

October 17, 2019

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

Highlights:

- Third quarter sales were Ps. \$10.4 billion, up 5% (consumer products up 6%).
- Positive price comparisons, better cost environment and continued cost savings.
- Higher gross, operating, net and EBITDA margins both year over year and sequentially.
- EBITDA of Ps. \$2.6 billion during the quarter. Margin improved 460 basis points year over year and 60 basis points sequentially to 25.4%.

QUARTERLY FINANCIAL RESULTS

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

	<u>3Q'19</u>	<u>3Q'18</u>	<u>CHANGE</u>
NET SALES	\$10,400	\$ 9,897	5.1%
GROSS PROFIT	3,985	3,357	18.7%
OPERATING PROFIT	2,155	1,695	27.2%
NET INCOME	1,238	904	37.0%
EBITDA	2,639	2,056	28.4%

Net sales were 5% higher, driven by a 6% positive price comparison while volumes were down 1%.

Revenues in consumer products increased 6%, Away from Home decreased 3% and exports declined 5%. The decline in exports sales reflects more tissue sold domestically.

Gross profit grew 19%, with margin increasing 440 basis points year over year to 38.3% and improving sequentially by 110 basis points. Domestic fiber prices as well as fluff compared negatively, while virgin pulp, imported fibers, superabsorbent materials and resins compared favorably. Energy prices were also lower. The cost reduction program yielded approximately Ps. \$400 million in the quarter. The FX parity was slightly higher, averaging 1% above last year.

Operating expenses grew 10% and were 17.6% as a percentage of sales. We maintain our lean operation and continue to invest efficiently behind our brands and products.

Operating income increased 27% and margin was 20.7%, a year on year increase of 360 basis points and a sequential improvement of 40 basis points.

EBITDA increased 28% to Ps. \$2.6 billion in the quarter, and margin was 25.4% of which approximately 70 basis points derive from IFRS 16.

Cost of financing was Ps. \$391 million in the third quarter, compared to Ps. \$400 million in the same period of last year. Interest expense was lower in spite of increased interests from the IFRS 16 lease liabilities, as we reduced our debt position. The foreign exchange loss in the period was Ps. \$7 million, in line with 3Q 2018.

Net income increased 37% and earnings per share for the quarter were \$0.40.

During the last twelve months, we invested Ps. \$897 million in Capex and paid Ps. \$4,826 million to our shareholders.

As of September 30, the company held Ps. \$7.1 billion in cash and equivalents.

Total net debt as of September 2019 was Ps. \$15.0 billion, compared to Ps. \$15.4 billion on December 2018. Long-term debt comprised 99% of total debt and all debt was denominated in Mexican pesos.

The accounting standard IFRS 16 Leases, became effective Jan 1, 2019. This standard requires recognition of right-of-use assets and their related liabilities for lease contracts with significant value and with a term greater than twelve months. Depreciation of the asset, interests and exchange rate fluctuations on the lease liability are also recognized. Impacts on Kimberly-Clark de México's Balance Sheet as of September 30, 2019 are the recognition of Ps. \$1.3 billion of right-of-use assets and their related Ps. \$1.3 billion liabilities. The effects on the quarter's operating profit and net income are not material. The effect on EBITDA is Ps. \$75 million.

In dollars, under US GAAP, net sales increased 4% in the quarter, operating profit increased 22% and net income increased 36%.

YTD FINANCIAL RESULTS

Million pesos

	<u>9M'19</u>	<u>9M'18</u>	<u>CHANGE</u>
NET SALES	\$32,699	\$30,692	6.5%
GROSS PROFIT	12,059	10,898	10.7%
OPERATING PROFIT	6,512	5,751	13.2%
NET INCOME	3,706	3,211	15.4%
EBITDA	7,998	6,931	15.4%

FINANCIAL POSITION

Million Pesos

	As of September	
	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 7,075	\$ 5,995
Trade and other receivables	6,519	6,785
Inventories	3,282	3,697
Property, plant and equipment	17,260	17,895
Right of use assets	1,290	-
Derivative financial instruments	4,103	2,943
Intangible assets and others	<u>3,219</u>	<u>3,312</u>
Total	\$42,748	\$ 40,627
<u>Liabilities and equity</u>		
Bank loans current	\$ 235	\$ 230
Current portion of long term debt	-	400
Current lease liabilities	208	-
Trade payables	5,344	5,365
Employee benefits	1,170	962
Capital reimbursement	2,394	2,438
Provisions and other liabilities	2,286	2,158
Current income tax payable	479	309
Long term debt	24,035	23,340
Non-current lease liabilities	1,106	-
Non-current derivative financial instruments	544	64
Deferred taxes	505	727
Other liabilities	559	501
Equity	<u>3,883</u>	<u>4,133</u>
Total	\$42,748	\$ 40,627

CASH FLOW

Million pesos

	Nine months ended September	
	<u>2019</u>	<u>2018</u>
Profit before tax	\$5,375	\$4,598
Depreciation and amortization	1,486	1,180
Other	1,137	1,153
Cash used in operations	<u>(1,073)</u>	<u>(2,060)</u>
Net cash flow from operating activities	6,925	4,871
Capital expenditures and others	(628)	(1,464)
Increase in controlling minority interest	(120)	-
Borrowings	-	3,035
Payments of lease liabilities	(216)	-
Capital reimbursement	(2,390)	(2,436)
Payment of borrowings & net interest	<u>(1,506)</u>	<u>(2,545)</u>
Net increase in cash	2,065	1,461
Effect of exchange rate changes on cash	11	(140)
Cash and equivalents at the beginning of period	4,999	4,674
Cash and equivalents at the end of period	7,075	5,995

Conference Call Information

The 3Q'19 conference call will be held on Friday, October 18, 2019 at 9:30 am Eastern time (8:30 am Central time / Mexico time). To participate in the call, please dial: US +1(888) 318-6429, international +1(334) 323-7224; conference ID: KIMBERLY.

A replay of the conference call will be available through October 25, 2019. To access the replay, please dial US +1(877) 919-4059, international +1(334) 323-0140; conference ID: 79772576

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

Investor Relations Contact

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