GENERATING **RESULTS**

ANNUAL REPORT 2012

Kimberly-Clark de México

Kimberly-Clark de Mexico is engaged in the manufacture and marketing of disposable products for everyday consumers inside and outside the home, such as: diapers and baby products, feminine pads, incontinence products, toilet paper, napkins, handkerchiefs, hand and kitchen towels, wipes and products for healthcare. Its principal brands include Huggies®, KleenBebé®, Kleenex®, Kimlark®, Pétalo®, Cottonelle®, Kotex® and Depend®. Through constant innovation and its focus on the consumer, the company maintains a leading position in most markets in which it participates. The company is listed on the Bolsa Mexicana de Valores under the ticker **"Kimber"**.

GENERATING RESULTS

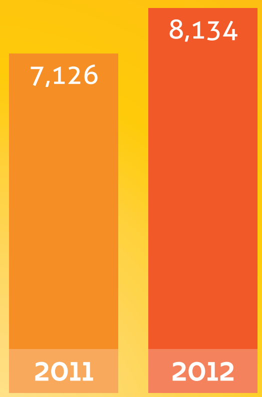
MEETING **EXPECTATIONS**

At Kimberly-Clark de Mexico we work every day to produce the results that our shareholders, customers, employees and communities expect from us, looking always to meet, and exceed their expectations.

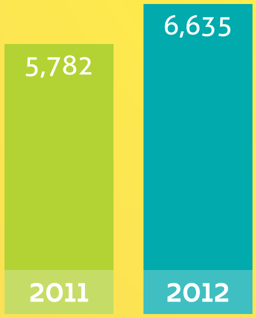
GENERATING FINANCIAL RESULTS

Net Sales
million pesos

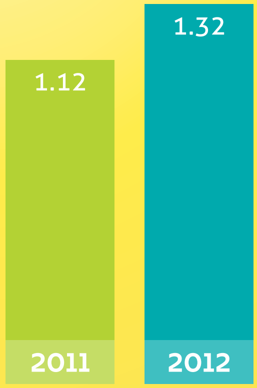
EBITDA
million pesos



Operating Profit
million pesos



Earnings per share[1]
pesos



Years ended December 31, 2012 and 2011
(Millions of pesos)

	2012	2011	% var.
Net Sales	**29,289**	26,732	10%
Gross Profit	**11,332**	9,679	17%
Margin	**39%**	36%	
Operating Profit	**6,635**	5,782	15%
Margin	**23%**	22%	
Net Income	**4,145**	3,559	16%
EBITDA	**8,134**	7,126	14%
Margin	**28%**	27%	
Earnings per share [1]	**1.32**	1.12	18%

1. In pesos, using the weighted average number of shares outstanding.

GENERATING RESULTS FOR OUR SHAREHOLDERS

MESSRS. SHAREHOLDERS:

During 2012 the worldwide economic activity showed some improvement. On one hand, notwithstanding a still precarious situation in the Euro zone, the European continent managed to maintain itself without any one of its major economies showing an important default. On the other hand, the United States economy showed incipient albeit constant signs of recovery.

Regarding the emerging markets, the growth rate decreased significantly with the exception of China that showed a more moderate expansion rate, but continues to be strong.

In Mexico, the economic situation in general continues to be good but is still far away from its potential and from what we, as a country, require to further advance in the creation of a broad and strong middle class.

We have macroeconomic stability, a controlled inflation and our exports continue to increase. This has enabled us to continue to grow and generate jobs, but not enough of them or with higher added value, which translates in a domestic market that is not growing with the strength that we would all like. In addition, undoubtedly insecurity has affected the economy in various regions of the country. In summary, we continue to grow and we have made progress in some aspects but there still remains a lot to be done.

FINANCIAL RESULTS

Considering this environment, in financial terms, 2012 was a good year for Kimberly-Clark de Mexico. As a result of the strategies that were implemented we achieved 10 percent growth in sales with an organic growth of 7%, figures that were higher than our initial estimate of 6 percent growth.

As the year advanced, we attained increases in volume and better prices that, coupled with our operational efficiencies and an enhanced scenario of prices in dollars for raw materials, translated into better margins. This was achieved notwithstanding a scenario where the Mexican peso was on average 7 percent weaker than the prior year.

In addition, our cost savings program resulted in a record figure of $650 million pesos, which was also above the original objective of $450 million pesos.

As a result of the above, our operating profit grew 15 percent and we improved our operating profit margin by more than 100 basis points. It is noteworthy to recall that our figures include the effects of the IFSR accounting rules. Under the prior accounting instructions our operating margin would have been higher.

A solid EBITDA generation of $8,134 million pesos coupled with good results in working capital management were reflected in ending the year with $3,465 million pesos in cash, in addition to capital expenditures (CAPEX) made, the acquisition of Evenflo®, and paid out dividends.

During the year we made investments of $3,031 million ($1,018 million in capital expenditures, $1,635 million in the Evenflo® acquisition and $378 million in the re-purchase of stock). In addition, $3,784 million were paid-out as dividends.

We are the first wet wipes brand with a product that helps to keep hydrated the soft skin of babies.

Kleenex® Cottonelle® was renewed using the Soft Blossom technology, providing the softer and spongy texture preferred by the premium segment consumer

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Volume growth and better pricing, together with our operating efficiencies, allowed us to achieve better margins.

INNOVATION

Innovation is one of the fundamental values of Kimberly-Clark de Mexico and a key pillar to sustain and strengthen our leadership and attain our objectives. In this regard, during 2012 we introduced various new products and performed enhancements in practically all our business categories, as well as in the corporation's new avenues for growth.

In the main categories, starting with disposable diapers, we incorporated a new liner with Cotton Silk organic cotton extract to Huggies® Supreme® which offers maximum softness and a higher absorption speed to maintain the baby's skin always dry and protected.

We also launched Huggies® UltraConfort® Up & Ready® diapers as well as KleenBebé® Suavelastic Max® Diaper Pants into the market, the only diapers with the fit of an under pant that helps mothers to perform diaper changes in an easier and faster way, anywhere.

For wet wipes, we incorporated oat and improved the formula of Huggies Supreme by adding glycerin, and with the launching of the exclusive Emul-5 compound to Huggies Crema Relajante (relaxing cream) wipes, we are the first brand to offer a product that contributes to the re-hydration of the delicate baby skin.

Outstanding in the toiletries category was the re-launch of the Huggies Gold line of shampoos for babies, with a new formula based on chamomile and honey. Likewise, the introduction of the Huggies Kids line of shampoos directed towards the infant segment and with differentiated products for boys and girls.

Regarding bath tissue, we renewed Kleenex® Cottonelle® with the Soft Blossom technology which adds a softer and spongy texture, a feature that is preferred by the Premium-segment consumers. In addition, we incorporated a 3D embossing concept to Pétalo Ultra Resistente®, enhancing its comfort and performance attributes; we also re-designed the embossing of Suavel® bath tissue to make it more attractive to middle-segment consumers, as this attribute has positioned it as the leading bath tissue in the market.

In facial tissue, several presentations of Kleenex® Sellapack® Menthol were launched and helped to achieve increased preference amongst consumers.

Within the feminine care category, we continue to improve with Kotex® Unika®, the first feminine pad with two colors on the cover; Furthermore, we incorporated the new Natural Flex® technology to Kotex®, which allows women to move with more freedom and continue all their activities, thanks to its new central and side channels which maximize absorption.

For incontinence products, Depend® Underwear launched a strong advertising campaign to highlight its competitive advantage: offering consumers the chance to continue with their daily life without anyone noticing they are wearing the product, providing the needed safety, comfort, and absorbency. We also launched Diapro® Pants, disposable unisex underwear for the meddle segment, a great quality product at the best price.

In the adult pants segment, Depend Plenitud® was positioned as the first product in the market with the new MicroHook® tapes

GENERATING RESULTS WITH GROWTH

As a result of the strategies implemented in recent years, we achieved sales growth of 10 percent. We incorporated new categories, products, and brands, to capitalize on our ability to grow.

We updated the Evenflo® brand image, redesigned its products portfolio, and entered the premium segment, consolidating the brand's leadership in our country.

Depend® Underwear launched a major advertising campaign to highlight its competitive advantage: giving the consumer the opportunity to continue with their daily lives by providing the safety, comfort, and absorbency they need.

GENERATING RESULTS BY INNOVATION

Innovation is one of the core values at Kimberly-Clark de Mexico and a key pillar to preserve and strengthen its leadership.

During 2012 we launched several new products and make improvements in virtually all of our business categories, while forging into new avenues of growth.

systems which can be stuck and unstuck several times to keep a perfect fit, without tearing the pant.

With regards to new avenues of growth, at the end of January 2012 we acquired Evenflo®, a feeding accessories business in Mexico and worldwide, plus baby gear within the country. As part of our innovation effort, we immediately modernized the brand's image, re-designed the product portfolio and made inroads into the premium segment with the Evenflo® Advanced new line of ergonomic bottles and nipples which have an advanced anti-colic system. This way, we continue to consolidate the leadership of the Evenflo® Brand in the Mexican market.

Finally, also related to new avenues of growth, during the last quarter of 2012, via a strategic alliance with the French Company Eugene Perma, we launched Keranove® hair dyes that offer important benefits such as 100% coverage of white hair and six weeks duration.

It is important to mention that in all cases, in addition to supporting the building and strengthening of our brands through the mass communication media, we have strongly increased our investment and heightened our presence in the digital media, with very good results.

Thus, we are committed to offer the best products to our consumers and we are still convinced of the potential associated with performing acquisitions and strategic alliances to enter into new categories and increase the capacity for growth of your Company.

OPERATIONS

The production strategy in 2012 was focused on achieving higher efficiency for all our manufacturing and converting equipment. Productivity records were attained in all the tissue plants, in each one of the disposable diapers plants, and in various personal care products production lines.

We increased our efforts towards achieving competitive advantages in cost and attained, as previously mentioned, a record figure in the amount of cost savings generated by this program.

With respect to inventory turnover, it was maintained above 8 turns throughout most of the year and closed at 8.6 turns, exceeding the 8.3 turns achieved in 2011.

Early during the month of June, an accidental fire occurred in the converting area of the Morelia Plant that destroyed a number of household products converting equipment items and damaging the building where they were installed. Our personnel acted properly and there were no human losses to regret. Additionally, we were able to re-align the manufacture of our products so we had no significant impacts in their supply. We have been working jointly with the insurance company in order to replace the converting capacity that was lost.

HUMAN RESOURCES

Attracting and retaining talented personnel is one of the key challenges for the achievement of results. In Kimberly-Clark de México we are convinced of the importance of having personnel with leadership, passion, audacity, and creativity, thus we continue to invest in forming and developing the basic personnel structures and teamwork in all our facilities.

Regarding industrial safety, notwithstanding the efforts and different support programs, we have been unable to reduce the number of accidents and we are still far away from our goal of zero accidents. Unfortunately, we had to regret the death of one of our workmates, Mr. Pablo Chaires García, a highway tractor operator. We understand that safety is a primary value and we will continue to invest in safety and work health programs until we achieve that all our facilities are accident-free and professional disease-free workplaces.

We thank all of the corporation's personnel for the effort demonstrated during the year and ask them to re-double it in order to achieve the outstanding results that have always characterized us.

PARTNERSHIP WITH KIMBERLY-CLARK CORPORATION

We consider the partnership with Kimberly-Clark Corporation (KCC) a key component towards supporting the innovation initiatives for products and processes, as well as for implementing state-of-the-art technology. Via our relationship with KCC we have a window to the world and access to innovation and developments of both products and processes. Our partnership also allows us to participate in worldwide purchase agreements for some key materials and to share best practices information, both operational and commercial. In summary, this strategic partnership is very favorable for both parties as it enables to drive and support the competitiveness of the two companies.

SOCIAL RESPONSIBILITY

At Kimberly-Clark de México we are consistent with our mission of promoting development in Mexico. We are committed not only to the quality of our products, the leadership of our brands, the development of our personnel, the financial strength of the corporation, the continuous innovation of processes and products, and the achievement of our objectives, but also to the sustainability of our operations, with full compliance of our obligations while driving the communities where we operate, and with the production chain that we generate. This mission offers millions of Mexican families one more reason to trust our brands and products.

Our sustainability model is based on five "Rs": Reduce, Recycle, Re-utilize, Renovate, and above all, Results. In each one of these areas we have had important achievements and met our objectives; these and further information can be found in our Sustainability Report, published every year and available in our internet web page.

Among our sustainability initiatives, we can highlight the continuous effort and investment to reduce the consumption of energy and water, and to lower gas emissions—both in our production processes and our distribution channels—as well as in the selection of materials used to manufacture our products.

We also particularly emphasize the re-utilization of inputs such as water and the by-products of our processes—more than 60% of our fibers consumption is sourced from recycled fibers by means of procedures—that enable us to maintain, and in some cases improve, the quality and performance of our products.

We also have the Clean Industry certification in our plants and our San Juan del Río, Querétaro plant obtained the Water Quality certificate for the fourteenth year in a row.

GENERATING RESULTS BY EFFICIENCY

We increased our efforts to gain competitive advantages in cost, achieving a record annual savings of $650 million, a 100-basis point improvement over the previous year.

We continue innovating with Kotex Unika®, the first towel to incorporate two colors on the cover. We also applied the new Natural Flex® technology in Kotex® that maximizes absorption thanks to its new center and side channels.

GENERATING RESULTS BY LEADERSHIP

To maintain our leadership position in the markets and categories we serve, we are focused on providing the best products to our customers. We still believe that potential acquisitions and strategic alliances will contribute to capitalize on market opportunities and to consolidate our supremacy.

The redesigned engraving of Suavel® toilet paper not only made it more attractive to consumers, but positioned it as the market leader.

On the other hand, as every year, we supported more than 200 institutions, benefitting more than 27 thousand families, 71 thousand women, 142 thousand elderly people, and 150 thousand babies.

Finally, it is worth mentioning that Kimberly-Clark de México is part of the Sustainability Index of the Mexican Stock Exchange, since it was implemented two years ago.

PERSPECTIVES

2013 promises to be a better year for the global economy. Recent economic data from the United States—the leading economy in the world and our main trade partner—points towards a gradual recovery; the European Union, although still in recession, seems to be moving away from the risk of collapsing and starts to stabilize; and, the larger emerging economies are expected to attain better growths.

In Mexico, we continue to grow although still not entirely taking advantage of our potential. The Mexican economy has very strong macroeconomic fundamentals, there are no external or fiscal imbalances, and the financial system has very robust levels of capitalization.

Therefore, if the signs of growth recently shown by the United States economy continue during 2013, it is likely that the Mexican economy might grow again in the range of 3.5 to 4.0 percent.

However, we must mention that growth and job generation continue to be insufficient. In order to achieve a sustained 6 percent growth and to generate more than one million formal jobs in the country, we have to drive investment, productivity, competitiveness and exports, as well as strengthen the domestic market via growth and a stronger middle class.

The arrival of a new government, an apparent reconciling and negotiating position of the main political parties, and a more active participation of the country's economic and social sectors, have generated expectations—both internal and external—that Mexico will finally carry out the reforms that the country needs so much. These expectations have brought important flows of capital that have strengthened the peso and driving the capital markets.

Some of these reforms, such as the labor and the education, have already been carried out, and is expected that other important reforms, like the energy and fiscal, will be discussed and probably approved. However, it is essential that these reforms truly drive the competitiveness and productivity of the country and for this purpose, it will be necessary not only to be audacious in their design and approval, but also to execute them very, very well and with a great sense of urgency. The reforms are tools that have to translate into concrete, tangible, and important results that drive the private and public sectors to invest more and to grow, increasingly generating productive jobs.

In addition, it is necessary to improve security, institutional capacity, and law enforcement in the country, as well as to decidedly attack other barriers and obstacles that hinder our growth capacity.

In summary, we need to be obsessed with growth and the well being in our country. Our priority should be to do everything that is necessary to consistently grow at the peak of our potential, to further develop the skills of all Mexicans, and to offer more jobs and opportunities. There is no other way, there are no shortcuts and we can no longer wait; the time is now and the need and urgency are totally clear.

At Kimberly-Clark de México we have a solid platform that will allow us to keep growing. We have a successful innovation program under way and, during 2013, we will focus on reinforcing the preference of consumers for our products, as well as on strengthening our multi-brand, multi-segment, and multi-channel strategy.

Expectations that consumption will improve as a consequence of a lower inflation rate and the creation of new jobs—which will be reflected as 2013 goes by and, particularly, towards the second half of the year—together with our strong market position, and an enhanced prices platform, will result, we estimate, in achieving a growth in sales between 6 and 7 percent.

Regarding costs, we anticipate moderate increases in the prices of fibers, fibers for recycling and superabsorbent materials. We see the prices of other raw materials basically to remain steady. Additionally, we expect to achieve between $450 and $500 million pesos in our cost savings plan throughout the year.

Given the volume growth that we are experiencing, we are in the process of analyzing alternatives to increase our tissue production capacity. Consequently, our capital expenditures for this year in plant and equipment will be between $150 and $200 million dollars. The objective of these expenditures, in addition to increasing capacity where we see the need, will be to enhance our products and to attain cost savings and higher production efficiencies.

Finally, the Board of Directors has proposed to pay out a dividend 10 percent higher than the one paid out during 2012, in line with our policy of increasing the dividend in real terms year after year.

Messrs. Shareholders, once again we thank you for your support and trust during our management this fiscal year ,and we restate our commitment to carry out the plans and programs needed to keep Kimberly-Clark de México as the successful company that it is, and has always been.

Truly Yours,

Claudio X. González
Chairman of the Board

Pablo R. González G.
Managing Director

This report received the favorable opinion in all its terms by the Board of Director's Meeting held on February 12th, 2013.

GENERATING SUSTAINABLE RESULTS

We are committed to the sustainability of our operations, with the full implementation of our obligations and the promotion of the communities where we operate.

Our sustainability model is based on the five “R’s”: Reduce, Recycle, Reuse, Renew, and above all, Results. We have had significant achievements and met our objectives for each of these goals.

We added to Huggies Supreme® a new inner shell of extract organic cotton, Silk Cotton, which provides maximum smoothness and higher speed of absorption to keep baby’s skin always dry and protected.

GENERATING RESULTS BY OFFERING MORE AND BETTER PRODUCTS

HOME

Bath tissue
Napkins
Facials
Servitoalla®
Antibacterial gel
Wet wipes
Wraps

WOMAN

Femenine pads
Pantiliners
Tampons
Wet wipes

BABIES AND CHILDREN

Diapers
Training pants
Pants for swimming
Diapers for bedwetting
Wet wipes
Shampoo
Cream and bar soap

ADULTS

Underwear
Wet wipes
Protectors

PROFESSIONAL

Jumbo® Roll
Hand towels
Napkins
Industrial rags
Dispatchers

HEALTHCARE

Supplies
Medical devices

BOARD OF DIRECTORS

BOARD MEMBERS

Claudio X. González Laporte
Chairman of the Board

Robert Abernathy

Jorge Ballesteros Franco

Christian A. Brickman

Mark Buthman

Emilio Carrillo Gamboa

Antonio Cosío Ariño

Valentín Diez Morodo

Thomas J. Falk

Pablo R. González Guajardo

Esteban Malpica Fomperosa

Fernando Senderos Mestre

ALTERNATE MEMBERS

Guillermo González Guajardo

Jesús Gonzalez Laporte

José Antonio Mondragón Pacheco

Jorge A. Lara Flores

Sergio Chagoya Díaz

Agustín Gutiérrez Espinosa

Antonio Cosío Pando

Jorge Babatz García

José Antonio Noguera Castillo

Fernando Ruíz Sahagún

Jorge Barrero Stahl

Juan Carlos Machorro Guerrero

MANAGEMENT TEAM

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 Finance

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

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

Alejandro Lascurain Curbelo
Director of Human Resources

Jorge Morales Rojas
Director of Businesses

Jean-Louis Brunet Torres
Deputy Director of Sales Consumer
Products Wholesale

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

Omar Gutiérrez Hernández
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
Corporate Comptroller

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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 financial statements of Kimberly-Clark de México, S.A.B. de C.V. and its subsidiaries (the Entity), which comprise the consolidated statement of financial position as of December 31, 2012 and 2011, and January 1, 2011 (transition date) and the consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

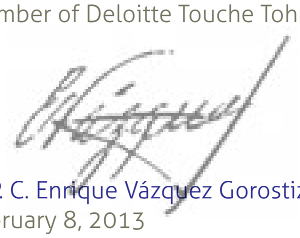
Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Kimberly-Clark de México, S.A.B. de C.V. and its subsidiaries as of December 31, 2012 and 2011, and January 1, 2011 (transition date) and of their financial performance and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards.

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



C. P. C. Enrique Vázquez Gorostiza
February 8, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2012 and 2011
(Thousands of Mexican pesos)

	Notes	2012	2011	Transition date
Assets				
Current assets:				
Cash and cash equivalents		**$ 3,464,930**	$ 4,027,564	$ 6,306,972
Accounts receivable and other	4	**5,403,809**	5,107,185	4,399,953
Inventories	5	**1,950,268**	2,092,595	1,915,377
Total current assets		**10,819,007**	11,227,344	12,622,302
Long-term assets:				
Property, plant and equipment	6	**15,734,233**	16,220,682	15,630,588
Intangibles assets and other	8	**973,547**	95,898	97,891
Goodwill	7	**509,634**	-	-
Total long-term assets		**17,217,414**	16,316,580	15,728,479
Total		**$ 28,036,421**	$ 27,543,924	$ 28,350,781
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	9	**$ 1,250,000**	$ 17,297	$ 46,687
Trade accounts payable		**2,812,375**	3,158,178	2,693,157
Other accounts payables, accrued liabilities and provisions	10	**1,492,996**	1,194,610	1,283,500
Employee benefits		**1,006,832**	718,000	785,784
Income tax	11	**630,179**	147,777	221,089
Total current liabilities		**7,192,382**	5,235,862	5,030,217
Long-term liabilities:				
Long-term debt	9	**9,978,834**	11,221,968	11,229,009
Deferred income taxes	11	**1,847,104**	2,031,191	2,245,202
Derivative financial instruments	14	**175,037**	155,309	102,551
Retirement benefits and other liabilities	12	**217,004**	220,122	216,496
Total long-term liabilities		**12,217,979**	13,628,590	13,793,258
Total liabilities		**19,410,361**	18,864,452	18,823,475
Stockholders' equity	15	**8,626,060**	8,679,472	9,527,306
Total		**$ 28,036,421**	$ 27,543,924	$ 28,350,781

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2012 and 2011
(Thousands of Mexican pesos)

	Notes	2012	2011
Net sales		**$ 29,288,626**	$ 26,732,383
Cost of sales		**17,956,306**	17,053,516
Gross profit		**11,332,320**	9,678,867
General expenses		**4,697,221**	3,896,681
Operating profit		**6,635,099**	5,782,186
Comprehensive financing result:			
Borrowing costs		**811,661**	805,863
Interest income		**(103,149)**	(174,234)
Exchange fluctuation – net		**(56,374)**	109,126
Income before income taxes		**5,982,961**	5,041,431
Income taxes	11	**1,838,273**	1,482,639
Consolidated net income		**$ 4,144,688**	$ 3,558,792
Basic earnings per share		**$ 1.32**	$ 1.12
Weighted average number of outstanding shares		**3,150,754**	3,173,145

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

Years ended December 31, 2012 and 2011
(Thousands of Mexican pesos)

	Notes	2012	2011
Consolidated net income		**$ 4,144,688**	$ 3,558,792
Other comprehensive income, net of income taxes	11		
Translation effects of foreign operations		**(8,073)**	-
Effects of valuation of financial instruments- net	14	**(13,809)**	(36,931)
Actuarial losses on retirements benefits - net	12	**(13,953)**	(45,543)
		(35,835)	(82,474)
Consolidated other comprehensive income		**$ 4,108,853**	$ 3,476,318

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2012 and 2011
(Thousands of Mexican pesos)

	Contributed	Earned				
	Common stock	**Retained earnings**	**Translation effects of foreign operations**	**Valuation of financial instruments**	**Actuarial losses**	**Total stockholders' equity**
Balance, January 1, 2011 (transition date)	$ 2,954,415	$ 6,644,677	$ -	$ (71,786)	$ -	$ 9,527,306
Dividends paid		(3,606,275)				(3,606,275)
Repurchase of own stock	(28,177)	(689,700)				(717,877)
Comprehensive income		3,558,792		(36,931)	(45,543)	3,476,318
Balance, December 31, 2011	2,926,238	5,907,494		(108,717)	(45,543)	8,679,472
Dividends paid		(3,784,235)				(3,784,235)
Repurchase of own stock	(12,417)	(365,613)				(378,030)
Comprehensive income		4,144,688	(8,073)	(13,809)	(13,953)	4,108,853
Balance, December 31, 2012	**$ 2,913,821**	**$ 5,902,334**	**$ (8,073)**	**$ (122,526)**	**$ (59,496)**	**$ 8,626,060**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2011
(Thousands of Mexican pesos)

	2012	2011
Operating activities:		
Income before income taxes	$ 5,982,961	$ 5,041,431
Items related to investing and financing activities:		
Depreciation and amortization	1,498,474	1,344,161
Exchange fluctuations	(56,374)	109,126
Interest expense - net	708,512	631,629
	8,133,573	7,126,347
Accounts receivable and other	(130,915)	(692,991)
Inventories	277,773	(177,218)
Trade accounts payable	(332,853)	345,669
Other accounts payables, accrued liabilities and provisions	260,910	(90,425)
Employee benefits and retirement	296,088	(96,272)
Income taxes paid	(1,575,922)	(1,734,617)
Net cash flows provided by operating activities	6,928,654	4,680,493
Investing activities		
Additions to property, plant and equipment	(1,017,937)	(1,918,943)
Disposal per disaster of property, plant and equipment - net	91,451	-
Business acquisition	(1,634,793)	-
Other	(6,543)	(6,942)
Net cash flows used in financing activities	(2,567,822)	(1,925,885)
Excess cash to apply in financing activities	4,360,832	2,754,608
Financing activities		
Payment of loans	(15,922)	(47,510)
Interest paid	(697,385)	(628,121)
Dividends paid	(3,784,235)	(3,606,275)
Repurchase of own stock	(378,030)	(717,877)
Other liabilities	(46,420)	(32,947)
Net cash flows used in financing activities	(4,921,992)	(5,032,730)
Net decrease in cash and cash equivalents	(561,160)	(2,278,122)
Adjustment to cash flows due to changes in exchange rates	(1,474)	(1,286)
Cash and cash equivalents at the beginning of year	4,027,564	6,306,972
Cash and cash equivalents at the end of year	$ 3,464,930	$ 4,027,564

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011
(Thousands of Mexican pesos)

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 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, health care products and starting on February 2012, feeding accessories. Some of the main brands include: Huggies®, KleenBebé®, Kleenex®, Kimlark®, Pétalo®, Cottonelle®, Depend® and Kotex® and since February 2012, Evenflo® (See Note 7).

2. BASIS OF PRESENTATION

a. Explanations for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

b. 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 values.

- Historical cost is generally based on the fair price 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.

c. 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:

- 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 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.

Starting on February 1, 2012:

- 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are in accordance with IFRS. The significant accounting policies are as follows:

a. 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 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 and 5).

b. 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.

c. 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

  Financial assets are assessed for indicators of impairment at the end of each reporting period.

  For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of accounts receivable could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on payments.

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

d. 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 the 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.

e. 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.

f. 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.

g. 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 (at the acquisition date) of the identifiable assets acquired and the liabilities assumed, 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.

h. Intangibles

Intangible assets acquired separately - Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the Consolidated Statements of Income’s General expenses line item on a straight-line basis over their estimated useful lives. 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.

i. Goodwill

The goodwill generated on the acquisition of a business is recognized as an asset at the date on which control is acquired (see Note 7) and refers to the excess of the consideration transferred above the fair value at the acquisition date of the identifiable assets acquired and the liabilities assumed. Goodwill is subject to impairment tests at least once a year.

Any impairment loss for goodwill is recognized directly in the Consolidated Statement of Income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

j. Impairment of tangible and intangible assets and goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible, intangible assets and goodwill 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, except in the goodwill, 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 had no impairment loss been recognized for the asset in prior years.

k. 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.

- Borrowings and trade payables

  Borrowings and trade payables are subsequently 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.

l. Income taxes

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

- Current tax

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

- Deferred tax

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

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

- Current and deferred tax

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

m. 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.

n. 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. Benefit includes compensation plan for officers and employees named "Plan de Asignación de Unidades Virtuales" (Virtual Share Awards Plan), 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 general expenses line items, as applicable.

o. Retirement benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at 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 service entitling them to the contributions.

p. 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 qualified as cash flows hedging accounting.

q. Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, taking into account the estimated amount of customer returns, discounts and other similar allowances.

Revenue from the sale of goods is recognized when all of the following conditions are met:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

r. Foreign currency transactions

The functional currency of all of the subsidiaries is the Mexican peso, except for Evenflo Feeding, Inc., which is the US dollar.

In preparing the financial statements of each individual entity, 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.

For the entity whose functional currency is not the Mexican peso, for purposes of the presentation of the consolidated financial statements, the Entity's foreign currency assets and liabilities are expressed in Mexican pesos using the exchange rates in effect at the end of the reporting period. The revenue and expenses items are converted at the average exchange rates in effect during the period, unless they fluctuate significantly, in which case the exchange rates in effect on the transaction dates are utilized. The conversion differences are recorded in other comprehensive results as part of stockholders' equity.

The adjustments related to goodwill and the fair value generated on the acquisition of a transaction abroad are considered as assets and liabilities of such transaction and are converted at the exchange rate in effect at closing.

4. ACCOUNTS RECEIVABLE AND OTHER

	2012	2011	Transition Date
Trade	**$ 5,956,765**	$ 5,499,741	$ 4,660,307
Provision for discounts	**(562,802)**	(330,450)	(265,592)
Allowance for doubtful accounts	**(115,340)**	(116,036)	(116,397)
Net	**5,278,623**	5,053,255	4,278,318
Other	**19,829**	28,698	36,540
Recoverable insurance	**61,095**	-	-
Prepaid expenses	**44,262**	25,232	85,095
Total	**$ 5,403,809**	$ 5,107,185	$ 4,399,953

	2012	2011
Balance at January 1,	**$ (330,450)**	$ (265,592)
Increases	**(4,650,260)**	(4,038,085)
Applications	**4,417,908**	3,973,227
Balance at December 31,	**$ (562,802)**	$ (330,450)

The provision for discounts is determined according to customer negotiations based on the fulfillment of conditions, such as: sales volumes, timeliness of orders, a product mix and compliance with the credit terms established, among others.

The Entity quarterly reviews the allowance for doubtful accounts. The main factors it considers to determine the amount of the allowance are the risk of the customer's financial position and delays in collection according to the credit limits established.

Recoverable insurance - On June 1, 2012, our mill located in Morelia caught fire due to an accident in its converting area. This event did not affect the Entity's results because it was duly insured against losses, and we had sufficient manufacturing capacity in other mills to meet our production needs.

5. INVENTORIES

		2012		2011
Finished goods	$	**778,273**	$	750,302
Work in process		**214,327**		227,296
Raw materials and spare parts		**990,070**		1,136,387
		1,982,670		2,113,985
Allowance for obsolescence		**(32,402)**		(21,390)
Total	$	**1,950,268**	$	2,092,595

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

6. PROPERTY, PLANT AND EQUIPMENT

		2012		2011		Transition date
Depreciable fixed assests	$	**33,520,863**	$	33,017,960	$	31,434,669
Accumulated depreciation		**(19,012,459)**		(17,878,381)		(16,877,300)
Net		**14,508,404**		15,139,579		14,557,369
Land		**600,518**		599,018		599,018
Construction in progress		**625,311**		482,085		474,201
Total	$	**15,734,233**	$	16,220,682	$	15,630,588

In 2012 there was an increase in land of $1,500.

		Buildings		Machinery and equipment		Transportation equipment		Total
Depreciable fixed assets								
Balance at beginning of 2011	$	4,770,780	$	25,766,530	$	897,359	$	31,434,669
Direct additions		59,375		1,844,695		26,512		1,930,582
Disposals		(12,551)		(321,169)		(13,571)		(347,291)
Balance at December 31, 2011		4,817,604		27,290,056		910,300		33,017,960
Direct additions		93,324		800,687		5,410		899,421
Additions arising from business combinations				163,311		4,310		167,621
Disposals		(61,048)		(486,908)		(16,183)		(564,139)
Balance at December 31, 2012	**$**	**4,849,880**	**$**	**27,767,146**	**$**	**903,837**	**$**	**33,520,863**
Accumulated depreciation								
Balance at beginning of 2011	$	(1,812,060)	$	(14,382,819)	$	(682,421)	$	(16,877,300)
Additions		(114,022)		(1,188,838)		(32,366)		(1,335,226)
Disposals		13,701		307,985		12,459		334,145
Balance at December 31, 2011		(1,912,381)		(15,263,672)		(702,328)		(17,878,381)
Additions		(131,588)		(1,302,783)		(33,645)		(1,468,016)
Additions arising from business combinations				(52,930)		(2,368)		(55,298)
Disposals		24,407		349,464		15,365		389,236
Balance at December 31, 2012	**$**	**(2,019,562)**	**$**	**(16,269,921)**	**$**	**(722,976)**	**$**	**(19,012,459)**

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 25 years

7. BUSINESS COMBINATIONS

a. **Business acquired -** At the end of January 2012, Evenflo Company Inc.'s feeding accessories business in Mexico, United States, and Canada was acquired along with an exclusive and perpetual license to trade products of this business worldwide. This acquisition includes ownership of the trade marks in Mexico. The consideration paid was approximately $1,648 million Mexican pesos.

b. **Assets acquired and liabilities assumed at the acquisition date.**

Assets:		
Cash and cash equivalents	$	13,678
Accounts receivable and other		115,828
Inventories		135,446
Plant, equipment and other assets		117,994
Identified intangibles		903,786
		1,286,732
Liabilities:		
Suppliers and other accrued liabilities		(81,997)
Employee benefits		(16,114)
Deferred taxes		(53,303)
Net assets	$	1,135,318

The costs related to this acquisition were excluded from the consideration paid and were recognized as an expense in the period as part of general expenses in the income statement.

The fair values of the net assets acquired were determined by an independent expert using the following methods: present value of future net cash flows, royalties, replacement cost and substitution cost.

c. **Goodwill**

Assets:		
Consideration transferred	$	1,648,471
Less: Fair value of net assets acquired		(1,135,318)
Goodwill determined in acquisition	$	513,153

Goodwill arising from the business acquisition is because the acquisition cost included the benefits of the expected synergies, revenue growth, future market development and the established workforce. These benefits are not recognized separately from goodwill because they do not fulfill the recognition criteria for identified intangible assets.

d. **Net cash flows on acquisition of subsidiaries**

Consideration paid in cash	$	1,648,471
Less: cash and cash equivalents acquired		(13,678)
	$	1,634,793

e. **Effect of the acquisition in results of the Entity**

Net sales for the period include $748 million Mexican pesos attributable to the feeding accessories business.

8. INTANGIBLES AND OTHER ASSETS

	2012	2011	Transition date
Trademarks and licenses	$ **108,275**	$ 103,972	$ 103,972
Patents and permissions	**22,351**	-	-
Customer relationship	**527,973**	-	-
	658,599	103,972	103,972
Accumulated amortization	**(52,276)**	(21,818)	(12,883)
Trademarks and licenses with indefinite life - added due to business combination	**349,422**	-	-
Total intangibles	**955,745**	82,154	91,089
Others assets	**17,802**	13,744	6,802
Total	$ **973,547**	$ 95,898	$ 97,891

	Trademarks and Licenses	Patents and permissions	Customer relationship	Total
Cost				
Balance at December 31, 2011	$ 103,972	$ -	$ -	$ 103,972
Direct additions	4,303			4,303
Additions arising from business combination	-	22,507	530,669	553,176
Translation effect	-	(156)	(2,696)	(2,852)
Balance at December 31, 2012	**$ 108,275**	**$ 22,351**	**$ 527,973**	**$ 658,599**
Accumulated amortization				
Balance at beginning of 2011	$ (12,883)	$ -	$ -	$ (12,883)
Additions	(8,935)			(8,935)
Balance at December 31, 2011	(21,818)	-	-	(21,818)
Additions	(6,577)	(1,376)	(22,505)	(30,458)
Balance at December 31, 2012	**$ (28,395)**	**$ (1,376)**	**$ (22,505)**	**$ (52,276)**

The useful lives used for calculating amortization are:

Trademarks and licenses	10 and 20 years
Patents y permissions	15 years
Customer relationship	15 and 25 years

9. LONG-TERM DEBT

	2012	2011
Notes payable to banks, denominated in U.S. dollars, unsecured, bearing interest based on LIBOR.	$ -	$ 17,297
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**	4,950,000
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, 2012 the annualized rates ranged from 4.74% to 5.81%.	**6,300,000**	6,300,000
Total	**11,250,000**	11,267,297
Less:		
Current portion	**1,250,000**	17,297
Expenses on debt issuance	**21,166**	28,032
Long-term debt	**$ 9,978,834**	$ 11,221,968

Long-term debt agreements contain certain obligations that do not include financial restrictions. Such obligations have been complied with as of December 31, 2012.

Long-term debt matures as follows:

2014	$ 2,300,000
2015	1,500,000
2016	800,000
2017	2,500,000
2019	400,000
2020	2,500,000
	$ 10,000,000

Considering the rates and the debt in effect as of December 31, 2012, accruable interest ranges from $734 million Mexican pesos in 2013 to $151 million Mexican pesos in 2020.

10. OTHER ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

Other accounts payable, accrued liabilities and provisions are mainly represented by value-added tax, other taxes payable, accrued services and provisions. Provisions are composed as follows:

	2012	2011	Transition date
Promotion	**$ 60,977**	$ 61,002	$ 46,709
Freight	**80,183**	22,956	103,799
Total	**$ 141,160**	$ 83,958	$ 150,508

	Promotion	Freight	Total
Balance at beginning of 2011	$ 46,709	$ 103,799	$ 150,508
Increases	229,866	1,422,772	1,652,638
Applications	(215,573)	(1,503,615)	(1,719,188)
Balance at December 31, 2011	61,002	22,956	83,958
Increases	242,533	1,576,800	1,819,333
Applications	(242,558)	(1,519,573)	(1,762,131)
Balance at December 31, 2012	**$ 60,977**	**$ 80,183**	**$ 141,160**

11. INCOME TAXES

The statutory income tax rate is 30% for the years 2012 and 2011. The Entity is subject to ISR on a consolidated basis.

On December 7, 2009, amendments to the Income Tax Law applicable beginning 2010, were enacted which require that: a) payment of income tax, related to tax consolidation benefit achieved in the years 1999 to 2004, has to be made in installments from 2010 to 2014, and b) tax related to tax consolidation benefit achieved in fiscal 2005 and subsequent years will be paid from the sixth to the tenth year after that in which the benefit was obtained. Payment of this obligation is not significant.

a. Income taxes recognized in profit or loss

	2012	2011
Current	**$ 2,063,765**	$ 1,661,302
Deferred	**(225,492)**	(178,663)
Net	**$ 1,838,273**	$ 1,482,639

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

	2012 Rate %	2011 Rate %
Statutory rate	**30.0**	30.0
Effects of inflation	**.3**	(.6)
Non deductible	**.7**	.8
Tax incentive and other	**(.3)**	(.8)
Effective rate	**30.7**	29.4

c. Deferred income tax recognized in other comprehensive income:

	2012	2011
Due to valuation of financial instruments	**$ 5,918**	$ 15,827
Due to actuarial losses	**5,980**	19,518
Total	**$ 11,898**	$ 35,345

d. The amount of deferred taxes generated in the business combination was $45,171.

e. Deferred tax in the statement of financial position

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

	2012	2011
Property, plant and equipment	**$ 2,217,135**	$ 2,418,559
Intangibles arising from business combination	**42,563**	-
Inventories	**(10,223)**	21,758
Loss carryforwards (expiring in 2017)	**(137,129)**	(183,549)
Other liabilities and provisions	**(212,731)**	(178,984)
Derivative financial instruments	**(52,511)**	(46,593)
Total	**$ 1,847,104**	$ 2,031,191

12. RETIREMENT BENEFITS AND OTHER LIABILITIES

a. 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.

Relevant information regarding these obligations is as follows:

		2012		2011
Projected benefit obligation	**$**	**458,257**	$	412,192
Plan assets		**(378,382)**		(375,619)
Net liability		**79,875**		36,573
Annual cost	**$**	**17,821**	$	7,695

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

	2012 %	2011 %
Discount rate	**6.75**	7.50
Expected return on plan assets	**8.75**	9.25
Expected rate of salary increase	**4.50**	4.50

b. Other liabilities

As of December 31, 2012 and 2011, the amount of other liabilities is $137,129 and $183,549, respectively.

13. RISKS

a. Liquidity risk

The liquidity risk is very limited because the Entity has a healthy flow profile due to its diversified sales, which are made through customers and distributors which have solvent financial positions. As of December 31, 2012, the Entity had enough cash to mitigate or eliminate the effects of some external event which could imply a temporary liquidity reduction.

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, 2012 is spaced out over eight years and no maturities in any one year represent more than 25% of the total debt. None of the Entity's annual maturities under its current debt profile exceeds the flow derived from the result before income taxes for the year 2012, nor the cash and temporary cash investments position as of December 31, 2012.

The Entity has sound relations with different financial institutions and considers that it has access to different types of financing through loans in Mexico or abroad, whether directly with such institutions or through the capital markets. For such purpose the Entity permanently maintains ratings of the Standard & Poor's and Fitch Ratings agencies for debt both in pesos and in foreign currency. As of December 31, 2012, debt ratings by Standard & Poor's were "AAA" in pesos and "A-" in U.S. dollars, whereas those of Fitch Ratings were "AAA" in pesos and "A" in U.S. dollars. In all cases, these are considered investment-grade ratings.

b. Market risk

- Exchange rate

The purchases which the Entity makes in foreign currency are greater than sales in foreign currency. This is reflected in the fact that accounts payable in foreign currency exceed accounts receivable, resulting in a liability position which is subject to exchange rate fluctuations. To reduce the exchange rate risk for the exposed position, the Entity keeps part of its cash in U.S. dollars. The foreign currency position is presented in (Note 16).

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, 2012 the Entity had not contracted any hedge instrument related to the exchange risk. Export sales in the year 2012 were $1,455 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 50% of its costs.

To reduce the risk of interest rate variations, the Entity divides the profile of its debt between fixed rate and variable rate. As of December 31, 2012, 44% of the debt was at a fixed rate and 56% at a variable rate. Of the variable rate debt, $1,500 million Mexican pesos are converted at a fixed rate, with the net exposure being $4,800 million Mexican pesos, equivalent to 43% of the total debt. On another hand, the Entity had $2,571 million Mexican pesos invested in variable rate investments and thus the net exposure was $2,229 million Mexican pesos.

- Other pricing risks

The main pricing risk is related with movements in cellulose prices. To reduce this risk, the Entity has different strategies in place of which the investment in paper-recycling plants outstands. Approximately 60% of the cellulose consumed by the Entity during 2012 was recycled fiber. Other strategies include the utilization of different types of fiber and different suppliers, as well as sourcing from different geographical regions. The Entity believes that no efficient financial hedge market exist 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, 2012, the Entity had not contracted any hedge instrument related to natural gas.

14. DERIVATIVE FINANCIAL INSTRUMENTS

To reduce interest rate volatility, an interest rate swap was contracted for $1,500,000, whereby interest payment profile is converted from variable rate to fixed rate.

All interest rate swap contracts where interest at the variable rate is exchanged for interest at the fixed rate are designated as cash flow hedges to reduce the exposure of the Entity's cash flow derived from the variable interest rates on loans. The interest rate swaps and the interest payments on the loan take place simultaneously and the accumulated amount in stockholders' equity is reclassified to consolidated statement of income in the period in which the interest payments at the variable rate on the debt affect results.

The unfavorable effect of these contracts for $50,695 and $49,874 for the years 2012 and 2011, respectively, are presented in results as part of the borrowing cost.

15. STOCKHOLDERS' EQUITY

At the Stockholders' Extraordinary Meeting held on March 1, 2012, stockholders agreed to increase the number of common stock shares through a split of one into three outstanding shares.

For comparison purposes, information related to the number of shares after the split is shown below.

As of December 31, 2012 and 2011, common stock consists of nominative common shares with no par value, as follows:

	Shares			
	2012	**%**	**2011**	**%**
Series "A"	**1,633,832,864**	**52**	1,641,177,225	52
Series "B"	**1,507,426,661**	**48**	1,513,468,920	48
Total	**3,141,259,525**	**100**	3,154,646,145	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 years ended December 31, 2012 and 2011, 13,386,620 and 30,376,800 shares, respectively, 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, 2012, the balances of the stockholders' equity tax accounts are represented by Contributed capital account of $28,941,000 and a Net tax income account of $13,796,000, approximately.

During the years ended December 31, 2012 and 2011, the Entity paid dividends of $3,784,235 and $3,606,275, respectively. If such dividends had not been paid, stockholders' equity would have been greater by $7,390,510 and $3,606,275, as of such dates.

The Entity is not subject to any external requirement related to the management of its equity.

16. 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:

	2012	**2011**
Monetary assets	**$ 87,765**	$ 85,146
Monetary liabilities	**117,727**	128,837

Exchange rates used to value such balances were $12.86 and $13.96 Mexican pesos per one U.S. dollar, respectively.

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

	2012	**2011**
Export sales	**$ 113,139**	$ 133,513
Purchases of raw materials, spare parts and services	**569,950**	628,321
Purchases of machinery and equipment	**35,323**	115,936

17. RELATED PARTIES

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

	2012	2011
Kimberly-Clark Corporation:		
Purchases of inventories and technical services	**$ 1,402,900**	$ 1,238,878
Purchases of machinery and equipment	**85,890**	167,431
Net sales	**593,267**	699,747
Trade accounts payable	**149,645**	162,833
Trade accounts receivable	**70,315**	96,764

Other - As of December 31, 2012 and 2011, employee benefits granted to Entity's key senior management were $182,717 and $206,949, respectively.

18. BUSINESS SEGMENT INFORMATION

IFRS 8, Operating segments, requires that the operating segments be identified based on internal reports on the Entity's components.

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

	2012			
	Consumer Products	Professional and Health Care	Exports	Total
Net sales	**$ 25,489,460**	**$ 2,343,824**	**$ 1,455,342**	**$ 29,288,626**
Operating profit	**6,118,648**	**366,796**	**149,655**	**6,635,099**
Depreciation and amortization	**1,262,425**	**161,614**	**74,435**	**1,498,474**
Total assets	**24,399,684**	**2,243,616**	**1,393,121**	**28,036,421**

The Entity decided to include the operation of the feeding accessories business in the Consumer Products segment, based on the concurrence of markets, customers and synergies.

	2011			
	Consumer Products	Professional and Health Care	Exports	Total
Net sales	$ 22,842,348	$ 2,226,608	$ 1,663,427	$ 26,732,383
Operating profit	5,348,634	283,934	149,618	5,782,186
Depreciation and amortization	1,083,303	172,474	88,384	1,344,161
Total assets	23,535,795	2,294,203	1,713,926	27,543,924

19. COMMITMENTS

At December 31, the Entity held the following commitments:

		2012		2011
Acquisition of machinery, equipment and construction projects	$	403,900	$	391,700
Acquisition of raw materials		403,200		307,000
Operating lease agreements for warehouses and offices with non-cancelable terms ranging from 5 to 10 years, and annual rents		150,000		144,000

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

20. EXPLANATION OF TRANSITION TO IFRS

The transition date of the Entity is at the beginning of January 1, 2011. In the preparation of the first consolidated financial statements under IFRS, the transition rules were applied to the figures previously reported under Mexican Financial Reporting Standards (MFRS).

The Entity applied IFRS 1, First-Time Adoption of International Financial Reporting Standards. IFRS 1 usually requires the retroactive application of standards and interpretations that apply at the first reporting date. However, IFRS 1 allows exemptions in the application of some standards to previous periods, in order to support to the entities in the transition process.

At the transition date, none of the relevant mandatory exceptions with retroactive application have an effect on the Entity.

The Entity has opted for the following optional exemptions to the retroactive application as required IFRS 1:

- Deemed cost – The deemed cost exemption was applied. Therefore, the Entity has opted for using the fair value as of the date of transition as assumed cost for the main categories of property, plant and equipment.
- Employee benefits – The employee benefits exemption was applied. Therefore, all actuarial gains and losses accumulated as of the date of transition were recognized.

The following reconciliations provide quantification of the transition effects and the impact on stockholders' equity at the transition dates of January 1, 2011 and December 31, 2011, and net comprehensive income for the period, as follows:

a. Reconciliation of stockholders' equity

(Millions of Mexican pesos)

	Reference		2011 (Last period presented under MFRS)		Transition date
Total stockholders' equity under MFRS		$	7,547	$	8,267
Cancellation effects of inflation in common stock	(ii)		(1,083)		(1,109)
Transfer to retained earnings	(ii)		1,083		1,109
Adjustment to property, plant and equipment			1,710		1,710
Additional depreciation			(108)		
Adjustment to retirement benefits	(iii)		(37)		(37)
Cancellation of provision for severance payments	(iii)		77		77
Cancelation of cost of the year retirement benefits in excess	(iii)		20		
Actuarial loss of the year	(iii)		(65)		
Cancellation of PTU	(iii)		14		35
Effect of deferred taxes	(iv)		(479)		(525)
Total stockholders' equity under IFRS		$	8,679	$	9,527

b. Effects of adopting IFRS in the consolidated statement of other comprehensive income

(Millions of Mexican pesos)	2011 Reference	Effect MFRS	Transition 2011 IFRS	IFRS
Net sales		$ 26,732	$	$ 26,732
Cost and expenses	(i) (v)	20,355	(595)	20,950
Operating profit		6,377	(595)	5,782
PTU and other – net	(v)	487	487	-
Comprehensive financing result		741		741
Income before income taxes		5,149	(108)	5,041
Income taxes	(iv)	1,508	26	1,482
Consolidated net income		3,641	(82)	3,559
Other comprehensive income				
Valuation of financial instruments		(37)		(37)
Actuarial losses	(iii)		(46)	(46)
Consolidated other comprehensive income		$ 3,604	$ (128)	$ 3,476

c. The transition to IFRS resulted in the following changes to accounting policies and adjustments to the accounting records:

(i) According to IAS 16, Property, plant and equipment, the Entity determined the significant components of property, plant and equipment, and accordingly readjusted their useful lives and the related accumulated depreciation effect starting on the date of transition.

(ii) According to with IAS 29, Financial reporting in hyperinflationary economies, effects of inflation should be recognized only in an hyperinflationary economy, which is identified by various characteristics of the economic environment of a country. The parameter to qualify as hyperinflationary economy is when cumulative inflation over three years is close to or is greater than 100%. Since the Entity is not in a hyperinflationary economic environment since 1998, the effects on common stock restatement recognized under MFRS until 2007 were reversed against retained earnings.

(iii) IAS 19, Employee Benefits, establishes that termination benefits relate to an obligation arising from the termination of the employment relationship but not to a service rendered. Therefore, the obligation should only be recognized once the payment obligation is originated, or under the existence of formal retirement plans; as a consequence, the liability for severance payments was eliminated and the cost of the year was adjusted.

Additionally actuarial losses generated during the year are recognized as other comprehensive income.

Also, according to IAS 19, expense for PTU recognized relates only to PTU incurred, because it requires, among other, that the employee has rendered service to the Entity, and that the present obligation, legal or assumed to make such payment is a result of past events. Therefore the Entity removed the balance of deferred profit sharing from the transition date of the financial statements.

(iv) The Entity adjusted its deferred tax under IAS 12, Income Taxes, using the book value of assets and liabilities recognized under IFRS.

(v) According to with IAS 1, Presentation of Financial Statements, the other expenses, primarily PTU, must be presented within cost of sales and general expenses as appropriate.

21. NEW ACCOUNTING PRINCIPLES

The following new and revised IFRS have been analyzed but not yet implemented:

- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements
- IAS 19 Employee Benefits

22. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

On February 8, 2013, the issuance of these consolidated financial statements was authorized by Licenciado Pablo R. González Guajardo, General Director, and Ingeniero Xavier Cortés Lascurain, Finance Director. These consolidated financial statements are subject to the approval of the Board of Directors and the Stockholders' Ordinary Meeting.

TRADE MARKETS

Bolsa Mexicana de Valores (BMV), Mexico.
United States (ADR´S - OTC)

TYPE OF SHARES

A series
B series

TICKER

BMV: KIMBER

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