

Non-GAAP Financial Measures Used in Kimberly-Clark Corporation's Fact Sheet (February 2009)

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 and margin
- adjusted return on invested capital
- organic sales growth
- 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 and margin, return on invested capital ("ROIC"), sales growth 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. In accordance with the requirements of Regulation G, reconciliations of the non-GAAP financial measures to the comparable GAAP financial measures are attached.

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 and margin, adjusted ROIC, organic sales growth 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 return on invested capital 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, as well as assisting investors in evaluating how well the company is executing the material changes to our enterprise contemplated by the strategic cost reduction plan. 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 and margin, adjusted ROIC and adjusted dividend payout by excluding from the comparable GAAP measure some or all of the following: (i) charges related to our strategic cost reduction plan for streamlining the company's operations; (ii) an after-tax extraordinary loss related to the restructuring of certain contractual arrangements; (iii) our share of an equity affiliate's gain on the sale of a business; (iv) incremental tax charges arising out of repatriation of earnings of foreign subsidiaries under the American Jobs Creation Act of 2004, or AJCA; (v) the cumulative effect of an accounting change; (vi) a European legal judgment; (vii) a charge for bonds recalls; and (viii) income from discontinued operations. Each of these adjustments and the basis for such adjustments are described below:

- *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. Management does not consider these charges to be part of our earnings from ongoing operations for purposes of evaluating the performance of its business units and their managers and excludes these charges when making decisions to allocate resources among its business units.

- *Extraordinary loss.* In June 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 with aggregate fair values of \$600 million and \$612 million, respectively, 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 of approximately \$8 million on its income statement for the period ended June 30, 2008, as required by FIN 46R. Management does not consider this loss to be part of our earnings from ongoing operations for 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.
- *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 of \$95 million. The company's share of the gain was approximately \$46 million. We exclude this gain from our adjusted earnings per share so that investors can compare our operating results without the non-recurring gain. Management also excludes this gain when evaluating the operating performance of the company.
- *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. We exclude these charges from our adjusted earnings per share because we believe it is useful to investors to disclose earnings per share excluding these charges, which are not expected to recur under current law, and it allows investors to better understand our effective tax rate. Management also excludes these charges when evaluating the operating performance of the company.
- *Cumulative effect of an accounting change.* In the fourth quarter of 2005, the company implemented FIN 47, an interpretation of Statement of Financial Accounting Standards 143, *Accounting for Asset Retirement Obligations*. The cumulative effect of this accounting change was a charge, net of income taxes, of

\$13 million, or 3 cents per share. Management also excludes this charge when evaluating operating performance of the company.

- *European Legal Judgment.* In the first quarter of 2003, we recorded a pretax charge of about \$16 million, or 2 cents per share, as a result of a legal judgment related to a 1987 European government grant to a facility that was sold in 1998. Management excludes this charge when evaluating the company's operating performance.
- *Callable Bonds.* We redeemed \$200 million of 7.875 percent debentures and \$200 million of 7 percent debentures in the third quarter of 2003, enabling us to substantially lower our financing costs. The pretax costs of calling the debentures totaled \$18 million, equivalent to 2 cents per share. Management also excludes this charge when evaluating our operating performance.
- *Income from Discontinued Operations.* In November 2004, the company spun-off its Neenah pulp and paper operations ("NPI"). Accordingly, the results of operations of NPI were reclassified to Income from Discontinued Operations. Management also excludes the earnings of NPI when evaluating operation performance of the company.

We calculate organic sales growth by excluding from growth in net sales determined on a GAAP basis the effect of changes in currency values and the impact of the NPI spin-off described above.

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.

Adjusted Earnings

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

<u>(Millions)</u>	<u>Year Ended December 31 2008</u>
	Income (Expense)
Adjusted Income from Continuing Operations	\$ 1,734
Adjustments:	
Strategic Cost Reductions	(36)
Extraordinary Loss	(8)
Net Income, As Reported	<u>\$ 1,690</u>

Adjusted Operating Profit

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

<u>(Millions)</u>	<u>Year Ended December 31 2008</u>
	Income (Expense)
Adjusted Operating Profit	\$ 2,607
Adjustments:	
Strategic Cost Reductions	\$ (60)
Operating Profit, As Reported	<u>\$ 2,547</u>

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 using reported quarterly financial information, except for the exclusion of charges for strategic cost reductions related to our Competitive Improvement Initiatives and our share of Kimberly-Clark de Mexico's (KCM) gain on sale of its pulp and paper business. We calculate adjusted ROIC 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 for strategic cost reductions related to our Competitive Improvement Initiative programs.

B = total reported nonoperating expense for the period

C = average effective tax rate for the period adjusted to exclude the tax effects of the charges for strategic cost reductions and the effect of incremental tax expense in 2005 related to American Jobs Creation Act Dividends

D = total reported share of net income of equity companies for the period adjusted to exclude our share of KCM's gain on sale of its pulp and paper business

E = average total assets for the period less notes receivable

F = average total current liabilities for the period; periods prior to January 1, 2007 have been adjusted for comparability with 2007 to reflect the classification of certain tax liabilities as required by FIN 48

G = average debt payable within one year for the period

The following table presents the reconciliation of ROIC using non-GAAP financial measures to ROIC using reported financial measures for 2008, 2007, 2006 and 2005:

	2003	2004	2005	2006	2007	2008
Adjusted ROIC	13.7%	14.2%	14.9%	15.2%	15.3%	14.1%
Effect of adjustments	0.3	0.3	(1.4)	(2.0)	(0.5)	(0.2)
ROIC using reported financial measures	14.0%	14.5%	13.5%	13.2%	14.8%	13.9%
Adjusted ROIC Improvement (in basis points)		50	70	30	10	-120
Average Adjusted ROIC Improvement (in basis points)						8

For 2004 and 2003, ROIC was calculated using reported GAAP financial measures.

Dividend Payout

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

	Year Ended December 31					
	2003	2004	2005	2006	2007	2008
Adjusted Basic Earnings Per Share	\$3.39	\$3.64	\$3.80	\$3.92	\$4.29	\$4.16
Adjustments:						
Strategic Cost Reductions	-	-	(0.35)	(0.75)	(0.14)	(0.09)
Implementation Costs	-	-	-	-	(0.04)	-
Litigation Settlement	-	-	-	-	0.02	-
Income Taxes on American Jobs Creation Act Dividends	-	-	(0.12)	-	-	-
Gain on Sale of Equity Affiliate's Business	-	-	-	0.10	-	-
Cumulative Effect of Accounting Change	-	-	(0.03)	-	-	-
European Legal Judgment	(\$0.02)	-	-	-	-	-
Callable Bonds	(\$0.02)	-	-	-	-	-
Safeskin Litigation Settlement	-	-	-	-	-	-
Latin American Tax Credits	-	-	-	-	-	-
Change in Accounting Principle	-	-	-	-	-	-
Business Improvement and Other Programs	-	-	-	-	-	-
Arbitration Settlements	-	-	-	-	-	-
North America Mill Closing and Other Write-offs	-	-	-	-	-	-
Business Integration and Other Costs	-	-	-	-	-	-
Extraordinary Loss	-	-	-	-	-	(0.02)
Rounding	(\$0.01)	-	-	-	-	0.01
Basic Earnings Per Share As Reported	<u>\$3.34</u>	<u>\$3.64</u>	<u>\$3.30</u>	<u>\$3.27</u>	<u>\$4.13</u>	<u>\$4.06</u>
Dividends Declared Per Share	\$1.36	\$1.60	\$1.80	\$1.96	\$2.12	\$2.32
Adjusted Dividend Payout	40%	44%	47%	50%	49%	56%
Dividend Payout, Reported Earnings Per Share	41%	44%	55%	60%	51%	57%

Change in Consolidated Net Sales

The following table presents the reconciliation of a non-GAAP financial measure to reported GAAP change in net sales.

	Year Ended December 31					
	2003	2004	2005	2006	2007	2008
Organic sales growth	1.8%	4.2%	4.4%	4.5%	5.6%	5.6%
Currency	4.0%	3.3%	1.7%	0.8%	3.5%	0.7%
Impact of 11/30/04 spin-off of Neenah Paper	-	-	-0.7%	-	-	-
Change in reported Net Sales	<u>5.8%</u>	<u>7.5%</u>	<u>5.4%</u>	<u>5.3%</u>	<u>9.1%</u>	<u>6.3%</u>