

KIMBERLY CLARK CORP  
Form 10-K  
February 07, 2019  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

---

FORM 10-K

---

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2018

or  
 Transition Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

---

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

---

Delaware 1-225 39-0394230  
(State or other jurisdiction of incorporation) (Commission file number) (I.R.S. Employer Identification No.)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock—\$1.25 Par Value New York Stock Exchange  
(Title of each class) (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

Edgar Filing: KIMBERLY CLARK CORP - Form 10-K

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended 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 Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2018 (based on closing stock price on the New York Stock Exchange as of such date) was approximately \$36.6 billion.

As of January 31, 2019, there were 344,431,630 shares of Kimberly-Clark common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information contained in the definitive Proxy Statement for Kimberly-Clark's Annual Meeting of Stockholders to be held on May 2, 2019 is incorporated by reference into Part III.

---

KIMBERLY-CLARK CORPORATION  
TABLE OF CONTENTS

|   | Page          |
|---|---------------|
| Part I  |               |
| Item 1. <u>Business</u>   | <u>1</u>      |
| Item 1A. <u>Risk Factors</u>  | <u>2</u>      |
| Item 1B. <u>Unresolved Staff Comments</u>   | <u>6</u>      |
| Item 2. <u>Properties</u>   | <u>6</u>      |
| Item 3. <u>Legal Proceedings</u>  | <u>7</u>      |
| Item 4. <u>Mine Safety Disclosures</u>  | <u>7</u>      |
| <br><u>Executive Officers of the Registrant</u>   | <br><u>7</u>  |
| Part II   |               |
| Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>9</u>      |
| Item 6. <u>Selected Financial Data</u>  | <u>10</u>     |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                        | <u>11</u>     |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | <u>24</u>     |
| Item 8. <u>Financial Statements and Supplementary Data</u>  | <u>26</u>     |
| Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         | <u>58</u>     |
| Item 9A. <u>Controls and Procedures</u>   | <u>58</u>     |
| Item 9B. <u>Other Information</u>   | <u>59</u>     |
| Part III  |               |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u>  | <u>60</u>     |
| Item 11. <u>Executive Compensation</u>  | <u>60</u>     |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | <u>60</u>     |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | <u>60</u>     |
| Item 14. <u>Principal Accountant Fees and Services</u>  | <u>60</u>     |
| Part IV   |               |
| Item 15. <u>Exhibits, Financial Statement Schedules</u>   | <u>61</u>     |
| Item 16. <u>Form 10-K Summary</u>   | <u>63</u>     |
| <br><u>Signatures</u>   | <br><u>64</u> |

PART  
I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. We are a global company focused on leading the world in essentials for a better life through product innovation and building our personal care, consumer tissue and K-C Professional brands. We are principally engaged in the manufacturing and marketing of a wide range of products mostly made from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency. Unless the context indicates otherwise, the terms "Corporation," "Kimberly-Clark," "K-C," "we," "our" and "us" refer to Kimberly-Clark Corporation and its consolidated subsidiaries.

Certain prior period financial information related to our adoption of Accounting Standards Update No. 2017-07, Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU No. 2017-07") and the classification of costs associated with sales of K-C Professional ("KCP") dispensers has been recast. The recast has no impact on our earnings or earnings per share in any period. See Item 8, Note 1 to the consolidated financial statements for details.

Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted.

Description of Kimberly-Clark

We are organized into operating segments based on product groupings. These operating segments have been aggregated into three reportable global business segments as follows:

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 responsibly improve everyday living for families around the world. 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 ("KCP") 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 KleenGuard are well known for quality and trusted to help people around the world work better.

These reportable segments were determined in accordance with how our chief operating decision maker and our executive managers develop and execute our global strategies to drive growth and profitability of our personal care, consumer tissue and KCP operations. 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.

Products for household use are sold directly to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores and other retail outlets, as well as through other distributors and e-commerce. Products for away-from-home use are sold through distributors and directly to manufacturing, lodging, office building, food service, and high-volume public facilities.

Net sales to Walmart Inc. as a percent of our consolidated net sales were approximately 14 percent in 2018, 2017 and 2016.

Patents and Trademarks

We own various patents and trademarks registered domestically and in many foreign countries. We consider the patents and trademarks that we own and the trademarks under which we sell certain of our products to be material to our business. Consequently, we seek patent and trademark protection by all available means, including registration.

1 KIMBERLY-CLARK CORPORATION - 2018 Annual Report

---

#### Raw Materials

Cellulose fiber, in the form of kraft pulp or fiber recycled from recovered waste paper, is the primary raw material for our tissue products, and in the form of fluff pulp is a component of disposable diapers, training and youth pants, feminine pads and incontinence care products.

Polypropylene and other synthetics and chemicals are the primary raw materials for manufacturing nonwoven fabrics, which are used in disposable diapers, training and youth pants, wet wipes, feminine pads, incontinence care products, and away-from-home wipers and apparel. Superabsorbent materials are important components of disposable diapers, training and youth pants and incontinence care products.

Raw materials are purchased from third parties, and we consider the supply to be adequate to meet the needs of our businesses. See Item 1A, "Risk Factors."

#### Competition

We have several major competitors in most of our markets, some of which are larger and more diversified than us.

The principal methods and elements of competition include brand recognition and loyalty, product innovation, quality and performance, price, and marketing and distribution capabilities. For additional discussion of the competitive environment in which we conduct our business, see Item 1A, "Risk Factors."

#### Foreign Market Risks

We operate and market our products globally, and our business strategy includes targeted growth in Asia, Latin America, Eastern Europe, the Middle East and Africa, with a particular emphasis in China, Eastern Europe, ASEAN and Latin America. See Item 1A, "Risk Factors" for a discussion of foreign market risks that may affect our financial results.

#### Environmental Matters

Total capital expenditures for voluntary environmental controls or controls necessary to comply with legal requirements relating to the protection of the environment at our facilities are expected to be \$36 and \$16 in 2019 and 2020, respectively. Total operating expenses for environmental compliance, including pollution control equipment operation and maintenance costs, governmental fees, and research and engineering costs are expected to be \$117 in 2019 and 2020.

Total environmental capital expenditures and operating expenses are not expected to have a material effect on our total capital and operating expenditures, consolidated earnings or competitive position. Current environmental spending estimates could be modified as a result of changes in our plans, changes in legal requirements, including any requirements related to global climate change, or other factors.

#### Employees

In our consolidated operations, we had approximately 41,000 employees as of December 31, 2018.

#### Available Information

We make financial information, news releases and other information available on our corporate website at [www.kimberly-clark.com](http://www.kimberly-clark.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on this website as soon as reasonably practicable after we file these reports and amendments with, or furnish them to, the Securities and Exchange Commission ("SEC"). The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the SEC. Stockholders may also contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call 972-281-5317 to obtain a hard copy of these reports without charge.

#### ITEM 1A. RISK FACTORS

Our business faces many risks and uncertainties that we cannot control. Any of the risks discussed below, as well as factors described in other places in this Form 10-K, or in our other filings with the SEC, could adversely affect our business, consolidated financial position, results of operations or cash flows. In addition, these items could cause our future results to differ from those in any of our forward-looking statements. These risks are not the only ones we face. Other risks that we do not presently know about or that we presently believe are not material could also adversely affect us.



Significant increases in prices for raw materials, energy, transportation or other necessary supplies or services, without corresponding increases in our selling prices, could adversely affect our financial results.

Increases in the cost and availability of raw materials, including pulp and petroleum-based materials, the cost of energy, transportation and other necessary services, supplier constraints, supplier consolidation which could limit our sources of supply for these items, an inability to maintain favorable supplier arrangements and relations or an inability to avoid disruptions in production output could have an adverse effect on our financial results.

Cellulose fiber, in the form of kraft pulp or recycled fiber from recovered waste paper, is used extensively in our tissue products and is subject to significant price fluctuations. Cellulose fiber, in the form of fluff pulp, is a key component in our personal care products. In past years, pulp prices have experienced significant volatility. Increases in pulp prices or limits in the availability of recycled fiber could adversely affect our earnings if selling prices for our finished products are not adjusted or if these adjustments significantly trail the increases in pulp prices. In some instances, we utilize negotiated short-term contract structures to reduce pulp price volatility, but we have not used derivative instruments to manage these risks.

A number of our products, such as diapers, training and youth pants, feminine pads, incontinence care products and disposable wipes, contain certain materials that are principally derived from petroleum. These materials are subject to price fluctuations based on changes in petroleum prices, availability and other factors, with these prices experiencing significant volatility in recent years. We purchase these materials from a number of suppliers. Significant increases in prices for these materials could adversely affect our earnings if selling prices for our finished products are not adjusted, if these adjustments significantly trail the increases in prices for these materials, or if we do not utilize lower priced substitutes for these materials.

Our manufacturing operations utilize electricity, natural gas and petroleum-based fuels. To ensure we use all forms of energy efficiently and cost-effectively, we maintain energy efficiency improvement programs at our manufacturing sites. Our contracts with energy suppliers vary as to price, payment terms, quantities and duration. Our energy costs are also affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions (including actions taken to address climate change and related market responses). There can be no assurance that we will be fully protected against substantial changes in the price or availability of energy sources.

There can be no assurance that our efforts to increase selling prices, such as our recently announced plans to increase net selling prices across a majority of our North America consumer products businesses, will be successful.

Increasing dependence on key retailers in Developed Markets and the emergence of new sales channels may adversely affect our business.

Our products are sold in a highly competitive global marketplace, which continues to experience increased concentration and the growing presence of large-format retailers, discounters and e-tailers. With the consolidation of retail trade, both traditional retailers and e-tailers, we are increasingly dependent on key customers, and some of these customers, including large-format retailers and large e-tailers, may have significant bargaining power. They may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. We may also be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products, additional requirements related to safety, environmental, social and other sustainability issues, and other conditions. If we lose a significant customer or if sales of our products to a significant customer materially decrease, our business, financial condition and results of operations may be adversely affected.

Intense competition for sales of our products, changes in consumer purchasing patterns and the inability to innovate or market our products effectively could have an adverse effect on our financial results.

We operate in highly competitive domestic and international markets against well-known, branded products and low-cost or private label products. Inherent risks in our competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, a growing e-commerce marketplace, customers' and competitors' actions. Our competitors for these markets include global, regional and local manufacturers, including private label manufacturers. Some of these competitors may have better access to financial resources and greater market penetration, which enable them to offer a wider variety of products and services at more competitive prices. Alternatively, some of these competitors may have significantly lower product development and



manufacturing costs, particularly with respect to private label products, allowing them to offer products at a lower price. E-commerce potentially intensifies competition by simplifying distribution and lowering barriers to entry. The actions of these competitors could adversely affect our financial results. It may be necessary for us to lower prices on our products and increase spending on advertising and promotions, which could adversely affect our financial results.

3 KIMBERLY-CLARK CORPORATION - 2018 Annual Report

---

We may be unable to anticipate or adequately respond to changes in consumer demand for our products. Demand for our products may change based on many factors, including shifting consumer purchasing patterns to lower cost options such as private-label products and mid to lower-tier value products, low birth rates in certain countries due to slow economic growth or other factors, negative consumer response to pricing actions, consumer shifts in distribution from traditional retailers to e-tailers, or other changes in consumer trends or habits. If we experience lower sales due to changes in consumer demand for our products, our earnings could decrease.

Our ability to develop new products is affected by whether we can successfully anticipate consumer needs and preferences, develop and fund technological innovations, and receive and maintain necessary patent and trademark protection. In addition, we incur substantial development and marketing costs in introducing new and improved products and technologies. The introduction of a new consumer product (whether improved or newly developed) usually requires substantial expenditures for advertising and marketing to gain recognition in the marketplace. If a product gains consumer acceptance, it normally requires continued advertising and promotional support to maintain its relative market position. Some of our competitors may spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions. We may not be successful in developing new or improved products and technologies necessary to compete successfully in the industry, and we may not be successful in advertising, marketing, timely launching and selling our products. Also, if we fail to perfect or successfully assert our intellectual property rights, we may be less competitive, which could adversely affect our business, financial results and financial condition.

There is no guarantee that our ongoing efforts to reduce costs will be successful.

We continue to implement plans to improve our competitive position by achieving cost reductions in our operations, including implementing restructuring programs in functions or areas of our business where we believe such opportunities exist. In January 2018, we announced a global restructuring program. The 2018 Global Restructuring Program will reduce our structural cost base by streamlining and simplifying our manufacturing supply chain and overhead organization. In addition, we expect ongoing cost savings from our continuous improvement activities. We anticipate these cost savings will result from reducing material costs and manufacturing waste and realizing productivity gains, distribution efficiencies and overhead reductions in each of our business segments and in our corporate functions. Any negative impact these plans have on our relationships with employees, suppliers or customers or any failure to generate the anticipated efficiencies and savings could adversely affect our financial results.

Our international operations are subject to foreign market risks, including changes in foreign currency exchange rates, currency restrictions and political, social and economic instability, which may adversely affect our financial results.

Our strategy includes operations growth outside the U.S., especially in developing markets such as China, Eastern Europe, ASEAN and Latin America. About half of our net sales come from markets outside the U.S. We and our equity companies have manufacturing facilities in 35 countries, and sell products in more than 175 countries. Our results may be substantially affected by a number of foreign market risks:

Exposure to the movement of various currencies against each other and the U.S. dollar. A portion of the exposures, arising from transactions and commitments denominated in non-local currencies, is systematically managed through foreign currency forward and swap contracts where available and economically advantageous. We do not generally hedge our translation exposure with respect to foreign operations.

Increases in currency exchange restrictions. These restrictions could limit our ability to repatriate earnings from outside the U.S. or obtain currency exchange for U.S. dollar inputs to continue operating in certain countries.

- Adverse political conditions. Risks related to political instability, expropriation, new or revised legal or regulatory constraints, difficulties in enforcing contractual and intellectual property rights, and potentially adverse tax consequences, including consequences from Brexit, could adversely affect our financial results.

Increases in dollar-based input costs for operations outside the U.S. due to weaker foreign exchange rates versus the U.S. dollar. There can be no assurance that we will be protected against substantial foreign currency fluctuations. The inability to effectively manage foreign market risk could adversely affect our business, consolidated financial condition, results of operations or liquidity. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Item 8, Note 1 to the consolidated financial statements for information regarding our adoption of highly inflationary accounting in Argentina.

4 KIMBERLY-CLARK CORPORATION - 2018 Annual Report

---

Government regulations and enforcement, and potential litigation, could have an adverse effect on our financial results.

As a global company, we are subject to many laws and governmental regulations across all of the countries in which we do business, including laws and regulations involving marketing, antitrust, anti-bribery or anti-corruption, product liability, environmental, intellectual property or other matters, as well as potential litigation or administrative actions. If we are unable to comply with all laws and regulations, it could negatively impact our reputation and our business results. We cannot provide assurance that our internal control policies and procedures, and ethics and compliance program will always protect us from acts committed by our employees or agents. While it is our policy and practice to comply with all legal and regulatory requirements applicable to our business, a finding that we are in violation of, or out of compliance with, applicable laws or regulations could subject us to civil remedies, including fines, damages, injunctions or product recalls, or criminal sanctions, any of which could adversely affect our business, results of operations, cash flows and financial condition. Even if a claim is unsuccessful, is without merit or is not fully pursued, the negative publicity surrounding such assertions regarding our products, processes or business practices could adversely affect our reputation and brand image.

In addition, new or revised laws or regulations may alter the environment in which we do business, including the United Kingdom's withdrawal from the European Union, which could adversely impact our financial results. For example, new legislation or regulations may result in increased costs to us, directly for our compliance, or indirectly to the extent suppliers increase prices of goods and services because of increased compliance costs, excise taxes or reduced availability of raw materials.

If our information technology systems suffer interruptions, failures or breaches, our business operations could be disrupted and we could face financial and reputational damage.

Our information technology systems, some of which are dependent on services provided by third parties, serve an important role in the efficient and effective operation and administration of our business. These systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks. While we have contingency plans in place to prevent or mitigate the impact of these events, if they were to occur and our disaster recovery plans do not effectively address the issues on a timely basis, we could suffer interruptions in our ability to manage our operations, which may adversely affect our business and financial results.

Increased cyber-security threats and computer crime also pose a potential risk to the security of our information technology systems, including those of third-party service providers with whom we have contracted, as well as the confidentiality, integrity and availability of the data stored on those systems. Further, data privacy is subject to frequently changing rules and regulations regarding the handling of personal data, such as the General Data Protection Regulation ("GDPR") which was recently adopted by the European Union. Any breach in our information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive customer, supplier, employee or investor information maintained in the ordinary course of our business. Any such event, or any failure to comply with the requirements of GDPR or other laws in this area, could cause damage to our reputation, loss of valuable information or loss of revenue and could result in legal liability, or regulatory or other penalties. In addition, we may incur large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

Disruption in our supply chain or the failure of third-party providers to satisfactorily perform could adversely impact our operations.

Our ability to manufacture, distribute and sell products is critical to our operations. These activities are subject to inherent risks such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, pandemics, import restrictions, regional economic, business, environmental or political events, governmental regulatory requirements or nongovernmental voluntary actions in response to global climate change or other concerns regarding the sustainability of our business, which could impair our ability to manufacture or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed, could adversely impact our business, financial condition and results of operations, as well as require additional resources to address.

In addition, third parties manufacture some of our products and provide certain administrative services. Disruptions or delays at these third-party manufacturers or service providers due to the reasons above or the failure of these

manufacturers or service providers to otherwise satisfactorily perform, could adversely impact our operations, sales, payments to our suppliers, employees, and others, and our ability to report financial and management information on a timely and accurate basis.

5 KIMBERLY-CLARK CORPORATION - 2018 Annual Report

---

Damage to the reputation of Kimberly-Clark or to one or more of our brands could adversely affect our business. Developing and maintaining our reputation, as well as the reputation of our brands, is a critical factor in our relationship with consumers, customers, suppliers and others. Our inability to address adverse publicity or other issues, including concerns about product safety, quality, efficacy or similar matters, or breaches of consumer, customer, supplier, employee or other confidential information, real or perceived, could negatively impact sentiment towards us and our products and brands, and our business and financial results could suffer. Consumers increasing use and reliance on social media for information could increase the risk of adverse publicity, potentially with negative perception of our products or brands. Our business and results could also be negatively impacted by the effects of a significant product recall, product-related litigation, allegations of product tampering or contamination, or the distribution and sale of counterfeit products.

New or revised tax regulations could have an adverse effect on our financial results.

We are subject to income tax requirements in various jurisdictions in the U.S. and internationally. Many of these jurisdictions have made changes to their tax policies, including tax reform in the U.S. that was enacted in December 2017. Other jurisdictions are contemplating changes or have unpredictable enforcement activity. Increases in applicable tax rates, implementation of new taxes, changes in applicable tax laws and interpretations of these tax laws and actions by tax authorities in jurisdictions in which we operate could reduce our after tax income and have an adverse effect on our results of operations.

We may divest or acquire product lines or businesses, which could impact our results.

We may periodically divest product lines or businesses. These divestitures may adversely impact our results if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested products or businesses, or mitigate overhead costs allocated to those businesses. Furthermore, the divestitures could adversely affect our ongoing business operations, including by enhancing our competitors' positions or reducing consumer confidence in our ongoing brands and products.

We may pursue acquisitions of product lines or businesses from third parties. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired product lines or businesses, estimation and assumption of liabilities and contingencies, personnel turnover and the diversion of management's attention from other business concerns. We may be unable to successfully integrate and manage product lines or businesses that we may acquire in the future, or be unable to achieve anticipated benefits or cost savings from acquisitions in the timeframe we anticipate, or at all.

The inability to effectively and efficiently manage divestitures and acquisitions with the results we expect or in the timeframe we anticipate could adversely affect our business, consolidated financial condition, results of operations or liquidity.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

At December 31, 2018, we own or lease:

- our principal executive office located in the Dallas, Texas metropolitan area;
- four operating segment and geographic headquarters at two U.S. and two international locations; and
- five global business service centers at one U.S. and four international locations.

The locations of our and our equity affiliates' principal production facilities by major geographic areas of the world are as follows:

| Geographic Area:                         | Number of Facilities |
|--|----------------------|
| North America (in 15 states in the U.S.) | 31                   |
| Outside North America                    | 58                   |
| Total (in 35 countries)                  | 89                   |

Many of these facilities produce multiple products, some across multiple segments. Consumer tissue and KCP products are produced in 53 facilities and personal care products are produced in 50 facilities. We believe that our and our equity affiliates' facilities are suitable for their purpose, adequate to support their businesses and well maintained.



### ITEM 3. LEGAL PROCEEDINGS

See Item 8, Note 10 to the consolidated financial statements, which is incorporated in this Item 3 by reference, for information on legal proceedings.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of our executive officers as of February 7, 2019, together with certain biographical information, are as follows:

Achal Agarwal, 59, was elected President, K-C Asia-Pacific in 2012. He is responsible for our consumer business in our Asia-Pacific region. From 2008 to 2012, his title was President, K-C North Asia. Mr. Agarwal joined Kimberly-Clark from PepsiCo, Inc. where he served from March 2008 to June 2008 as Business Unit General Manager, Sub-Saharan Africa Beverages and Snacks and as Chief Operating Officer, Greater China Beverages from 2005 to February 2008.

J. Scott Boston, 56, was elected Senior Vice President and Chief Human Resources Officer in 2017. He is responsible for the design and implementation of all human capital strategies for Kimberly-Clark, including global compensation and benefits, talent management, diversity and inclusion, organizational effectiveness and corporate health services. From 2011 to April 2016, his title was Vice President HR K-C International and from April 2016 to December 2016, his title was Vice President of Global Talent Management, HR Strategy & Operations. Prior to joining Kimberly-Clark, Mr. Boston served as Senior Vice President, Human Resources, for McKesson Corporation.

Sergio Cruz, 52, was elected President, K-C Latin America in 2017. He is responsible for our consumer business in our Latin America region. From 2014 to January 2017, Mr. Cruz served as Vice President, K-C Brazil and from 2011 to 2013, he served as Managing Director and Vice President, K-C Eastern Europe. Mr. Cruz joined Kimberly-Clark in 2005 and has held a number of positions with increasing responsibility within our international business operations.

Thomas J. Falk, 60, was elected Executive Chairman of the Board in January 2019. Prior to that, he served as Chairman of the Board and Chief Executive Officer since 2003 and as President and Chief Executive Officer from 2002 to 2003. He served as President and Chief Operating Officer from 1999 to 2002. Mr. Falk previously had been elected Group President, Global Tissue, Pulp and Paper in 1998, where he was responsible for our global tissue businesses. Earlier in his career, Mr. Falk had responsibility for our North American Infant Care, Child Care and Wet Wipes businesses. Mr. Falk joined Kimberly-Clark in 1983 and has held other senior management positions. He has been a director of Kimberly-Clark since 1999. He also serves on the board of directors of Lockheed Martin Corporation, the Federal Reserve Bank of Dallas, Catalyst Inc., the Global Consumer Goods Forum, and the University of Wisconsin Foundation, and serves as a governor of the Boys & Girls Clubs of America.

Maria Henry, 52, was elected Senior Vice President and Chief Financial Officer in 2015. Prior to joining Kimberly-Clark, Ms. Henry served as Chief Financial Officer of Hillshire Brands Company, a branded food products company, from 2012 to 2014, and Chief Financial Officer of Sara Lee Corporation's North American Retail and Food Service business from 2011 to 2012. Prior to joining Sara Lee (the predecessor to Hillshire Brands) in 2011, Ms. Henry was Executive Vice President and Chief Financial Officer of Culligan International, where she was responsible for finance, strategy, business development and information technology. Before Culligan, Ms. Henry served as Chief Financial Officer of Vastera, Inc. She began her career at General Electric. She also serves on the board of directors of General Mills, Inc.

Michael D. Hsu, 54, was elected Chief Executive Officer in January 2019. Prior to that, he served as President and Chief Operating Officer since 2017, where he was responsible for the day-to-day operations of our business units, along with our global innovation, marketing and supply chain functions. He served as Group President, K-C North America from 2013 to 2016, where he was responsible for our consumer business in North America, as well as leading the development of new business strategies for global nonwovens. From 2012 to 2013, his title was Group President, North America Consumer Products. He has been a director of Kimberly-Clark since 2017. Prior to joining Kimberly-Clark, Mr. Hsu served as Executive Vice President and Chief Commercial Officer of Kraft Foods, Inc., from January 2012 to July 2012, as President of Sales, Customer Marketing and Logistics from 2010 to 2012 and as President of its grocery business unit from 2008 to 2010. Prior to that, Mr. Hsu served as President and Chief Operating Officer, Foodservice at H. J. Heinz Company. Mr. Hsu also serves on the board of trustees of United Way



U.S.A.

7 KIMBERLY-CLARK CORPORATION - 2018 Annual Report

---

Sandra MacQuillan, 52, was elected Senior Vice President and Chief Supply Chain Officer in 2015. She is responsible for procurement, manufacturing, logistics, quality, safety and sustainability. Ms. MacQuillan joined Kimberly-Clark from Mars Incorporated, a manufacturer of confectionery, pet food, and other food products, where she served from 2009 to 2015 as Global Vice President, Supply Chain, responsible for manufacturing, engineering and logistics for Mars' Global Petcare business.

Jeffrey Melucci, 48, was elected Senior Vice President - General Counsel in 2017. From January 2017 to September 2017, he served as Vice President, Senior Deputy General Counsel and General Counsel of Kimberly-Clark's Global Operations. From March 2013 to January 2017, he served as Vice President and Deputy General Counsel. He also served as Corporate Secretary from April 2014 to September 2017 and General Counsel of Kimberly-Clark International from March 2013 to December 2016. Mr. Melucci joined Kimberly-Clark from General Electric, where he served in multiple roles of increasing responsibility, most recently as General Counsel - Aviation Systems and Aviation Business Development.

Anthony J. Palmer, 59, was elected President - Global Brands and Innovation in 2012. Previously, he served as Senior Vice President and Chief Marketing Officer from 2006 to 2012. He leads the global development of our consumer categories through marketing, innovation, category and customer development and shopper marketing. In addition, he leads our global marketing, innovation and corporate research and development functions. Prior to joining Kimberly-Clark in 2006, he served in a number of senior marketing and general management roles at Kellogg Company from 2002 to 2006, including as Managing Director of Kellogg's United Kingdom business. He also serves on the board of directors of The Hershey Company.

Aaron Powell, 47, was elected President of K-C Professional in May 2018. He is responsible for our global professional business, which includes commercial tissue and wipers, skin care, safety and do-it-yourself products. From April 2018 to May 2018, he served as President, K-C Europe, Middle East & Africa (EMEA) and from 2016 to April 2018, he led our K-C Professional operations in North America. Prior to that, Mr. Powell held a number of positions of increasing responsibility within our EMEA operations, including Vice President and Managing Director, Central & Eastern Europe. Mr. Powell joined Kimberly-Clark in 2007.

Kimberly K. Underhill, 54, was elected Group President, K-C North America in May 2018. She is responsible for our consumer business in North America. From 2014 to May 2018, she served as President of K-C Professional, and from 2011 to 2014, she served as President, Consumer Europe. She joined Kimberly-Clark in 1988 and has held a number of positions with increasing responsibility within research and engineering, operations and marketing. She also serves on the board of directors of Foot Locker, Inc.

Tristram Wilkinson, 50, was elected President, K-C EMEA in August 2018. He is responsible for our consumer business in our EMEA region. From 2016 to August 2018, he served as Vice President and Managing Director, Central & Eastern Europe. Prior to that, Mr. Wilkinson held a number of positions of increasing responsibility within our EMEA operations, including Vice President and Managing Director, United Kingdom & Ireland. Mr. Wilkinson joined Kimberly-Clark in 1995.

PART  
IIITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

Kimberly-Clark common stock is listed on the New York Stock Exchange. The ticker symbol is KMB.

Quarterly dividends have been paid continually since 1935. Dividends have been paid on or about the second business day of January, April, July and October.

As of January 31, 2019, we had 19,734 holders of record of our common stock.

For information relating to securities authorized for issuance under equity compensation plans, see Part III, Item 12 of this Form 10-K.

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2018, we repurchased 7.3 million shares of our common stock at a cost of \$800 through a broker in the open market.

The following table contains information for shares repurchased during the fourth quarter of 2018. None of the shares in this table were repurchased directly from any of our officers or directors.

| Period (2018)             | Total Number of Shares Purchased <sup>(a)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs |
|---------------------------|---|------------------------------|--|--|
| October 1 to October 31   | 800,200   | \$ 109.08                    | 23,190,144   | 16,809,856   |
| November 1 to November 30 | 546,200   | 110.33                       | 23,736,344   | 16,263,656   |
| December 1 to December 31 | 457,000   | 113.56                       | 24,193,344   | 15,806,656   |
| Total                     | 1,803,400                                       |                              |  |  |

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

## ITEM 6. SELECTED FINANCIAL DATA

|  | Year Ended December 31 |                     |                     |                     |                     |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2018 <sup>(a)</sup>    | 2017 <sup>(b)</sup> | 2016 <sup>(c)</sup> | 2015 <sup>(d)</sup> | 2014 <sup>(e)</sup> |
| Net Sales  | \$18,486               | \$18,348            | \$18,287            | \$18,682            | \$19,817            |
| Gross Profit   | 5,597                  | 6,587               | 6,691               | 6,667               | 6,752               |
| Operating Profit   | 2,229                  | 3,358               | 3,383               | 3,038               | 2,619               |
| Share of Net Income of Equity Companies                                      | 103                    | 104                 | 132                 | 149                 | 146                 |
| Income from Continuing Operations  | 1,445                  | 2,319               | 2,219               | 1,066               | 1,545               |
| Income from Discontinued Operations, Net of Income Taxes                     | —                      | —                   | —                   | —                   | 50                  |
| Net Income   | 1,445                  | 2,319               | 2,219               | 1,066               | 1,595               |
| Net Income Attributable to Noncontrolling Interests in Continuing Operations | (35 )                  | (41 )               | (53 )               | (53 )               | (69 )               |
| Net Income Attributable to Kimberly-Clark Corporation                        | 1,410                  | 2,278               | 2,166               | 1,013               | 1,526               |
| Per Share Basis  |                        |                     |                     |                     |                     |
| Net Income Attributable to Kimberly-Clark Corporation                        |                        |                     |                     |                     |                     |
| Basic  |                        |                     |                     |                     |                     |
| Continuing operations  | 4.05                   | 6.44                | 6.03                | 2.78                | 3.94                |
| Discontinued operations  | —                      | —                   | —                   | —                   | 0.13                |
| Net income   | 4.05                   | 6.44                | 6.03                | 2.78                | 4.07                |
| Diluted  |                        |                     |                     |                     |                     |
| Continuing operations  | 4.03                   | 6.40                | 5.99                | 2.77                | 3.91                |
| Discontinued operations  | —                      | —                   | —                   | —                   | 0.13                |
| Net income   | 4.03                   | 6.40                | 5.99                | 2.77                | 4.04                |
| Cash Dividends   |                        |                     |                     |                     |                     |
| Declared   | 4.00                   | 3.88                | 3.68                | 3.52                | 3.36                |
| Paid   | 3.97                   | 3.83                | 3.64                | 3.48                | 3.33                |
| Total Assets   | 14,518                 | 15,151              | 14,602              | 14,842              | 15,526              |
| Long-Term Debt   | 6,247                  | 6,472               | 6,439               | 6,106               | 5,630               |
| Total Stockholders' Equity   | (46 )                  | 882                 | 117                 | 40                  | 999                 |

Results include pre-tax charges of \$1,036, \$783 after tax, related to the 2018 Global Restructuring Program and a (a) net charge of \$117 associated with U.S. tax reform related matters. See Item 8, Notes 2 and 12 to the consolidated financial statements for details.

(b) Results include other expense of \$24 and an income tax benefit of \$85 for U.S. tax reform related matters. See Item 8, Notes 5 and 12 to the consolidated financial statements for details.

(c) Results include other income of \$11 related to an updated assessment of the deconsolidation of our Venezuelan operations. Additionally, results were negatively impacted by pre-tax charges of \$35, \$27 after tax, related to the 2014 Organization Restructuring. See Item 8, Notes 1 and 3 to the consolidated financial statements for details.

(d) Results include pre-tax charges related to pension settlements of \$1,358, \$835 after tax, a \$45 nondeductible charge related to the remeasurement of the Venezuelan balance sheet and a pre-tax charge of \$108, \$102 after tax, related to the deconsolidation of our Venezuelan operations. Additionally, results were negatively impacted by pre-tax charges of \$63, \$42 after tax, related to the 2014 Organization Restructuring, and nondeductible charges of \$23 related to the restructuring of operations in Turkey. Also included is an income tax charge of \$49 related to prior years as a result of an updated assessment of uncertain tax positions in certain of our international operations.

(e) Results include pre-tax charges of \$133, \$95 after tax, related to the 2014 Organization Restructuring, pre-tax charges of \$33, \$30 after tax, related to European strategic changes, a nondeductible charge of \$462 related to the remeasurement of the Venezuelan balance sheet and a nondeductible charge of \$35, \$17 attributable to Kimberly-Clark Corporation, related to a regulatory dispute in the Middle East. Additionally, results were

negatively impacted by pre-tax charges of \$157, \$138 after tax, for transaction and related costs associated with the spin-off of the health care business (classified in discontinued operations).

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Introduction

This MD&A is intended to provide investors with an understanding of our recent performance, financial condition and prospects. This discussion and analysis compares 2018 results to 2017, and 2017 results to 2016. The reference to "N.M." indicates that the calculation is not meaningful. In addition, we provide commentary regarding organic sales growth, which describes the impact of changes in volume, product mix and net selling prices on net sales. Changes in foreign currency rates and acquisitions and divestitures also impact the year-over-year change in net sales. Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted.

The following will be discussed and analyzed:

• Overview of Business

• Overview of 2018 Results

• Results of Operations and Related Information

• Unaudited Quarterly Data

• Liquidity and Capital Resources

• Critical Accounting Policies and Use of Estimates

• Legal Matters

• New Accounting Standards

• Business Outlook

• Information Concerning Forward-Looking Statements

Certain prior period financial information related to our adoption of Accounting Standards Update No. 2017-07, Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU No. 2017-07") and the classification of costs associated with sales of K-C Professional ("KCP") dispensers has been recast. The recast has no impact on our earnings or earnings per share in any period. See Item 8, Note 1 to the consolidated financial statements for details.

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 gross and operating profit, adjusted net income, adjusted earnings per share, adjusted other (income) and expense, net, 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 to 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:

2018 Global Restructuring Program - In 2018, we initiated a restructuring program to reduce our structural cost base by streamlining and simplifying our manufacturing supply chain and overhead organization. See Item 8, Note 2 to the consolidated financial statements for details.

U.S. Tax Reform Related Matters - In 2018 and 2017, we recognized a net charge and a net benefit, respectively, associated with U.S. tax reform related matters. See Item 8, Note 12 to the consolidated financial statements for details.



**2014 Organization Restructuring** - In 2014, we initiated a 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. See Item 8, Note 3 to the consolidated financial statements for details.

**Adjustment Related to Venezuelan Operations** - Results in 2016 include other income related to the deconsolidation of our Venezuelan operations. See Item 8, Note 1 to the consolidated financial statements for details.

#### Overview of Business

We are a global company focused on leading the world in essentials for a better life, with manufacturing facilities in 33 countries and products sold in more than 175 countries. Our products are sold under well-known brands such as Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend. We have three reportable business segments: Personal Care, Consumer Tissue and KCP. These business segments are described in greater detail in Item 8, Note 14 to the consolidated financial statements.

In operating our business, we seek to:

- grow our portfolio of brands through innovation, category development and commercial execution,
- leverage our cost and financial discipline to fund growth and improve margins, and
- allocate capital in value-creating ways.

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.

Highlights for 2018 include the following:

• Net sales of \$18.5 billion increased 1 percent compared to 2017. Organic sales growth of more than 1 percent was partially offset by unfavorable changes in foreign currency exchange rates.

• In North America, organic sales increased 3 percent in K-C Professional and 1 percent in consumer products.

• Outside North America, organic sales increased 2 percent in D&E Markets and 1 percent in Developed Markets.

• Input cost inflation of \$795 was partially offset by \$375 in cost savings from our FORCE (Focused On Reducing Costs Everywhere) program and \$135 in cost savings from the 2018 Global Restructuring Program.

• Diluted earnings per share were \$4.03 in 2018 compared to \$6.40 in 2017, including charges from the 2018 Global Restructuring Program and U.S. tax reform related matters in 2018 and a net benefit from U.S. tax reform related matters in 2017.

We continue to focus on generating cash flow and allocating capital to shareholders. Cash provided by operations was \$3.0 billion in 2018. We raised our dividend in 2018 by 3.1 percent, the 46th consecutive annual increase in our dividend. Altogether, share repurchases and dividends in 2018 amounted to \$2.2 billion.

We are subject to risks and uncertainties, which can affect our business operations and financial results. See Item 1A, "Risk Factors" in this Form 10-K for additional information.

#### Overview of 2018 Results

• Net sales of \$18.5 billion increased 1 percent compared to the prior year, as growth in organic sales of more than 1 percent was partially offset by unfavorable changes in foreign currency exchange rates.

• Operating profit and Net Income Attributable to Kimberly-Clark Corporation were \$2,229 and \$1,410 in 2018 and \$3,358 and \$2,278 in 2017, respectively.

• Diluted earnings per share were \$4.03 in 2018 compared to \$6.40 in 2017. Results in 2018 included charges from the 2018 Global Restructuring Program of \$2.24 and a net charge of \$0.33 for U.S. tax reform related matters. Results in 2017 included a net benefit of \$0.17 from U.S. tax reform related matters.



## Results of Operations and Related Information

This section presents a discussion and analysis of net sales, operating profit and other information relevant to an understanding of 2018 results of operations.

## Consolidated

## Selected Financial Results

|   | Year Ended December 31 |         |        |      |         |        |
|---|------------------------|---------|--------|------|---------|--------|
|   | 2018                   | 2017    | Change |      | Change  |        |
|   |                        |         | 2018   | 2016 | 2017    | 2016   |
|   |                        |         | vs.    |      | vs.     |        |
|   |                        |         | 2017   |      | 2016    |        |
| Net Sales:  |                        |         |        |      |         |        |
| North America   | \$9,532                | \$9,437 | +1     | %    | \$9,592 | -2 %   |
| Outside North America                                 | 9,256                  | 9,228   | —      |      | 9,002   | +3 %   |
| Intergeographic sales                                 | (302 )                 | (317 )  | -5     | %    | (307 )  | +3 %   |
| Total Net Sales                                       | 18,486                 | 18,348  | +1     | %    | 18,287  | —      |
| Operating Profit:                                     |                        |         |        |      |         |        |
| North America   | 2,215                  | 2,331   | -5     | %    | 2,372   | -2 %   |
| Outside North America                                 | 1,127                  | 1,299   | -13    | %    | 1,264   | +3 %   |
| Corporate & Other <sup>(a)</sup>                      | (1,112 )               | (245 )  | N.M.   |      | (245 )  | N.M.   |
| Other (income) and expense, net <sup>(a)</sup>        | 1                      | 27      | -96    | %    | 8       | +238 % |
| Total Operating Profit                                | 2,229                  | 3,358   | -34    | %    | 3,383   | -1 %   |
| Provision for income taxes                            | (471 )                 | (776 )  | -39    | %    | (922 )  | -16 %  |
| Share of net income of equity companies               | 103                    | 104     | -1     | %    | 132     | -21 %  |
| Net Income Attributable to Kimberly-Clark Corporation | 1,410                  | 2,278   | -38    | %    | 2,166   | +5 %   |
| Diluted Earnings per Share                            | 4.03                   | 6.40    | -37    | %    | 5.99    | +7 %   |

<sup>(a)</sup> Corporate & Other and Other (income) and expense, net includes income and expenses not associated with the business segments, including adjustments as indicated in the Non-GAAP Reconciliations.

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

|   | Twelve Months Ended December 31, 2018 |                                   |                                 |                      |                      |
|---|---------------------------------------|-----------------------------------|---------------------------------|----------------------|----------------------|
|   | As Reported                           | 2018 Global Restructuring Program | U.S. Tax Reform Related Matters | As Adjusted Non-GAAP |                      |
|   |                                       |                                   |                                 | As Reported          | As Adjusted Non-GAAP |
| Cost of products sold                                 | \$12,889                              | \$ 541                            | \$ —                            | \$12,348             |                      |
| Gross Profit  | 5,597                                 | (541 )                            | —                               | 6,138                |                      |
| Marketing, research and general expenses              | 3,367                                 | 380                               | —                               | 2,987                |                      |
| Other (income) and expense, net                       | 1                                     | (12 )                             | —                               | 13                   |                      |
| Operating Profit                                      | 2,229                                 | (909 )                            | —                               | 3,138                |                      |
| Nonoperating expense                                  | (163 )                                | (127 )                            | —                               | (36 )                |                      |
| Provision for income taxes                            | (471 )                                | 243                               | (117 )                          | (597 )               |                      |
| Effective tax rate                                    | 26.0 %                                | —                                 | —                               | 21.0 %               |                      |
| Share of net income of equity companies               | 103                                   | (1 )                              | —                               | 104                  |                      |
| Net income attributable to noncontrolling interests   | (35 )                                 | 11                                | —                               | (46 )                |                      |
| Net Income Attributable to Kimberly-Clark Corporation | 1,410                                 | (783 )                            | (117 )                          | 2,310                |                      |
| Diluted Earnings per Share <sup>(a)</sup>             | 4.03                                  | (2.24 )                           | (0.33)                          | 6.61                 |                      |

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



Twelve Months Ended  
December 31, 2017

|   | U.S.<br>As Reported | Tax Reform<br>Related Matters | As Adjusted<br>Non-GAAP |
|---|---------------------|-------------------------------|-------------------------|
| Other (income) and expense, net                       | \$27                | \$ 24                         | \$ 3                    |
| Operating Profit                                      | 3,358               | (24 )                         | 3,382                   |
| Provision for income taxes                            | (776)               | 85                            | (861 )                  |
| Effective tax rate                                    | 25.9%               | —                             | 28.6 %                  |
| Net Income Attributable to Kimberly-Clark Corporation | 2,278               | 61                            | 2,217                   |
| Diluted Earnings per Share                            | 6.40                | 0.17                          | 6.23                    |

Twelve Months Ended December 31, 2016

|   | As Reported | Charges for<br>2014<br>Organization<br>Restructuring | Adjustment<br>Related to<br>Venezuelan<br>Operations | As Adjusted<br>Non-GAAP |
|---|-------------|--|--|-------------------------|
| Cost of products sold                                 | \$11,596    | \$ 6   | \$ —   | \$ 11,590               |
| Marketing, research and general expenses              | 3,300       | 32   | —  | 3,268                   |
| Other (income) and expense, net                       | 8           | (3 )   | (11 )  | 22                      |
| Operating Profit                                      | 3,383       | (35 )  | 11   | 3,407                   |
| Provision for income taxes                            | (922 )      | 8  | —  | (930 )                  |
| Effective tax rate                                    | 30.6 %      | —  | —  | 30.7 %                  |
| Net Income Attributable to Kimberly-Clark Corporation | 2,166       | (27 )  | 11   | 2,182                   |
| Diluted Earnings per Share                            | 5.99        | (0.07 )  | 0.03   | 6.03                    |

Analysis of Consolidated Results

| Net Sales              | Percent<br>Change<br>2018<br>vs.<br>2017 | Adjusted Operating Profit   | Percent<br>Change<br>2018<br>vs.<br>2017 |
|------------------------|--|-----------------------------|--|
| Volume                 | — 1                                      | Volume                      | 1 1                                      |
| Net Price              | — (1 )                                   | Net Price                   | 3 (7 )                                   |
| Mix/Other              | 1 —                                      | Input Costs                 | (24) (10 )                               |
| Currency               | (1) 1                                    | Cost Savings <sup>(c)</sup> | 15 13                                    |
| Total <sup>(a)</sup>   | 1 —                                      | Currency Translation        | — 1                                      |
|                        |  | Other <sup>(d)</sup>        | (2 ) 1                                   |
| Organic <sup>(b)</sup> | 1 —                                      | Total                       | (7 ) (1 )                                |

(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) Combined benefits of the FORCE program and 2018 Global Restructuring Program.

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

2018 vs. 2017

Net sales of \$18.5 billion increased 1 percent compared to the year-ago period. Organic sales increased more than 1 percent, as changes in product mix, net selling prices and sales volumes were all up slightly. Changes in foreign currency exchange rates decreased sales by approximately 1 percent. Operating profit was \$2,229 in 2018 and \$3,358 in 2017. Adjusted operating profit was \$3,138 in 2018 and \$3,382 in 2017. Results in 2018 were impacted by \$795 of

higher input costs, driven by \$460 in pulp and \$220 in other raw materials, along with unfavorable currency effects. Results benefited from organic sales growth, \$375 of FORCE cost savings and \$135 of cost savings from the 2018 Global Restructuring Program, and lower general and administrative costs.

The effective tax rate of 26 percent in 2018 was essentially even compared to the rate in 2017. The rate in 2018 included a net charge of \$117 related to U.S. tax reform related matters including finalization of provisional amounts related to the transition tax, remeasurement of deferred taxes, and our reassessment of permanently reinvested earnings, uncertain tax positions and valuation allowances, and to new guidance issued during 2018 impacting the transition tax and other actions taken in anticipation of the Tax Act. The 2017 provision for income taxes included a net benefit of \$85 related to such matters. See additional details in Item 8, Note 12 to the consolidated financial statements. The adjusted effective tax rate was 21 percent in 2018 compared to 28.6 percent in 2017. The adjusted effective tax rate in 2018 benefited from U.S. tax reform, along with planning initiatives and resolution of certain tax matters.

Our share of net income of equity companies was \$103 in 2018 and \$104 in 2017. Kimberly-Clark de Mexico, S.A.B. de C.V. ("KCM") results in 2018 benefited from organic sales growth and cost savings but were negatively impacted by higher input costs and unfavorable currency effects.

Diluted earnings per share were \$4.03 in 2018 and \$6.40 in 2017. Adjusted earnings per share were \$6.61 in 2018 and \$6.23 in 2017, driven by higher earnings, including the benefit of a lower effective tax rate, along with a lower share count.

2017 vs. 2016

Net sales of \$18.3 billion were up slightly compared to the year-ago period. Favorable foreign currency exchange rates benefited sales by less than 1 percent. Organic sales were similar year-on-year, as sales volumes increased about 1 percent. Changes in product mix increased sales slightly, while changes in net selling prices decreased sales by more than 1 percent. Operating profit was \$3,358 in 2017 and \$3,383 in 2016. Adjusted operating profit was \$3,382 in 2017 and \$3,407 in 2016. Results were impacted by lower net selling prices and \$355 of higher input costs. The comparison benefited from volume growth, \$450 of FORCE cost savings and lower marketing, research and general spending.

The effective tax rate of 25.9 percent in 2017 decreased compared to 30.6 percent in 2016. The rate in 2017 included a net benefit as a result of U.S. tax reform and related activity. This amount included a net expense of \$278 for the transition tax and a net benefit of \$202 for the remeasurement of deferred taxes associated with the corporate rate reduction and our reassessment of permanently reinvested earnings. In addition, it included a net benefit of \$152 for certain tax planning actions that were taken in the fourth quarter of 2017 in anticipation of the enactment of the Tax Act. See additional details in Item 8, Note 12 to the consolidated financial statements. The adjusted effective tax rate was 28.6 percent in 2017 and 30.7 percent in 2016.

Our share of net income of equity companies was \$104 in 2017 and \$132 in 2016. Kimberly-Clark de Mexico, S.A.B. de C.V. ("KCM") results in 2017 were impacted by higher input costs, partially offset by benefits from sales growth and cost savings.

Diluted earnings per share was \$6.40 in 2017 and \$5.99 in 2016 and adjusted earnings per share were \$6.23 in 2017 and \$6.03 in 2016. The change was driven by a lower share count and higher earnings.

## Business Segments

## Personal Care

|                        | 2018           | 2017     | 2016                        |                  | 2018     | 2017    | 2016    |
|------------------------|----------------|----------|-----------------------------|------------------|----------|---------|---------|
| Net Sales              | \$9,037        | \$9,078  | \$9,046                     | Operating Profit | \$1,833  | \$1,933 | \$1,884 |
| Net Sales              | Percent Change |          | Operating Profit            | Percent Change   |          |         |         |
|                        | 2018/2017      |          |                             | 2018/2017        |          |         |         |
|                        | vs. 2017       | vs. 2016 |                             | vs. 2017         | vs. 2016 |         |         |
| Volume                 | 1              | 1        | Volume                      | 2                | 2        |         |         |
| Net Price              | (1)            | (2)      | Net Price                   | (3)              | (9)      |         |         |
| Mix/Other              | 1              | 1        | Input Costs                 | (14)             | (7)      |         |         |
| Currency               | (2)            | 1        | Cost Savings <sup>(c)</sup> | 14               | 13       |         |         |
| Total <sup>(a)</sup>   | —              | —        | Currency Translation        | (1)              | 1        |         |         |
|                        |                |          | Other <sup>(d)</sup>        | (3)              | 3        |         |         |
| Organic <sup>(b)</sup> | 1              | (1)      | Total                       | (5)              | 3        |         |         |

(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) Combined benefits of the FORCE program and 2018 Global Restructuring Program.

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

## 2018 vs. 2017

Net sales of \$9.0 billion in 2018 were down slightly compared to 2017. Unfavorable changes in foreign currency exchange rates decreased sales by 2 percent. Sales volumes and changes in product mix each increased sales by 1 percent while net selling prices were down 1 percent. Operating profit of \$1,833 decreased 5 percent. The comparison was negatively impacted by input cost inflation and unfavorable currency effects which were partially offset by cost savings and organic sales growth.

Net sales in North America increased 1 percent. Sales volumes increased 3 percent, and changes in net selling prices decreased sales by 2 percent. Volumes increased mid-single digits in the infant and child care mega-category, as child care volumes rose high-single digits, including benefits from innovations, and Huggies diaper volumes were up low-single digits. Adult care volumes were up low-single digits, led by the Depend brand.

Net sales in D&E Markets decreased 3 percent. Changes in foreign currency exchange rates decreased sales by 6 percent, primarily in Latin America. Changes in product mix and net selling prices increased sales by 2 percent and 1 percent, respectively, while sales volume decreased slightly. The improvement in product mix was primarily in China, and the higher net selling prices were primarily in Latin America, partially offset by decreases in China. Volume decreases occurred primarily in China and Argentina, mostly offset by increases in Eastern Europe, Brazil and ASEAN.

Net sales in Developed Markets outside North America were even year-on-year. Favorable changes in foreign currency exchange rates, primarily in South Korea, and changes in product mix increased sales by 2 percent and 1 percent, respectively. Changes in net selling prices decreased sales by 2 percent, and sales volumes declined 1 percent.

## 2017 vs. 2016

Net sales of \$9.1 billion was up slightly compared to 2016. Favorable currency rates and higher sales volumes increased sales by 1 percent each, while changes in net selling prices decreased sales by 2 percent. Operating profit of \$1,933 increased 3 percent. The comparison benefited from volume growth, cost savings and reduced marketing, research and general spending, mostly offset by lower net selling prices and input cost inflation.

Net sales in North America decreased 2 percent. Changes in net selling prices reduced sales by more than 1 percent, including higher promotion spending in most categories, and sales volumes decreased slightly. Adult care volumes increased mid-single digits, including benefits from market growth and innovations on our Poise and Depend brands. On the other hand, volumes in



the infant and child care mega-category were down low single digits. Although volumes increased in Pull-Ups training pants, Huggies diaper volumes were down, impacted by competitive activity and a lower U.S. birth rate.

Net sales in D&E Markets increased 6 percent as sales volumes increased 5 percent and favorable currency rates increased sales by 1 percent. Sales benefited by 1 percent from changes in product mix and an additional slight benefit from our acquisition of our joint venture in India, offset by lower net selling prices of about 2 percent. The volume increase was driven by gains in Latin America, primarily Argentina and Brazil, China, Eastern Europe and Middle East/Africa.

Net sales in Developed Markets outside North America decreased about 6 percent. Sales volumes decreased 6 percent and changes in net selling prices decreased sales by 3 percent, partially offset by favorable currency rates of more than 1 percent and improved product mix of 1 percent. The volume declines were mostly in South Korea, which was impacted by a lower birth rate.

#### Consumer Tissue

|                        | 2018              | 2017    | 2016                        |                   | 2018  | 2017    | 2016    |
|------------------------|-------------------|---------|-----------------------------|-------------------|-------|---------|---------|
| Net Sales              | \$6,015           | \$5,932 | \$5,967                     | Operating Profit  | \$875 | \$1,052 | \$1,136 |
| Net Sales              | Percent<br>Change |         | Operating Profit            | Percent<br>Change |       |         |         |
|                        | 2018              | 2017    |                             | 2018              | 2017  |         |         |
|                        | vs.               | vs.     |                             | vs.               | vs.   |         |         |
|                        | 2017              | 2016    |                             | 2017              | 2016  |         |         |
| Volume                 | (1)               | —       | Volume                      | (3)               | (2)   |         |         |
| Net Price              | 2                 | (1)     | Net Price                   | 12                | (5)   |         |         |
| Mix/Other              | —                 | —       | Input Costs                 | (37)              | (13)  |         |         |
| Currency               | —                 | 1       | Cost Savings <sup>(c)</sup> | 15                | 11    |         |         |
| Total <sup>(a)</sup>   | 1                 | (1)     | Currency Translation        | 1                 | —     |         |         |
|                        |                   |         | Other <sup>(d)</sup>        | (5)               | 2     |         |         |
| Organic <sup>(b)</sup> | 1                 | (1)     | Total                       | (17)              | (7)   |         |         |

(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) Combined benefits of the FORCE program and 2018 Global Restructuring Program.

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

#### 2018 vs. 2017

Net sales of \$6.0 billion increased 1 percent compared to 2017. Changes in net selling prices increased sales by 2 percent while sales volumes decreased 1 percent. Operating profit of \$875 decreased 17 percent. The comparison was impacted by input cost inflation and lower volumes, partially offset by increased net selling prices and cost savings. Net sales in North America were even year-on-year. Changes in net selling prices increased sales by 2 percent while sales volumes decreased by 2 percent. The increased net selling prices reflect strategies executed during 2018 to improve net realized revenue.

Net sales in D&E Markets decreased 1 percent. Changes in foreign currency exchange rates decreased sales by 3 percent, primarily in Latin America. Changes in net selling prices increased sales by 2 percent, led by improvements in Latin America. Changes in product mix increased sales by 1 percent, and sales volumes decreased by 1 percent, primarily in Brazil.

Net sales in Developed Markets outside North America increased 7 percent. Changes in foreign currency exchange rates and net selling prices each increased sales by 3 percent, both driven by Western and Central Europe. Sales volumes increased by 2 percent, primarily in South Korea, partly offset by unfavorable changes in product mix of 1 percent.

#### 2017 vs. 2016

Net sales of \$5.9 billion decreased slightly compared to prior year. Changes in net selling prices decreased sales by 1 percent, mostly offset by favorable currency exchange rates. Operating profit of \$1,052 decreased 7 percent. The comparison was impacted by lower sales and input cost inflation, partially offset by cost savings and reduced



marketing, research and general spending.

17 KIMBERLY-CLARK CORPORATION - 2018 Annual Report

---

Net sales in North America decreased about 3 percent compared to prior year. Sales volumes decreased by 2 percent and changes in net selling prices decreased sales slightly. Volumes were down in bathroom tissue and facial tissue, and up in paper towels.

Net sales in D&E Markets increased 5 percent as sales volumes increased 5 percent, primarily in Latin America. Favorable currency rates increased sales by about 4 percent, while changes in net selling prices and product mix decreased sales by 3 percent and 1 percent, respectively.

Net sales in Developed Markets outside North America decreased about 1 percent. Changes in net selling prices decreased sales by 1 percent and sales volumes were slightly lower, partially offset by improved product mix.

K-C Professional

|           |         |         |         |                  |       |       |       |
|-----------|---------|---------|---------|------------------|-------|-------|-------|
|           | 2018    | 2017    | 2016    |                  | 2018  | 2017  | 2016  |
| Net Sales | \$3,382 | \$3,297 | \$3,235 | Operating Profit | \$634 | \$645 | \$616 |

|                        |                |      |                             |                |       |
|------------------------|----------------|------|-----------------------------|----------------|-------|
| Net Sales              | Percent Change |      | Operating Profit            | Percent Change |       |
|                        |                | 2017 |                             | 2018           | 2017  |
|                        | 2018 vs. 2017  | vs.  |                             | vs.            | vs.   |
|                        |                | 2016 |                             | 2017           | 2016  |
| Volume                 | 1              | 1    | Volume                      | 3              | 3     |
| Net Price              | 1              | (1 ) | Net Price                   | 3              | (3 )  |
| Mix/Other              | 1              | 1    | Input Costs                 | (21)           | (12 ) |
| Currency               | —              | 1    | Cost Savings <sup>(c)</sup> | 11             | 12    |
| Total <sup>(a)</sup>   | 3              | 2    | Currency Translation        | —              | 1     |
|                        |                |      | Other <sup>(d)</sup>        | 2              | 4     |
| Organic <sup>(b)</sup> | 3              | 1    | Total                       | (2 )           | 5     |

(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) Combined benefits of the FORCE program and 2018 Global Restructuring Program.

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

2018 vs. 2017

Net sales of \$3.4 billion increased 3 percent compared to 2017, as changes in sales volumes, net selling prices and product mix each benefited sales by 1 percent. Operating profit of \$634 decreased 2 percent. The comparison was impacted by input cost inflation which was partially offset by cost savings, organic sales growth, and lower marketing, research and general spending.

Net sales in North America increased about 3 percent. Sales volumes increased by 2 percent with higher volumes in all major product categories. The combined impact of changes in product mix and net selling prices increased sales by about 1 percent.

Net sales in D&E Markets increased about 1 percent as sales volumes increased 3 percent, led by increases in Asia-Pacific, and changes in net selling prices increased sales by 1 percent. Unfavorable changes in foreign currency exchange rates decreased sales by 3 percent, primarily driven by Latin America, and changes in product mix decreased sales about 1 percent.

Net sales in Developed Markets outside North America increased 3 percent as favorable changes in foreign currency exchange rates increased sales by 3 percent. Changes in net selling prices and product mix each increased sales by 1 percent, while sales volumes decreased by 2 percent. The favorable changes in foreign currency exchange rates and decrease in volumes were both primarily in Western and Central Europe.

2017 vs. 2016

Net sales of \$3.3 billion in 2017 increased 2 percent compared to 2016, including the benefit of favorable currency exchange rates of 1 percent. The combined impact from sales volume growth, changes in net selling prices, and changes in product mix increased sales by 1 percent. Operating profit of \$645 increased 5 percent. The comparison benefited from cost savings and lower marketing, research and general spending, partially offset by input cost inflation.



Net sales in North America increased about 1 percent. Sales volumes increased more than 1 percent, including growth in safety and other product categories. Changes in net selling prices decreased sales by about 1 percent.

Net sales in D&E Markets increased 5 percent as favorable currency exchange rates increased sales by 3 percent. Sales volumes increased 1 percent, and the combined impact of changes in product mix and net selling prices increased sales by 1 percent.

Net sales in Developed Markets outside North America increased 3 percent as sales volumes and higher net selling prices each increased sales by 1 percent. Favorable currency exchange rates benefited sales slightly.

#### 2018 Global Restructuring Program

In January 2018, we announced a new global restructuring program. The 2018 Global Restructuring Program will reduce our structural cost base by streamlining and simplifying the company's manufacturing supply chain and overhead organization. The program will make our overhead organization structure and manufacturing supply chain less complex and more efficient. We expect to close or sell approximately 10 manufacturing facilities and expand production capacity at several others. We expect to exit or divest some lower-margin businesses that generate approximately 1 percent of our net sales. The sales are concentrated in our consumer tissue business segment. The restructuring is expected to impact all of our business segments and our organizations in all major geographies. Workforce reductions are expected to be in the range of 5,000 to 5,500. Certain capital appropriations under the 2018 Global Restructuring Program are being finalized. Accounting for actions related to each appropriation will commence when the appropriation is authorized for execution.

The restructuring is expected to be completed by the end of 2020, with total costs anticipated to be \$1.7 billion to \$1.9 billion pre-tax (\$1.35 billion to \$1.5 billion after tax). Cash costs are expected to be \$900 to \$1.0 billion, primarily related to workforce reductions. Non-cash charges are primarily related to incremental depreciation, asset write-offs and pension settlement and curtailment charges. Annual pre-tax savings from the restructuring are expected to be \$500 to \$550 by 2021. In addition, to implement this program, we expect to incur incremental capital spending of approximately \$600 to \$700 by the end of 2020. Restructuring charges in 2019 are expected to be \$600 to \$750 pre-tax (\$470 to \$570 after tax).

We generated savings of \$135 in 2018 and expect to generate savings of \$100 to \$125 in 2019.

#### Unaudited Quarterly Data

|   | 2018 <sup>(a)</sup> |         |         |         | 2017    |         |         |         |
|---|---------------------|---------|---------|---------|---------|---------|---------|---------|
|   | Fourth              | Third   | Second  | First   | Fourth  | Third   | Second  | First   |
| Net Sales   | \$4,569             | \$4,582 | \$4,604 | \$4,731 | \$4,603 | \$4,665 | \$4,576 | \$4,504 |
| Gross Profit  | 1,402               | 1,416   | 1,455   | 1,324   | 1,608   | 1,667   | 1,652   | 1,660   |
| Operating Profit                                      | 639                 | 669     | 674     | 247     | 828     | 868     | 814     | 848     |
| Net Income  | 421                 | 462     | 465     | 97      | 625     | 579     | 540     | 575     |
| Net Income Attributable to Kimberly-Clark Corporation | 411                 | 451     | 455     | 93      | 617     | 567     | 531     | 563     |
| Per Share Basis-Diluted                               | 1.18                | 1.29    | 1.30    | 0.26    | 1.75    | 1.60    | 1.49    | 1.57    |

Quarterly results in 2018 were impacted by charges related to the 2018 Global Restructuring Program. See Item 8, (a) Note 2 to the consolidated financial statements for details.

#### Liquidity and Capital Resources

##### Cash Provided by Operations

Cash provided by operations was \$3.0 billion in 2018 compared to \$2.9 billion in 2017. The increase was driven by improved working capital and lower tax payments, mostly offset by lower earnings, payments related to the 2018 Global Restructuring Program and higher pension contributions. Cash provided by operations was \$3.2 billion in 2016. The decrease in 2017 compared to 2016 was driven by higher tax payments.

## Obligations

The following table presents our total contractual obligations for which cash flows are fixed or determinable.

|                                     | Total    | 2019    | 2020    | 2021  | 2022  | 2023  | 2024+   |
|-------------------------------------|----------|---------|---------|-------|-------|-------|---------|
| Long-term debt                      | \$6,973  | \$716   | \$758   | \$256 | \$304 | \$464 | \$4,475 |
| Interest payments on long-term debt | 3,063    | 222     | 209     | 191   | 183   | 177   | 2,081   |
| Operating leases                    | 538      | 160     | 123     | 85    | 57    | 41    | 72      |
| Unconditional purchase obligations  | 1,238    | 841     | 161     | 37    | 38    | 38    | 123     |
| Open purchase orders                | 2,096    | 1,763   | 291     | 31    | 6     | 3     | 2       |
| Total contractual obligations       | \$13,908 | \$3,702 | \$1,542 | \$600 | \$588 | \$723 | \$6,753 |

The unconditional purchase obligations are for the purchase of raw materials, primarily superabsorbent materials, pulp and utilities. Although we are primarily liable for payments on the above operating leases and unconditional purchase obligations, based on historic operating performance and forecasted future cash flows, we believe exposure to losses, if any, under these arrangements is not material.

The open purchase orders displayed in the table represent amounts for goods and services we have negotiated for delivery.

The table does not include amounts where payments are discretionary or the timing is uncertain. The following payments are not included in the table:

We will fund our defined benefit pension plans to meet or exceed statutory requirements and currently expect to contribute approximately \$25 to these plans in 2019.

Other postretirement benefit payments are estimated using actuarial assumptions, including expected future service, to project the future obligations. Based upon those projections, we anticipate making annual payments for these obligations of approximately \$60 through 2028.

Accrued income tax liabilities for uncertain tax positions, deferred taxes and noncontrolling interests.

## Investing

Our capital spending was \$0.9 billion in 2018 and \$0.8 billion 2017. We expect capital spending to be approximately \$1.1 billion to \$1.3 billion in 2019, including incremental spending associated with the 2018 Global Restructuring Program.

## Financing

We issue long-term debt in the public market periodically. Proceeds from the offerings are used for general corporate purposes, including repayment of maturing debt or outstanding commercial paper indebtedness. See Item 8, Note 5 to the consolidated financial statements for details.

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 \$495 as of December 31, 2018 (included in debt payable within one year on the consolidated balance sheet). The average month-end balance of short-term debt for the fourth quarter of 2018 was \$583 and for the twelve months ended December 31, 2018 was \$831. 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 December 31, 2018, total debt was \$7.5 billion compared to \$7.4 billion at December 31, 2017.

In June 2018, we entered into a \$2.0 billion revolving credit facility which expires in June 2023 and a \$500 revolving credit facility which expires in June 2019. These facilities, currently unused, replaced a similar \$2.0 billion facility, support our commercial paper program, and would provide liquidity in the event our access to the commercial paper markets is unavailable for any reason.

We paid \$1.4 billion in dividends in 2018. The Board of Directors approved a dividend increase of 3 percent for 2019. We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs.

During 2018, we repurchased 7.3 million shares of our common stock at a cost of \$800 through a broker in the open market. We are targeting full-year 2019 share repurchases between \$600 and \$900, subject to market conditions. Our subsidiaries in Argentina ("K-C Argentina") began accounting for their operations as highly inflationary effective July 1, 2018, as required by GAAP. Under highly inflationary accounting, K-C Argentina's functional currency became the U.S. dollar, and its income statement and balance sheet have been measured in U.S. dollars using both current and historical rates of exchange. The effect of changes in exchange rates on peso-denominated monetary assets and liabilities has been reflected in earnings in Other (income) and expense, net and was not material. As of December 31, 2018, K-C Argentina had a small net peso monetary position. Net sales of K-C Argentina were less than 2 percent of our consolidated net sales in 2018, 2017 and 2016.

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.

#### Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. The critical accounting policies we used in the preparation of the consolidated financial statements are those that are important both to the presentation of our financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to accruals for sales incentives and trade promotion allowances, pension and other postretirement benefits, deferred income taxes and potential income tax assessments. These critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

#### Sales Incentives and Trade Promotion Allowances

Trade promotion programs include introductory marketing funds such as slotting fees, cooperative marketing programs, temporary price reductions and other activities conducted by our customers to promote our products. Rebate and promotion accruals are based on estimates of the quantity of customer sales. Promotion accruals also consider estimates of the number of consumer coupons that will be redeemed and timing and costs of activities within the promotional programs. Generally, the estimated redemption value of consumer coupons and related expense are based on historical patterns of coupon redemption, influenced by judgments about current market conditions such as competitive activity in specific product categories, and the cost is recorded when the related revenue from customers is realized. Our related accounting policies are discussed in Item 8, Note 1 to the consolidated financial statements. The accounting policies for these programs did not materially change with the adoption, on January 1, 2018, of the Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers.

#### Employee Postretirement Benefits

Substantially all regular employees in the U.S. and the United Kingdom are covered by defined contribution retirement plans and certain U.S. and United Kingdom employees previously earned benefits covered by defined benefit pension plans that currently provide no future service benefit (the "Principal Plans"). Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. Our related accounting policies and account balances are discussed in Item 8, Note 7 to the consolidated financial statements.

Changes in certain assumptions could affect pension expense and the benefit obligations, particularly the estimated long-term rate of return on plan assets and the discount rate used to calculate the obligations:

Long-term rate of return on plan assets. The expected long-term rate of return is evaluated on an annual basis. In setting these assumptions, we consider a number of factors including projected future returns by asset class relative to the target asset allocation. Actual asset allocations are regularly reviewed and they are periodically rebalanced to the targeted allocations when considered appropriate.

As of December 31, 2018, the Principal Plans had cumulative unrecognized investment and actuarial losses of approximately \$1.5 billion. These unrecognized net losses may increase future pension expense if not offset by

(i) actual investment returns that exceed the assumed investment returns, (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, and whether such

accumulated actuarial losses at each measurement date exceed the "corridor" as required. If the expected long-term rate of return on assets for the Principal Plans were lowered by 0.25 percent, the impact on annual pension expense would not be material in 2019.

**Discount rate.** The discount (or settlement) rate used to determine the present value of our future U.S. pension obligation at December 31, 2018 was based on a portfolio of high quality corporate debt securities with cash flows that largely match the expected benefit payments of the plan. For the United Kingdom plan, the discount rate was determined based on yield curves constructed from a portfolio of high quality corporate debt securities. Each year's expected future benefit payments were discounted to their present value at the appropriate yield curve rate to determine the pension obligations. If the discount rate assumptions for these same plans were reduced by 0.25 percent, the increase in annual pension expense would not be material in 2019, and the December 31, 2018 pension liability would increase by about \$115.

**Other assumptions.** There are a number of other assumptions involved in the calculation of pension expense and benefit obligations, primarily related to participant demographics and benefit elections.

Pension expense for defined benefit pension plans is estimated to approximate \$90 in 2019, including incremental charges resulting from 2018 Global Restructuring Program actions. Pension expense beyond 2019 will depend on future investment performance, our contributions to the pension trusts, changes in discount rates and various other factors related to the covered participants in the plans.

Substantially all U.S. retirees and employees have access to our unfunded health care and life insurance benefit plans. Changes in significant assumptions could affect the consolidated expense and benefit obligations, particularly the discount rate used to calculate the obligations and the health care cost trend rate:

**Discount rate.** The determination of the discount rates used to calculate the benefit obligations of the plans is discussed in the pension benefit section above, and the methodology for each country is the same as the methodology used to determine the discount rate for that country's pension obligation. If the discount rate assumptions for these plans were reduced by 0.25 percent, the impact to 2019 other postretirement benefit expense and the increase in the December 31, 2018 benefit liability would not be material.

**Health care cost trend rate.** The health care cost trend rate is based on a combination of inputs including our recent claims history and insights from external advisers regarding recent developments in the health care marketplace, as well as projections of future trends in the marketplace.

#### Deferred Income Taxes and Potential Assessments

As a global organization, we are subject to income tax requirements in various jurisdictions in the U.S. and internationally. Changes in certain assumptions related to income taxes could significantly affect consolidated results, particularly with regard to valuation allowances on deferred tax assets, undistributed earnings of subsidiaries outside the U.S. and uncertain tax positions. Our income tax related accounting policies, account balances and matters affecting income taxes are discussed in Item 8, Note 12 to the consolidated financial statements.

**Deferred tax assets and related valuation allowances.** We have recorded deferred tax assets related to, among other matters, income tax loss carryforwards, income tax credit carryforwards and capital loss carryforwards and have established valuation allowances against these deferred tax assets. These carryforwards are primarily in non-U.S. taxing jurisdictions and in certain states in the U.S. Foreign tax credits earned in the U.S. in current and prior years, which cannot be used currently, also give rise to net deferred tax assets. In determining the valuation allowances to establish against these deferred tax assets, many factors are considered, including the specific taxing jurisdiction, the carryforward period, income tax strategies and forecasted earnings for the entities in each jurisdiction. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

**Undistributed earnings.** As of December 31, 2018, we have accumulated undistributed earnings generated by our foreign subsidiaries of approximately \$8.4 billion. Earnings of \$5.6 billion were previously subject to tax, primarily due to the one-time transition tax on foreign earnings required by the Tax Act. Any additional taxes due with respect to such previously-taxed earnings, if repatriated, would generally be limited to foreign and U.S. state income taxes.

Deferred taxes have been recorded for foreign and U.S. state income taxes on \$0.7 billion of earnings of foreign consolidated subsidiaries expected to be repatriated. We do not intend to distribute the remaining \$4.9 billion of previously-taxed





foreign earnings and therefore have not recorded deferred taxes for foreign and U.S. state income taxes on such earnings. While the transition tax resulted in a reduction of the excess of the amount for financial reporting over the tax basis in our foreign subsidiaries, any remaining amount of financial reporting over tax basis after such reduction could be subject to additional taxes, if repatriated. However, we consider any excess to be indefinitely reinvested. At this time, the determination of deferred tax liabilities on the amount of financial reporting over tax basis or the \$4.9 billion of previously-taxed foreign earnings is not practicable.

**Uncertain tax positions.** We record our global tax provision based on the respective tax rules and regulations for the jurisdictions in which we operate. Where we believe that a tax position is supportable for income tax purposes, the item is included in our income tax returns. Where treatment of a position is uncertain, a liability is recorded based upon the expected most likely outcome taking into consideration the technical merits of the position based on specific tax regulations and facts of each matter. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities or the expiration of the statute of limitations.

#### Legal Matters

See Item 8, Note 10 to the consolidated financial statements for information on legal matters.

#### New Accounting Standards

See Item 8, Note 1 to the consolidated financial statements for a description of new accounting standards and their anticipated effects on our consolidated financial statements.

#### Business Outlook

In 2019, we plan to focus on our strategies for long-term success, including growing our brands, leveraging our financial discipline and allocating capital in value-creating ways. In 2019, we expect earnings per share to be \$4.85 to \$5.35. Adjusted earnings per share are expected to be \$6.50 to \$6.70, which excludes 2018 Global Restructuring Program charges equivalent to \$1.35 to \$1.65. Our adjusted earnings per share guidance is based on the assumptions described below:

We expect net sales to decrease 1 to 2 percent. We anticipate changes in foreign currency exchange rates to have an unfavorable impact of 3 to 4 percent. Exited businesses in conjunction with the 2018 Global Restructuring Program are expected to reduce sales slightly, mostly in K-C Professional.

• We expect organic sales to increase approximately 2 percent, driven by higher net selling prices of at least 3 percent.

• We expect adjusted operating profit growth of 1 to 4 percent.

• We plan to achieve cost savings of \$400 to \$450, including \$300 to \$325 from our FORCE program and \$100 to \$125 from the 2018 Global Restructuring Program.

• We expect inflation in key cost inputs of \$300 to \$400. We anticipate the majority of the inflation to occur in international markets.

• We expect foreign currency translation effects to reduce operating profit by 2 to 3 percent and transaction effects to also negatively impact the comparison.

• We expect interest expense to increase somewhat year-on-year.

• We expect an adjusted effective tax rate of 23 to 25 percent compared to 21 percent in 2018. At the mid-point, the higher rate is equivalent to an approximate 3 ½ percent reduction in adjusted earnings per share.

• We expect net income from equity companies to be similar year-on-year.

#### Information Concerning Forward-Looking Statements

Certain matters contained in this report concerning the business outlook, including the anticipated cost savings from our FORCE program, costs and savings from the 2018 Global Restructuring Program, cash flow and uses of cash, growth initiatives, innovations, marketing and other spending, net sales, anticipated currency rates and exchange risks, including the impact in Argentina, 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, our ability to maintain key customer relationships 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.

The factors described under Item 1A, "Risk Factors" in this Form 10-K, or in our other SEC filings, among others, could cause our future results to differ from those expressed in any forward-looking statements made by us or on our behalf. Other factors not presently known to us or that we presently consider immaterial could also affect our business operations and financial results.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational enterprise, we are exposed to risks such as changes in foreign currency exchange rates, interest rates and commodity prices. A variety of practices are employed to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation. Foreign currency derivative instruments are primarily entered into with major financial institutions. Our credit exposure under these arrangements is limited to agreements with a positive fair value at the reporting date. Credit risk with respect to the counterparties is actively monitored but is not considered significant since these transactions are executed with a diversified group of financial institutions. Presented below is a description of our risks (foreign currency risk and interest rate risk) together with a sensitivity analysis, performed annually, of each of these risks based on selected changes in market rates and prices. These analyses reflect management's view of changes which are reasonably possible to occur over a one-year period. Also included is a description of our commodity price risk.

##### Foreign Currency Risk

A portion of our foreign currency risk is managed by the systematic use of foreign currency forward and swap contracts. The use of these instruments allows the management of transactional exposures to exchange rate fluctuations because the gains or losses incurred on the derivative instruments will offset, in whole or in part, losses or gains on the underlying foreign currency exposure.

Foreign currency contracts and transactional exposures are sensitive to changes in foreign currency exchange rates. An annual test is performed to quantify the effects that possible changes in foreign currency exchange rates would have on annual operating profit based on our foreign currency contracts and transactional exposures at the current year-end. The balance sheet effect is calculated by multiplying each affiliate's net monetary asset or liability position by a 10 percent change in the foreign currency exchange rate versus the U.S. dollar.

As of December 31, 2018, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of foreign currencies involving balance sheet transactional exposures would not be material to our consolidated financial position, results of operations or cash flows. This hypothetical loss on transactional exposures is based on the difference between the December 31, 2018 rates and the assumed rates.

Our operations in Argentina are reported using highly inflationary accounting and their functional currency is the U.S. dollar. Changes in the value of an Argentine peso versus the U.S. dollar applied to our net peso monetary position are recorded in Other (income) and expense, net at the time of the change. As of December 31, 2018, K-C Argentina had a small net peso monetary position and a 10 percent unfavorable change in the exchange rate would not be material.

The translation of the balance sheets of non-U.S. operations from local currencies into U.S. dollars is also sensitive to changes in foreign currency exchange rates. Consequently, an annual test is performed to determine if changes in currency exchange rates would have a significant effect on the translation of the balance sheets of non-U.S. operations into U.S. dollars. These translation gains or losses are recorded as unrealized translation adjustments ("UTA") within stockholders' equity. The hypothetical change in UTA is calculated by multiplying the net assets of these non-U.S. operations by a 10 percent change in the currency exchange rates. As of December 31, 2018, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of our foreign currency translation exposures would have reduced stockholders' equity by approximately \$550. In



the view of management, the above potential UTA adjustments resulting from these assumed changes in foreign currency exchange rates are not material to our consolidated financial position because they would not affect our cash flow.

#### Interest Rate Risk

Interest rate risk is managed through the maintenance of a portfolio of variable and fixed-rate debt composed of short and long-term instruments. The objective is to maintain a cost-effective mix that management deems appropriate. At December 31, 2018, the long-term debt portfolio was comprised of primarily fixed-rate debt. From time to time, we also hedge the anticipated issuance of fixed-rate debt and those contracts are designated as cash flow hedges. In order to determine the impact of changes in interest rates on our financial position or future results of operations, we calculated the increase or decrease in the market value of fixed-rate debt using a 10 percent change in current market interest rates and the rates governing these instruments. At December 31, 2018, a 10 percent decrease in interest rates would have increased the fair value of fixed-rate debt by about \$255, which would not have a significant impact on our financial statements as we do not record debt at fair value.

#### Commodity Price Risk

We are subject to commodity price risk, the most significant of which relates to the price of pulp. Selling prices of tissue products are influenced, in part, by the market price for pulp. As previously discussed under Item 1A, "Risk Factors," increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. In some instances, we utilize negotiated short-term contract structures to reduce pulp price volatility, but derivative instruments have not been used to manage these risks. Our energy, manufacturing and transportation costs are affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. As previously discussed under Item 1A, "Risk Factors," there can be no assurance we will be fully protected against substantial changes in the price or availability of energy sources. In addition, we are subject to price risk for utilities and manufacturing inputs, used in our manufacturing operations. Derivative instruments are used in accordance with our risk management policy to hedge a limited portion of the price risk.

ITEM 8. FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENT

|   | Year Ended December 31 |          |          |
|---|------------------------|----------|----------|
| (Millions of dollars, except per share amounts) | 2018                   | 2017     | 2016     |
| Net Sales                                       | \$18,486               | \$18,348 | \$18,287 |
| Cost of products sold                           | 12,889                 | 11,761   | 11,596   |
| Gross Profit                                    | 5,597                  | 6,587    | 6,691    |
| Marketing, research and general expenses        | 3,367                  | 3,202    | 3,300    |
| Other (income) and expense, net                 | 1                      | 27       | 8        |
| Operating Profit                                | 2,229                  | 3,358    | 3,383    |
| Nonoperating expense                            | (163 )                 | (59 )    | (66 )    |
| Interest income                                 | 10                     | 10       | 11       |
| Interest expense                                | (263                   |          |          |