

# KIMBERLY CLARK CORP

## FORM 10-Q (Quarterly Report)

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Address 351 PHELPS DRIVE  
IRVING, TX, 75038  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-225



KIMBERLY-CLARK CORPORATION  
( Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation)

39-0394230  
(I.R.S. Employer  
Identification No.)

P. O. Box 619100  
Dallas, Texas  
75261-9100  
(Address of principal executive offices)  
(Zip code)

(972) 281-1200  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 16, 2017, there were 351,757,295 shares of the Corporation's common stock outstanding.

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENT**

(Unaudited)

(Millions of dollars, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
<b>Net Sales</b>	\$ 4,640	\$ 4,594	\$ 13,677	\$ 13,658
Cost of products sold	2,981	2,924	8,722	8,685
<b>Gross Profit</b>	<b>1,659</b>	1,670	<b>4,955</b>	4,973
Marketing, research and general expenses	813	833	2,468	2,505
Other (income) and expense, net	(8)	1	—	(10)
<b>Operating Profit</b>	<b>854</b>	836	<b>2,487</b>	2,478
Interest income	3	2	7	9
Interest expense	(78)	(81)	(246)	(238)
<b>Income Before Income Taxes and Equity Interests</b>	<b>779</b>	757	<b>2,248</b>	2,249
Provision for income taxes	(224)	(227)	(633)	(651)
<b>Income Before Equity Interests</b>	<b>555</b>	530	<b>1,615</b>	1,598
Share of net income of equity companies	24	33	79	103
<b>Net Income</b>	<b>579</b>	563	<b>1,694</b>	1,701
Net income attributable to noncontrolling interests	(12)	(13)	(33)	(40)
<b>Net Income Attributable to Kimberly-Clark Corporation</b>	<b>\$ 567</b>	\$ 550	<b>\$ 1,661</b>	\$ 1,661
<b>Per Share Basis</b>				
<b>Net Income Attributable to Kimberly-Clark Corporation</b>				
Basic	\$ 1.61	\$ 1.53	\$ 4.69	\$ 4.61
Diluted	\$ 1.60	\$ 1.52	\$ 4.66	\$ 4.58
<b>Cash Dividends Declared</b>	<b>\$ 0.97</b>	\$ 0.92	<b>\$ 2.91</b>	\$ 2.76

See notes to consolidated financial statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Unaudited)

(Millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
<b>Net Income</b>	<b>\$ 579</b>	<b>\$ 563</b>	<b>\$ 1,694</b>	<b>\$ 1,701</b>
<b>Other Comprehensive Income, Net of Tax</b>				
Unrealized currency translation adjustments	128	39	450	175
Employee postretirement benefits	(8)	15	(11)	22
Other	(9)	2	(49)	(5)
<b>Total Other Comprehensive Income, Net of Tax</b>	<b>111</b>	<b>56</b>	<b>390</b>	<b>192</b>
<b>Comprehensive Income</b>	<b>690</b>	<b>619</b>	<b>2,084</b>	<b>1,893</b>
Comprehensive income attributable to noncontrolling interests	(12)	(23)	(44)	(54)
<b>Comprehensive Income Attributable to Kimberly-Clark Corporation</b>	<b>\$ 678</b>	<b>\$ 596</b>	<b>\$ 2,040</b>	<b>\$ 1,839</b>

See notes to consolidated financial statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
(2017 Data is Unaudited)

(Millions of dollars)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 655	\$ 923
Accounts receivable, net	2,360	2,176
Inventories	1,748	1,679
Other current assets	463	337
<b>Total Current Assets</b>	<b>5,226</b>	<b>5,115</b>
<b>Property, Plant and Equipment, Net</b>	<b>7,317</b>	<b>7,169</b>
<b>Investments in Equity Companies</b>	<b>272</b>	<b>257</b>
<b>Goodwill</b>	<b>1,581</b>	<b>1,480</b>
<b>Other Assets</b>	<b>653</b>	<b>581</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,049</b>	<b>\$ 14,602</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Debt payable within one year	\$ 589	\$ 1,133
Trade accounts payable	2,729	2,609
Accrued expenses	1,752	1,775
Dividends payable	342	329
<b>Total Current Liabilities</b>	<b>5,412</b>	<b>5,846</b>
<b>Long-Term Debt</b>	<b>7,057</b>	<b>6,439</b>
<b>Noncurrent Employee Benefits</b>	<b>1,285</b>	<b>1,301</b>
<b>Deferred Income Taxes</b>	<b>434</b>	<b>532</b>
<b>Other Liabilities</b>	<b>305</b>	<b>309</b>
<b>Redeemable Preferred Securities of Subsidiaries</b>	<b>58</b>	<b>58</b>
<b>Stockholders' Equity (Deficit)</b>		
Kimberly-Clark Corporation	259	(102)
Noncontrolling Interests	239	219
<b>Total Stockholders' Equity</b>	<b>498</b>	<b>117</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 15,049</b>	<b>\$ 14,602</b>

See notes to consolidated financial statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
(Unaudited)

(Millions of dollars)	Nine Months Ended September 30	
	2017	2016
<b>Operating Activities</b>		
Net income	\$ 1,694	\$ 1,701
Depreciation and amortization	540	528
Stock-based compensation	64	64
Deferred income taxes	(41)	(13)
Equity companies' earnings in excess of dividends paid	(12)	(31)
Operating working capital	(154)	149
Postretirement benefits	(1)	4
Other	(24)	(41)
<b>Cash Provided by Operations</b>	<b>2,066</b>	<b>2,361</b>
<b>Investing Activities</b>		
Capital spending	(595)	(582)
Investments in time deposits	(123)	(133)
Maturities of time deposits	70	64
Other	(29)	75
<b>Cash Used for Investing</b>	<b>(677)</b>	<b>(576)</b>
<b>Financing Activities</b>		
Cash dividends paid	(1,017)	(981)
Change in short-term debt	111	(837)
Debt proceeds	937	1,290
Debt repayments	(972)	(596)
Proceeds from exercise of stock options	114	97
Acquisitions of common stock for the treasury	(804)	(512)
Other	(49)	2
<b>Cash Used for Financing</b>	<b>(1,680)</b>	<b>(1,537)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>23</b>	<b>17</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(268)</b>	<b>265</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>923</b>	<b>619</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 655</b>	<b>\$ 884</b>

See notes to consolidated financial statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 1 . Accounting Policies**

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all material adjustments which are of a normal and recurring nature necessary for a fair presentation of the results for the periods presented have been reflected. Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted.

For further information, refer to the consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2016 . The terms "Corporation," "Kimberly-Clark," "K-C," "we," "our" and "us" refer to Kimberly-Clark Corporation and its consolidated subsidiaries.

Annual Goodwill Impairment Assessment

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized, but rather is assessed for impairment annually and whenever events and circumstances indicate that impairment may have occurred. Impairment testing compares the reporting unit carrying amount of goodwill with its fair value. If the reporting unit carrying amount of goodwill exceeds its fair value, an impairment charge would be recorded. In our evaluation of goodwill impairment, we have the option to first assess qualitative factors such as macroeconomic, industry and competitive conditions, legal and regulatory environments, historical and projected financial performance, significant changes in the reporting unit and the magnitude of excess fair value over carrying amount from the previous quantitative impairment testing. If the qualitative assessment determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative impairment test using discounted cash flows to estimate fair value must be performed. On the other hand, if the qualitative assessment determines that it is more likely than not that the fair value of a reporting unit is more than its carrying value, then further quantitative testing is not required. For 2017, we have completed the required annual assessment of goodwill for impairment for all of our reporting units using a qualitative assessment as of the first day of the third quarter, and have determined that it is more likely than not that the fair value is more than the carrying amount for each of our reporting units.

Recently Adopted Accounting Standards

In 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation-Stock Compensation (Topic 718)* . The new guidance simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. We adopted this standard as of January 1, 2017. The adoption did not have a material impact on our financial position, results of operations and cash flows. Prior periods were not recast.

In 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* , providing guidance on eight specific cash flow statement classification matters. We early adopted this standard as of January 1, 2017. The adoption of this standard did not have a material impact on our cash flow statement. Prior periods were not recast.

Accounting Standards Issued - Not Yet Adopted

In 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* . The new standard makes more financial and non-financial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. For public companies, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period. The effects of this standard on our financial position, results of operations and cash flows are not yet known.

In 2017, the FASB issued ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard requires that an employer report the service cost component in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of operating profit. The standard is effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Prior periods are required to be recast. We will adopt this standard as of January 1, 2018. Net periodic benefit cost for pensions and other postretirement benefits for the nine months ended September 30, 2017 and 2016 was \$81 and \$87 , of which \$38 and \$41 , respectively, related to service cost.



In 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The ASU is effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The ASU should be applied on a modified retrospective basis, recognizing the effects in retained earnings as of the beginning of the year of adoption. We will adopt this standard as of January 1, 2018. The impact of this standard on our financial position, results of operations and cash flows is not expected to be material.

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for all leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The ASU requires additional disclosures. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The ASU requires adoption based upon a modified retrospective transition approach. Early adoption is permitted. The effects of this standard on our financial position, results of operations and cash flows are not yet known.

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The standard is effective for public companies for annual and interim periods beginning after December 15, 2017. We will adopt this ASU effective January 1, 2018. The guidance is required to be adopted on either a full or modified retrospective basis. As this standard is not expected to have a material impact on our financial position, results of operations and cash flows on either a full or modified retrospective basis, we do not plan to recast prior periods.

## **Note 2 . Fair Value Information**

The following fair value information is based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels in the hierarchy used to measure fair value are:

Level 1 – Unadjusted quoted prices in active markets accessible at the reporting date for identical assets and liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets and liabilities in markets that are not considered active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are significant to the valuation and are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

During the nine months ended September 30, 2017 and for the full year 2016, there were no significant transfers among level 1, 2, or 3 fair value determinations.

Derivative liabilities and assets are measured on a recurring basis at fair value. At September 30, 2017 and December 31, 2016, derivative liabilities were \$69 and \$46, respectively, and derivative assets were \$50 and \$43, respectively. The fair values of derivatives used to manage interest rate risk and commodity price risk are based on LIBOR rates and interest rate swap curves and NYMEX price quotations, respectively. The fair values of hedging instruments used to manage foreign currency risk are based on published quotations of spot currency rates and forward points, which are converted into implied forward currency rates. Measurement of our derivative assets and liabilities is considered a level 2 measurement. Additional information on our classification and use of derivative instruments is contained in Note 5.

Redeemable preferred securities of subsidiaries are measured on a recurring basis at fair value and were \$58 at both September 30, 2017 and December 31, 2016. They are not traded in active markets. For certain redeemable securities, fair values were calculated using a floating rate pricing model that compared the stated spread to the fair value spread to determine the price at which each of the financial instruments should trade. The model used the following inputs to calculate fair values: face value, current LIBOR rate, unobservable fair value credit spread, stated spread, maturity date and interest or dividend payment dates. The fair values of the remaining redeemable securities were based on various inputs, including an independent third-party appraisal, adjusted for current market conditions. Measurement of the redeemable preferred securities is considered a level 3 measurement.

Company-owned life insurance ("COLI") assets are measured on a recurring basis at fair value. COLI assets were \$66 and \$61 at September 30, 2017 and December 31, 2016, respectively. The COLI policies are a source of funding primarily for our nonqualified employee benefits and are included in other assets. The COLI policies are measured at fair value using the net asset value per share practical expedient, and therefore, are not classified in the fair value hierarchy.

The following table includes the fair value of our financial instruments for which disclosure of fair value is required:

	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		September 30, 2017		December 31, 2016	
<b>Assets</b>					
Cash and cash equivalents <sup>(a)</sup>	1	\$ 655	\$ 655	\$ 923	\$ 923
Time deposits and other <sup>(b)</sup>	1	195	195	138	138
<b>Liabilities and redeemable securities of subsidiaries</b>					
Short-term debt <sup>(c)</sup>	2	282	282	170	170
Long-term debt <sup>(d)</sup>	2	7,364	7,876	7,402	7,886

(a) Cash equivalents are composed of certificates of deposit, time deposits and other interest-bearing investments with original maturity dates of 90 days or less. Cash equivalents are recorded at cost, which approximates fair value.

(b) Time deposits are composed of deposits with original maturities of more than 90 days but less than one year and instruments with original maturities of greater than one year, included in other current assets or other assets in the consolidated balance sheet, as appropriate. Other, included in other current assets, is composed of funds held in escrow. Time deposits and other are recorded at cost, which approximates fair value.

(c) Short-term debt is composed of U.S. commercial paper and/or other similar short-term debt issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.

(d) Long-term debt includes the current portion of these debt instruments. Fair values were estimated based on quoted prices for financial instruments for which all significant inputs were observable, either directly or indirectly.

### Note 3 . Earnings Per Share ("EPS")

There are no adjustments required to be made to net income for purposes of computing EPS. The average number of common shares outstanding is reconciled to those used in the basic and diluted EPS computations as follows:

(Millions of shares)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Basic	352.7	359.2	354.4	360.0
Dilutive effect of stock options and restricted share unit awards	2.1	2.3	2.3	2.4
Diluted	354.8	361.5	356.7	362.4

Options outstanding that were not included in the computation of diluted EPS because their exercise price was greater than the average market price of the common shares were insignificant. The number of common shares outstanding as of September 30, 2017 and 2016 was 351.9 million and 358.4 million , respectively.

### Note 4 . Stockholders' Equity

Set forth below is a reconciliation for the nine months ended September 30, 2017 of the carrying amount of total stockholders' equity (deficit) from the beginning of the period to the end of the period.

	Stockholders' Equity (Deficit) Attributable to	
	The Corporation	Noncontrolling Interests
Balance at December 31, 2016	\$ (102)	\$ 219
Net Income	1,661	29
Other comprehensive income, net of tax	379	12
Stock-based awards exercised or vested	113	—
Recognition of stock-based compensation	64	—
Shares repurchased	(827)	—
Dividends declared	(1,030)	(22)
Other	1	1
Balance at September 30, 2017	\$ 259	\$ 239

During the nine months ended September 30, 2017 , we repurchased 6.3 million shares at a total cost of \$800 pursuant to a share repurchase program authorized by our Board of Directors.

Net unrealized currency gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries, except those in highly inflationary economies, are recorded in accumulated other comprehensive income ("AOCI"). For these operations, changes in exchange rates generally do not affect cash flows; therefore, unrealized translation adjustments are recorded in AOCI rather than net income. Upon sale or substantially complete liquidation of any of these subsidiaries, the applicable unrealized translation would be removed from AOCI and reported as part of the gain or loss on the sale or liquidation.

Also included in unrealized translation amounts are the effects of foreign exchange rate changes on intercompany balances of a long-term investment nature and transactions designated as hedges of net foreign investments.

The change in net unrealized currency translation for the nine months ended September 30, 2017 was primarily due to the strengthening of most foreign currencies versus the U.S. dollar, including the euro, Australian dollar, British pound sterling, and South Korean won.

The changes in the components of AOCI attributable to Kimberly-Clark, net of tax, are as follows:

	Unrealized Translation	Defined Benefit Pension Plans	Other Postretirement Benefit Plans	Cash Flow Hedges and Other
Balance as of December 31, 2015	\$ (2,252)	\$ (1,013)	\$ (3)	\$ (10)
Other comprehensive income (loss) before reclassifications	161	10	(9)	8
(Income) loss reclassified from AOCI	—	22 (a)	(1) (a)	(13)
Net current period other comprehensive income (loss)	161	32	(10)	(5)
Balance as of September 30, 2016	<u>\$ (2,091)</u>	<u>\$ (981)</u>	<u>\$ (13)</u>	<u>\$ (15)</u>
Balance as of December 31, 2016	\$ (2,351)	\$ (1,097)	\$ (31)	\$ 5
Other comprehensive income (loss) before reclassifications	439	(34)	(3)	(55)
(Income) loss reclassified from AOCI	—	27 (a)	(1) (a)	6
Net current period other comprehensive income (loss)	439	(7)	(4)	(49)
Balance as of September 30, 2017	<u>\$ (1,912)</u>	<u>\$ (1,104)</u>	<u>\$ (35)</u>	<u>\$ (44)</u>

(a) Included in computation of net periodic benefit costs.

#### Note 5 . Objectives and Strategies for Using Derivatives

As a multinational enterprise, we are exposed to financial risks, such as changes in foreign currency exchange rates, interest rates, and commodity prices. We employ a number of practices to manage these risks, including operating and financing activities and, where appropriate, the use of derivative instruments. We enter into derivative instruments to hedge a portion of forecasted cash flows denominated in foreign currencies for non-U.S. operations' purchases of raw materials, which are priced in U.S. dollars, and imports of intercompany finished goods and work-in-process priced predominantly in U.S. dollars and euros. The derivative instruments used to manage these exposures are designated and qualify as cash flow hedges. The foreign currency exposure on certain non-functional currency denominated monetary assets and liabilities, primarily intercompany loans and accounts payable, is hedged with primarily undesignated derivative instruments.

Interest rate risk is managed using a portfolio of variable and fixed-rate debt composed of short and long-term instruments. Interest rate swap contracts may be used to facilitate the maintenance of the desired ratio of variable and fixed-rate debt and are designated and qualify as fair value hedges. From time to time, we also hedge the anticipated issuance of fixed-rate debt, and these contracts are designated as cash flow hedges.

We use derivative instruments, such as forward swap contracts, to hedge a limited portion of our exposure to market risk arising from changes in prices of certain commodities. These derivatives are designated as cash flow hedges of specific quantities of the underlying commodity expected to be purchased in future months.

Translation adjustments result from translating foreign entities' financial statements into U.S. dollars from their functional currencies. The risk to any particular entity's net assets is reduced to the extent that the entity is financed with local currency borrowings. A portion of our balance sheet translation exposure for certain affiliates, which results from changes in translation rates between the affiliates' functional currencies and the U.S. dollar, is hedged with financial instruments. These instruments are designated as net investment hedges and have an aggregate notional value of \$55 at September 30, 2017 . In addition, we issued €500 million euro-denominated debt in September 2017 and designated these instruments as net investment hedges. Changes in fair value of net investment hedges are recorded in AOCI as part of the cumulative translation adjustment.

At September 30, 2017 and December 31, 2016 , derivative liabilities were \$69 and \$46 , respectively, and derivative assets were \$50 and \$43 , respectively, primarily comprised of foreign currency exchange contracts.

Derivative instruments that are designated and qualify as fair value hedges are predominantly used to manage interest rate risk. The fair values of these derivative instruments are recorded as an asset or liability, as appropriate, with the offset recorded in current earnings. The offset to the change in fair values of the related hedged items also is recorded in current earnings. Any realized gain or loss on the derivatives that hedge interest rate risk is amortized to interest expense over the life of the related debt. As of September 30, 2017 , there were no outstanding interest rate contracts designated as fair value hedges. Fair value hedges resulted in no significant ineffectiveness in the nine months ended September 30, 2017 and 2016 , and gains or losses recognized in interest expense for interest rate swaps were not significant. For the nine month periods ended September 30, 2017 and 2016 , no gains or losses were recognized in earnings as a result of a hedged firm commitment no longer qualifying as a fair value hedge.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is initially recorded in AOCI, net of related income taxes, and recognized in earnings in the same period that the hedged exposure affects earnings. As of September 30, 2017 , outstanding commodity forward contracts were in place to hedge a limited portion of our estimated requirements of the related underlying commodities in the remainder of 2017 and future periods. As of September 30, 2017 , the aggregate notional values of outstanding foreign exchange and interest rate derivative contracts designated as cash flow hedges were \$765 and \$200 , respectively. Cash flow hedges resulted in no significant ineffectiveness for the nine months ended September 30, 2017 and 2016 , and no gains or losses were reclassified into earnings as a result of the discontinuance of cash flow hedges due to the original forecasted transaction no longer being probable of occurring. At September 30, 2017 , amounts to be reclassified from AOCI during the next twelve months are not expected to be material. The maximum maturity of cash flow hedges in place at September 30, 2017 is October 2019 .

Gains or losses on undesignated foreign exchange hedging instruments are immediately recognized in other (income) and expense, net. Gains of \$22 and \$5 were recorded in the three months ended September 30, 2017 and 2016 , respectively. Gains of \$38 and \$19 were recorded in the nine months ended September 30, 2017 and 2016, respectively. The effect on earnings from the use of these non-designated derivatives is substantially neutralized by the transactional gains and losses recorded on the underlying assets and liabilities. At September 30, 2017 , the notional amount of these undesignated derivative instruments was approximately \$2 billion .

#### **Note 6 . Business Segment Information**

We are organized into operating segments based on product groupings. These operating segments have been aggregated into three reportable global business segments: Personal Care, Consumer Tissue and K-C Professional. The reportable segments were determined in accordance with how our chief operating decision maker and our executive managers develop and execute global strategies to drive growth and profitability. These strategies include global plans for branding and product positioning, technology, research and development programs, cost reductions including supply chain management, and capacity and capital investments for each of these businesses. Segment management is evaluated on several factors, including operating profit. Segment operating profit excludes other (income) and expense, net and income and expense not associated with the business segments.

The principal sources of revenue in each global business segment are described below:

- *Personal Care* brands offer our consumers a trusted partner in caring for themselves and their families by delivering confidence, protection and discretion through a wide variety of innovative solutions and products such as disposable diapers, training and youth pants, swimpants, baby wipes, feminine and incontinence care products and other related products. Products in this segment are sold under the Huggies, Pull-Ups, Little Swimmers, GoodNites, DryNites, Kotex, U by Kotex, Intimus, Depend, Plenitud, Poise and other brand names.
- *Consumer Tissue* offers a wide variety of innovative solutions and trusted brands that touch and improve people's lives every day. Products in this segment include facial and bathroom tissue, paper towels, napkins and related products, and are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Neve and other brand names.
- *K-C Professional* partners with businesses to create Exceptional Workplaces, helping to make them healthier, safer and more productive through a range of solutions and supporting products such as wipers, tissue, towels, apparel, soaps and sanitizers. Our brands, including Kleenex, Scott, WypAll, Kimtech and Jackson Safety, are well-known for quality and trusted to help people around the world work better.

Information concerning consolidated operations by business segment is presented in the following tables:

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Change	2017	2016	Change
<b>NET SALES</b>						
Personal Care	\$ 2,284	\$ 2,312	-1 %	\$ 6,804	\$ 6,798	—
Consumer Tissue	1,518	1,472	+3 %	4,436	4,462	-1 %
K-C Professional	827	802	+3 %	2,405	2,371	+1 %
Corporate & Other	11	8	N.M.	32	27	N.M.
<b>TOTAL NET SALES</b>	<b>\$ 4,640</b>	<b>\$ 4,594</b>	<b>+1 %</b>	<b>\$ 13,677</b>	<b>\$ 13,658</b>	<b>—</b>
<b>OPERATING PROFIT</b>						
Personal Care	\$ 476	\$ 458	+4 %	\$ 1,424	\$ 1,362	+5 %
Consumer Tissue	260	267	-3 %	776	822	-6 %
K-C Professional	173	157	+10 %	482	457	+5 %
Corporate & Other <sup>(a)</sup>	(63)	(45)	N.M.	(195)	(173)	N.M.
Other (income) and expense, net <sup>(a)</sup>	(8)	1	N.M.	—	(10)	N.M.
<b>TOTAL OPERATING PROFIT</b>	<b>\$ 854</b>	<b>\$ 836</b>	<b>+2 %</b>	<b>\$ 2,487</b>	<b>\$ 2,478</b>	<b>—</b>

(a) Corporate & Other and Other (income) and expense, net include income and expense not associated with the business segments, including adjustments as indicated in the Non-GAAP Reconciliations.

N.M. - Not Meaningful

#### Note 7 . Supplemental Balance Sheet Data

The following schedule presents a summary of inventories by major class:

	September 30, 2017			December 31, 2016		
	LIFO	Non-LIFO	Total	LIFO	Non-LIFO	Total
Raw materials	\$ 88	\$ 249	\$ 337	\$ 93	\$ 236	\$ 329
Work in process	106	97	203	114	89	203
Finished goods	396	687	1,083	430	600	1,030
Supplies and other	—	298	298	—	280	280
	590	1,331	1,921	637	1,205	1,842
Excess of FIFO or weighted-average cost over LIFO cost	(173)	—	(173)	(163)	—	(163)
<b>Total</b>	<b>\$ 417</b>	<b>\$ 1,331</b>	<b>\$ 1,748</b>	<b>\$ 474</b>	<b>\$ 1,205</b>	<b>\$ 1,679</b>

Inventories are valued at the lower of cost and net realizable value, determined on the FIFO or weighted-average cost methods, and at the lower of cost or market, determined on the LIFO cost method.

The following schedule presents a summary of property, plant and equipment, net:

	September 30, 2017	December 31, 2016
Land	\$ 171	\$ 163
Buildings	2,787	2,612
Machinery and equipment	14,328	13,591
Construction in progress	337	488
	17,623	16,854
Less accumulated depreciation	(10,306)	(9,685)
<b>Total</b>	<b>\$ 7,317</b>	<b>\$ 7,169</b>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Introduction

This management's discussion and analysis ("MD&A") of financial condition and results of operations is intended to provide investors with an understanding of our recent performance, financial condition and prospects. The following will be discussed and analyzed:

- Overview of Third Quarter 2017 Results
- Results of Operations and Related Information
- Liquidity and Capital Resources
- Business Outlook

We describe our business outside North America in two groups – Developing and Emerging Markets ("D&E") and Developed Markets. D&E markets comprise Eastern Europe, the Middle East and Africa, Latin America and Asia-Pacific, excluding Australia and South Korea. Developed Markets consist of Western and Central Europe, Australia and South Korea.

This section presents a discussion and analysis of our third quarter 2017 net sales, operating profit and other information relevant to an understanding of the results of operations. In addition, we provide commentary regarding organic sales growth, which describes the impact of changes in volume, net selling prices and product mix on net sales. Changes in foreign currency exchange rates also impact the year-over-year change in net sales. Our analysis compares the three months and nine months ended September 30, 2017 results to the same periods in 2016.

Throughout this MD&A, we refer to financial measures that have not been calculated in accordance with accounting principles generally accepted in the U.S., or GAAP, and are therefore referred to as non-GAAP financial measures. These measures include adjusted operating profit, adjusted net income, adjusted earnings per share and adjusted effective tax rate. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight into some of the financial measures used to evaluate management.

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

The non-GAAP financial measures exclude the following items for the relevant time periods as indicated in the reconciliations included later in this MD&A:

- 2014 Organization Restructuring - In 2014, we initiated this restructuring in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the 2014 spin-off of our health care business. As a result, we recognized restructuring charges in 2014, 2015 and 2016. Restructuring actions were completed by December 31, 2016.
- Adjustment related to Venezuelan Operations - Effective December 31, 2015, we deconsolidated the assets and liabilities of our business in Venezuela from our consolidated balance sheet, and in the second quarter of 2016, recorded an adjustment related to an updated assessment.

### Overview of Third Quarter 2017 Results

- Net sales of \$4.6 billion increased 1 percent compared to the prior year. Changes in foreign currency exchange rates benefited sales by nearly 1 percent and organic sales rose slightly. Organic sales were similar in North American consumer products. Outside North America, organic sales increased 3 percent in D&E markets and fell 3 percent in developed markets.
- Operating profit of \$854 increased 2 percent compared to \$836 in the prior year. Net Income Attributable to Kimberly-Clark Corporation was \$567 compared to \$550 in 2016. Diluted net income per share was \$1.60 in 2017 and \$1.52 in 2016.

## Results of Operations and Related Information

This section presents a discussion and analysis of our third quarter 2017 net sales, operating profit and other information relevant to an understanding of the results of operations.

### Consolidated

#### Selected Financial Results

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Percent Change	2017	2016	Percent Change
<b>Net Sales:</b>						
North America	\$ 2,416	\$ 2,410	—	\$ 7,095	\$ 7,193	-1 %
Outside North America	2,299	2,260	+2 %	6,821	6,689	+2 %
Intergeographic sales	(75)	(76)	N.M.	(239)	(224)	N.M.
<b>Total Net Sales</b>	<b>4,640</b>	<b>4,594</b>	<b>+1 %</b>	<b>13,677</b>	<b>13,658</b>	<b>—</b>
<b>Operating Profit:</b>						
North America	593	575	+3 %	1,722	1,734	-1 %
Outside North America	316	307	+3 %	960	907	+6 %
Corporate & Other <sup>(a)</sup>	(63)	(45)	N.M.	(195)	(173)	N.M.
Other (income) and expense, net <sup>(a)</sup>	(8)	1	N.M.	—	(10)	N.M.
<b>Total Operating Profit</b>	<b>854</b>	<b>836</b>	<b>+2 %</b>	<b>2,487</b>	<b>2,478</b>	<b>—</b>
Provision for income taxes	(224)	(227)	-1 %	(633)	(651)	-3 %
Share of Net Income of Equity Companies	24	33	-27 %	79	103	-23 %
Net Income Attributable to Kimberly-Clark Corporation	567	550	+3 %	1,661	1,661	—
<b>Diluted Earnings per Share</b>	<b>1.60</b>	<b>1.52</b>	<b>+5 %</b>	<b>4.66</b>	<b>4.58</b>	<b>+2 %</b>

(a) Corporate & Other and Other (income) and expense, net include income and expense not associated with the business segments, including adjustments as indicated in the Non-GAAP Reconciliations.

N.M. - Not Meaningful

#### GAAP to Non-GAAP Reconciliations of Selected Financial Results

	Three Months Ended September 30, 2016		
	As Reported	Charges for 2014 Organization Restructuring	As Adjusted Non-GAAP
Cost of products sold	\$ 2,924	\$ 1	\$ 2,923
Marketing, research and general expenses	833	2	831
Other (income) and expense, net	1	(3)	4
Operating Profit	836	—	836
Provision for income taxes	(227)	(1)	(226)
Net Income Attributable to Kimberly-Clark Corporation	550	(1)	551
<b>Diluted Earnings per Share</b>	<b>1.52</b>	<b>—</b>	<b>1.52</b>

	Nine Months Ended September 30, 2016			
	As Reported	Charges for 2014 Organization Restructuring	Adjustment Related to Venezuelan Operations	As Adjusted Non-GAAP
Cost of products sold	\$ 8,685	\$ 3	\$ —	\$ 8,682
Marketing, research and general expenses	2,505	15	—	2,490
Other (income) and expense, net	(10)	(3)	(11)	4
Operating Profit	2,478	(15)	11	2,482
Provision for income taxes	(651)	3	—	(654)
Net Income Attributable to Kimberly-Clark Corporation	1,661	(12)	11	1,662
Diluted Earnings per Share <sup>(a)</sup>	4.58	(0.03)	0.03	4.59

(a) "As Adjusted Non-GAAP" does not equal "As Reported" plus "Adjustments" as a result of rounding.

### Analysis of Consolidated Results

Net Sales	Percent Change		Adjusted Operating Profit	Percent Change	
	Three Months Ended September 30	Nine Months Ended September 30		Three Months Ended September 30	Nine Months Ended September 30
Volume	1	1	Volume	4	1
Net Price	(1)	(1)	Net Price	(6)	(6)
Mix/Other	—	—	Input Costs	(14)	(9)
Currency	1	1	Cost Savings	15	14
Total <sup>(a)</sup>	1	—	Currency Translation	—	1
			Other <sup>(c)</sup>	3	(1)
Organic <sup>(b)</sup>	—	—	Total	2	—

(a) Total may not equal the sum of volume, net price, mix/other and currency due to rounding.

(b) Combined impact of changes in volume, net price and mix/other.

(c) Includes the impact of changes in marketing, research and general expenses, foreign currency transaction effects and other manufacturing costs.

Net sales of \$4.6 billion in the third quarter of 2017 increased 1 percent compared to the prior year. Changes in foreign currency exchange rates benefited sales by nearly 1 percent. Organic sales rose slightly, as sales volumes increased more than 1 percent while changes in net selling prices decreased sales by 1 percent.

Third quarter operating profit was \$854 in 2017 and \$836 in 2016. The year-over-year comparison included benefits from sales volume growth, \$125 of cost savings from our FORCE (Focused On Reducing Costs Everywhere) program and reduced marketing, research and general spending. Results were also impacted by lower net selling prices and \$115 of higher input costs, driven by increases in pulp and other raw materials.

The third quarter effective tax rate was 28.8 percent in 2017 and 30.0 percent in 2016. The rate in 2017 benefited from certain tax planning initiatives.

Our share of net income of equity companies in the third quarter was \$24 in 2017 and \$33 in 2016. Kimberly-Clark de Mexico, S.A.B. de C.V. ("K-C de Mexico") results were impacted by higher input costs, partially offset by benefits from sales growth and cost savings.

Diluted earnings per share for the third quarter was \$1.60 in 2017 and \$1.52 in 2016. The comparison benefited from sales volume growth, cost savings and reduced marketing, research and general spending, and was negatively impacted by lower net selling prices and input cost inflation.

Year-to-date net sales of \$13.7 billion were essentially even with the prior year. Changes in foreign currency exchange rates benefited sales slightly. Organic sales were down slightly, as changes in net selling prices decreased sales by 1 percent while sales volumes improved about 1 percent. Operating profit was \$2,487 in 2017 compared to \$2,478 in 2016. The comparison benefited from sales volume growth, \$355 of FORCE cost savings and lower marketing, research and general spending. Results were also impacted by lower net selling prices and \$220 of higher input costs. The year-to-date effective tax rate was 28.2 percent in 2017 and 28.9 percent in 2016. The rate in both periods benefited from the resolution of certain tax matters and tax planning initiatives.



In 2017, the rate also benefited from the adoption of ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718)*. Diluted earnings per share was \$4.66 in 2017, up 2 percent compared to \$4.58 in 2016. The comparison benefited from higher operating profit and declines in the effective tax rate and share count, and was negatively impacted by reduced net income from equity companies.

### **Results by Business Segments**

#### **Personal Care**

	Three Months Ended September 30		Nine Months Ended September 30			Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016		2017	2016	2017	2016
Net Sales	\$ 2,284	\$ 2,312	\$ 6,804	\$ 6,798	Operating Profit	\$ 476	\$ 458	\$ 1,424	\$ 1,362

Net Sales	Percent Change	Percent Change	Operating Profit	Percent Change	Percent Change
Volume	(1)	1	Volume	1	2
Net Price	(1)	(1)	Net Price	(7)	(7)
Mix/Other	—	—	Input Costs	(9)	(6)
Currency	—	1	Cost Savings	14	14
Total <sup>(a)</sup>	<u>(1)</u>	<u>—</u>	Currency Translation	—	1
			Other <sup>(c)</sup>	5	1
Organic <sup>(b)</sup>	<u>(2)</u>	<u>(1)</u>	Total	<u>4</u>	<u>5</u>

(a) Total may not equal the sum of volume, net price, mix/other and currency due to rounding.

(b) Combined impact of changes in volume, net price and mix/other.

(c) Includes the impact of changes in marketing, research and general expenses, foreign currency transaction effects and other manufacturing costs.

Third quarter net sales of \$2.3 billion were down 1 percent. Changes in net selling prices decreased sales by 1 percent and sales volumes fell about 1 percent, while changes in product mix improved sales slightly. Third quarter operating profit of \$476 increased 4 percent. The comparison benefited from cost savings and reduced marketing, research and general spending, partially offset by lower net selling prices and input cost inflation.

Net sales in North America decreased 3 percent. Changes in net selling prices decreased sales by 2 percent, including higher promotion spending in adult care and feminine care. Overall sales volumes were down 1 percent. Total volumes in infant and child care decreased mid-single digits due to lower Huggies diaper volumes. Baby wipes volumes were down mid-single digits compared to double-digit growth in the year-ago period, and feminine care volumes also declined mid-single digits. Adult care volumes rose high-single digits, with benefits from category growth, promotion activity and innovations launched over the last 12 months.

Net sales in developing and emerging markets increased 3 percent. Sales volumes increased 3 percent and changes in product mix improved sales by 1 percent, while changes in net selling prices decreased sales by 1 percent. The volume increase included gains in Eastern Europe and Latin America.

Net sales in developed markets outside North America decreased 6 percent, despite a 2 percent benefit from favorable changes in foreign currency exchange rates. Sales volumes fell 7 percent and changes in net selling prices decreased sales by 2 percent, while changes in product mix improved sales by 1 percent. The changes mostly occurred in South Korea.

## Consumer Tissue

	Three Months Ended September 30		Nine Months Ended September 30			Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016		2017	2016	2017	2016
Net Sales	\$ 1,518	\$ 1,472	\$ 4,436	\$ 4,462	Operating Profit	\$ 260	\$ 267	\$ 776	\$ 822
<b>Net Sales</b>	<b>Percent Change</b>		<b>Percent Change</b>		<b>Operating Profit</b>	<b>Percent Change</b>		<b>Percent Change</b>	
Volume		4		—	Volume		7		(2)
Net Price		(1)		(1)	Net Price		(6)		(6)
Mix/Other		—		—	Input Costs		(21)		(11)
Currency		1		—	Cost Savings		16		12
Total <sup>(a)</sup>		<u>3</u>		<u>(1)</u>	Currency Translation		—		—
					Other <sup>(c)</sup>		1		1
Organic <sup>(b)</sup>		2		(1)	Total		<u>(3)</u>		<u>(6)</u>

(a) Total may not equal the sum of volume, net price, mix/other and currency due to rounding.

(b) Combined impact of changes in volume, net price and mix/other.

(c) Includes the impact of changes in marketing, research and general expenses, foreign currency transaction effects and other manufacturing costs.

Third quarter net sales of \$1.5 billion increased 3 percent. Sales volumes rose approximately 4 percent and foreign currency exchange rates were favorable by 1 percent, while changes in net selling prices decreased sales by 1 percent and product mix was slightly unfavorable. Third quarter operating profit of \$260 decreased 3 percent. The comparison was impacted by input cost inflation and declines in net selling prices and product mix. Results benefited from volume growth, cost savings and lower marketing, research and general spending.

Net sales in North America increased approximately 3 percent. Sales volumes were up 5 percent, while changes in net selling prices decreased sales by 1 percent and product mix reduced sales slightly. The volume comparison benefited from increased promotion activity and soft performance in the year-ago period.

Net sales in developing and emerging markets increased 5 percent, including a 2 percent benefit from changes in foreign currency exchange rates. Sales volumes increased 7 percent, while changes in net selling prices decreased sales by 3 percent and product mix decreased sales by 1 percent. The changes mostly occurred in Latin America.

Net sales in developed markets outside North America increased 1 percent, including a 1 percent impact from favorable changes in foreign currency exchange rates. Changes in product mix increased sales by 1 percent, while sales volumes fell 1 percent.

## K-C Professional

	Three Months Ended September 30		Nine Months Ended September 30			Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016		2017	2016	2017	2016
Net Sales	\$ 827	\$ 802	\$ 2,405	\$ 2,371	Operating Profit	\$ 173	\$ 157	\$ 482	\$ 457
<b>Net Sales</b>	<b>Percent Change</b>		<b>Percent Change</b>		<b>Operating Profit</b>	<b>Percent Change</b>		<b>Percent Change</b>	
Volume		2		1	Volume		7		3
Net Price		(1)		(1)	Net Price		(4)		(4)
Mix/Other		—		—	Input Costs		(12)		(12)
Currency		1		—	Cost Savings		12		13
Total <sup>(a)</sup>		<u>3</u>		<u>1</u>	Currency Translation		1		—
					Other <sup>(c)</sup>		6		5
Organic <sup>(b)</sup>		2		1	Total		<u>10</u>		<u>5</u>

(a) Total may not equal the sum of volume, net price, mix/other and currency due to rounding.

(b) Combined impact of changes in volume, net price and mix/other.

(c) Includes the impact of changes in marketing, research and general expenses, foreign currency transaction effects and other manufacturing costs.

Third quarter net sales of \$0.8 billion increased 3 percent. Sales volumes increased approximately 2 percent, changes in foreign currency exchange rates benefited sales by 1 percent and product mix improved sales slightly, while changes in net selling prices decreased sales by 1 percent. Third quarter operating profit of \$173 increased 10 percent. The comparison benefited from sales growth and cost savings, partially offset by input cost inflation.

Net sales in North America increased 3 percent. Sales volumes increased 3 percent, with growth in all major product categories, while net selling prices were down about 1 percent.

Net sales in developing and emerging markets increased 3 percent, including a 1 percent benefit from foreign currency exchange rates. Changes in product mix improved sales by approximately 3 percent and sales volumes increased 1 percent, while changes in net selling prices decreased sales by 1 percent.

Net sales in developed markets outside North America were up 5 percent, including a 3 percent positive impact from changes in foreign currency exchange rates. Sales volumes improved 2 percent and changes in net selling prices increased sales by 1 percent, while product mix decreased sales by 1 percent.

## **Liquidity and Capital Resources**

### Cash Provided by Operations

Cash provided by operations was \$2.1 billion for the first nine months of 2017, compared to \$2.4 billion in the prior year. The decrease was mainly due to higher tax payments in 2017.

### Investing

During the first nine months of 2017, our capital spending was \$595 compared to \$582 in the prior year. We anticipate that full-year 2017 capital spending will be slightly below our target range of \$850 to \$950.

### Financing

In September 2017, we issued €500 million aggregate principal amount of 0.625% notes due September 7, 2024. Proceeds from the offering were used to repay a portion of our outstanding commercial paper indebtedness.

In May 2017, we issued \$350 aggregate principal amount of 3.90% notes due May 4, 2047. Proceeds from the offering were used for general corporate purposes, including repayment of a portion of our outstanding commercial paper indebtedness.

Our short-term debt, which consists of U.S. commercial paper with original maturities up to 90 days and/or other similar short-term debt issued by non-U.S. subsidiaries, was \$282 as of September 30, 2017 (included in debt payable within one year on the consolidated balance sheet). The average month-end balance of short-term debt for the third quarter of 2017 was \$517. These short-term borrowings provide supplemental funding for supporting our operations. The level of short-term debt generally fluctuates depending upon the amount of operating cash flows and the timing of customer receipts and payments for items such as pension contributions, dividends and income taxes.

At September 30, 2017 and December 31, 2016, total debt was \$7.6 billion.

We maintain a \$2.0 billion revolving credit facility which expires in 2021. This facility, currently unused, supports our commercial paper program, and would provide liquidity in the event our access to the commercial paper markets is unavailable for any reason.

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During the first nine months of 2017, we repurchased 6.3 million shares of our common stock at a cost of \$800 through a broker in the open market. We are targeting full-year 2017 share repurchases of \$900, subject to market conditions.

We engage in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. There has been a steady devaluation of the Argentine peso relative to the U.S. dollar in recent years, along with an increase in local inflation. As of September 30, 2017, we have not designated Argentina as a highly-inflationary economy for accounting purposes. We are closely monitoring developments in Argentina and potential implications on our results and reporting for our operations in that country. Net sales of K-C Argentina were approximately 2 percent of our consolidated net sales for the nine months ended September 30, 2017 and 2016.

We also continue to monitor developments related to tax legislation and government policy, including U.S. corporate tax reform and the United Kingdom's withdrawal from the European Union. The impact of these potential changes to our business and consolidated financial results cannot be determined until the relevant legislation and policies are finalized.

Management believes that our ability to generate cash from operations and our capacity to issue short-term and long-term debt are adequate to fund working capital, capital spending, payment of dividends, pension plan contributions and other needs for the

foreseeable future. Further, we do not expect restrictions or taxes on repatriation of cash held outside of the U.S. to have a material effect on our overall business, liquidity, financial condition or results of operations for the foreseeable future.

### **Business Outlook**

In 2017, we plan to continue to execute our Global Business Plan strategies, which include a focus on targeted growth initiatives, innovation and brand building, cost savings programs and shareholder-friendly capital allocation. In 2017, we expect earnings per share to be at the low end of our target range of \$6.20 to \$6.35. Our outlook is based on the assumptions described below:

- We expect net sales and organic sales will be similar, or up slightly, year-on-year.
- We anticipate commodity cost inflation will be slightly above the previous estimate of \$200 to \$300.
- We plan to achieve cost savings of \$425 to \$450 from our FORCE program.
- We expect an effective tax rate slightly lower than 2016.
- We expect net income from equity companies to decline due to lower income at K-C de Mexico as a result of input cost inflation and a weaker Mexican peso.

### **Information Concerning Forward-Looking Statements**

Certain matters contained in this report concerning the business outlook, including the anticipated cost savings from our FORCE program, cash flow and uses of cash, growth initiatives, innovations, marketing and other spending, net sales, anticipated currency rates and exchange risks, raw material, energy and other input costs, effective tax rate, contingencies and anticipated transactions of Kimberly-Clark, including dividends, share repurchases and pension contributions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are based upon management's expectations and beliefs concerning future events impacting Kimberly-Clark. There can be no assurance that these future events will occur as anticipated or that our results will be as estimated. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update them.

The assumptions used as a basis for the forward-looking statements include many estimates that, among other things, depend on the achievement of future cost savings and projected volume increases. In addition, many factors outside our control, including fluctuations in foreign currency exchange rates, the prices and availability of our raw materials, potential competitive pressures on selling prices for our products, energy costs and retail trade customer actions, as well as general economic and political conditions globally and in the markets in which we do business, could affect the realization of these estimates.

For a description of certain factors that could cause our future results to differ from those expressed in these forward-looking statements, see Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016 entitled "Risk Factors." Other factors not presently known to us or that we presently consider immaterial could also affect our business operations and financial results.

### **Item 4. Controls and Procedures**

As of September 30, 2017, an evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2017. There were no changes in our internal control over financial reporting during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. All our share repurchases during the third quarter of 2017 were made through a broker in the open market.

The following table contains information for shares repurchased during the third quarter of 2017 . None of the shares in this table were repurchased directly from any of our officers or directors.

<u>Period (2017)</u>	<u>Total Number of Shares Purchased <sup>(a)</sup></u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs</u>
July 1 to July 31	383,955	\$ 125.02	14,767,346	25,232,654
August 1 to August 31	665,100	121.90	15,432,446	24,567,554
September 1 to September 30	592,900	119.57	16,025,346	23,974,654
Total	<u>1,641,955</u>			

- (a) Share repurchases were made pursuant to a share repurchase program authorized by our Board of Directors on November 13, 2014. This program allows for the repurchase of 40 million shares in an amount not to exceed \$5 billion.

## Item 6. Exhibits

(a) Exhibits

[Exhibit No. \(3\)a. Amended and Restated Certificate of Incorporation, dated April 30, 2009, incorporated by reference to Exhibit No. \(3\)a of the Corporation's Current Report on Form 8-K dated May 1, 2009.](#)

[Exhibit No. \(3\)b. By-Laws, as amended December 14, 2015, incorporated by reference to Exhibit No. \(3\)b of the Corporation's Current Report on Form 8-K dated December 14, 2015.](#)

Exhibit No. (4). Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission on request.

[Exhibit No. \(10\)p. Severance Pay Plan, amended and restated, executed on September 14, 2017 and effective January 1, 2017, filed herewith.](#)

[Exhibit No. \(31\)a. Certification of Chief Executive Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended \(the "Exchange Act"\), filed herewith.](#)

[Exhibit No. \(31\)b. Certification of Chief Financial Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\) of the Exchange Act, filed herewith.](#)

[Exhibit No. \(32\)a. Certification of Chief Executive Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.](#)

[Exhibit No. \(32\)b. Certification of Chief Financial Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.](#)

Exhibit No. (101).INS XBRL Instance Document

Exhibit No. (101).SCH XBRL Taxonomy Extension Schema Document

Exhibit No. (101).CAL XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit No. (101).DEF XBRL Taxonomy Extension Definition Linkbase Document

Exhibit No. (101).LAB XBRL Taxonomy Extension Label Linkbase Document

Exhibit No. (101).PRE XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIMBERLY-CLARK CORPORATION  
(Registrant)

By: /s/ Maria Henry

Maria Henry  
Senior Vice President and  
Chief Financial Officer  
(principal financial officer)

By: /s/ Michael T. Azbell

Michael T. Azbell  
Vice President and Controller  
(principal accounting officer)

October 23, 2017

KIMBERLY-CLARK CORPORATION  
SEVERANCE PAY PLAN

Amended and Restated as of January 1, 2017

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		APPENDIX A - COVERED EMPLOYERS

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## ARTICLE I

### NAME, PURPOSE AND EFFECTIVE DATE OF PLAN

- 1.1 Name of the Plan. Kimberly-Clark Corporation (the "Corporation") hereby establishes a severance pay plan for its Employees, to be known as the Kimberly-Clark Corporation Severance Pay Plan (the "Plan") as set forth in this document. The Plan is intended to qualify as an employee welfare benefit plan within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").
- 1.2 Purpose of the Plan. The purpose of the Plan is to provide Eligible Employees a severance benefit in the event of involuntary termination of employment. The Plan is not intended as a replacement or substitution for any confidentiality or noncompete agreement between an Employee and Employer executed prior or subsequent to the effective date of the Plan.
- 1.3 Effective Date. The Plan is effective as of January 1, 1998 and is amended and restated to apply to involuntary Separations of Service after January 1, 2017.

## ARTICLE II

### DEFINITIONS AND CONSTRUCTION

- 2.1 Definitions. When the following words and phrases appear in this Plan, they shall have the respective meanings set forth below unless the context clearly indicates otherwise:
    - (a) AIP: The Annual Incentive Program or any successor plan.
    - (b) Average MAAP: The three year average of the annual awards paid to the Participant under MAAP or EOAAP. The three year average of the annual awards paid to the Participant will be determined based on the three year period consisting of the year of the termination of employment (or, if the award for that year has not yet paid for the year of severance, for the preceding year) and the two preceding years. If a Participant has been paid less than three years of annual awards the Average MAAP will be determined based on the average dollar amount of the annual awards paid in prior years to the Participant under MAAP or EOAAP. If a Participant has not received any prior payment of annual awards, the Average MAAP will be determined as follows:
      - (i) For a Participant classified at the Corporation's Grade 1 through 4 level, as defined by the Corporation's compensation department, the Average MAAP shall be calculated based on the prior three year average MAAP payment to other employees at the same grade level.
      - (ii) For a Participant who is an Executive Officer, as that term is used in Rule 3b-7 of the Securities Exchange Act of 1934 as amended from time to time, except for the Chief Executive Officer of the Corporation, ("Executive Officer"), the Average MAAP shall be calculated based on the prior three year average MAAP or EOAAP payment to Executive Officers.
      - (iii) For the Chief Executive Officer of the Corporation, the Average MAAP shall be calculated based on the prior three year average MAAP or EOAAP payment to the previous Chief Executive Officer(s) of the Corporation.
    - (c) Board: The Board of Directors of the Corporation.
    - (d) Cause: Any termination of employment which is classified by the Employer as for cause, including but not limited to: (i) unsatisfactory performance of duties or inability to meet the requirements of the position, unless classified by the Employer as a Performance Termination; (ii) any habitual neglect of duty or misconduct of the Employee in discharging any of his duties and responsibilities; (iii) excessive unexcused, or statutorily unprotected absenteeism or inattention to duties; (iv) failure or refusal to comply with the provisions of the Employer's personnel manual or any other rule or policy of the Employer; (v) misconduct,
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including but not limited to, engaging in conduct which the Committee reasonably determines to be detrimental to the Employer; (vi) disloyal, dishonest or illegal conduct by the Employee; (vii) theft, fraud, embezzlement or other criminal activity involving the Employee's relationship with the Employer; (viii) violation of any applicable statute, regulation, or rule, or provision of any applicable code of professional ethics; (ix) suspension, revocation, or other restriction of the Participant's professional license, if applicable; or (x) the Employer's inability to confirm, to its sole satisfaction, the references and/or credentials which the Participant provided with respect to any professional license, educational background and employment history.

- (e) COBRA : Medical continuation coverage elected under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985. Participants shall be eligible to receive medical continuation coverage under COBRA for the number of months provided under Article IV without payment of the applicable premium if the Participant is otherwise eligible for, and timely elects, COBRA medical continuation coverage. The Participant shall be responsible for any additional months of COBRA coverage elected beyond the months of COBRA provided by the Corporation under this Plan. The Participant may also enroll in other applicable COBRA coverage (e.g. dental and/or the health care spending accounts); however, the Participant shall be responsible for and must pay the COBRA premium for such coverage.
  - (f) Code: The Internal Revenue Code of 1986, as amended from time to time, and as construed and interpreted by valid regulations or rulings issued thereunder.
  - (g) Committee : The Benefits Administration Committee is appointed to administer and regulate the Plan as provided in Article V.
  - (h) Comparable Position : A position offered to an employee will be considered a Comparable Position under this Plan unless the Committee determines in its sole discretion that any of the following apply (i) there is a material diminution in the Employee's Earnings on the date of such offer, (ii) a material change in the geographic location at which the Employee must perform the services, (iii) the position offered to the Employee is a material diminution of the Employee's authority, duties or responsibilities. The Employee must provide notice to the Corporation of the existence of any of the above conditions within a period not to exceed 90 days of the initial offer of the non-Comparable Position to the employee, upon the notice of which the Corporation must be provided a period of at least 30 days during which it may remedy the offer and not be required to pay the severance amount. The determination whether a position offered will be considered a Comparable Position under this Plan shall be in the Committee's sole discretion and the Committee shall have the power to promulgate Committee Rules and other guidelines in connection with this determination. Any such determination by the Committee whether a Participant is offered a Comparable Position shall be final and conclusive as to all Eligible Employees and other persons claiming rights under the Plan.
  - (i) Earnings : The base salary of an Eligible Employee at his or her current stated hourly, weekly, monthly or annual rate on his Termination Date. If Eligible Employee is a full-time Employee, Earnings are the hourly pay rate (excluding shift differential) times 40 (hours). If Eligible Employee is an Employee who works less than 40 hours per week, Earnings are the hourly pay rate (excluding shift differential) times the Employee's regularly scheduled hours per week. Earnings do not include overtime pay, MAAP, bonus or other remuneration for all Eligible Employees. The calculation of a week of Earnings shall be made subject to any applicable Committee rule.
  - (j) Effective Date : January 1, 1998, or with respect to a particular Subsidiary, such later date as of which the Committee deems such Subsidiary to be an Employer, or as set forth in Appendix A. The Plan is amended and restated to apply to involuntary Separations of Service after January 1, 2017.
  - (k) Eligible Employee : An hourly Employee not covered by a collective bargaining unit, or salaried Employee, on the regular payroll of an Employer. For purposes of this subsection, "on the regular payroll of an Employer" shall mean paid through the payroll department of such Employer, and shall exclude employees classified by an Employer as intermittent or temporary, and persons classified by an Employer as independent contractors, regardless of how such employees may be classified by any federal, state, or local, domestic or foreign, governmental agency or instrumentality thereof, or court.
  - (l) Employee : A person employed by an Employer.
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- (m) Employer: The Corporation and each Subsidiary which the Committee shall from time to time designate as an Employer for purposes of the Plan. A list of Employers is set forth in Appendix A.
- (n) EOAAP: The Executive Officer Achievement Award Program or any successor plan.
- (o) MAAP: The Management Achievement Award Program or any successor plan.
- (p) MAAP Eligible: Eligible Employees who as of their date of termination of employment meet the eligibility requirements to participate under MAAP.
- (q) Participant: An individual who has met the eligibility requirements to receive Severance Pay pursuant to Article III.
- (r) Performance Termination: Any termination of employment with the Corporation or a Subsidiary which is classified by the Employer as for unsatisfactory performance of duties, or inability to meet the requirements of the position. The termination of employment will be classified as a Performance Termination if it is approved by the Employee's team leader, the supervisor of the team leader for the Employee and the applicable Human Resources Business Partner, and also meets one of the following criteria:
  - (i) the Employee failed to successfully improve his or her performance to an acceptable level following completion of a Performance Improvement Plan notwithstanding the Employee's previous or most recent performance rating; or
  - (ii) the Employee's team leader has offered the Employee a choice of either entering into a Performance Improvement Plan or a Performance Termination, and the Employee has elected a Performance Termination rather than entering into a Performance Improvement Plan.
- (s) Plan Year: A twelve calendar month period beginning January 1 through December 31.
- (t) Separation from Service: Termination of employment with the Corporation or a Subsidiary. A Separation from Service will be deemed to have occurred if the Employee's services with the Corporation or a Subsidiary is reduced to an annual rate that is 20 percent or less of the services rendered, on average, during the immediately preceding three years of employment (or if employed less than three years, such lesser period). The Committee shall have the power to promulgate Committee Rules and other guidelines in connection with the determination of a Separation from Service and any such determination by the Committee shall be final and conclusive as to all Eligible Employees and other persons claiming rights under the Plan.
- (u) Severance Pay: Payment made to a Participant pursuant to Article IV hereof.
- (v) Subsidiary: Any corporation, 50% or more of the voting shares of which are owned directly or indirectly by the Corporation, which is incorporated under the laws of one of the States of the United States.
- (w) Termination Date: The date of an Employee's Separation from Service.
- (x) Years of Service: An Employee shall be credited with a Year of Service for each year commencing with the Employee's vacation eligibility date as maintained by the payroll department of such Employer until the Employee's Termination Date, rounded to the nearest whole year of service. Notwithstanding any provision in the Plan to the contrary, an Employee's credited Years of Service shall be reduced to the extent such Years of Service have previously been used to calculate a prior severance payment to the Employee.

2.2 Construction: Where appearing in the Plan the masculine shall include the feminine and the plural shall include the singular, unless the context clearly indicates otherwise. The words "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular Section or subsection.

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## ARTICLE III

### ELIGIBILITY AND PARTICIPATION

- 3.1 Participation. An Eligible Employee shall become a Participant on the later of the Effective Date or the first day actively employed by an Employer.
- 3.2 Eligibility. Each Participant whose employment is involuntarily terminated shall receive Severance Pay; provided, however, that Severance Pay shall not be paid to any Participant who:
- (a) is terminated for Cause;
  - (b) is terminated during a period in which such Participant is not actively at work (i.e. has been on leave) for more than 25 weeks, except to the extent otherwise required by law;
  - (c) voluntarily quits or retires;
  - (d) dies;
  - (e) is offered a Comparable Position as defined in Section 3.5 below.
- 3.3 Duration. A Participant remains a Participant under the Plan until the earliest of:
- (a) the date the Participant is no longer an Eligible Employee;
  - (b) the Participant's Termination Date; or
  - (c) the date the Plan terminates.
- 3.4 Severance Agreement and Release. No Participant shall be entitled to receive Severance Pay hereunder unless such Participant executes a Separation Agreement and Full and Final Release of Claims (the "Agreement"), in the form required by the Corporation, within the period specified for such individual therein and such Participant does not revoke such Agreement in writing within the 7-day period following the date on which it is executed.
- 3.5 Comparable Position. Severance Pay shall not be paid to any Employee whose employment is involuntarily terminated related to
- (a) any separation or reorganization of the Corporation including, but not limited to, a sale, spin-off or shutdown of a portion of the Corporation, including but not limited to a portion of a mill or other location, if such Employee is offered a Comparable Position with the successor entity,
  - (b) the outsourcing of an Employee to a company other than an Employer, in which such Employee is offered or continues in a Comparable Position, or
  - (c) any elimination of a job function, or transfer of an Employee's position to another location, in which such Employee is offered a Comparable Position with the Corporation.

## ARTICLE IV

### SEVERANCE BENEFITS

- 4.1 Severance Pay. Whether any Severance Pay is payable under this Plan, or any increase or decrease in the amount of Severance Pay, shall be in the sole discretion and as authorized pursuant to subsection 5.7(b) below. Any such increase or decrease in the amount of Severance Pay shall be final and conclusive as to all Eligible Employees and other persons claiming rights under the Plan. Subject to the exercise of such discretion, a Participant's Severance Pay shall be determined as follows:
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- (a) Each individual who is eligible as provided in Article III above, shall receive, the Severance Pay, COBRA, outplacement assistance services and Employee Assistance Program services set forth below.

Provision	Executive Officer	Grades 1-4	Other MAAP-Eligible	Salaried Exempt	Salaried Non-Exempt	Production Non-Union
Severance -Termination on or after 12 months employment	2 x the sum of annual Earnings plus Average MAAP	The sum of annual Earnings plus Average MAAP	2 weeks of Earnings per Year of Service (26 weeks Earnings minimum)	2 weeks of Earnings per Year of Service (12 weeks Earnings minimum)	1 week of Earnings per Year of Service (6 weeks Earnings minimum)	1 week of Earnings per Year of Service (6 weeks Earnings minimum)
Severance - Termination within first 12 months employment	3 months Earnings	3 months Earnings	3 months Earnings	3 months Earnings	6 weeks Earnings	6 weeks Earnings
Current Year EOAAP, MAAP or AIP	EOAAP pro-rated based on actual performance if Separation from Service is after March 31 of the performance year	MAAP pro-rated based on target, or based on actual performance for an officer of the Corporation elected by the Board, if Separation from Service is after March 31 of the performance year	MAAP pro-rated based on target if Separation from Service is after March 31 of the performance year	AIP pro-rated based on target if Separation from Service is after March 31 of the performance year		
COBRA	6 months	6 months	6 months	6 months	6 months	6 months
Outplacement	6 months	6 months	6 months	3 months	1 month	Reduction in force - workshop; Single termination - 1 month
EAP	3 months	3 months	3 months	3 months	3 months	3 months

- (b) Each individual who is eligible as provided in Article III above, and whose employment is classified by the Employer as a Performance Termination, shall receive, the Severance Pay, COBRA, outplacement assistance services and Employee Assistance Program services set forth below. Notwithstanding the foregoing, any Participant who is elected by the Board shall not be eligible to receive a benefit under this subsection 4.1(b).

Provision	Executive Officer	Grades 1-4	Other MAAP-Eligible	Salaried Exempt	Salaried Non-Exempt	Production Non-Union
Severance - Performance Termination	N/A	6 months Earnings	3 months Earnings	3 months Earnings	6 weeks Earnings	N/A
COBRA	N/A	6 months	6 months	6 months	6 months	N/A
Outplacement	N/A	6 months	6 months	3 months	1 month	1 month
EAP	N/A	3 months	3 months	3 months	3 months	N/A

- (c) Severance Pay, including the payment of any prorated current year AIP or MAAP shall be paid as a lump sum cash payment no later than 60 days following the Participant's last date of employment, if the Agreement provides for a 21 day period to consider the release, and no later than 75 days following the Participant's last date of employment if the Agreement provides for a 45 day period to consider the release, provided, however, should any payments under this Plan be delayed no interest will be owed to the Participant with

respect to such late payment. Notwithstanding the foregoing, if the Agreement provides for a 21 day period to consider the release and the last date of Employee's employment is on or after November 1, or if the Agreement provides for a 45 day period to consider the release and the last date of Employee's employment is after October 15, then the payment will always be made in the first applicable pay period in the following calendar year. Notwithstanding the foregoing, any current year EOAAP, or MAAP that is payable to an officer of the Corporation elected by the Board, shall be paid at the same time as it was payable under the provisions of EOAAP or MAAP but no later than 60 days following the end of the calendar year of the Separation from Service.

- (d) The Severance Pay determined pursuant to subsection 4.1(a) and (b) above will be offset by any amount paid to a Participant (but not less than zero) pursuant to the Worker Adjustment and Retraining Notification Act ("WARN"), or any similar state law, in lieu of notice thereunder. The benefits provided under this Plan are intended to satisfy any and all statutory obligations that may arise out of an Eligible Employee's involuntary termination, and the Committee shall so construe and implement the terms of the Plan.
  - (e) If, at the time Severance Pay is to be made hereunder, a Participant is indebted or obligated to an Employer or any affiliate, including, but not limited to, any repayment under the Corporation's relocation program, then such Severance Pay shall be reduced by the amount of such indebtedness or obligation to the extent allowable under applicable federal or state law; provided that the Corporation may in its sole discretion elect not to reduce the Severance Pay by the amount of such indebtedness or obligation and provided that any such election by the Corporation shall not constitute a waiver of its claim of such indebtedness or obligation, in accordance with applicable law.
  - (f) Notwithstanding any provision in the Plan to the contrary, Severance Pay shall be reduced by the amount of any other severance payments, whether under any severance plan or offer letter or other individual agreement, made by an Employer.
  - (g) Severance Pay hereunder shall not be considered "compensation" for purposes of determining any benefits provided under any pension, savings, or other benefit plan maintained by an Employer.
- 4.2 Withholding. A Participant shall be responsible for payment of any federal, Social Security, state, local or other taxes on Severance Pay under the Plan. The Employer shall deduct from Severance Pay any federal, Social Security, state, local or other taxes which are subject to withholding, as determined by the Employer.
- 4.3 Recovery of Overpayments. If it is determined that any amount paid to an individual under this Plan should not have been paid or should have been paid in a lesser amount, written notice thereof shall be given and such individual shall promptly repay the amount of the overpayment to the Plan. Notwithstanding the foregoing, the Plan in all cases reserves the right to pursue collection of any remaining overpayments if the above recovery efforts under this paragraph have failed.

## ARTICLE V

### PLAN ADMINISTRATION

#### BENEFITS ADMINISTRATION COMMITTEE

- 5.1 Membership. The Committee shall consist of at least three persons who shall be officers or directors of the Corporation or Eligible Employees. Members of the Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Chief Human Resources Officer of the Corporation (the "CHRO"). The CHRO shall appoint one of the members of the Committee to serve as chairman. If the CHRO does not appoint a chairman, the Committee, in its discretion, may elect one of its members as chairman. The Committee shall appoint a Secretary who may be but need not be, a member of the Committee. The Committee shall not receive compensation for its services. Committee expenses shall be paid by the Corporation.
- 5.2 Powers. The Committee shall have all such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the power to construe or interpret the Plan, to determine all questions of eligibility hereunder, to adopt rules relating to coverage, and to perform such other duties as may from time to time be delegated
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to it by the Board. Any interpretations of this Plan by persons other than the Committee or individuals or organizations to whom the Committee has delegated administrative duties shall have no effect hereunder. The Committee may prescribe such forms and systems and adopt such rules and methods and tables as it deems advisable. It may employ such agents, attorneys, accountants, actuaries, medical advisors, or clerical assistants (none of whom need be members of the Committee) as it deems necessary for the effective exercise of its duties, and may delegate to such agents any power and duties, both ministerial and discretionary, as it may deem necessary and appropriate. Notwithstanding the foregoing, any claim which arises under any other plan shall not be subject to review under this Plan, and the Committee's authority under this Article V shall not extend to any matter as to which an Administrator under such Program is empowered to make determinations under such plan. In administering the Plan, the Committee will be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by, or in accordance with the instructions of, the Committee of each of the Programs, or by accountants, counsel or other experts employed or engaged by the Committee.

- 5.3 Procedures. The Committee may take any action upon a majority vote at any meeting at which all members are present, and may take any action without a meeting upon the unanimous written consent of all members. All action by the Committee shall be evidenced by a certificate signed by the chairperson or by the secretary to the Committee. The Committee shall appoint a secretary to the Committee who need not be a member of the Committee, and all acts and determinations of the Committee shall be recorded by the secretary, or under his supervision. All such records, together with such other documents as may be necessary for the administration of the Plan, shall be preserved in the custody of the secretary.
- 5.4 Rules and Decisions. All rules and decisions of the Committee shall be uniformly and consistently applied to all Eligible Employees and Participants under this Plan in similar circumstances and shall be conclusive and binding upon all persons affected by them.
- 5.5 Books and Records. The records of the Employers shall be conclusive evidence as to all information contained therein with respect to the basis for participation in the Plan and for the calculation of Severance Pay.
- 5.6 Claim Procedure. The Committee procedure for handling all claims hereunder and review of denied claims shall be consistent with the provisions of ERISA. If a claim for Plan benefits is denied, the Committee shall provide a written notice within 90 days to the person claiming the benefits that contains the specific reasons for the denial, specific references to Plan provisions on which the Committee based its denial and a statement that the claimant may (a) request a review upon written application to the Committee within 60 days, (b) may review pertinent Plan documents and (c) may submit issues and comments in writing. If a claim is denied because of incomplete information, the notice shall also indicate what additional information is required. If additional time is required to make a decision on the claim, the Committee shall notify the claimant of the delay within the original 90 day period. This notice will also indicate the special circumstances requiring the extension and the date by which a decision is expected. This extension period may not exceed 90 days beyond the end of the first 90-day period.

The claimant may request a review of a denied claim by writing the Committee in care of the Plan Administrator. The appeal must, however, be made within 60 days after the claimant's receipt of notice of the denial of the claim. Pertinent documents may be reviewed in preparing an appeal, and issues and comments may be submitted in writing. An appeal shall be given a complete review by the Committee, and a written decision, including reasons, shall be provided within 60 days. If there are special circumstances requiring an extensive review, the Committee shall notify the claimant in a written notice within the original 60 day period of its receipt of the appeal and indicating that the decision will be delayed. A final decision on the appeal shall be made within 120 days of the Committee's receipt of the appeal.

The Committee shall have all of the authority with respect to all aspects of claims for benefits under the Plan, and it shall administer this authority in its sole discretion.

5.7 Committee Discretion.

- (a) Any action on matters within the discretion of the Committee, including but not limited to, the amount of Severance Pay conferred upon a Participant, shall be final and conclusive as to all Eligible Employees and other persons claiming rights under the Plan. The Committee shall exercise all of the powers, duties and responsibilities set forth hereunder in its sole discretion. Notwithstanding anything in this Plan to the contrary, the Committee shall have the sole discretion to interpret the terms of the Plan included but not
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limited to, whether a termination is voluntarily or involuntarily, whether a Participant's termination is for Cause, whether a Participant is offered a Comparable Position, and whether Severance Pay shall be payable to any Participant under this Plan.

- (b) Any increase or decrease in the amount of Severance Pay for Eligible Employees who are not elected by the Board, different than the amount set forth in 4.1(a) and (b) above may be authorized in their sole discretion by (i) the Committee, (ii) a Group President or Senior Vice President of the Corporation with the endorsement of either the Senior Vice President Global Human Resources or the Vice President Compensation and Benefits or (iii) the Chief Executive Officer. Any such increase or decrease in the amount of Severance Pay shall be final and conclusive as to all such Eligible Employees and other persons claiming rights under the Plan.
- (c) Any increase or decrease in the amount of Severance Pay for Eligible Employees who are elected by the Board, different than the amount set forth in 4.1(a) and (b) above may be authorized in their sole discretion by the Management Development and Compensation Committee of the Board. Any such increase or decrease in the amount of Severance Pay shall be final and conclusive as to all such Eligible Employees and other persons claiming rights under the Plan.

5.8 Plan Amendments. The Board may from time to time modify, alter, amend or terminate the Plan. Any action permitted to be taken by the Board under the foregoing provision may be taken by the CHRO if such action:

- (a) is required by law, or
- (b) is estimated not to increase the annual cost of the Plan by more than \$5,000,000, or
- (c) is estimated not to increase the annual cost of the Plan by more than \$25,000,000 provided such action is approved and duly executed by the CEO.

Any action taken by the Board or CHRO shall be made by or pursuant to a resolution duly adopted by the Board or CHRO and shall be evidenced by such resolution or by a written instrument executed by such persons as the Board or CHRO shall authorize for that purpose.

The Board or CHRO also shall have the right to make any amendment retroactively which is necessary to bring the Plan into conformity with the Code or which is otherwise permitted by applicable law. Any such amendment will be binding and effective for the Employer.

Any action which is required or permitted to be taken by the Board under the provisions of this Plan may be taken by the Management, Development and Compensation Committee of the Board or any other duly authorized committee of the Board designated under the By-Laws of the Corporation.

The Board, the Management, Development and Compensation Committee or any duly authorized committee of the Board, the CEO or the CHRO may authorize persons to carry out its policies and directives subject to the limitations and guidelines set by it, and delegate its authority under the Plan.

5.9 Annual Reporting to the CEO. The CHRO shall report to the CEO before January 31 of each year all action taken by such position hereunder during the preceding calendar year.

5.10 Annual Reporting to the Board. The CEO shall report to the Board before January 31 of each year all action taken by such position hereunder during the preceding calendar year.

5.11 Delegation of Duties. This Plan is sponsored by Kimberly-Clark Corporation. The Committee reserves the right to delegate any and all administrative duties to one or more individuals or organizations. Any reference herein to any other entity or person, other than the Committee or any of its members, which is performing administrative services shall also include any other third party administrators. The responsibilities of any third party administrator may be governed, in part, by a separate administrative services contract.

5.12 Funding. Benefits shall be paid from the general assets of the Corporation.

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## ARTICLE VI

### LIMITATIONS AND LIABILITIES

- 6.1 Non-Guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between an Employer and a Participant, or as a right of any Participant to be continued in the employment of his Employer, or as a limitation of the right of an Employer to discharge any Participant with or without Cause. Nor shall anything contained in this Plan affect the eligibility requirements under any other plans maintained by the Employer, nor give any person a right to coverage under any other Plan.
- 6.2 Non-Alienation. Except as otherwise provided herein, no right or interest of any Participant or Beneficiary in the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, attachment, garnishment, execution, levy, bankruptcy, or any other disposition of any kind, either voluntary or involuntary, prior to actual receipt of payment by the person entitled to such right or interest under the provisions hereof, and any such disposition or attempted disposition shall be void.
- 6.3 Applicable Law. This Plan is construed under, to the extent not preempted by federal law, enforced in accordance with and governed by, the laws of the State of Wisconsin. If any provision of this Plan is found to be invalid, such provision shall be deemed modified to comply with applicable law and the remaining terms and provisions of this Plan will remain in full force and effect.
- 6.4 Notice. Any notice given hereunder is sufficient if given to the Employee by the Employer, or if mailed to the Employee to the last known address of the Employee as such address appears on the records of the Employer.
- 6.5 Service of Process. The Plan Administrator shall be the designated recipient of the services of process with respect to legal actions regarding the Plan.
- 6.6 No Guarantee of Tax Consequences. The Employer makes no commitment or guarantee that any amounts paid to or for the benefit of a Participant under this Plan will be excludable from the Participant's gross income for federal, Social Security, or state income tax purposes, or that any other federal, Social Security, or state income tax treatment will apply to or be available to any Participant. It shall be the obligation of each Participant to determine whether each payment under this Plan is excludable from the Participant's gross income for federal, Social Security, and state income tax purposes, and to notify the Plan Administrator if the Participant has reason to believe that any such payment is not so excludable. This Plan is intended to be compliant with Section 409A of the Code and the guidance promulgated thereunder. Notwithstanding any other provision of this Plan, the Corporation and the Committee shall administer and interpret the Plan, and exercise all authority and discretion under the Plan, to satisfy the requirements of Code Section 409A and the guidance promulgated thereunder and any noncompliant provisions of this Plan will either be void or deemed amended to comply with Section 409A of the Code and the guidance promulgated thereunder.
- 6.7 Limitation of Liability. Neither the Employer, the Plan Administrator, nor the Committee shall be liable for any act or failure to act which is made in good faith pursuant to the provisions of the Plan, except to the extent required by applicable law. It is expressly understood and agreed by each Eligible Employee who becomes a Participant that, except for its or their willful misconduct or gross neglect, neither the Employer, the Plan Administrator nor the Committee shall be subject to any legal liability to any Participant, for any cause or reason whatsoever, in connection with this Plan, and each such Participant hereby releases the Employer, its officers and agents, and the Plan Administrator, and its agents, and the Committee, from any and all liability or obligation except as provided in this paragraph.
- 6.8 Indemnification of the Committee. The Employer shall indemnify the Committee and each of its members and hold them harmless from the consequences of their acts or conduct in their official capacity, including payment for all reasonable legal expenses and court costs, except to the extent that such consequences are the result of their own willful misconduct or breach of good faith.
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APPENDIX A

EMPLOYERS COVERED BY THE KIMBERLY-CLARK CORPORATION  
SEVERANCE PAY PLAN

Employers

Kimberly-Clark Corporation

Kimberly-Clark Financial Services, Inc.

Kimberly-Clark Global Sales, LLC

Kimberly-Clark International Services Corporation

Kimberly-Clark Pennsylvania, LLC

Kimberly-Clark Worldwide, Inc.

Participating Units

*All salaried and hourly non-organized employees\**

All salaried and hourly non-organized employees\*

All salaried employees\*

All salaried and hourly non-organized employees except those who transfer to a 50% or less owned foreign subsidiary on a non-temporary basis\*

All salaried employees\*

All salaried and hourly non-organized employees\*

\*including those on temporary assignment at other employers or in other classifications, but excluding employees on temporary assignment from another Employer or classification.

## CERTIFICATIONS

I, Thomas J. Falk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kimberly-Clark Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Thomas J. Falk

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Thomas J. Falk

Chief Executive Officer

October 23, 2017

## CERTIFICATIONS

I, Maria Henry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kimberly-Clark Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Maria Henry

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Maria Henry

Chief Financial Officer

October 23, 2017

**Certification of Chief Executive Officer**  
**Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**

I, Thomas J. Falk, Chief Executive Officer of Kimberly-Clark Corporation, certify that, to my knowledge:

- (1) the Form 10-Q , filed with the Securities and Exchange Commission on October 23, 2017 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the accompanied report fairly presents, in all material respects, the financial condition and results of operations of Kimberly-Clark Corporation.

/s/ Thomas J. Falk

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Thomas J. Falk  
Chief Executive Officer

October 23, 2017

**Certification of Chief Financial Officer**  
**Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**

I, Maria Henry, Chief Financial Officer of Kimberly-Clark Corporation, certify that, to my knowledge:

- (1) the Form 10-Q , filed with the Securities and Exchange Commission on October 23, 2017 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the accompanied report fairly presents, in all material respects, the financial condition and results of operations of Kimberly-Clark Corporation.

/s/ Maria Henry

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Maria Henry

Chief Financial Officer

October 23, 2017