

Non-GAAP Financial Measures Used in Kimberly-Clark Corporation's Fact Sheet (February 2012)

In Kimberly-Clark Corporation's Fact Sheet, the following financial measures have not been calculated in accordance with generally accepted accounting principles in the U.S., or GAAP, and are therefore referred to as non-GAAP financial measures:

- adjusted earnings and earnings per share
- adjusted operating profit
- adjusted return on invested capital
- adjusted dividend payout

These non-GAAP financial measures exclude certain items that are included in the company's earnings and earnings per share, operating profit, return on invested capital ("ROIC") and dividend payout calculated in accordance with GAAP. A detailed explanation of each of the adjustments to the comparable GAAP financial measures is given below.

Kimberly-Clark provides these non-GAAP financial measures as supplemental information to our GAAP financial measures. Management and the company's Board of Directors use adjusted earnings and earnings per share, adjusted operating profit, adjusted ROIC and adjusted dividend payout to (a) evaluate the company's historical and prospective financial performance and its performance relative to its competitors, (b) allocate resources and (c) measure the operational performance of the company's business units and their managers. Additionally, the Management Development and Compensation Committee of the company's Board of Directors uses certain of these non-GAAP financial measures when setting and assessing achievement of incentive compensation goals. These goals are based, in part, on the company's adjusted earnings per share and improvement in the company's adjusted return on invested capital and adjusted operating profit return on sales determined by excluding the charges and credits that are used in calculating these non-GAAP financial measures.

In addition, Kimberly-Clark management believes that investors' understanding of the company's performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing the company's ongoing results of operations. We believe that many investors are interested in understanding the performance of our businesses by comparing our results from ongoing operations from one period to the next. By providing

the non-GAAP financial measures, together with the reconciliations, we believe we are enhancing investors' understanding of our businesses and our results of operations. Also, many financial analysts who follow our company focus on and publish both historical results and future projections based on non-GAAP financial measures. We believe that it is in the best interests of our investors for us to provide this information to analysts so that those analysts accurately report the non-GAAP financial information.

We calculate adjusted earnings and earnings per share, adjusted operating profit, adjusted ROIC and adjusted dividend payout by excluding from the comparable GAAP measure some or all of the following: (i) charges related to pulp and tissue restructuring actions; (ii) a non-deductible business tax charge related to a law change in Colombia; (iii) a charge related to the adoption of highly inflationary accounting in Venezuela; (iv) charges related to our strategic cost reduction plan for streamlining the company's operations; (v) an after-tax extraordinary loss related to the restructuring of certain contractual arrangements; (vi) a gain on a litigation settlement; (vii) our share of an equity affiliate's gain on the sale of a business; (viii) incremental tax charges arising out of repatriation of earnings of foreign subsidiaries under the American Jobs Creation Act of 2004, or AJCA; (ix) the cumulative effect of an accounting change; and (x) sales from disposed of operations. Each of these adjustments and the basis for these adjustments are described below:

- *Pulp and tissue restructuring charges.* In January 2011, the company initiated a pulp and tissue restructuring to exit its remaining integrated pulp manufacturing operations and improve the underlying profitability and return on invested capital of its consumer tissue and K-C Professional businesses. At the time we announced the plan, we advised investors that we would report our earnings per share excluding the pulp and tissue restructuring charges so that investors could compare our operating results without the plan charges from period to period.
- *Non-deductible business tax charge in Colombia due to legislative change.* The company recorded a non-deductible charge in the first quarter of 2011 as a result of legislation in Colombia that changed the manner in which certain business taxes in that country are assessed. This first quarter assessment covers the period from 2011 through 2014 and impacted results for both our consolidated operations and our equity company in Colombia. This item was excluded from our adjusted measures.
- *Adoption of highly inflationary accounting in Venezuela.* The company recorded a one-time after tax loss in 2010 for the remeasurement of the local currency balance sheet in Venezuela as a result of the adoption of highly inflationary accounting in that country effective January 1, 2010. Management does not consider this loss to be part of our

earnings from ongoing operations for the purposes of evaluating the performance of its business units and their managers and excludes this loss when making decisions to allocate resources among its business units.

- *Strategic cost reduction plan.* In July 2005, the company authorized a strategic cost reduction plan aimed at streamlining manufacturing and administrative operations, primarily in North America and Europe. The strategic cost reduction plan commenced in the third quarter of 2005 and was completed by December 31, 2008. At the time we announced the plan, we advised investors that we would report our earnings per share and operating profit and margin excluding the strategic cost reduction plan charges so that investors could compare our operating results without the plan charges from period to period and could assess our progress in implementing the plan.
- *Extraordinary loss.* In 2008, the company restructured contractual arrangements of two financing entities, which resulted in the consolidation of these two entities. As a result of the consolidation, notes receivable and loan obligations held by these entities were included in long-term notes receivable and long-term debt on the company's consolidated balance sheet. Because the fair value of the loans exceeded the fair value of the notes receivable, the company recorded an after-tax extraordinary loss, which is excluded from our adjusted measures.
- *Gain on litigation settlement.* In 2007, the company received proceeds from settlement of litigation related to prior years' operations in Latin America. This gain is excluded from our adjusted measures.
- *Gain on sale of business.* In the fourth quarter of 2006, the company's equity affiliate, Kimberly-Clark de Mexico, S.A. de C.V. sold its pulp and paper business and recorded an after-tax gain. We excluded the company's portion of this gain from our adjusted earnings per share so that investors can compare our operating results without the non-recurring gain.
- *AJCA charges.* During 2005, the company recorded non-recurring charges associated with repatriation of earnings from its non-U.S. subsidiaries under the provisions of the AJCA. These charges are excluded from our adjusted measures.
- *Cumulative effect of an accounting change.* In the fourth quarter of 2005, the company implemented a new accounting standard for asset retirement obligations. The charge associated with the adoption of this accounting standard is excluded from our adjusted measures.

- *Disposed of Operations.* In November 2004, the company spun-off its Neenah pulp and paper operations (“NPI”). Accordingly, the impact of 2004 net sales from NPI’s pulp operations are excluded from our adjusted measures.

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for the comparable GAAP measures. There are limitations to these non-GAAP financial measures because they are not prepared in accordance with GAAP and they may not be comparable to similarly titled measures of other companies due to potential differences in methods of calculation and items being excluded. The company compensates for these limitations by using these non-GAAP financial measures as supplements to the GAAP measures and by providing the reconciliations of the non-GAAP and comparable GAAP financial measures. The non-GAAP financial measures should be read only in conjunction with the company’s consolidated financial statements prepared in accordance with GAAP.

Return on Invested Capital

Return on Invested Capital ("ROIC") is a measure of the return we earn on the capital invested in our businesses. Improving ROIC is a primary objective of our Global Business Plan. Our incentive compensation plans also contain adjusted ROIC objectives. We calculate adjusted ROIC on a rolling average four quarter basis as follows:

$$\frac{[(A - B) \text{ times } (1 - C)] \text{ plus } D}{E \text{ minus } (F - G)}$$

Where for each of the most recent four quarters:

A = total reported operating profit for the period excluding charges related to pulp and tissue restructuring actions, a non-deductible business tax charge related to a law change in Colombia, a charge for the adoption of highly inflationary accounting in Venezuela, charges related to our strategic cost reduction programs and a gain from a litigation settlement

B = total reported nonoperating expense for the period

C = average effective tax rate for the period adjusted to exclude the tax effects of charges related to pulp and tissue restructuring actions, a non-deductible business tax charge related to a law change in Colombia, a charge for the adoption of highly inflationary accounting in Venezuela and charges related to our strategic cost reduction programs

D = total reported share of net income of equity companies for the period

E = average total assets for the period less notes receivable

F = average total current liabilities for the period excluding redeemable preferred securities of subsidiary

G = average debt payable within one year for the period

Dividend Payout

The following table presents the reconciliation of a non-GAAP financial measure to a GAAP financial measure.

	Year Ended December 31				
	2007	2008	2009	2010	2011
Adjusted Basic Earnings Per Share	\$4.27	\$4.14	\$4.53	\$4.70	\$4.84
Adjustments:					
Strategic Cost Reductions	(0.14)	(0.09)	-	-	-
Implementation Costs	(0.04)	-	-	-	-
Litigation Settlement	0.02	-	-	-	-
Adoption of Highly Inflationary Accounting for Venezuela	-	-	-	(0.23)	-
Charges related to the pulp and tissue restructuring	-	-	-	-	(0.73)
Non-deductible business tax charge related to law change in Colombia	-	-	-	-	(0.09)
Extraordinary Loss	-	(0.02)	-	-	-
Rounding	-	0.01	-	-	-
Basic Earnings Per Share As Reported	<u>\$4.11</u>	<u>\$4.04</u>	<u>\$4.53</u>	<u>\$4.47</u>	<u>\$4.02</u>
Dividends Declared Per Share	\$2.12	\$2.32	\$2.40	\$2.64	\$2.80
Adjusted Dividend Payout	50%	56%	53%	56%	58%
Dividend Payout, Reported Earnings Per Share	52%	57%	53%	59%	70%