

HUGGIES® BRAND

THE MARKET

Today and every day, about 11,000 babies are born in the United States alone. Before they're an hour old, almost all of them will be wearing their first piece of clothing — a disposable diaper. And every day, another 11,000 toddlers will begin toilet training, most with the help of disposable training pants.

Over the course of a year, there are 4.1 million brand-new potential consumers for HUGGIES® products, just in the United States. Worldwide, families use over 72 billion disposable diapers a year, and nearly one-third of them are branded HUGGIES. It's a "growth" market in every way: Estimates are that globally, disposable diapers account for probably less than 30 percent of all changes, which leaves a lot of growing room as incomes and hygiene standards rise around the world.

ACHIEVEMENTS

HUGGIES® diapers were first introduced by Kimberly-Clark in 1978, and they've been improved nearly every year since. Refastenable diapers, breathable diapers, and stretchy diapers are all HUGGIES firsts. At the controls of the HUGGIES innovation engine are everyday consumers. The art of understanding and anticipating consumer needs — sometimes before customers do themselves — has led not only to product advances but the creation of whole new categories, businesses that didn't exist before.



In 1989, HUGGIES created the disposable training pant category with the launch of PULL-UPS® training pants that actually help make potty training easier. Designed to look like real boys' and girls' underwear, potty trainers can pull them on and off all by themselves. Another great training feature are the pants' Learning Designs® graphics. They fade when wet to help teach toddlers the difference between wet and dry. When Kimberly-Clark launched PULL-UPS training pants in a test market, demand was so great that the test was abandoned and the product was rolled out nationally. Parents and kids loved it, and 15 years later the



PULL-UPS brand still leads the \$2 billion global training pant category and has enabled millions of successful potty trainers to proudly claim, I'm a Big Kid Now®.

Five years later, HUGGIES introduced the first super-premium diaper. While most diapers felt like paper or plastic, new HUGGIES Supreme diapers felt like cloth. Instead of tape closures, they had fasteners from Velcro USA Inc. that made it easy for parents to check and adjust the diapers at will. Then as now, HUGGIES® Supreme diapers are designed with an attention to detail and are The Ultimate in Care® and well worth a premium price to many moms. "A few cents more per diaper?" says one consumer. "That's meaningless when you're talking about making my baby more comfortable!"



In 1994, the youth pant segment was born with the launch of GOODNITES® disposable underpants. This is another new market that Kimberly Clark invented, but the GOODNITES® brand team will tell you that the rewards go deeper than market share. This brand has made a difference in the lives of those 5–7 million American kids who wet the bed at night and didn't have a product to help protect them from the embarrassment and frustration of wet sheets. GOODNITES® disposable

underpants deliver on the promise of trusted protection and helping kids go to sleep with the confidence of waking up in a dry bed. For them, Goodnites Mean Good Mornings.®



In 1998, HUGGIES invented the disposable swimwear category. Designed for infants and toddlers from 16 to 35+ pounds, HUGGIES® LITTLE SWIMMERS® disposable swimpants protect like a diaper during water play but don't swell up like one. Plus, they feature extra-vid graphics on the entire swimpant to imitate swimwear designs. No wonder then that HUGGIES® LITTLE SWIMMERS® disposable swimpants lead their market and are now sold in more than 50 countries around the world.

At the core (literally) of many of these advances is a new class of materials pioneered by Kimberly-Clark. Nonwoven fabrics combine the softness and the stretch of cloth with other



almost magical properties. Some let air through, but not liquids. Others allow liquids to travel in only one direction: away from a baby's skin. In a diaper, the fabric is impermeable to leaks but allows air to circulate, helping keep a baby's skin drier and healthier.

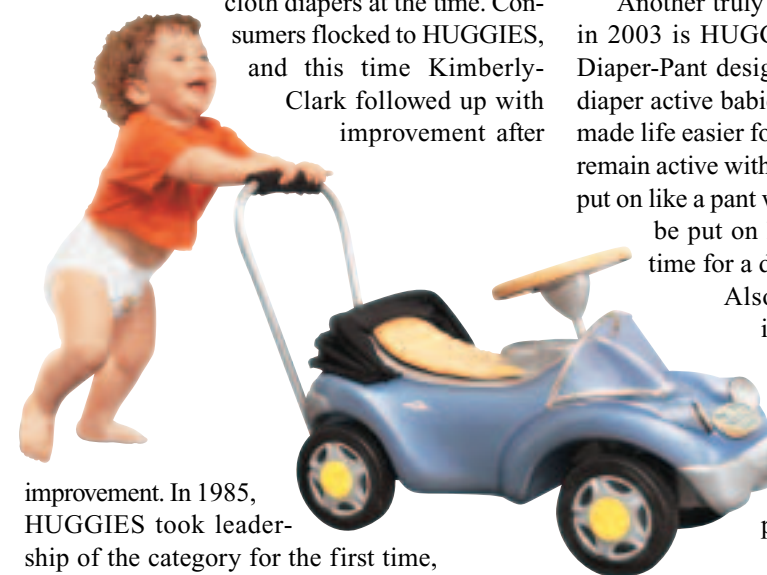
In 1998, these new "smart" fabrics propelled HUGGIES to leadership in still another category — baby wipes — a category HUGGIES entered in 1990. For reasons that are not hard to understand, disposable wipes have largely replaced washcloths for clean-ups during diaper changes. Of the 30 billion baby wipes Americans use this year, nearly one out of every three is made by Kimberly-Clark.

HISTORY

Kimberly-Clark was born in 1872 as a paper company in Wisconsin's Fox River Valley, which many still call the "Paper Valley." Entering its second century, the company made a momentous decision. Rather than slugging it out with competitors in commodity paper businesses, K-C elected to focus on higher-margin consumer products.

Kimberly-Clark's first entry into the disposable diaper market created by Procter & Gamble's Pampers® brand was a major advance, but not for long. K-C's superior new entry was quickly surpassed by competitors, and ultimately withdrawn. The KIMBIES® diaper saga became a lesson learned: performance is everything in consumer markets, and it had better improve. Or else.

In 1978, Kimberly-Clark tried again with HUGGIES® diapers — Baby-Shaped® diapers with elastic at the legs to help stop leaks, just like the rubber pants so many consumers used over cloth diapers at the time. Consumers flocked to HUGGIES, and this time Kimberly-Clark followed up with improvement after



improvement. In 1985, HUGGIES took leadership of the category for the first time, and has been the number-one selling diaper in America since 1993.

Looking back, KIMBIES® diapers may have been the best thing that ever happened to Kimberly-Clark as a consumer product company. Today, HUGGIES Brand introduces a demonstrably better product every year, and the imperative to innovate extends far beyond the HUGGIES® diaper franchise. It's no accident that Kimberly-Clark offers consumers the number-one or number-two brand in 80 countries.

THE PRODUCT

HUGGIES® Ultratrim, introduced in 1992, is the brand's most popular diaper and a great example of the continuous innovation that keeps HUGGIES on top of so many market segments. HUGGIES

Ultratrim began with a technological breakthrough: a way to make diapers radically less bulky with zero sacrifice in protection. Most of us don't usually think of diapers as high-tech products, but that's what the HUGGIES Ultratrim diaper is. The materials and processes that go into it are guarded by hundreds of separate patents. The result is a product costing about a quarter that gets better every year.

Today, HUGGIES Ultratrim are simply called HUGGIES Diapers, the Baby-Shaped® diapers that are made to fit the unique curves of all babies.

RECENT DEVELOPMENTS

One of HUGGIES Brand's greatest success stories is on the Internet, where Parentstages.com aggregates the Web's most useful child-rearing information. Developed in partnership with online leaders like Yahoo! and iVillage, this award-winning site saves today's busy parents time by providing an objective, one-step information resource, organized by their child's stage of development. Parentstages.com is now Kimberly-Clark's most-visited Web site.

Meanwhile, the HUGGIES Brand innovation engine keeps turning. Consumers who've tested the improved HUGGIES® Supreme are already buzzing about the first diaper with all-over stretch. It fits — from waist to legs — and keeps its fit, no matter what a busy baby may be up to.

Another truly innovative product introduced in 2003 is HUGGIES® CONVERTIBLES®, a Diaper-Pant designed for "a whole new way to diaper active babies." This breakthrough product made life easier for parents and allowed babies to remain active without slowing down. They can be put on like a pant when a baby is busy, or they can be put on like a diaper when a baby has time for a diaper change.

Also in 2003, HUGGIES Brand introduced HUGGIES™ Disposable Changing Pads that allows mothers to "take clean as home changes wherever she goes." Their compact design opens to four square feet of pure, fresh convenience.

Finally, HUGGIES ended 2003 with the introduction of HUGGIES® Disposable Washcloths and HUGGIES™ Baby Wash. Both HUGGIES products are great for gentle bathtime cleaning to help keep skin naturally healthy.

PROMOTION

Any survey of the world's best-loved advertising puts HUGGIES products high on the list, partly because the brand's messages reflect an insight into the consumer that has proved to be universal. HUGGIES advertising and promotion activity on five continents reflects how most moms see their own babies. HUGGIES "Happy Babies" live in what one mom calls the "photo moments," when a baby is the star of his or her own life. This "Happy Babies" insight lives in



all the brand's interactions with consumers, including television commercials, print ads, retail promotions, and on the Internet. It's no coincidence that Disney characters have appeared on HUGGIES diapers for years.

A fully integrated brand message, delivered in one of the world's most enduring marketing campaigns, is one of the reasons market research firm AC Nielsen recently ranked HUGGIES® diapers (and KLEENEX® Brand Tissue, another Kimberly-Clark brand) among only 43 truly global, billion-dollar brands.

BRAND VALUES

HUGGIES has a special relationship with parents, and not simply because diapers do an important job. HUGGIES reminds us of what we love about our babies and what we hope to be as parents.

HUGGIES babies are Happy, with a capital H. They are brave and smart and independent. Their job is making the world their own, and that's how most of us hope our children will grow up. As one HUGGIES Brand mom says, "I want him to run out in the rain, to get dirty, and touch leaves across his face." And when mom is Happy, a baby is Happy.

Who wouldn't want to be a HUGGIES Happy Baby!

THINGS YOU DIDN'T KNOW ABOUT HUGGIES

- Members of the HUGGIES extended family of brands are number-one in diapers, training pants, youth pants, swimpants, and baby wipes.
- Over 30 million HUGGIES® Baby Wipes are used every day in the United States.
- The first babies to use HUGGIES® diapers celebrated their 25th birthdays in 2003.