

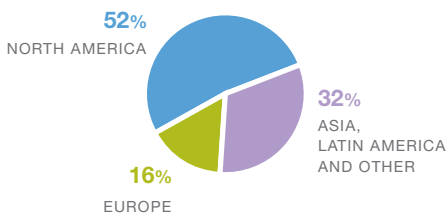
update from the chairman



DEAR SHAREHOLDERS:

We emerged from 2010 a stronger company that is well-positioned to lead the world in essentials for a better life. Our Global Business Plan guided us through a very challenging economic environment as we improved our sales, generated strong cash flow, and delivered record cost savings.

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REVENUES BY GEOGRAPHY

We dealt head-on with the business realities of 2010. Slower-than-expected economic recovery in developed markets. Aggressive competitors. All-time record input cost inflation. Plus, a high degree of political and economic uncertainty worldwide.

Despite the challenging environment, we stayed committed to investing for the long-term health of our company, and we made some tough choices along the way. Growth in adjusted earnings per share¹ was somewhat below our long-term target, but we invested

in brands and growth opportunities, reduced costs and allocated capital in shareholder-friendly ways. Moreover, our overall market positions remained strong, as we hold the No. 1 or No. 2 position in more than 80 countries around the world.

For the year, net sales increased 3.3 percent, to \$19.7 billion. Organic sales increased 2 percent, driven by higher net selling prices, increased sales volumes and improved product mix. On the bottom-line, adjusted earnings per share increased 4 percent despite cost inflation and soft category demand in North America. In fact, the nearly \$800 million of cost inflation we absorbed was an all-time high and more than double our original expectation for the year.

¹Adjusted earnings per share in 2010 exclude a first quarter charge for a balance sheet remeasurement in Venezuela. [Click here for additional information.](#)

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Nonetheless, our global teams responded by delivering a record \$372 million in cost savings last year. And we continue to build out a continuous improvement capability throughout our company, backed by efficient manufacturing practices worldwide and a new global procurement organization we formed in 2010.

While we made good progress on many fronts, we did not meet all the goals we set for ourselves in our Global Business Plan. We are focused on delivering performance that consistently meets your expectations and ours—putting Kimberly-Clark on track to grow and thrive in the future.

CONTINUED FOCUS

Kimberly-Clark is committed to investing in our business and building capabilities that will make us successful for the long term. Last year, we focused on managing factors we could control in the short term to drive sustainable, long-term growth for our shareholders.

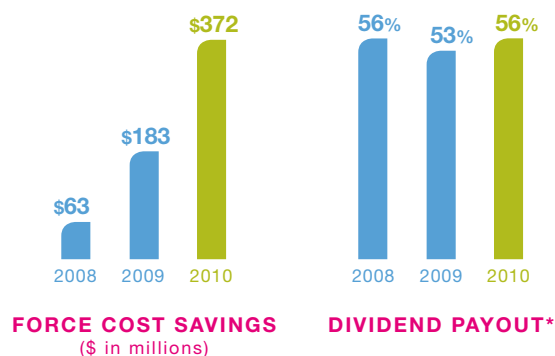
INNOVATION AND MARKETING. We are setting ambitious innovation and marketing goals for ourselves around the world to build our brands. This focus is paying off. Product innovations and supporting marketing programs delivered double-digit volume growth in feminine and adult care categories in North America, and momentum remains strong. At the same time, market positions for many of our brands in North America and K-C International [(KCI) our international operations in Asia, Latin America, the Middle East, Eastern Europe and Africa] improved last year.

This increased focus on innovation and marketing delivered excellent results for many of our brands, including [U by Kotex](#), [HUGGIES Jeans Diapers](#), [Kleenex](#), [Depend](#), [Poise](#), and premium-level HUGGIES diapers in China. We supported our brands, as well as other growth initiatives, with a \$100 million increase in strategic marketing spending for the year, growing our brand-building investment faster than sales.

In the United States, our market shares in the second half of 2010 were ahead of, or even with, the first half of the year in seven of our eight consumer product categories—including feminine care, adult care and consumer tissue—and we're growing ahead of category rates in many areas of KCI.

We've already seen how our focus on product innovation delivers value. With innovation as a foundation, we're meeting emerging consumer needs, and we're developing an exciting pipeline of new products for years to come.

We know great ideas can come from anywhere, and one of the ways we capitalized on that in 2010 was by launching our [HUGGIES MomInspired™ Grant Program](#), which provides a group of inventive moms with grants of up to \$15,000 each to help turn their great ideas into real-world product solutions.



TARGETED GROWTH INITIATIVES. Our targeted approach to growth is taking hold in KCI where we remain excited about our long-term prospects—particularly in high-potential, fast-growing markets such as China, Russia and throughout Latin America.

Setting aside Venezuela, personal care volumes in KCI increased 9 percent in 2010, including mid-teens growth in Latin America and nearly 30 percent growth in China. To help drive our KCI growth, we opened our first manufacturing facility in Russia and expanded operations in China—both to produce HUGGIES diapers. And we continued to reach more consumers in China, as we launched a mid-tier diaper and expanded our distribution into nearly 60 cities, an increase of approximately 50 percent from the prior year.

*Declared dividends per share divided by adjusted basic earnings per share.

The higher-margin portions of both Kimberly-Clark Professional (KCP) and Kimberly-Clark Health Care (KCHC) grew organic sales volumes last year, expanding in the high single digits. While KCP's North American washroom business was impacted by the economic slowdown, focus on growing its higher-margin wiper and safety businesses paid off. In KCHC, while the medical supplies market continued to show softness, partly as a result of the comparison to strong H1N1-related sales in the prior year, our global medical device business continued to make excellent progress.

In 2010, our European business also delivered strong profit improvement and cash generation in support of targeted growth initiatives around the world.

STRONG CASH FLOW FOR SHAREHOLDERS. Our cash generation increased sequentially throughout 2010, and for the full-year, we generated \$2.7 billion in cash from operations. We continued to improve our working capital efficiency as we reduced our cash conversion cycle by eight days. We've now taken more than three weeks out of our working capital position in the past two years. We're also improving the efficiency of our capital investments. Our 2010 capital spending of \$964 million to support growth, innovation and cost savings was right in line with our longer-term goals to invest cash to strengthen our business.

In 2010, we continued to return significant amounts of our strong cash flow back to our shareholders. We raised our dividend 10 percent, helping us maintain our top-tier payout. We also repurchased \$800 million of K-C stock, which was \$200 to \$300 million more than anticipated at the beginning of 2010. All told, last year we returned \$1.9 billion to shareholders through dividends and share repurchases.

STRENGTHENED SUSTAINABILITY. Sustainability has always been an important part of how Kimberly-Clark conducts business, and now, we're combining these practices with innovation to create a competitive business advantage. An example is the U.S. market test of [Scott Naturals Tube-Free](#) bathroom tissue that eliminates the cardboard tube, an integral element of rolled bathroom tissue since our company first introduced it more than 100 years ago. Eliminating the tube holds the potential of keeping millions of pounds of paper waste out of U.S. landfills.

We also expanded our sustainability efforts last year to address broader social issues. For example, we launched our [HUGGIES Every Little Bottom program](#), which generated 22.5 million diaper donations for babies in need in the United States and Canada. And, last year our Depend Project to End Prostate Cancer contributed \$150,000 to help fund education and research for a cure. In addition, we have become a participant in the United Nations Global Compact and affirmed our support of its human rights, labor, environment, and anti-corruption principles. And, in the rural areas of the municipalities of Puerto Tejada, Colombia, Kimberly-Clark employees mobilized to secure water filters to clean and store water, ensuring 450 families have clean drinking water every day. In India, K-C donated funds to help 223 rural schools in West Bengal with hand washing stations and hygiene education programs as well water supply and gender-appropriate toilet facilities to be installed this year.

We've been recognized in the areas of strengthening human rights, environment and corporate governance by being named among the top five of the world's best corporate citizens by *Corporate Responsibility Magazine*. For the eighth consecutive year, K-C was listed on the FTSE4Good Index, a series designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies. In Korea, Yuhan-Kimberly was named the most socially responsible company by Korean Management Association Consulting.

I'm also pleased that Kimberly-Clark is recognized on the list of "100 Best Workplaces in Latin America" in 12 of the Latin American countries where we operate.

OUTLOOK²

As you read this letter, we are already nearly three months into 2011. And while some of the same economic difficulties of the past year persist—including high unemployment and commodity prices—we continue to work to deliver on our near-term commitments while keeping our eye on the long-term promise of our Global Business Plan.

We will continue to invest in our brands, bring innovation to market, pursue our targeted growth initiatives and invest for our future growth.

At the same time, we will continue to manage our company with financial discipline, with a strong focus on cost savings, generating cash and distributing it in shareholder-friendly ways. In January, we announced a series of actions to improve shareholder value including:

- **PULP AND TISSUE RESTRUCTURING PLAN.** We initiated a pulp and tissue restructuring plan in order to exit our remaining integrated pulp manufacturing operations and improve the underlying profitability and return on invested capital of our consumer tissue and K-C Professional businesses.
- **RAISING DIVIDEND FOR 39TH CONSECUTIVE YEAR.** Our consistent track record of dividend growth places us in the top tier of dividend-paying stocks among our peer companies. Our 2011 increase is 6 percent.
- **REPURCHASING \$1.5 BILLION OF KMB SHARES.** We expect to repurchase a total of \$1.5 billion of Kimberly-Clark shares in 2011, subject to market conditions, which include \$700 million funded by incremental debt. This incremental debt takes advantage of low interest rates while maintaining our strong credit rating.

Our Board of Directors also approved a new 50 million share repurchase authorization, augmenting the current 50 million share authorization from July 2007.

Our Board's support in such decisions is most valued, especially from members such as Professor Dennis Beresford, who is retiring from the Kimberly-Clark Board of Directors this year. Denny, a distinguished Ernst & Young alumnus, former Chairman of the Financial Accounting Standards Board, and professor of accounting at the University of Georgia, joined the K-C board in 2002 and served on several committees, most recently as Chairman of our Audit Committee. On behalf of the K-C Board of Directors and our entire company, I thank Denny for his leadership and many years of service.

While our company faces numerous challenges in today's volatile, competitive business environment, I've never been more optimistic about our prospects for the future. We have a terrific team of people around the world aligned to drive the changes and results necessary to deliver our Global Business Plan. Our Global Business Plan strategies will strengthen our company and deliver shareholder value over the long term as Kimberly-Clark leads the world in essentials for a better life.



THOMAS J. FALK
Chairman and Chief Executive Officer