2010 annual report

innovation

Kimberly-Clark de México


¡NUEVO!
KleenBebé
MAX
40

Kimberly-Clark de México

is engaged in the manufacture, distribution and sale of disposable products for daily consumer use, such as: diapers and child care products, feminine pads, incontinence care products, bathroom tissue, paper napkins, Kleenex, hand and kitchen towels, wet wipes and health care products. Its leading brands include Huggies®, KleenBebé®, Kleenex®, Kimlark®, Pétalo®, Cottonelle®, Depend® and Kotex®.

Due to its permanent innovation and focus on the consumer, the company holds a leadership position in all the markets in which it participates.

The company trades on the Mexican Stock Exchange under the ticker symbol "KIMBER," and through ADRs listed on the New York Stock Exchange.

innovation: for consumers' benefit to provide them a better quality of life

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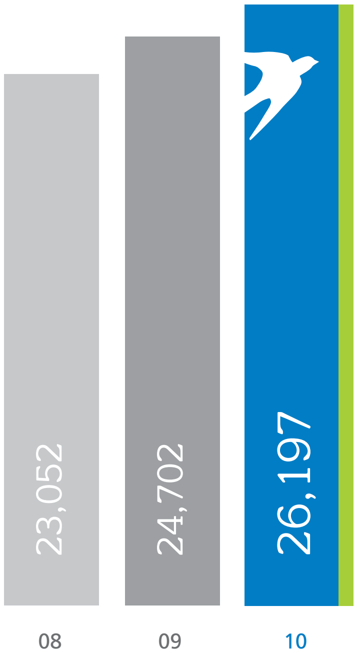
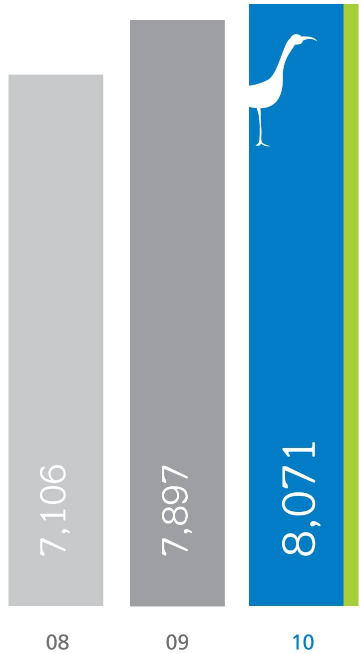
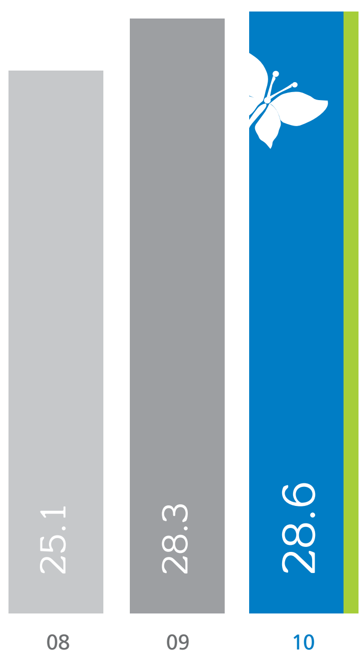


Net Sales
(millions of pesos)



EBITDA
(millions of pesos)

Earnings per Share
(In pesos, using the weighted average of outstanding shares)



ROIC
(%)

6%
Growth in Net Sales

financial highlights:

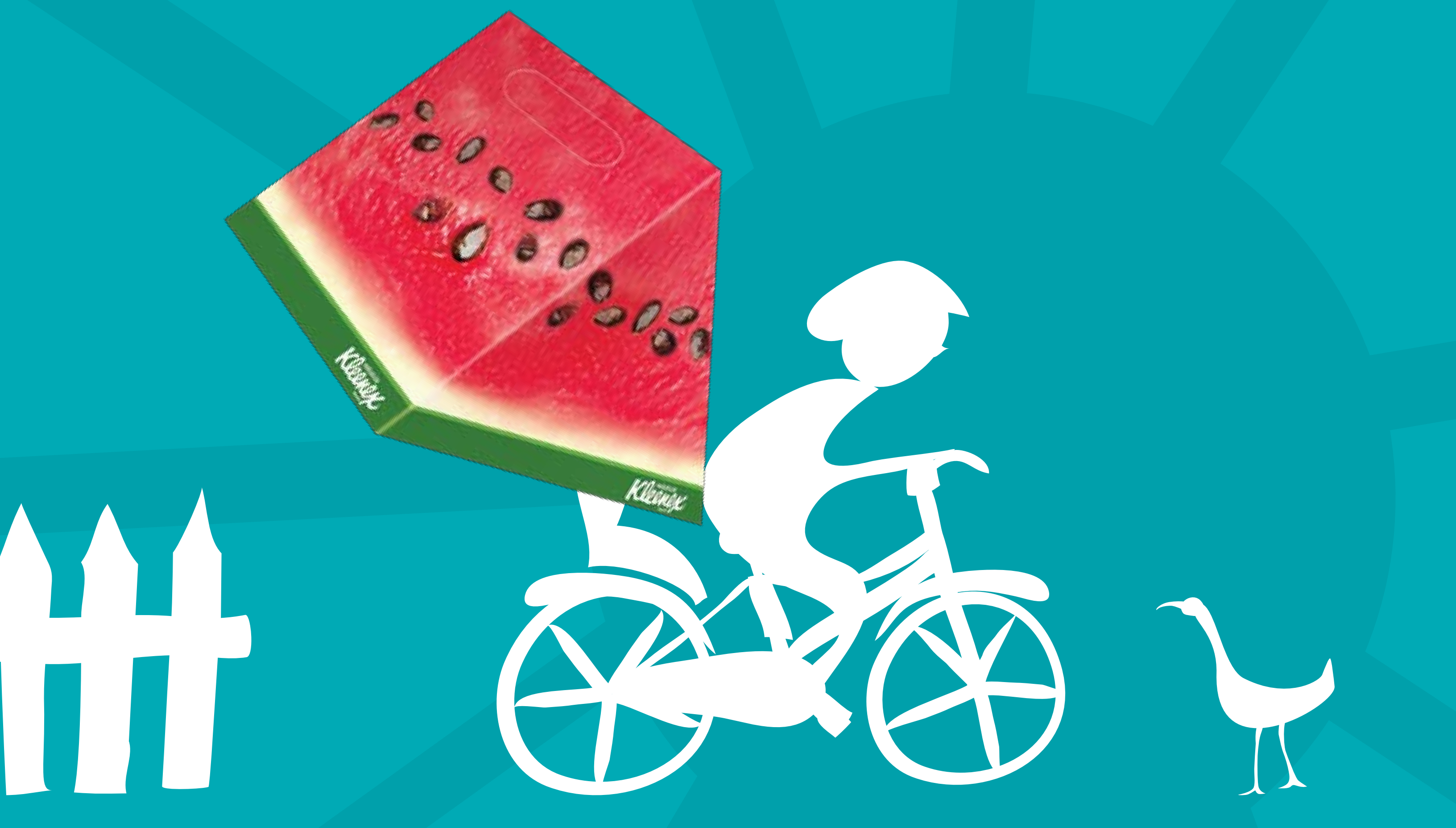
Years ended December 31, 2010 and 2009
(millions of pesos)

	2010	2009	% VAR
Net Sales	26,197	24,702	6%
Gross Profit	10,556	10,137	4%
Margin	40%	41%	
Operating Profit	6,881	6,703	3%
Margin	26%	27%	
Net Income	4,223	4,152	2%
ROIC	29%	28%	
EBITDA	8,071	7,897	2%
Margin	31%	32%	
Earnings per Share*	3.95	3.81	4%

* (In pesos, using the weighted average of outstanding shares)

KLEENEX®:

the traditional Kleenex® boxes surprise our customers with their new triangular shapes. They are so attractive that drove a better penetration of the category.



Messrs. Shareholders:

Last year, the world's economy showed a sustained recovery, led by the emerging markets, particularly in Asia. The aggressive measures implemented in order to stimulate the economies, managed to turnaround the strong slowdown experienced in 2009 and allowed to initiate a growth period in developed countries, particularly in the United States and Germany. However, debt-related problems in some European countries; concerns related to deficits in some countries with important economies; the continued fall in real state; and the lack of investment and job creation; all are evidence that the recovery is still fragile, thus translating into nervous and volatile markets throughout the year.

managing director's report:

On the positive side, emerging markets led by China and India posted strong growth. Undoubtedly, these markets have played a very important role in the incipient worldwide economic recovery, but this has also caused imbalances and inflationary pressures due to higher demand for raw materials and "commodities" such as food, metals, and pulp.

In our country, after the severe economic contraction experienced in 2009, a 5.5% GDP growth was recorded. Notwithstanding this growth, the recovery process was slow and heterogeneous. The sectors which posted a strong expansion were those related to exports, while those associated with internal demand remained weak. Regarding exports, the United States economic recovery coupled with more dynamic and competitive Mexican exports, particularly automotive production and spare parts, posted significant growth and gained share in exports to that country. In fact, Mexican exports exceeded levels attained before the recession.

However, private consumption grew less than the GDP, slowed down by fragility of the internal recovery, higher taxes, and the steep fall in credit available for consumption. This, coupled with the lack of structural reforms and the absence of investments growth —due to the excess capacity generated by the 2008-2009 crises—, meant that the recovery was insufficient for the country's needs and its potential.

Despite the difficult environment we faced, with the innovations in our products and processes, the leadership of our brands, the passion that distinguishes our personnel, and the priority given to execution —all of these being values under which our company operates— we achieved good results in the year that just ended.

Financial Results:

In 2010, we posted annual record in net sales, operating profit, EBITDA, and net income.

Our growth in net sales was 6 percent, 3 percent due to higher volume and 3 percent to better prices and mix. This growth reflects the aforementioned weakness in the internal demand, as the market shares of our main products were sustained and in some cases increased.

During 2010, we experienced continuous and significant escalations in several raw materials, particularly pulp and fibers for recycling, which showed increases for 12 consecutive months attaining their highest level towards year end. During the first half of the year, the changes in our prices, operation efficiencies, and cost reduction programs coupled with an appreciation in the exchange rate, enabled us to offset the aforementioned adverse impacts on costs. However, during the second half of the year, cost pressures continued and our actions mitigated but did not entirely offset the increases of these raw materials.

Despite the achieved operating efficiencies, cost savings, and containment programs —which exceeded our objective and represented savings of $550 million pesos— operating profit was 3 percent above last year. It is remarkable that even with these cost pressures, the company maintained similar margins throughout the year.

In 2010, we posted annual record in net sales, operating profit, EBITDA and net income.

Net income grew 2 percent due to the effect of higher income tax rate in the country.

The quality of the company's earnings is reflected by a solid financial position and a strong cash generation, combined with an efficient working capital management, resulted in EBITDA generation of $8,071 million pesos for the year. During this period, we made investments of $1,936 million pesos —$867 in capital expenditures (CAPEX) and $1,069 in the re-purchase of stock— and paid a dividend to our shareholders of $3,456 million pesos.

Thanks to this strong financial position and the investment community's trust in the company, its management and its perspectives, in the fourth quarter the company successfully issued $4,000 million in marketable notes (*Certificados Bursátiles*) in two tranches: the first consisting of $1,500 million pesos at a variable rate of TIIE + 30 bps, with a maturity of 5 years; and the second of $2,500 million pesos at a fixed rate of 7.17% and a maturity of 10 years. The latter tranche represented the lowest rate attained in the Mexican market by a corporation for a 10-years maturity transaction. Part of these funds was used to pay short-term debt and the other portion will be utilized to finance an aggressive capital expenditure program in 2011.

As of December 31st, 2010 the company had $6,307 million pesos in cash.

Sales Growth:

Notwithstanding the difficult environment that prevailed during the year and the intense competition, we achieved growth in almost all of the company's business units.

In **Consumer Products**, that includes the company's main businesses and represents 87 percent of sales and produces 93 percent of the operating profit, we achieved 5 percent growth in sales— 1 percent due to higher volume and 4 percent to better prices and product mix. We posted net sales records for most of the products in our portfolio, with outstanding growth in bath tissue, kitchen towels, and incontinence products. In all of these, growth in units sold exceeded market growth and therefore, gained market share.

In **Professional,** we achieved 8 percent top-line growth, —5 percent due to higher volume and 3 percent due to better price and product mix. Outstanding was the double-digit growth in our Marli® brand, which encompasses bath tissue, hand towels, and paper napkins, becoming the leading brand in the economy segment.

Finally, **Exports** business experienced an important recovery in net sales as a result of the mentioned economic recovery, particularly in the United States, posting 25 percent growth, that represents record sales for this business area.

KOTEX®:

with new channels that keep moister away, leaves your skin fresh and dry, better adapting to flow with your movements. Inspired on you, is our most complete towel.

KLEENEX® COTTONELLE®:

in the premium segment, we capitalized the special presentations of our Kleenex® Cottonelle® Línea Dorada® to reinforce the brand.

We achieved production records in almost all areas, many of them posting global benchmarks for operations of this type.

Operations:

Our operating focus was concentrated in maximizing productivity levels, increasing capacity, improving quality, and performance of our products and processes and especially, in identifying and executing our cost reduction programs in order to offset price increases for raw materials. In this regard, stand out our achievements in energy consumption savings, waste reductions, lower usage of chemicals, and higher efficiencies in primary equipment.

Once again, in 2010, we achieved production records in almost all areas, with many of them posting global benchmarks for operations of this type. In addition, the modification and start-up of a series of new operations contributed to enhance the quality of our products, increase production capacity, and reduce costs. Among our most relevant investments were the following:

1) Start-up of a new bath tissue converting line at our Ramos Arizpe mill and modification of two additional lines at other plants, all of them to strengthen our Suavel® production;

2) Relocation of three bath tissue converting lines from the Ecatepec mill to the Orizaba mill for a better alignment of tissue production;

3) Re-build of two tissue machines at the Orizaba mill, achieving significant improvements in production and energy efficiencies;

4) Installation of a new feminine pad machine for the night care segment at the Cuautitlan Plant;

5) Modification of our disposable diaper lines at the Ramos Arizpe and Tlaxcala plants to enhance Huggies UltraConfort® and Huggies Supreme® diapers; and,

6) Start-up of a process to place a rigid cap on wet wipes packages.

In our operation, the contingency derived from hurricane “Alex” at the beginning of the third quarter was overcome as we re-established certain flooded operations rapidly and also, assured the supply of imported raw materials from the United States to all of our operating facilities.

On the other hand, in 2010 we continued to work on improving the levels of delivery and service to our clients and performed some warehouse location changes to achieve higher efficiencies. As part of this logistics process, we firmly focused on controlling inventory levels, achieving an inventory turnover of 8.7 times during the year, figure higher than that of the prior year, thus contributing to the company’s cash generation.

Human Resources:

In your company, we are aware that having personnel that is trained, courageous, competitive, and efficient is a key factor to attain results. As a consequence, we place special emphasis in strengthening our labor force and continue investing in training and development programs in all of our facilities. In this regard, we have obtained significant achievements in developing technical and personal skills of all the company’s personnel, and without a doubt, this was a key ingredient in achieving our results.

During the year, the established salary increases for our personnel, collective labor contract and wage tabulator revisions were completed under competitive parameters, adding to a healthy climate of cordiality and mutual respect that is maintained in the company.

Regarding industrial safety, we achieved outstanding results for the second consecutive year. We only had 8 reportable accidents during the year and our frequency and severity indexes were very favorable. We understand that safety is a primary value and we will continue to support our safety and workplace health programs until we achieve the objective that all our facilities operate as accident-free and work-related disease free places to work.

We appreciate the efforts of our personnel during the year and extend our recognition for the attained results. We also encourage them to redouble their efforts to go out and win in 2011 with audaciousness, aggressiveness, urgency, and efficiency.

Inventory turnover was higher than that of the prior year, thus contributing to the company's cash generation.

Innovation:

A priority for the company is to offer clients and consumers the best available products in each one of the different segments in which we participate; this means differentiated products with superior added value, aiming to increase their preference. For this purpose, we have persistently worked to drive innovation in our products, our operations, and in everything we do. Following are some of the most important advancements in this field.

In disposable diapers, Huggies Supreme® posted its most important re-launch since its initial appearance: the under the skin care concept. The brand now promises a more pure and natural care by means of its new breathable cover made with cotton extract, absorption technology that encapsulates the urine's pH and a hypoallergenic liner with aloe, chamomile, and vitamin E.

Huggies Ultraconfort® disposable diapers also evolved during 2010, by incorporating the new DuoVelcro® system to maintain the diaper as if just put-on for a longer period due to its novel double fasteners system which offers better fit, thus providing more protection plus enhanced performance.

Also, for the small sizes of Huggies®, a soft elastic barrier was incorporated, consisting of an elastic in the waist area that performs as a barrier, avoiding leakage of semi-liquid poop to the baby's back, something very common for babies during their first year.

With these improvements, Huggies® consolidates as the most technologically-advanced brand in the market.

In **household products**, once again we highlight our bath tissue category transformation, which enabled us to strengthen our leadership position in all segments, of the market. In the premium segment, we capitalized the special presentations of our Kleenex® Cottonelle® Linea Dorada® to reinforce the brand; additionally, we launched the new Petalo® UltraCare bath tissue with the purpose of attaining a higher penetration in the premium segment. In the value tier, we fortified the leadership position of Suavel® in the

HUGGIES SUPREME®:

Huggies Supreme® posted its most important re-launch since its initial appearance with the under-skin care concept.

SCOTT®:

is the brand name for the new household disposable wet wipes, with it we continue to widen the use of wet wipes in other segments.

modern trade channel, taking advantage of the special technology that offers consumer's a softer, more bulky, and more absorbent product. In the economic segment, chamomile was incorporated to Vogue® —which coupled with a pyramidal embossing technology that increased the product's size as well as its yield— has enabled us to make this product the number one in the wholesale channel.

In paper napkins and kitchen towels, we emphasized the aesthetic and performance differentiation of the products, incorporating registered printing and seasonal designs to Pétalo® and we launched the new Suavel® kitchen towel, taking advantage of this brand's strength, achieving very positive results.

In the baby wipes category, a new rigid cap was incorporated to Huggies® products, allowing a better one-by-one dispensing of wipes and therefore a higher yield and lower waste. Additionally, Huggies® and KleenBebe® launched new product-counts with the objective of taking the product closer to the consumer and making it more affordable, and by doing so, attaining a higher penetration.

In the incontinence business, we introduced the new Depend® underwear, specially designed for men and women that provides greater dryness and discretion to users, this feature is the most important differentiator and purchase-driver in this category.

In facial tissue, the traditional Kleenex® boxes adopt new shapes and surprise our customers because now they are triangular. In addition, the three-dimensional designs make our product a decorative element that harmonizes at any home or office. They are so attractive that drove our better penetration in the category.

Also in facial tissue, we launched the new Kleenex Kuatro®, the only portable product with 4-ply super resistant sheets. With this improvement, we offer our consumers more softness and ultra-resistance on the same product. With 4-ply sheets, Kleenex Kuatro® resists everything.

We also had important innovations in other categories, such as: Scott® brand household disposable wet wipes, with which we continue to widen the use of wet wipes in other segments; as well as enhancements to various products in the Professional area, particularly the launch of the one-by-one dispenser system paper napkins, which control napkins usage due to the design of the dispenser, offering our clients savings of up to 25 percent.

In all cases, product innovations have helped us to improve our position in the market, strengthen our brands, and achieve better results.

In 2010, we made investments of $1,936 million pesos ($867 in capital expenditures (CAPEX) and $1,069 in the re-purchase of stock)

Relationship with Kimberly-Clark Corporation:

Our partnership with Kimberly-Clark Corporation (KCC) continues to be key, both to support our products and processes innovation initiatives, as well as to implement state-of-the-art technology. Through this relationship with KCC, we have a window to the world and access to innovation, developments in products, and in processes.

Additionally, we participate with them in global purchasing programs for some key raw materials and consistently share best practices for both operating and commercial activities. In summary, this strategic association is very advantageous for both parties as it allows driving and facilitating the competiveness at both companies.

Leadership:

Being leaders in our markets entails a great commitment towards our customers and shareholders. We state this leadership pledge in everything we do, in quality, in innovation projects, in our fixed assets investments, in our behavior in the market, in our responsible management of the company's resources and the continued search for new growth opportunities.

Net sales growth was 6 percent, 3 percent due to higher volume and 3 percent to better prices and mix.

Proof of this commitment is that your company is leader in practically all the categories in which it participates, and even in a non-favorable economic environment, we managed to sustain, and in some cases increase, our strong market shares.

Consistent with our commitment, we have encouraged a culture of execution, innovation, learning, productivity, speed, and doing more with less, which has enabled us to be at the vanguard, consolidate our leadership position in the market, and enjoy a very solid financial position.

We will continue to work under these principles and will search to improve at all times in order to strengthen our leadership and broaden our presence to other categories.

Social Responsibility:

We are a company committed with society, the environment, as well as with a rational and sustainable use of natural resources. This commitment begins with our people, offering them a safe place to work which facilitates their professional and human development; continues with the supply chain that we generate, benefiting thousands of families; and, with the country, by fully complying with our responsibilities.

We also maintain programs directed towards reducing the utilization of water, electricity, fibers, and other raw materials. During 2010, we continued with our positive trend in reducing electricity and water consumption per ton produced. We also re-use water up to 4.5 times in our production process and strictly comply with applicable legislation and regulations. Regarding the use of fibers, we mainly utilize fibers for recycling and the virgin fibers that we purchase are sourced from certified woodlands.

The effluents generated by our operations are the result of the processing of natural materials; namely, the combination of water and cellulose and we have CRETI certification, which attests that all effluents generated at our facilities are neither corrosive, reactive, explosive, toxic nor flammable. We also have the Clean Industry certification and our Bajío mill has obtained a Water Quality certification for 12 consecutive years.

Finally, as every year, we aided more than 230 institutions, benefiting more than 23 thousand families, 35 thousand women, 25 thousand old people, and 55 thousand babies. In addition, help was provided to 5,600 families affected by hurricane Alex in Monterrey and 2,960 families affected by hurricane Karl in Veracruz.

We will continue pursuing opportunities and performing the required investments in order to fulfill our commitment to society and the environment.

Perspectives

The recovery in various indicators of the main developed economies, plus the expected continued strong growth of the emerging economies, drove the improvement in growth perspectives for the world's economy. As stated at the beginning of this report, there are still some potential risks for the healthy development and growth of the worldwide economy, but as long as we continue to advance in the right direc-

DEPEND®:

the new Depend® underwear, specially designed for men and women, provides greater dryness and discretion to users. This feature is the most important differentiator and purchase driver in this category.

PROFESSIONAL:

the launch of the one-by-one paper napkin dispenser system —which controls napkin usage due to its design—, offers our clients savings of up to 25 percent.

We continued with our positive trend in reducing electricity and water consumption per ton produced.

tion, uncertainty should decrease, and growth should become more robust.

Regarding our country, for 2011 we are expecting another year of strong growth and, this time, a more balanced development between the internal and external sectors. Exports will continue to be strong and the domestic market will be driven by more investments in infrastructure, wider availability of credit for industry, housing, and consumption, in addition to a greater creation of jobs, adding to those created during 2010 – that were more than 800 thousand.

Therefore, a better perspective of the U.S. economy, higher oil prices, solid public finance, strong capital flows, a stronger peso, more credit availability —particularly for consumption—, an aggressive infrastructure investment program, and job creation will translate into greater dynamism of the Mexican economy.

However, there are some pending issues which have not yet showed signs of improvement, these are essential for the country to reach its true development potential and thus address social backwardness and build the prosperous and modern Mexico we all long for. In this regard, it is necessary to improve security in the country and initiate a renewed effort to achieve the priority structural reforms, among them; education, labor, and fiscal, as well as to address all the tangles and obstacles that affect the country's competiveness and growth capacity. We should not wait any longer, as time is critical and the need and urgency are totally clear. The country requires to grow consistently at a higher rate and to generate more jobs. We need to do everything to achieve this primary goal.

From our perspective, we see the country with optimism and opportunities and we will continue to perform the role that we have as a company, in the social and economic fields. We re-state our commitment of continuing to invest, innovate, and strengthen our offering with the objective of providing consumers the best price-to-product quality ratio; for the year that is beginning, we will also double our capital expenditure (CAPEX) program in order to have the products, processes, equipment, and technology, needed to ensure and maintain the leadership of our brands and our company; we will redouble our efforts in cost containment and reduction programs, in addition to continuing to manage the company resources in a responsible way.

Messrs. Shareholders, once again we thank you for your support and confidence in our mandate during the year that just ended, and reiterate our commitment to execute the necessary plans and programs that will enable Kimberly-Clark de Mexico to continue to be the successful company it has always been.

Sincerely Yours,

Pablo R. González G.
Managing Director

Claudio X. González
Chairman of the Board of Directors

This report was approved in all of its terms by the Board of Directors in its meeting of February 15, 2011.

Our brands:

family care

Bathroom tissue, napkins, facial tissue, kitchen towels, antibacterial gel, wet wipes, and wraps.

feminine care

Feminine pads, panties, tampons, and wet wipes.

professional

Jumbo® bathroom tissue, hand towels, napkins, industrial clothes, and dispatchers.

child care

Disposable diapers, training and swimming pants, diapers for enuresis, wet wipes, shampoo, lotion, and soap bars.

adult care

Underwear, wet wipes and guards.

health care

Medical supplies and devices.

Board of Directors

Directors

Claudio X. González Laporte
Chairman of the Board

Robert Abernathy

Jorge Ballesteros Franco

Mark Buthman

Emilio Carrillo Gamboa

Antonio Cosío Ariño

Valentín Diez Morodo

Thomas J. Falk

Pablo R. González Guajardo

Esteban Malpica Fomperosa

Robert W. Black

Fernando Senderos Mestre

Alternate Directors

Guillermo González Guajardo

Jesús Gonzalez Laporte

José Antonio Mondragón Pacheco

José Lois Prieto

Agustín Gutiérrez Espinosa

Antonio Cosío Pando

Jorge Babatz García

José Antonio Noguera Castillo

Fernando Ruíz Sahagún

Jorge Barrero Stahl

Jorge A. Lara Flores

Sergio Paliza Valdez

Main Officers

Pablo González Guajardo
Managing Director

Bernardo Aragón Paasch
Director of Operations

José Antonio Barrera Bortoni
Director of Innovation and Growth

Xavier Cortés Lascurain
Director of Strategic Planning

Jesús González Laporte
Director of Strategic Planning Operations

Jesús González Urevig
Director of Logistics and Customer Service

Fernando González Velasco
Director of Sales Consumer Products

Virgilio Isa Cantillo
Director of Marketing of Infant Products

Gabriel Lance Brunet
Director of Manufacture

Jorge Lara Flores
Director of Finance

Alejandro Lascurain Curbelo
Director of Human Resources

José Lois Prieto
Director of Analysis and Control

José Antonio Lozano Córdova
Director of Product Innovation, Technological Development and Quality

Jorge Morales Rojas
Director of Marketing Family Care Products

Jean-Lois Brunet Torres
Deputy Commercial Director Professional and Health Care

Sergio Camacho Carmona
Treasurer

Carlos Conss Curiel
Deputy Director of Information Services

Humberto Escoto Zubirán
Deputy Director of Legal Affairs

Jose María Robles Miaja
Exports Manager

Armando Paz Camacho
Internal Audit Manager

Javier Pizzuto del Moral
Deputy Director of Marketing Personal and Feminine Care Products

Luis Santiago de la Torre Oropeza
Deputy Director of Labor Relations

Fernando Vergara Rosales
Financial Controller

Consolidated Financial Statements

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Independent Auditors' Report

To the Board of Directors and Stockholders of Kimberly-Clark de México, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of Kimberly-Clark de México, S.A.B. de C.V. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Kimberly-Clark de México, S.A.B. de C.V. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations, changes in their stockholders' equity and their cash flows for the years then ended in conformity with Mexican Financial Reporting Standards.

The accompanying consolidated financial statements have been translated into English for the convenience of users.

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

C. P. C. Enrique Vázquez Gorostiza
February 4, 2011

Consolidated Balance Sheets

December 31, 2010 and 2009 (Thousands of Mexican pesos)

Assets		**2010**		**2009**
Current assets:				
Cash and cash equivalents	$	**6,306,972**	$	6,460,495
Accounts receivable – net		**4,671,283**		4,250,097
Current portion of the account receivable due from Corporación Scribe, S.A.P.I. de C.V.		**–**		210,098
Inventories - net		**1,915,377**		1,681,632
Total current assets		**12,893,632**		12,602,322
Account receivable due from Corporación Scribe, S.A.P.I. de C.V.		**–**		210,097
Property, plant and equipment - net		**14,047,566**		14,356,111
Total	$	**26,941,198**	$	27,168,530
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	$	**46,687**	$	3,521,687
Trade accounts payable		**2,691,547**		2,633,156
Benefits to employees		**800,782**		781,023
Accrued liabilities		**1,549,092**		1,458,989
Income tax		**221,089**		838,004
Total current liabilities		**5,309,197**		9,232,859
Derivative financial instruments		**102,551**		11,342
Long-term debt		**11,265,364**		7,315,454
Deferred income taxes		**1,720,039**		1,705,860
Other liabilities		**277,049**		268,958
Total liabilities		**18,674,200**		18,534,473
Stockholders' equity		**8,266,998**		8,634,057
Total	$	**26,941,198**	$	27,168,530

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended December 31, 2010 and 2009 (Thousands of Mexican pesos)

	2010	2009
Net sales	$ 26,196,519	$ 24,702,207
Cost of sales	15,640,626	14,564,753
Gross profit	10,555,893	10,137,454
General expenses	3,674,838	3,434,906
Operating profit	6,881,055	6,702,548
Statutory employee profit sharing and other, net	543,926	571,644
Comprehensive financing result	427,016	491,062
Income before income taxes	5,910,113	5,639,842
Income taxes	1,687,168	1,488,116
Net income	$ 4,222,945	$ 4,151,726
Basic earnings per share (in pesos, using weighted average number of outstanding shares)	$ 3.95	$ 3.81

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2010 and 2009 (Thousands of Mexican pesos)

	Common stock	Retained earnings	Insufficiency in restated stockholders' equity and other	Valuation of financial instruments	Total stockholders' equity
Balance, January 1, 2009	$ 4,205,641	$ 4,554,567	$ 40,608	$ (98,322)	$ 8,702,494
Dividends paid		(3,207,618)			(3,207,618)
Repurchase of own stock	(83,620)	(1,023,425)			(1,107,045)
Transfer of other		40,608	(40,608)		–
Comprehensive income		4,151,726	4,117	90,383	4,246,226
Balance, December 31, 2009	4,122,021	4,515,858	4,117	(7,939)	8,634,057
Dividends paid		(3,455,602)			(3,455,602)
Repurchase of own stock	(58,650)	(1,010,443)			(1,069,093)
Transfer of other		2,655	(2,655)		–
Comprehensive income		4,222,945	(1,462)	(63,847)	4,157,636
Balance, December 31, 2010	**$ 4,063,371**	**$ 4,275,413**	**$ –**	**$ (71,786)**	**$ 8,266,998**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009 (Thousands of Mexican pesos)

	2010	2009
Operating activities:		
Income before income taxes	$ 5,910,113	$ 5,639,842
Items related to investing and financing activities:		
Depreciation	1,189,583	1,194,231
Exchange fluctuations	(58,990)	(18,401)
Interest expense - net	486,006	509,463
Statutory employee profit sharing and other, net	543,926	571,644
	8,070,638	7,896,779
Accounts receivable	(425,489)	8,401
Inventories	(233,745)	208,103
Trade accounts payable	139,327	320,389
Benefits to employees	(500,588)	(458,042)
Accrued liabilities	72,669	(132,338)
Income taxes paid	(2,262,542)	(1,199,253)
Net cash flows from operating activities	4,860,270	6,644,039
Investing activities		
Additions to property, plant and equipment - net	(866,572)	(1,063,500)
Accounts receivable due from Corporación Scribe, S.A.P.I. de C.V. (including interest)	417,370	211,413
Interest received	178,609	221,783
Nets cash flows used in investing activities	(270,593)	(630,304)
Excess of cash to apply in financing activities	4,589,677	6,013,735
Financing activities		
Obtained loans	4,000,000	6,193,293
Payment of loans	(3,521,610)	(3,392,223)
Interest paid	(669,068)	(890,902)
Dividends paid	(3,455,602)	(3,207,618)
Repurchase of own stock	(1,069,093)	(1,107,045)
Derivative financial instruments	–	(185,973)
Other liabilities	(26,332)	14,854
Net cash flows used in financing activities	(4,741,705)	(2,575,614)
Net (decrease) increase in cash and cash equivalents	(152,028)	3,438,121
Adjustment to cash flows due to changes in exchange rates	(1,495)	4,767
Cash and cash equivalents at the beginning of period	6,460,495	3,017,607
Cash and cash equivalents at the end of period	$ 6,306,972	$ 6,460,495

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2010 and 2009 (Thousands of Mexican pesos)

1. Operations, basis of presentation and summary of significant accounting policies

Operations

Kimberly-Clark de México, S.A.B. de C.V. and its subsidiaries (the "Company") are 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 health care products. Some of the main brands include: Huggies®, KleenBebé®, Kleenex®, Kimlark®, Pétalo®, Cottonelle®, Depend® and Kotex®.

Basis of financial statement presentation

Monetary unit of the financial statements – Financial statements and related notes as of December 31, 2010 and 2009 and for the years then ended, include balances and transactions in pesos of different purchasing power.

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:

- 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.
- Paper Products Trade Corporation which is a trading company incorporated in the United States of America, to promote exports of the Company's products, which was liquidated during 2010.
- Servicios Empresariales Során, S.A. de C.V. provides financing and through its subsidiaries, distribution and other services to Kimberly-Clark de México, S.A.B. de C.V.
- 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 lease properties, mainly to other subsidiaries of Kimberly-Clark de México, S.A.B. de C.V.

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

Comprehensive income – Is presented in the statements of changes in stockholders' equity and is comprised of the net income for the year, plus other items that represented comprehensive income (loss) of the same period, which are presented directly in stockholders' equity without affecting the statements of income. It includes the effects of translation of foreign subsidiaries and valuation of financial instruments.

Operating profit - Operating profit is the result of subtracting from the net sales the cost of sales and general expenses. While Mexican Financial Reporting Standard ("NIF") B-3, Statement of Income does not require inclusion of this line item in the consolidated statements of income, it has been included for a better understanding of the Company's economic and financial performance.

Summary of significant accounting policies

The accompanying consolidated financial statements are in accordance with "NIF", which require that management make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and the disclosures in the accompanying notes, as considered pertinent in the circumstances. The significant accounting policies are as follows:

Recognition of the effects of inflation – According with NIF B-10, Effects of Inflation considers two economic environments:

a) inflationary, where cumulative inflation of the three preceding years is equal or higher than 26%, in which case, the effects of inflation will be recognized, and b) non-inflationary, when in the same three year period, cumulative inflation is lower than 26%, in which case, the effects of inflation have not been recognized in the financial statements.

Due to December 31, 2010 and 2009, the accumulated effects of inflation for the three preceding years were 14.48% and 15.01%, respectively; the economic environment is consider as non-inflationary.

Consequently, beginning January 1, 2008, recognition of the effects of inflation in the Company's financial statements was suspended. However, assets, liabilities and stockholder's equity, include the restatement effects recognized through December 31, 2007.

Cash and 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.

Inventories and cost of sales – Inventories are stated at lower of cost or realizable value, using the first-in first-out method.

Property, plant and equipment – Property, plant and equipment are recorded at acquisition cost. Balances arising from acquisitions of national origin made up to December 31, 2007, were restated using the National Consumer Price Index (NCPI) through that date. For fixed assets of foreign origin, the acquisition cost expressed in the currency of the country of origin was restated for inflation in such country and converted into Mexican pesos at the market exchange rate as of the balance sheet date.

Depreciation of property, plant and equipment is computed using the straight-line method, based on the estimated useful lives of the assets, as follows:

	Average Years
Buildings	45
Machinery and equipment	15 to 25
Transportation equipment	12 and 25

Capitalization of comprehensive financing result – Net comprehensive financing result incurred during and attributable to the period of construction and installation of property, plant and equipment is capitalized for major projects. Until December 31, 2007 net comprehensive financing result was restated by applying the NCPI.

Impairment of long-lived assets in use – The Company reviews the carrying amounts of long-lived assets in use in order to detect signs of impairment indicators. There are no impairment indicators as of December 31, 2010 and 2009.

Benefits to employees – Includes fringe benefits earned by the employees, for direct benefits, severance payments upon termination and pension plans. Benefit includes compensation plan for officers and employees named "Plan de Asiganación de Unidades Virtuales" (Virtual Share Awards Plan), compensation cost is recognized in results of operation of each year. To meet this obligation, the Company has established a trust.

Derivative financial instruments – Derivative financial instruments are valued at their market value and their effects are recognized either in results of operations of the period or stockholders' equity. These instruments are used as a hedge to reduce the risk of the effects of the Company's exposure to interest rates, exchange rate fluctuations and the prices of certain utilities.

Foreign currency balances and transactions – Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded in the comprehensive financing result of the period in which they occur.

Revenue recognition – Revenues are recognized in the period in which ownership of the risks and rewards of the inventories is transferred to customers.

Statutory employee profit sharing "PTU" – PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences determined by comparing the tax basis and accounting value of assets and liabilities, when it can be reasonably assumed that such differences will generate a liability or benefit, and there is no indications that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized. As of December 31, 2010 and 2009, the amounts of PTU were $554,770 and $577,134, respectively.

Income taxes – Income tax "ISR", is recorded in the results of the year in which it is incurred, recognizing deferred effects originated by temporary differences, corresponding to transactions and other economic events recognized in the financial statements in periods different from those considered in the Company's tax returns. Such effects are recorded considering all temporary differences determined by comparing the tax and book basis of assets and liabilities.

In order to recognize deferred taxes, it is necessary to prepare financial projections to identify prevailing taxable basis, (income tax or Business Flat Tax "IETU") for payment of income taxes.

2. Accounts receivable

	2010	2009
Trade	**$ 4,660,307**	$ 4,219,692
Allowance for doubtful accounts	**(116,397)**	(123,645)
Net	**4,543,910**	4,096,047
Other	**127,373**	154,050
Total	**$ 4,671,283**	$ 4,250,097

3. Inventories

	2010	2009
Finished goods	**$ 648,662**	$ 613,098
Work in process	**200,640**	176,349
Raw materials and spare parts	**1,066,075**	892,185
Total	**$ 1,915,377**	$ 1,681,632

4. Property, plant and equipment

	2010	2009
Buildings	**$ 4,605,736**	$ 4,539,700
Machinery and equipment	**24,592,665**	24,330,125
Transportation equipment	**897,533**	845,173
Total	**30,095,934**	29,714,998
Accumulated depreciation	**(17,152,876)**	(16,338,406)
Net	**12,943,058**	13,376,592
Land	**503,410**	503,410
Construction in progress	**601,098**	476,109
Total	**$ 14,047,566**	$ 14,356,111

At December 31, 2010 and 2009, balances of unamortized capitalized comprehensive financing result were $472,613 and $554,961, respectively.

5. Long-term debt

Long-term debt is summarized as follows:

	2010	2009
Notes payable to banks, denominated in U.S. dollars, unsecured, bearing interest based on LIBOR. As of December 31, 2010, annual rates ranged from .71% to .91%.	**$ 62,051**	$ 139,131
Marketable notes denominated in Mexican pesos, unsecured, bearing interest based on Cetes with maturity of 182 days, plus 75 basis points.	**–**	750,000
Marketable notes denominated in Mexican pesos, unsecured, bearing interest at fixed annual rates of 8.95%, 9.98%, 9.65% and 7.17%.	**4,950,000**	2,450,000
Marketable notes denominated in Mexican pesos, unsecured, bearing interest based on the TIIE with maturity of 28 days, plus or minus different basis points. As of December 31, 2010 the annualized rates ranged from 4.81% to 5.84%.	**6,300,000**	7,498,010
	11,312,051	10,837,141
Less - current portion	**46,687**	3,521,687
	$ 11,265,364	$ 7,315,454

Long-term debt agreements contain certain obligations that do not include financial restrictions. Such obligations have been complied with as of December 31, 2010.

Long-term debt matures as follows:

2012	$ 15,364
2013	1,250,000
2014	2,300,000
2015	1,500,000
2016	800,000
2017	2,500,000
2019	400,000
2020	2,500,000
	$ 11,265,364

To reduce the risk of interest rate volatility on a portion equivalent to 60% of the debt issued during 2007, in the amount of $2,500,000, the Company entered into an interest rate swap which changed the profile of interest payments to a fixed annual rate of 8.01%.

6. Stockholders' equity

As of December 31, 2010 and 2009, common stock consists of nominative common shares with no par value, as follows:

	Shares			
	2010	**%**	2009	%
Series "A"	**552,285,675**	**52**	560,228,575	52
Series "B"	**509,388,640**	**48**	516,769,840	48
Total	**1,061,674,315**	**100**	1,076,998,415	100

In accordance with the Company'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, as of December 31, 2010 and 2009, 15,324,100 and 21,848,200 shares, respectively, have been 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 Company, in the event of distribution. As of December 31, 2010, the balances of the stockholders' equity tax accounts are represented by Contributed capital account for $27,311,000 and a Net tax income account for $12,281,000, approximately.

During the years ended December 31, 2010 and 2009, the Company paid dividends of $3,455,602 and $3,207,618, respectively. If such dividends had not been paid, stockholders' equity would have been greater by $6,663,220 and $3,207,618 as of such dates.

7. Business segment information

Information corresponding to each business segment, based on a managerial approach is as follows:

	2010		2009	
	Consumer Products	**Professional and Health Care**	Consumer Products	Professional and Health Care
Net sales	**$ 22,889,197**	**$ 3,307,322**	$ 21,740,540	$ 2,961,667
Operating profit	**6,388,487**	**492,568**	6,209,857	492,691
Depreciation	**1,007,712**	**181,871**	1,033,795	160,436
Total assets	**23,312,630**	**3,628,568**	23,779,593	3,388,937

Export sales, as a percentage of net sales were 6% and 5%, in both 2010 and 2009, respectively, and are included in the respective segments.

8. Comprehensive financing result

Consists of the following:

	2010	2009
Interest expense - net	**$ 489,628**	$ 537,311
Exchange fluctuations - net	**(58,990)**	(18,401)
Capitalized comprehensive financing result	**(3,622)**	(27,848)
	$ 427,016	$ 491,062

Figures include an unfavorable net effect of derivative financial instruments of $48,705 and $215,876; in 2010 and 2009, respectively.

9. Income taxes

ISR consist of the following:

	2010	2009
Income tax:		
Current	$ 1,645,627	$ 1,761,418
Deferred	41,541	(273,302)
Net	$ 1,687,168	$ 1,488,116

The statutory ISR rate was 30% in 2010 and 28% in 2009.

Statutory and effective ISR rates differ due to certain permanent differences. Tax results of the subsidiaries are consolidated at 100% of the equity held in their voting stock.

The deferred income taxes liability is primarily derived from property, plant and equipment, which as of December 31, 2010 and 2009 represent almost 100%, of such liability.

On December 7, 2009, amendments to the ISR law were published, applicable during 2010 which include, among others: a) The ISR rate is increased to 30% for the years 2010 to 2012, but it will be reduced to 29% in 2013 and 28% in 2014. b) Tax consolidation regime is modified to establish that the payments of ISR related to the benefits of fiscal consolidation has to be paid in different installments starting in 2010. The liability is not significant.

10. 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:

	2010	2009
Monetary assets	77,896	97,947
Monetary liabilities	119,478	121,476

Exchanges rate used to value such balances were $12.40 and $13.08 Mexican pesos per one U.S. dollar, respectively.

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

	2010	2009
Export sales	119,169	89,387
Purchases of raw materials, spare parts and services	586,035	463,530
Purchases of machinery and equipment	33,884	39,638
Interest (gain) expense – net	(1,608)	10,413

11. Related parties

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

	2010	2009
Kimberly-Clark Corporation:		
Purchases of inventories and technical services	$ 1,256,242	$ 1,355,438
Purchases of machinery and equipment	25,825	86,591
Net sales	835,536	568,814
Trade accounts payable	144,302	158,274
Trade accounts receivable	97,113	95,743

In April 2010 Corporación Scribe, S.A.P.I. de C.V. decided to liquidate in advance the account receivable favorable for the Company, consequently as of that date is not a related party.

	2010	2009
Corporación Scribe, S.A.P.I. de C.V.:		
Purchases and other services	**$ 143,557**	$ 420,521
Services income, interest and others	**190,933**	577,889
Trade accounts payable	**–**	36,736
Trade accounts receivable	**–**	420,195

Other - As of December 31, 2010 and 2009, employee benefits granted to Company's key senior management were $200,386 and $181,526, respectively.

12. Benefits to employees

The liability and annual cost of legally mandated seniority premiums, pension plans for qualifying personnel and severance payments upon termination of the labor relationship, is calculated by an independent actuary based on the projected unit credit method. To meet these obligations, the Company has established funds under an administered plan.

Relevant information regarding these obligations is as follows:

	2010	2009
Accumulated benefit obligation	**$ 324,707**	$ 273,005
Projected benefit obligation	**429,284**	359,005
Plan assets	**366,939**	324,117
Net periodic cost	**38,723**	35,573

13. Commitments

At December 31, 2010, the Company held the following commitments:

- The acquisition of machinery, equipment and construction projects, totaling approximately $1,314,200.
- The acquisition of raw materials, totaling approximately $269,000.
- Operating lease agreements for warehouses and offices with non-cancelable terms ranging from 5 to 10 years and annual rents of $104,000.

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

14. New standard pronouncement

During 2010 and 2009 the Mexican Board for Research and Development of Financial Information Standards (CINIF) issued the following Mexican Financial Reporting Standards which become effective for fiscal years beginning on January 1, 2011, as follows:

B-5, Financial Segment Information
C-4, Inventories
C-5, Advance Payments
C-6, Property, Plant and Equipment
Improvements to Mexican Financial Reporting Standards 2011

15. Interpretation of Mexican Financial Reporting Standards

The Company has decided to adopt beginning January 1, 2012, as a basis for preparing their financial statements, the regulations contained in the International Financial Reporting Standards.

At the date of financial statements the Company is in the process to determine the impacts of such adoption.

16. Authorization of issuance of financial statements

On February 4, 2011, the issuance of these consolidated financial statements was authorized by Licenciado Pablo R. González Guajardo, General Director, and C.P. Jorge A. Lara Flores, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Ordinary Stockholders' Meeting.

Stock Exchange Markets

- Bolsa Mexicana de Valores (BMV), Mexico.
- New York Stock Exchange (NYSE), USA (ADR´S - OTC)

Type of Shares

A series
B series

Ticker Symbols

BMV: KIMBER
NYSE: KCDMY

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