and Sustainability

Alejandro Lascurain Curbelo
Human Resources

Alonso Martínez Marmolejo
Corporate Communications | Digital Marketing

Fernando Vergara Rosales
Corporate Comptroller

Alejandro Argüelles de la Torre
General Counsel

Carlos Conss Curiel
Information Services

Salvador Escoto Barjau
Treasury and Investor Relations

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report Dated February 7, 2023

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, 2022 and 2021, and the consolidated statements of income, other comprehensive income, changes in stockholders' equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Basis for opinion

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

Key audit matters

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

Allowance for rebates

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

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

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

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

The Entity has quantified the recoverable value of certain cash-generating units based on the methods required by the international accounting standard IAS 36 "Impairment of assets". Goodwill and intangibles acquired on a business combination are subject to yearly impairment tests that include management judgement to estimate future cash flows and an appropriate discount rate. At the end of this year, goodwill for $934,221 thousand of Mexican pesos and intangible assets for $1,015,649 thousand of Mexican pesos, represent 4% of total consolidated assets.

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

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

Annual report presented to the Mexican Stock Exchange

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process, reviewing the content of the consolidated financial statements and submitting them for the approval of the Entity's Board of Directors.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit executed in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate evidence regarding the financial information of the entities or the business activities performed within the Entity to enable us to issue an opinion on the accompanying consolidated financial statements. We are responsible for the management, supervision and performance of the group audit and are exclusively responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

C.P.C. Manuel Nieblas Rodríguez
Mexico City, Mexico
February 7, 2023

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021
(Thousands of Mexican pesos)

ASSETS	NOTES	2022	2021
Current assets:			
Cash and cash equivalents	3	**$ 16,919,158**	$ 12,274,693
Trade accounts receivable and others	4	**7,088,656**	6,805,751
Inventories	5	**4,598,306**	4,462,120
Total current assets		**28,606,120**	23,542,564
Long-term assets:			
Right-of-use assets	6	**$ 1,140,898**	1,310,845
Property, plant and equipment	7	**17,768,037**	17,071,316
Intangibles and other assets	8	**1,794,299**	1,931,392
Goodwill	9	**934,221**	934,221
Deferred income taxes	12	**347,362**	-
Derivative financial instruments	15	**2,949,683**	3,993,654
Total long-term assets		**24,934,500**	25,241,428
Total		**$ 53,540,620**	$ 48,783,992

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Current portion of long-term debt	10	**$ 1,750,000**	$ 3,000,000
Bank loans		**235,000**	235,000
Trade accounts payable		**8,252,653**	8,754,380
Lease liabilities	6	**255,620**	251,679
Other accounts payable, accrued liabilities and provisions	11	**2,383,916**	1,796,549
Employee benefits		**1,326,941**	1,202,530
Income tax	12	**467,528**	10,018
Total current liabilities		**14,671,658**	15,250,156

LONG-TERM LIABILITIES:

Long-term debt	10	**30,922,720**	25,175,518
Lease liabilities	6	**990,350**	1,172,029
Deferred income taxes	12	**-**	198,505
Retirement benefits	13	**382,562**	336,344
Derivative financial instruments	15	**1,545,880**	927,811
Total long-term liabilities		**33,841,512**	27,810,207
Total liabilities		**48,513,170**	43,060,363
Stockholders' equity			
Contributed		**19,634**	19,634
Earned		**4,988,468**	5,095,373
Other comprehensive income		**19,348**	608,622
Total stockholders' equity	16	**5,027,450**	5,723,629
Total		**$ 53,540,620**	$ 48,783,992

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, 2022 and 2021
(Thousands of Mexican pesos, except as indicated)

	NOTES	2022	2021
Net sales		**$ 51,055,352**	$ 46,893,963
Cost of sales		**34,282,394**	31,108,287
Gross profit		**16,772,958**	15,785,676
Selling expenses		**5,433,271**	5,127,092
Administrative expenses		**2,399,157**	2,308,865
Operating profit		**8,940,530**	8,349,719
Finance costs:			
Borrowing costs		**2,369,235**	2,245,208
Interest income		**(716,078)**	(462,261)
Exchange fluctuation – net		**36,663**	(43,018)
Income before income taxes		**7,250,710**	6,609,790
Income taxes	12	**2,314,398**	2,150,052
Consolidated net income before minority interest		**4,936,312**	4,459,738
Net loss minority interest		**-**	(34,130)
Net income		**$ 4,936,312**	$ 4,493,868
Basic earnings per share (in pesos)		**$ 1.61**	$ 1.46
Weighted average number of outstanding shares (in thousands)		**3,075,133**	3,076,716

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, 2022 and 2021
(Thousands of Mexican pesos)

	NOTES	2022	2021
Consolidated net income		**$ 4,936,312**	$ 4,459,738
Other comprehensive income:			
Items that will not be reclassified subsequently to statements of income			
Actuarial (losses) earnings on retirement benefits – net of tax	13	**(64,990)**	2,661
Items that may be reclassified subsequently to statements of income			
Changes in valuation of derivative financial instruments – net of tax	15	**(524,284)**	963,391
		(589,274)	966,052
Consolidated comprehensive income before minority interest		**4,347,038**	5,425,790
Comprehensive loss minority interest		-	34,130
Comprehensive income		**$ 4,347,038**	$ 5,459,920

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, 2022 and 2021
(Thousands of Mexican pesos)

	CONTRIBUTED	EARNED	OTHER COMPREHENSIVE INCOME					
	Common stock	Retained earnings	Actuarial gain (losses)	Translation effects of foreign operations	Valuation of derivative financial instruments	Controlling entity stockholders' equity	Minority interest net of purchase obligation	Total stockholders' equity
Balance, January 1, 2021	$ 19,659	$ 6,146,996	$ (270,713)	$ 145,682	$ (232,399)	$ 5,809,225	$ (116,404)	$ 5,692,821
Dividends paid		(5,296,108)				(5,296,108)		(5,296,108)
Repurchase of own stock	(25)	(135,908)				(135,933)		(135,933)
Reduction of stockholders' equity in minority interest and cancellation of purchase obligation		(113,475)				(113,475)	150,534	37,059
Comprehensive income		4,493,868	2,661		963,391	5,459,920	(34,130)	5,425,790
Balance, December 31, 2021	19,634	5,095,373	(268,052)	145,682	730,992	5,723,629	-	5,723,629
Dividends paid		(5,043,217)				(5,043,217)		(5,043,217)
Comprehensive income		4,936,312	(64,990)		(524,284)	4,347,038		4,347,038
Balance, December 31, 2022	$ 19,634	$ 4,988,468	$ (333,042)	$ 145,682	$ 206,708	$ 5,027,450	$ -	$ 5,027,450

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, 2022 and 2021
(Thousands of Mexican pesos)

	2022	2021
Operating activities:		
Income before income taxes	$ 7,250,710	$ 6,609,790
Items related to investing and financing activities:		
Depreciation and amortization	1,962,726	1,935,281
Exchange fluctuations	36,663	(43,018)
Interest expense - net	1,653,157	1,782,947
	10,903,256	10,285,000
Trade accounts receivable and other	(339,408)	(710,199)
Inventories	(136,186)	(669,649)
Trade accounts payable	(296,698)	1,978,702
Other accounts payable, accrued liabilities and provisions	263,887	(512,223)
Employee benefits and retirement	77,787	(443,273)
Income taxes paid	(2,153,698)	(3,130,697)
Net cash flows provided by operating activities	8,318,940	6,797,661
Investing activities		
Additions to property, plant and equipment	(2,141,436)	(2,150,474)
Other assets	(12,153)	8,778
Net cash flows used in investing activities	(2,153,589)	(2,141,696)
Excess cash to apply in financing activities	6,165,351	4,655,965
Financing activities		
Borrowings	10,000,000	-
Payment of loans	(4,500,000)	(3,578,600)
Interest paid	(1,328,101)	(1,697,109)
Payment of lease liabilities	(371,234)	(358,300)
Dividends paid	(5,043,217)	(5,296,108)
Repurchase of own stock	-	(135,933)
Derivative financial instruments	(82,376)	-
Net cash flows used in financing activities	(1,324,928)	(11,066,050)
Increase (decrease) in cash and cash equivalents	4,840,423	(6,410,085)
Effects of exchange rate changes on balance held in foreign currency	(195,958)	100,880
Cash and cash equivalents at the beginning of year	12,274,693	18,583,898
Cash and cash equivalents at the end of year	$ 16,919,158	$ 12,274,693

Relevant transactions related to financing activities eliminated in the preparation of this statement were: exchange fluctuations for $1,000,000 in 2022 and $(638,800) in 2021.
See accompanying notes to consolidated financial statements.

KIMBERLY-CLARK DE MÉXICO, S. A. B. DE C. V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021
(Thousands of Mexican pesos, except as indicated)

1. GENERAL INFORMATION

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

- Historical cost is generally based on the fair value of the consideration given in exchange for assets.

- Fair value is defined as the price which would be received for selling an asset or which would be paid for transferring a liability in an orderly transaction between market participants at the valuation date. Fair value measurements are categorized in three levels:

- Level 1 inputs are quoted prices in active markets,
- Level 2 inputs are observable inputs, other than quoted prices included within Level 1,
- Level 3 inputs are unobservable inputs for the assets or liability.

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

- Crisoba Industrial, S. A. de C. V., rents property, machinery and equipment and provides other services to Kimberly-Clark de México, S. A. B. de C. V.

- Servicios Empresariales Során, S. A. de C. V. provides financing, operating lease of equipment and through its subsidiaries, distribution and other services to Kimberly-Clark de México, S. A. B. de C. V.

- Three subsidiaries, which comprise the feeding accessories business in Mexico and the United States, as well as the commercialization in Mexico of other Evenflo® trademark products.

- Taxi Aéreo de México, S. A. provides air transportation services to personnel of Kimberly-Clark de México, S. A. B. de C. V. and its subsidiaries, as well as to the general public.

- Other subsidiaries which operating lease of properties, mainly to different subsidiaries of Kimberly-Clark de México, S. A. B. de C. V.

- Some subsidiaries which comprise liquid soap and antibacterial gel businesses and others, of which until October 2021 it owned 77.5%. As of November 2021, the Entity owns 100%.

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

c. ***Critical accounting judgments and key information for estimates***

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

The estimates and assumptions are reviewed on an ongoing basis. Review of accounting estimates are recognized in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods (see Notes 4 through 8).

d. ***Cash equivalents***

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

e. ***Financial assets***

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

- Loans and accounts receivable

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

- Impairment of financial assets

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

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

f. ***Inventories***

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

g. ***Leases***

The Entity as a lessee

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

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

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

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

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

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

h. *Property, plant and equipment*

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

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

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

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

i. *Borrowing costs*

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

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

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

j. *Intangibles*

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

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

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

k. *Impairment of tangible and intangible assets*

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

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

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

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

l. ***Business combinations***

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

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

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

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

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

m. ***Goodwill***

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

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

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

n. ***Financial liabilities***

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

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

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

- Borrowings and trade payables

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

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

- Derecognition of financial liabilities

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

o. *Income taxes*

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

- Current income tax

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

- Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities included in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, applying the rate corresponding to these differences and, as appropriate, tax losses to be amortized or tax credits are included. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

- Current and deferred tax

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

The Entity reviews whether there is any uncertain tax position, and if it exists, quantifies it using the most likely amount or the expected value method, depending on which one best predicts the resolution of the uncertainty.

p. *Provisions*

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

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

q. *Employee benefits*

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

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

r. ***Retirement benefits***

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

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

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

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

s. ***Derivative financial instruments***

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

According to the current IFRS 9, effectiveness testing has been replaced by the principle of an “economic relationship”, meaning that retrospectively evaluating hedge effectiveness is no longer necessary.

t. ***Revenue recognition for contracts with customers***

Revenues represent the transfer of goods and services to customers for an amount that reflects the payment to which the Entity expects to be entitled in exchange for the provision of these goods or services, while considering the shift to a control approach.

These revenues are recognized by utilizing a five-step model:

1. Identify the contract executed with the customer

    a) The contract is approved, including the commitment of the parties.
    b) The payment terms can be identified.
    c) The Entity will be able to collect the payment to which it is entitled.
    d) The rights of each party can be identified.
    e) Commercial substance.

2. Identify the performance obligations detailed in the contract

    a) Identify all the promised goods and services and determine whether they can be differentiated.

3. Determine the transaction price

    a) Determine whether the payment is fixed or variable.
    b) Identify reductions like sales returns and rebates.

4. Assign the transaction price to the performance obligations.

5. Recognize revenues when each performance obligation is fulfilled.

    a) When the vendor’s performance generates an asset controlled by the customer.
    b) The customer receives and consumes the benefit generated by the vendor’s performance.
    c) When the vendor has the right to receive the payment.

u. Foreign currency transactions

The functional currency of the Entity is the Mexican peso.

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

Exchange rate differences are recognized in results of the period.

3. CASH AND CASH EQUIVALENTS

Are composed as follows:

	2022	2021
Cash	$ 383,847	$ 246,818
Temporary cash investments	16,535,311	12,027,875
Total	$ 16,919,158	$ 12,274,693

4. TRADE ACCOUNTS RECEIVABLE AND OTHERS

	2022	2021
Trade	$ 7,671,153	$ 7,213,848
Allowance for rebates	(784,938)	(546,327)
Allowance for doubtful accounts	(182,170)	(171,927)
Net	6,704,045	6,495,594
Derivative financial instruments (see Note 15)	4,116	-
Advance payments	112,175	93,642
Other	268,320	216,515
Total	$ 7,088,656	$ 6,805,751

	2022	2021
Allowance for rebates:		
Balance at January 1,	$ (546,327)	$ (1,036,943)
Increases	(9,245,585)	(8,585,363)
Applications	9,006,974	9,075,979
Balance at December 31,	$ (784,938)	$ (546,327)

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

	2022	2021
Finished goods	**$ 1,600,095**	$ 1,808,051
Work in process	**407,915**	444,613
Raw materials and spare parts	**2,590,296**	2,209,456
Total	**$ 4,598,306**	$ 4,462,120

6. LEASES

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

	2022	2021
Right-of-use assets	**$ 1,854,776**	$ 1,940,332
Accumulated depreciation	**(713,878)**	(629,487)
Net	**$ 1,140,898**	$ 1,310,845

	BUILDINGS
Right-of-use assets	
Balance at the beginning of 2021	$ 1,767,302
Additions	337,161
Disposals	(164,131)
Balance at December 31, 2021	1,940,332
Additions	247,642
Disposals	(333,198)
Balance at December 31, 2022	$ 1,854,776

Depreciation of right-of-use asset	
Balance at the beginning of 2021	$ (473,733)
Additions	(299,782)
Disposals	144,028
Balance at December 31, 2021	(629,487)
Additions	(302,496)
Disposals	218,105
Balance at December 31, 2022	$ (713,878)

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

Balance at the beginning of 2021	$	1,363,423
Additions		337,161
Cancelation		(21,820)
Payments		(358,300)
Interest paid		87,219
Exchange rate fluctuation - net		16,025
Balance at December 31, 2021		1,423,708
Additions		247,642
Cancelation		(125,507)
Payments		(371,234)
Interest paid		89,837
Exchange rate fluctuation - net		(18,476)
Balance at December 31, 2022		1,245,970
Short-term		(255,620)
Long-term	$	990,350

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

2024	$	238,097
2025		196,577
2026		150,712
2027		121,026
Posterior		283,938
	$	990,350

d. During the years 2022 and 2021, an amount of $3,253 and $10,736 was charged to operating expenses for operating lease contracts with a term less than one year and $21,955 and $12,099 correspond to contracts where the underlying asset has a low value, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

	2022	2021
Depreciable fixed assets	$ 45,475,566	$ 44,085,826
Accumulated depreciation	(30,247,748)	(30,108,744)
Net	15,227,818	13,977,082
Land	741,814	741,814
Construction in progress	1,798,405	2,352,420
Total	$ 17,768,037	$ 17,071,316

At December 31, 2022 and 2021, the amount of unamortized capitalized borrowing costs amounted to $191,639 and $119,805, respectively.

	Buildings	Machinery and equipment	Transportation equipment	Total
Depreciable fixed assets				
Balance at the beginning of 2021	$ 6,322,702	$ 36,284,423	$ 1,028,064	$ 43,635,189
Additions	6,308	392,319	165,852	564,479
Disposals		(68,011)	(45,831)	(113,842)
Balance at December 31, 2021	6,329,010	36,608,731	1,148,085	44,085,826
Additions	277,461	2,495,990		2,773,451
Disposals	(3,737)	(1,342,732)	(37,242)	(1,383,711)
Balance at December 31, 2022	$ 6,602,734	$ 37,761,989	$ 1,110,843	$ 45,475,566

	Buildings	Machinery and equipment	Transportation equipment	Total
Accumulated depreciation				
Balance at the beginning of 2021	$ (3,167,584)	$ (24,868,762)	$ (689,122)	$ (28,725,468)
Additions	(174,684)	(1,270,336)	(50,938)	(1,495,958)
Disposals		66,874	45,808	112,682
Balance at December 31, 2021	(3,342,268)	(26,072,224)	(694,252)	(30,108,744)
Additions	(182,468)	(1,280,556)	(57,665)	(1,520,689)
Disposals	3,737	1,343,090	34,858	1,381,685
Balance at December 31, 2021	$ (3,520,999)	$ (26,009,690)	$ (717,059)	$ (30,247,748)

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

	2022	2021
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	**(1,057,923)**	(918,382)
Trademarks and licenses with indefinite life	**374,372**	374,372
Total intangibles	**1,768,124**	1,907,665
Other assets	**26,175**	23,727
Total	**$ 1,794,299**	$ 1,931,392

	Trademarks and licenses	Patents and permits	Customer relationships	Total
Cost				
Balance at the beginning of 2021, and at December 31, 2021 and 2022	$ 1,842,598	$ 25,636	$ 583,441	$ 2,451,675
Accumulated amortization				
Balance at the beginning of 2021	$ (519,446)	$ (15,739)	$ (243,656)	$ (778,841)
Additions	(110,381)	(1,770)	(27,390)	(139,541)
Balance at December 31, 2021	(629,827)	(17,509)	(271,046)	(918,382)
Additions	(110,381)	(1,770)	(27,390)	(139,541)
Balance at December 31, 2021	$ (740,208)	$ (19,279)	$ (298,436)	$ (1,057,923)

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, antibacterial gel and other products 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: 16% for 2022 and 12.5% for 2021 for the domestic portion; and, in the case of the foreign portion, 10% and 8% for 2022 and 2021, respectively.

The following discount rates were utilized for liquid soap business: 16% and 12.5% for 2022 and 2021, respectively.

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

10. LONG-TERM DEBT

	2022	2021
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rate of 6.98%.	**$ 1,750,000**	$ 1,750,000
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.8%.	**4,877,500**	5,127,500
Notes denominated as global bonds issued for USD$250 million, unsecured, bearing interest at a fixed net annual rate of 3.25%.	**4,877,500**	5,127,500
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	**-**	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. December 31, 2022, the annual rate is 10.8737%.	**1,500,000**	3,000,000
Notes denominated as global bonds issued for USD$500 million, unsecured, bearing interest at a fixed net annual rate of 2.431%.	**9,755,000**	10,255,000
Marketable notes denominated in Mexican pesos, unsecured, bearing interest based on the 28-day Mexican Interbank Equilibrium rate TIIE plus 7 credit spreads. As of December 31, 2022, the annual rate is 10.78%.	**2,250,000**	-
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rate of 9.30%.	**7,750,000**	-
Total	**32,760,000**	28,260,000
Current portion	**(1,750,000)**	(3,000,000)
Expenses on debt issuance	**(87,280)**	(84,482)
Long-term debt	**$ 30,922,720**	$ 25,175,518

Long-term debt agreements contain certain covenants that do not include financial restrictions. Such obligations have been complied.

Long-term debt matures as follows:

2024	$ 4,877,500
2025	4,877,500
2026	1,500,000
2027	2,250,000
2029	3,251,654
2030	3,251,673
2031	3,251,673
2032	2,583,075
2033	2,583,075
2034	2,583,850
Total	$ 31,010,000

Considering the interest rates, exchange rates and the debt in effect as of December 31, 2022, maturity of interest is an average of $1,515 million Mexican pesos in 2023 to 2026, an average of $974 million Mexican pesos in 2027 to 2030 and an average of $477 million Mexican pesos from 2031 to 2034.

As of December 31, 2022 and 2021, the fair value of debt approximates its carrying value.

11. OTHER ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

Are composed as follows:

	2022	2021
Provisions	**$ 376,132**	$ 339,008
Derivative financial instruments (see Note 15)	**63,584**	22,893
Value added tax, withholdings and taxes other than income tax	**411,760**	193,002
Other accrued services	**1,532,440**	1,241,646
Total	**$ 2,383,916**	$ 1,796,549

Provisions are composed as follows:

	2022	2021
Promotion	**$ 213,917**	$ 145,488
Freight	**162,215**	193,520
Total	**$ 376,132**	$ 339,008

	Promotion	Freight	Total
Balance at the beginning of 2021	$ 165,322	$ 243,937	$ 409,259
Increases	342,480	2,779,697	3,122,177
Applications	(362,314)	(2,830,114)	(3,192,428)
Balance at December 31, 2021	145,488	193,520	339,008
Increases	480,974	2,985,006	3,465,980
Applications	(412,545)	(3,016,311)	(3,428,856)
Balance at December 31, 2021	$ 213,917	$ 162,215	$ 376,132

12. INCOME TAXES

The statutory income tax rate is 30% for the years 2022 and 2021.

a. Income taxes recognized in profit or loss

	2022	2021
Current	**$ 2,611,208**	$ 2,383,071
Deferred	**(296,810)**	(233,019)
Total income taxes	**$ 2,314,398**	$ 2,150,052

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

	2022 Tasa %	2021 Tasa %
Statutory rate	**30.0**	30.0
Effects of inflation	**.3**	.8
Non-deductible items	**1.6**	1.7
Effective rate	**31.9**	32.5

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

	2022	2021
Due to valuation of derivative financial instruments	$ 224,693	$ (412,882)
Due to actuarial loss	31,894	(1,140)
Total	$ 256,587	$ (414,022)

d. Deferred tax in the statement of financial position

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

	2022	2021
Property, plant and equipment	$ 321,689	$ 567,890
Intangibles arising from business combination	7,017	7,323
Inventories	28,938	27,281
Loss carryforwards (expiring from 2026 to 2038)	(86,780)	(122,733)
Other liabilities and provisions	(706,815)	(594,538)
Derivative financial instruments	88,589	313,282
Total (asset) liability	$ (347,362)	$ 198,505

13. 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:

	2022	2021
Projected benefit obligation	$ 968,127	$ 881,007
Plan assets	(585,565)	(544,663)
Net liability	382,562	336,344
Annual cost	$ 69,298	$ 74,038

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

	2022 %	2021 %
Discount rate	**9.35**	8.75
Expected return on plan assets	**9.35**	8.75
Expected rate of salary increase	**4.50**	4.50

As of December 31, 2022 and 2021, employee benefits expense totaled $4,172 and $4,017 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, 2022, 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, 2022 is spaced out over twelve years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the net cash flow provided by operating activities as of December 31, 2022.

The Entity maintains 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, 2022, 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 ratings are at least two notches above investment-grade.

b. Market risk

- Exchange rate

The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in Note 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, 2022, the Entity had four future contracts to hedge the exchange rate of part of the input purchases (see Note 15). Export sales in the year 2022 were $6,710 million Mexican pesos and it is estimated that the purchases of those inputs whose prices fluctuate due to changes in the exchange rate represent about 60% of its costs.

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

- Interest rates

As of December 31, 2022, 89% of the debt was at a fixed rate and 11% 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 93% of the debt into 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 2022 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions and some cases contract signing. The Entity believes that no efficient financial hedge market exists for cellulose.

Another pricing risk derives from the price of natural gas as a result of the Entity's consumption of this input in its processes, as well as its impact on the prices of electricity. The prices of gas are monitored and hedging options are constantly analyzed. As of December 31, 2022, the Entity had four future contracts to hedge the price of part of the natural gas it consumes (see Note 15).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2022	2021
Derivative financial instruments assets		
Cross currency swaps (CCS)	$ 2,828,846	$ 3,993,654
Interest rate swaps (IRS)	124,953	-
	2,953,799	3,993,654
Current portion (see Note 4)	(4,116)	-
Long term portion	$ 2,949,683	$ 3,993,654
Derivative financial instruments liabilities		
Cross currency swaps	1,434,274	812,339
Interest rate swaps	111,606	138,365
Futures	63,584	-
	1,609,464	950,704
Current portion (see note 11)	(63,584)	(22,893)
Long term portion	$ 1,545,880	$ 927,811

a. Cross currency swaps

In order to reduce its exposure to exchange rate fluctuations and interest rate from its U.S. dollar-denominated debt, Entity entered into cross currency swaps contracts. Such instruments as of December 31, 2022 and 2021 convert U.S. dollar-denominated for 1,000 million of debt into $18,253.3 million of Mexican pesos.

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 are recorded as the exchange rate of the hedged item fluctuates.

According to hedge accounting, interest rate swap contracts cover, in aggregate manner, the risk exposure derived from the variable interest rate contracts recorded as fair value hedges. Therefore, all contracts are recorded as cash flow hedging.

The (unfavorable) effect of cash flow hedge that were reclassified to net income were $(1,794,931) and $(52,864) for the 2022 and 2021 years, respectively, which complement the exchange effect and the contracted interest, which correspond to the hedged item.

According to the terms and conditions signed in the contracts, when the valuation that represents a liability for the Entity exceeds 50 million dollars, the excess value must be guaranteed.

b. Interest rate swaps

In order to reduce rate volatility the Entity contracted interest rate swaps to convert fixed interest rate to variable rate loans.

Additionally the Entity maintains investments in variable interest rates based on the 28-day Mexican Interbank Equilibrium rate TIIE and Federal Treasury Certificates CETES, which convert to a fixed rate through the contracting of interest rate swaps.

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 or the investments hedged. The interest rate swaps and the interest payments on the loan or the interest collected on the investment 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 or variable rate interest collections on investments affect results.

The (unfavorable) effect of these contracts for $(57,715) and $(313,620) for the 2022 and 2021 years, respectively, is presented in results as part of borrowing costs.

c. Futures

La Entidad contrata futuros con la finalidad de cubrir el riesgo en tipo de cambio de una parte de las compras de materias primas al The Entity contracts futures with the aim to hedge the risk to its exposure to exchange rate fluctuations from a part of the purchases of raw materials as well as a part of the price of the natural gas it consumes.

The (unfavorable) effect of these contracts for $ (34,153) for the year 2022 is presented in results in the cost of production that is the same line where the protected item is presented.

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

Assets (liabilities)	2022	2021
CCS (6 contracts) 2014 maturity in 2024	**$ 1,643,851**	$ 2,187,800
CCS (2 contracts) 2015 maturity in 2025	**1,184,995**	1,805,854
CCS 2020 maturity in 2029	**(494,015)**	(266,050)
CCS 2020 maturity in 2030	**(477,255)**	(272,251)
CCS 2020 maturity in 2031	**(463,004)**	(274,038)
IRS 2018 maturity in 2022	-	(22,893)
IRS 2018 maturity in 2023	-	(19,823)
IRS 2018 maturity in 2024	**21,396**	(10,908)
IRS 2018 maturity in 2025	**59,812**	(39,977)
IRS 2018 maturity in 2026	**39,629**	(44,764)
IRS 2022 maturity in 2023	**4,116**	-
IRS (2 contracts) 2022 maturity in 2024	**(46,634)**	-
IRS (2 contracts) 2022 maturity in 2025	**(64,972)**	-
Price of natural gas futures (4 contracts) 2022 maturity in 2023	**(35,056)**	-
Futures on raw material exchange rates (4 contracts) 2022 maturity in 2023	**(28,528)**	-

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. STOCKHOLDER´S EQUITY

As of December 31, 2022 and 2021, common stock consists of nominative common shares with no par value, as follows:

	SHARES	%
Serie “A”	1,600,738,673	52
Serie “B”	1,474,393,925	48
Total	3,075,132,598	100

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

As part of the program for the repurchase of the Company's own shares approved annually by the stockholders, during the year ended December 31, 2021, 3,999,939 shares, were repurchased.

In accordance with the Mexican income tax law, total stockholders' equity, except for stockholders' contributions and their related tax restatement, as well as retained earnings determined based on the provisions of such law, is subject to a dividend tax, payable by the Entity, in the event of distribution.

As of December 31, 2022, the balances of the stockholders' equity tax accounts are represented by contributed capital account of $29,508,000 and the net tax income account that started in 2014 for $40,859,000.

During the years ended December 31, 2022 and 2021, the Entity paid dividends for $5,043,217 and $5,296,108, respectively. If such dividends had not been paid, stockholders' equity have been increased by $10,339,325 and $5,296,108, 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:

	2022	2021
Monetary assets	**$ 296,012**	$ 261,271
Monetary liabilities (see Note 15)	**1,259,224**	1,240,591

Exchange rates used to value such balances were $19.51 and $20.51 Mexican pesos per one U.S. dollar, respectively.

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

	2022	2021
Export sales	**$ 333,954**	$ 273,902
Purchases of raw materials, spare parts and services	**797,562**	674,945
Purchases of machinery and equipment	**68,285**	72,403

18. RELATED PARTIES

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

	2022	2021
Kimberly-Clark Corporation:		
Purchases and technical services	**$ 1,787,811**	1,825,668
Machinery and equipment	**56,847**	52,615
Net sales and others	**2,208,368**	3,041,032
Trade accounts payable	**327,483**	372,855
Trade accounts receivable	**267,909**	778,334

Other - As of December 31, 2022 and 2021, employee benefits granted to Entity's key senior management were $213,919 and $283,426, 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:

	2022			
	Consumer Products	Professional	Exports	Total
Net sales	$ 39,850,836	$ 4,494,056	$ 6,710,460	$ 51,055,352
Operating profit	7,626,619	533,695	780,216	8,940,530
Depreciation and amortization	1,621,342	153,869	187,515	1,962,726
Total assets	41,790,691	4,712,818	7,037,111	53,540,620

	2021			
	Consumer Products	Professional	Exports	Total
Net sales	$ 37,293,542	$ 4,043,796	$ 5,556,625	$ 46,893,963
Operating profit	7,289,893	534,278	525,548	8,349,719
Depreciation and amortization	1,603,745	165,085	166,451	1,935,281
Total assets	38,796,633	4,206,778	5,780,581	48,783,992

20. COMMITMENTS

At December 31, the Entity held the following commitments:

	2022	2021
Acquisition of machinery, equipment and construction projects	**$ 783,719**	$ 1,804,733
Acquisition of raw materials, spare parts and other	**637,389**	669,978

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

21. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS OR IAS") NEW AND REVISED

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

22. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

On February 7, 2023, the issuance of these consolidated financial statements was authorized by Mr. Pablo R. González Guajardo, General Director, and Mr. Xavier Cortés Lascurain, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Stockholders' Ordinary Meeting.

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Bolsa Mexicana
KIMBER

TRADE MARKETS

Bolsa Mexicana *Mexican Stock Exchange* (BMV), Mexico.
The United States (OTC ADRs)
Types of shares
Serie A
Serie B
Ticker
BMV: KIMBER

INVESTOR RELATIONS

Salvador Escoto
salvador.escoto@kcc.com
Phone: +52 (55) 52 82 72 04

CORPORATE OFFICES

Av. Jaime Balmes N° 8, Piso 9
Los Morales Polanco, 11510
Ciudad de México.
Phone: +52 (55) 52 82 73 00
Fax: +52 (55) 52 82 72 72

DESIGN: www.signi.com.mx

www.kimberly-clark.com.mx