Non-GAAP Financial Measures
Used in
Kimberly-Clark Corporation’s
Barclays Global Consumer Staples Conference
(September 2020)

In Kimberly-Clark Corporation’s presentation at the Barclays Global Consumer Staples Conference in September 2020, the following financial measures have not been calculated in accordance with generally accepted accounting principles in the U.S., or GAAP, and are therefore referred to as non-GAAP financial measures (“non-GAAP measures”):

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

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

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

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

- *2018 Global Restructuring Program.* In 2018, the company initiated a restructuring program to reduce our structural cost base by streamlining and simplifying our manufacturing supply chain and overhead organization. Restructuring charges were incurred in 2018, 2019 and 2020.
- *Property sale gain.* In 2019, the company recognized a gain on the sale of property associated with a former manufacturing facility that was closed in 2012 as part of a past restructuring.
- *U.S. tax reform related matters.* The company recognized a net charge in 2018 and a net benefit in 2017 associated with U.S. tax reform related matters.
- *Charges related to Venezuelan Operations.* In 2016 and 2015, the company recorded adjustments for the deconsolidation of its Venezuelan operations. In 2015, 2014, and 2013, the company recorded charges for the remeasurement of the local currency-denominated (bolivar) balance sheet in Venezuela. Additionally, the company recorded a one-time after-tax loss in 2010 for the remeasurement of the local currency balance sheet in Venezuela as a result of the adoption of highly inflationary accounting.
- *2014 organization restructuring and related charges*. In 2014, the company initiated a restructuring program in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of the company's health care business. The restructuring was completed by the end of 2016.

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

Return on Invested Capital

Return on Invested Capital ("ROIC") is a measure of the return we earn on the capital invested in our businesses. Maintaining ROIC is a primary objective of K-C Strategy 2022. Our incentive compensation plans also contain adjusted ROIC objectives. We calculate adjusted ROIC on a rolling average four quarter basis as follows:

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

Where for each of the most recent four quarters:

A = total reported operating profit for the period is adjusted for certain charges and benefits that are described in the supplemental information of non-GAAP financial measures

B = total reported nonoperating expense for the period is adjusted for certain charges and benefits that are described in the supplemental information of non-GAAP financial measures

C = average effective tax rate for the period adjusted to exclude the items in A and B above

D = total reported share of net income of equity companies is adjusted for certain charges and benefits that are described in the supplemental information of non-GAAP financial measures

E = average total assets for the period excluding lease assets

F = average total current liabilities for the period excluding current lease liabilities and redeemable securities of subsidiary, when applicable

G = average debt payable within one year for the period