

## **Non-GAAP Financial Measures Used in Kimberly-Clark Corporation's Barclays Global Consumer Staples Conference (September 2017)**

In Kimberly-Clark Corporation's presentation at Barclays Global Consumer Staples Conference in September 2017, the following financial measures have not been calculated in accordance with generally accepted accounting principles in the U.S., or GAAP, and are therefore referred to as non-GAAP financial measures ("non-GAAP measures"):

- adjusted earnings and earnings per share (including earnings and earnings per share from continuing operations)
- adjusted operating profit
- adjusted return on invested capital
- adjusted dividend payout

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

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

We calculate the non-GAAP measures by excluding from the comparable GAAP measure some or all of the following:

- *Charges related to Venezuelan Operations.* In 2016 and 2015, the Company recorded adjustments for the deconsolidation of its Venezuelan operations. In 2015, 2014, and 2013, the company recorded charges for the remeasurement of the local currency-denominated (bolivar) balance sheet in Venezuela. Additionally, the company recorded a one-time after-tax loss in 2010 for the remeasurement of the local currency balance sheet in Venezuela as a result of the adoption of highly inflationary accounting.
- *2014 organization restructuring and related charges.* In 2014, the company initiated a restructuring program in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of the company's health care business. The restructuring was completed by the end of 2016.
- *Pension settlement charges.* In 2015, the Company recorded settlement related charges from certain actions taken for its U.S. pension plan.
- *Uncertain tax positions adjustment.* In 2015, the company updated its assessment of uncertain tax positions for certain international operations, and recorded a charge related to prior years in provision for income taxes.
- *Disposed of health care business (Halyard Health).* In 2014, the company incurred incremental costs to evaluate, plan and execute the spin-off the company's health care business. These costs are included in discontinued operations. In addition, certain measures from 2010 through 2014 exclude the operations of the health care business, which is presented as discontinued operations.
- *Western and Central Europe strategic changes and related restructuring charges.* In 2012, the company initiated strategic changes related to its Western and Central European consumer and professional businesses to focus its resources on stronger market positions and growth opportunities. The restructuring was completed at the end of 2014.
- *Charge related to regulatory dispute in the Middle East.* In 2014, the company recorded a non-deductible charge as a result of an adverse court ruling regarding the treatment of capital contributions in prior years to a majority-owned affiliate in the Middle East.
- *Pulp and tissue restructuring charges.* In 2011 and 2012, the company executed pulp and tissue restructuring actions to exit its remaining integrated pulp manufacturing operations and improve the underlying profitability and return on invested capital of its consumer tissue and K-C Professional businesses. The restructuring actions were substantially completed by December 31, 2012.
- *Non-deductible business tax charge in Colombia due to legislative change.* The company recorded a non-deductible charge in 2011 as a result of legislation in Colombia that

changed the manner in which certain business taxes in that country are assessed. This assessment covers the period from 2011 through 2014 and impacted results for both our consolidated operations and our equity company in Colombia.

- *Strategic cost reduction plan and related restructuring charges.* In 2005, the company authorized a strategic cost reduction plan aimed at streamlining manufacturing and administrative operations, primarily in North America and Europe. The strategic cost reduction plan was completed by December 31, 2008.
- *Extraordinary loss.* In 2008, the company restructured contractual arrangements of two financing entities, which resulted in the consolidation of these two entities. As a result of the consolidation, notes receivable and loan obligations held by these entities were included in long-term notes receivable and long-term debt on the company's consolidated balance sheet. Because the fair value of the loans exceeded the fair value of the notes receivable, the company recorded an after-tax extraordinary loss.
- *Gain on litigation settlement.* In 2007, the company received proceeds from the settlement of litigation related to prior years' operations in Latin America.
- *Gain on sale of business.* In 2006, the company's equity affiliate, Kimberly-Clark de Mexico, S.A. de C.V. sold its pulp and paper business and recorded an after-tax gain.
- *American Jobs Creation Act of 2004 charges.* During 2005, the company recorded non-recurring charges associated with repatriation of earnings from its non-U.S. subsidiaries under the provisions of the Act.
- *Cumulative effect of an accounting change.* In 2005, the company implemented a new accounting standard for asset retirement obligations and recognized a charge associated with the adoption of this accounting standard.
- *Disposed of Neenah Paper operations.* In 2004, the company spun off its Neenah pulp and paper operations. Accordingly, certain measures exclude the effect of the Neenah Paper spin-off.

This presentation additionally contains information on free cash flow, which is defined as cash provided by operations less capital spending. For 2015, the free cash flow is adjusted to exclude pension contributions related to the actions taken for the U.S. pension plan as noted above.

These non-GAAP measures are not meant to be considered in isolation or as a substitute for the comparable GAAP measures. There are limitations to these non-GAAP 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. The company compensates for these limitations by using these non-GAAP measures as a supplement to the GAAP measures and by providing the reconciliations of the non-GAAP and comparable GAAP measures. The non-GAAP measures should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP.

### Return on Invested Capital

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

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

Where for each of the most recent four quarters:

A = total reported operating profit for the period is adjusted for certain charges and credits that are discussed in the Non-GAAP disclosure.

B = total reported nonoperating expense for the period

C = average effective tax rate for the period adjusted to exclude the items in A above, as well as the effect of incremental tax expense related to American Jobs Creation Act dividends.

D = total reported share of net income of equity companies for the period excluding our share of our Colombia equity company's non-deductible business tax charge related to a law change in Colombia and our share of KCM's gain on sale of its pulp and paper business.

E = average total assets for the period

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

G = average debt payable within one year for the period