

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2004**

OR

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

For the transition period from.....to.....

Commission file number **1-225**

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

No change
(Former name, former address and former fiscal year, if changed since last report)

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ . No ☐.

As of May 3, 2004, there were 501,325,408 shares of the Corporation's common stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

(Millions of dollars, except per share amounts)	Three Months Ended March 31	
	2004	2003
Net Sales	\$ 3,799.1	\$ 3,459.7
Cost of products sold	2,511.5	2,256.1
Gross Profit	1,287.6	1,203.6
Marketing, research and general expenses	624.8	588.9
Other (income) expense, net	14.5	35.4
Operating Profit	648.3	579.3
Nonoperating expense	(51.5)	--
Interest income	4.0	4.8
Interest expense	(38.7)	(43.0)
Income Before Income Taxes	562.1	541.1
Provision for income taxes	116.7	157.5
Income Before Equity Interests	445.4	383.6
Share of net income of equity companies	30.9	26.0
Minority owners' share of subsidiaries' net income	(17.0)	(11.9)
Net Income	\$ 459.3	\$ 397.7
Per Share Basis:		
Net Income		
Basic	\$.92	\$.78
Diluted	\$.91	\$.78
Cash Dividends Declared	\$.40	\$.34

Unaudited

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

(Millions of dollars)	March 31, 2004	December 31, 2003
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 329.0	\$ 290.6
Accounts receivable	1,962.3	1,955.1
Inventories	1,581.2	1,563.4
Other current assets	608.4	629.0
Total Current Assets	4,480.9	4,438.1
Property	15,445.7	15,179.5
Less accumulated depreciation	7,100.7	6,916.1
Net Property	8,345.0	8,263.4
Investments in Equity Companies	457.3	427.7
Goodwill	2,649.9	2,649.1
Other Assets	955.0	1,001.6
	\$ 16,888.1	\$ 16,779.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	\$ 638.4	\$ 864.3
Accounts payable	1,134.0	1,141.4
Accrued expenses	1,326.4	1,374.7
Other current liabilities	608.7	538.3
Total Current Liabilities	3,707.5	3,918.7
Long-Term Debt	2,811.7	2,733.7
Noncurrent Employee Benefit and Other Obligations	1,612.1	1,614.4
Deferred Income Taxes	883.8	880.6
Minority Owners' Interests in Subsidiaries	305.7	298.3
Preferred Securities of Subsidiary	574.4	567.9
Stockholders' Equity	6,992.9	6,766.3
	\$ 16,888.1	\$ 16,779.9

Unaudited

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Millions of dollars)	Three Months Ended March 31	
	2004	2003
Operations		
Net income	\$ 459.3	\$ 397.7
Depreciation	200.4	181.9
Changes in operating working capital	(42.6)	(31.7)
Deferred income tax provision	9.6	53.0
Equity companies' earnings in excess of dividends paid	(29.8)	(25.8)
Postretirement benefits	(15.5)	(63.4)
Other	33.8	9.0
Cash Provided by Operations	615.2	520.7
Investing		
Capital spending	(106.5)	(182.5)
Acquisitions of businesses, net of cash acquired	--	(37.3)
Proceeds from sales of investments	13.5	14.4
Net increase in time deposits	(6.9)	(84.6)
Investments in marketable securities	(4.0)	(5.4)
Other	14.3	(13.9)
Cash Used for Investing	(89.6)	(309.3)
Financing		
Cash dividends paid	(171.1)	(154.0)
Net decrease in short-term debt	(165.5)	(44.5)
Proceeds from issuance of long-term debt	22.1	6.3
Repayments of long-term debt	(114.9)	(12.5)
Proceeds from exercise of stock options	110.7	11.5
Acquisitions of common stock for the treasury	(166.7)	(129.0)
Other	1.4	(16.2)
Cash Used for Financing	(484.0)	(338.4)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3.2)	(3.7)
Increase (decrease) in Cash and Cash Equivalents	38.4	(130.7)
Cash and Cash Equivalents, beginning of year	290.6	494.5
Cash and Cash Equivalents, end of period	\$ 329.0	\$ 363.8

Unaudited

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The unaudited consolidated financial statements have been prepared on a basis consistent with that used in the Annual Report on Form 10-K for the year ended December 31, 2003, and include all normal recurring adjustments necessary to present fairly the condensed consolidated balance sheet, consolidated income statement and condensed consolidated cash flow statement for the periods indicated.

Note 2. Accounting Standards Change

In December 2003, the Financial Accounting Standards Board ("FASB") issued FIN 46 (Revised December 2003), *Consolidation of Variable Interest Entities, an Interpretation of ARB 51*, ("FIN 46R"). FIN 46R requires consolidation of variable interest entities ("VIEs") in which the Corporation is the primary beneficiary, despite not having voting control. Likewise, it does not permit consolidation of VIEs in which the Corporation has voting control but is not the primary beneficiary. Effective March 31, 2004, the Corporation adopted FIN 46R for its real estate entities described below and a synthetic fuel partnership, described in Note 5.

The Corporation is the primary beneficiary of certain real estate entities described in the balance of this paragraph. In 1994, the Corporation began participating in the U.S. affordable and historic renovation real estate markets. These investments generate income tax credits and tax losses that are used to reduce the Corporation's income tax liabilities. The Corporation has invested in these markets through (i) partnership arrangements in which it is a limited partner, (ii) limited liability companies ("LLCs") in which it is a nonmanaging member and (iii) investments in various funds in which the Corporation is one of many noncontrolling investors. These entities borrow money from third parties generally on a nonrecourse basis and invest in and own various real estate projects.

Because the Corporation is the primary beneficiary of certain of the previously described real estate entities, it is required to consolidate these entities. In accordance with the transition provisions of FIN 46R, the assets, liabilities and noncontrolling interest of these newly consolidated real estate entities have been recorded at the amounts at which they would have been carried in the consolidated financial statements as if FIN 46R had been effective when the Corporation first met the conditions to be the primary beneficiary of the VIE. The adoption of FIN 46R did not have a material effect on the Corporation's financial statements.

Note 3. Stock-Based Employee Compensation

The Corporation continues to account for stock-based compensation using the intrinsic-value method permitted by Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees*. No employee compensation for stock options has been charged to earnings because the exercise prices of all stock options granted have been equal to the market value of the Corporation's common stock at the date of grant. Information about net income and earnings per share as if the Corporation had applied the fair value expense recognition requirements of Statement of Financial Accounting Standards ("SFAS") 123, *Accounting for Stock-Based Compensation*, to all employee stock options granted is presented below:

Note 3. (Continued)

(Millions of dollars, except per share amounts)	Three Months Ended March 31	
	2004	2003
Net income, as reported	\$ 459.3	\$ 397.7
Less: Stock-based employee compensation determined under the fair value requirements of SFAS 123, net of income tax benefits	9.4	16.0
Pro forma net income	\$ 449.9	\$ 381.7
Earnings per share:		
Basic - as reported	\$.92	\$.78
Basic - pro forma	\$.90	\$.75
Diluted - as reported	\$.91	\$.78
Diluted - pro forma	\$.89	\$.75

The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and experience.

Note 4. Inventories

The following schedule presents inventories by major class as of March 31, 2004 and December 31, 2003:

(Millions of dollars)	March 31, 2004	December 31, 2003
At lower of cost on the First-In, First-Out (FIFO) method or market:		
Raw materials	\$ 337.7	\$ 353.8
Work in process	197.2	186.8
Finished goods	968.9	935.2
Supplies and other	239.4	238.1
	1,743.2	1,713.9
Excess of FIFO cost over Last-In, First-Out (LIFO) cost	(162.0)	(150.5)
Total	\$ 1,581.2	\$ 1,563.4

FIFO cost of total inventories on the LIFO method was \$729.0 million and \$663.8 million at March 31, 2004 and December 31, 2003, respectively.

Note 5. Synthetic Fuel Partnership

In 2003, the Corporation entered into an agreement whereby it acquired a 49.5 percent minority interest in a synthetic fuel partnership. Although the partnership is a VIE, the Corporation is not the primary beneficiary and the entity has not been consolidated. The Corporation's exposure to loss from this investment is minimal.

Note 5. (Continued)

The production of synthetic fuel results in pretax losses. In the first quarter of 2004, these pretax losses totaled \$51.5 million and are reported as nonoperating expense on the Corporation's income statement. The production of synthetic fuel results in tax credits as well as tax deductions for the nonoperating losses, which reduce the Corporation's income tax expense. In the first quarter of 2004, the Corporation's participation in the synthetic fuel partnership resulted in \$46.7 million of tax credits, and the nonoperating losses generated an additional \$18.0 million of tax benefits, which combined to reduce the Corporation's income tax provision by \$64.7 million.

Note 6. Components of Net Periodic Benefit Cost

In December 2003, the FASB issued SFAS 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, ("SFAS 132R"). The Corporation has adopted the interim period disclosure requirements of SFAS 132R as shown below.

	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Three Months Ended March 31			
	2004	2003	2004	2003
Service cost	\$ 23.9	\$ 20.2	\$ 4.8	\$ 4.3
Interest cost	78.0	74.9	12.4	12.8
Expected return on plan assets	(83.7)	(74.0)	--	--
Recognized net actuarial loss	24.0	19.0	1.0	.4
Other	2.4	2.9	.1	(.2)
Net periodic benefit cost	\$ 44.6	\$ 43.0	\$ 18.3	\$ 17.3

During the first quarter of 2004, the Corporation made approximately \$62 million of cash contributions to its pension trusts. As previously disclosed, the Corporation expects to make cash contributions to its pension trusts of approximately \$100 million in 2004.

Note 7. Earnings Per Share

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

	Average Common Shares Outstanding for the Three Months Ended March 31	
(Millions of shares)	2004	2003
Basic	501.8	510.3
Dilutive effect of stock options	3.2	.7
Dilutive effect of deferred compensation plan shares	.3	.3
Diluted	<u>505.3</u>	<u>511.3</u>

Options outstanding during the first quarter ended March 31, 2004 to purchase 11.1 million shares of common stock were not included in the computation of diluted EPS because the exercise prices of the options were greater than the average market price of the common shares.

Note 7. (Continued)

Options outstanding during the first quarter ended March 31, 2003 to purchase 26.8 million shares of common stock were not included in the computation of diluted EPS because the exercise prices of the options were greater than the average market price of the common shares.

The number of common shares outstanding as of March 31, 2004 and 2003 was 501.3 million and 509.0 million, respectively.

Note 8. Comprehensive Income

The following schedule presents the components of comprehensive income:

(Millions of dollars)	Three Months Ended March 31	
	2004	2003
Net Income	\$ 459.3	\$ 397.7
Unrealized currency translation adjustments, net of tax	4.0	120.9
Deferred gains (losses) on cash flow hedges, net of tax	6.2	(1.8)
Unrealized holding gains on marketable securities	--	.5
Comprehensive income	<u>\$ 469.5</u>	<u>\$ 517.3</u>

Note 9. Description of Business Segments

The Corporation is organized into operating segments based on product groupings. These operating segments have been aggregated into three reportable global business segments: Personal Care; Consumer Tissue; and Business-to-Business. Each reportable segment is headed by an executive officer who reports to the Chief Executive Officer and is responsible for the development and execution of global strategies to drive growth and profitability of the Corporation's worldwide personal care, consumer tissue and business-to-business operations. These strategies include global plans for branding and product positioning, technology and research and development programs, cost reductions including supply chain management, and capacity and capital investments for each of these businesses.

On January 19, 2004, the Corporation announced organizational changes affecting the composition of the Personal Care and Consumer Tissue segments. As part of the reorganization, the baby wipes business was moved from Consumer Tissue to Personal Care.

The principal sources of revenue in each of the global business segments are described below.

The Personal Care segment manufactures and markets disposable diapers, training and youth pants and swimpants; baby wipes; feminine and incontinence care products; and related products. Products in this segment are primarily for household use and are sold under a variety of brand names, including Huggies, Pull-Ups, Little Swimmers, GoodNites, Kotex, Lightdays, Depend, Poise and other brand names.

The Consumer Tissue segment manufactures and markets facial and bathroom tissue, paper towels and napkins for household use; and related products. Products in this segment are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Page and other brand names.

Note 9. (Continued)

The Business-to-Business segment manufactures and markets facial and bathroom tissue, paper towels, wipers and napkins for away-from-home use; health care products such as surgical gowns, drapes, infection control products, sterilization wraps, disposable face masks and exam gloves, respiratory products, and other disposable medical products; printing, premium business and correspondence papers; specialty and technical papers; and other products. Products in this segment are sold under the Kimberly-Clark, Kleenex, Scott, Kimwipes, WypAll, Surpass, Safeskin, Tecnol, Ballard and other brand names.

The following schedule presents information concerning consolidated operations by business segment including the effects of the reorganization. The 2003 Net Sales and Operating Profit reflect reclassification of the baby wipes business.

(Millions of dollars)	Three Months Ended March 31	
	2004	2003
NET SALES:		
Personal Care	\$ 1,480.1	\$ 1,385.3
Consumer Tissue	1,342.0	1,222.5
Business-to-Business	1,029.6	887.8
Intersegment sales	(52.6)	(35.9)
Consolidated	<u>\$ 3,799.1</u>	<u>\$ 3,459.7</u>
OPERATING PROFIT (reconciled to income before income taxes):		
Personal Care	\$ 326.5	\$ 291.9
Consumer Tissue	201.9	202.1
Business-to-Business	165.9	144.5
Other income (expense) - net	(14.5)	(35.4)
Unallocated items - net	(31.5)	(23.8)
Total Operating Profit	<u>648.3</u>	<u>579.3</u>
Nonoperating expense	(51.5)	--
Interest income	4.0	4.8
Interest expense	(38.7)	(43.0)
Income Before Income Taxes	<u>\$ 562.1</u>	<u>\$ 541.1</u>

Note: Unallocated items – net, consists of expenses not associated with the business segments.

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

Introduction

This management's discussion and analysis of financial condition and results of operations is intended to provide investors with an understanding of the Corporation's recent performance, its financial condition and its prospects. We will discuss and provide our analysis of the following:

- o Overview of First Quarter 2004 Results
- o Business Segments
- o Results of Operations and Related Information
- o Liquidity and Capital Resources
- o Environmental Matters
- o Business Outlook

Overview of First Quarter 2004 Results

During the first quarter of 2004, despite continued intense competitive pressures, the Corporation achieved record net sales, and, continued to make progress under its strategic plan which focuses on brand building, sustainable cost reduction and capital effectiveness.

- o Net sales grew nearly 10 percent.
 - o Net sales increased in each of the three business segments and in each geographic region.
 - o Sales volume gains were led by child care and diapers in North America. Other key contributors were Viva and Scott towels in North America, Andrex bathroom tissue in the UK and our health care products globally. All posted double-digit volume growth. Volumes increased 7 percent for K-C Professional's brands in North America.
 - o Market share gains for Huggies diapers and Pull-Ups training pants continued in North America.
- o Operating profit advanced almost 12 percent and net income increased over 15 percent.
 - o Cost savings of about \$40 million were achieved with contributions from each of the three business segments.
 - o Net income benefited from a lower effective tax rate.
- o We continued to generate strong cash flow.
 - o Cash provided by operations was \$615 million, an 18 percent increase over last year.

Business Segments

On January 19, 2004, the Corporation announced organizational changes that, while maintaining its three global business segments – Personal Care, Consumer Tissue and Business-to-Business – for financial reporting purposes, changed the composition of the segments. The baby wipes business was moved to the Personal Care segment from the Consumer Tissue segment. Financial information related to the baby wipes business for prior periods was reclassified to reflect this organizational change.

Results of Operations and Related Information

This section presents a discussion and analysis of our first quarter 2004 net sales, operating profit and other information relevant to an understanding of our results of operations.

First Quarter of 2004 Compared With First Quarter of 2003

Analysis of Net Sales

By Business Segment
(Millions of dollars)

Net Sales	2004	2003
Personal Care	\$ 1,480.1	\$ 1,385.3
Consumer Tissue	1,342.0	1,222.5
Business-to-Business	1,029.6	887.8
Intersegment sales	(52.6)	(35.9)
Consolidated	\$ 3,799.1	\$ 3,459.7

Commentary:

2004 versus 2003

Percent Change in Net Sales Versus Prior Year							
Change Due To							
Volume							
	Total Change	Total Volume	Organic Growth	Acquisitions	Net Price	Currency	Other
Consolidated	10	6	5	1	(2)	5	1
Personal Care	7	4	4	--	(2)	5	--
Consumer Tissue	10	8	4	4	(2)	6	(2)
Business-to-Business	16	8	8	--	(2)	5	5

Consolidated net sales for the first quarter of 2004 were 9.8 percent higher than in 2003. Overall sales volumes increased more than 6 percent, including more than 1 percent from the consolidation of Klabin-Kimberly S.A. ("Klabin"), the Corporation's former equity affiliate in Brazil and the acquisition of Klucze, Poland's leading consumer tissue company, which occurred in August 2003 and February 2003, respectively. Favorable currency effects contributed slightly more than 5 percent to the growth in net sales. Net selling prices were nearly 2 percent lower than last year due to competitive promotional activity.

Market Shares

U.S. market shares are tracked on a sales dollar basis with information provided by A.C. Nielson for distribution through the food, drug and mass merchandising channels, excluding Wal-Mart, warehouse clubs, dollar stores and certain other small outlets. These customers do not report market share by brand.

Shown below are our U.S. market shares for key categories for the first quarter of 2004 and 2003:

Category	2004	2003
Diapers	40%	38%
Training, Youth and Swim Pants	70%	66%
Feminine Care	21%	22%
Adult Incontinence Care	56%	56%
Facial Tissue	53%	54%
Bathroom Tissue	29%	28%
Paper Towels	20%	19%
Baby Wipes	42%	41%

Highlighting the first quarter 2004 sales volume gains were a third consecutive quarter of double-digit growth for child care products in North America, driven by record shipments of Pull-Ups training pants, and mid single-digit growth for Huggies diapers in North America. Other areas of volume strength included Health Care products globally, K-C Professional in North America, Consumer Tissue in North America and Europe and operations in Eastern Europe and the Middle East.

- o Personal care net sales increased 6.8 percent from last year. Favorable currency effects contributed about 5 percent of the advance while higher sales volumes of more than 4 percent were partially offset by nearly 2 percent lower net selling prices.

In North America, personal care sales volumes increased approximately 7 percent versus the prior year, driven by the previously mentioned record shipments of Pull-Ups training pants along with high single-digit volume gains for Depend and Poise incontinence care products. Huggies baby wipes also contributed to the volume growth, while new Huggies Convertibles diaper-pants and rising sales of improved Huggies Supreme diapers keyed an overall volume improvement of 4 percent for Huggies diapers in the region. Competitive pricing and promotional activity during the quarter resulted in a reduction in net selling prices of less than 2 percent.

Personal care net sales in Europe rose approximately 3 percent. Favorable currency effects increased net sales about 13 percent. However, sales volumes declined more than 6 percent on lower diaper sales, and net selling prices declined almost 3 percent. In developing and emerging markets, personal care net sales rose almost 12 percent as strong sales of Huggies diapers helped drive double-digit volume growth in Australia, Eastern Europe and the Middle East. Favorable currency effects in Australia and Brazil also contributed to the increase in net sales.

- o Consumer tissue net sales increased 9.8 percent, driven by volume growth of almost 8 percent and currency effects, primarily in Europe and Australia, of nearly 6 percent. Net selling prices declined less than 2 percent from the first quarter of 2003, mainly due to competitive promotional activity in North America and Europe.

In North America, sales volumes of consumer tissue products rose 5 percent while net selling prices were almost 3 percent lower. Sales volumes of Viva and Scott towels increased at a double-digit rate and shipments of Kleenex facial tissue and Scott bathroom tissue also rose. In Europe, consumer tissue net sales advanced about 20 percent on nearly 9 percent volume growth and improvement in currency exchange rates for the euro and the British pound. Excluding the Klucze acquisition, sales volumes rose 4 percent primarily due to strong sales of Andrex bathroom tissue. Net selling prices were more than 2 percent lower because of promotional activity. Consumer tissue net sales in developing and emerging markets increased nearly 29 percent primarily as a result of the consolidation of Klabin and currency benefits in Australia.

- o Net sales of business-to-business products increased 16.0 percent compared with last year. Overall sales volumes advanced nearly 8 percent, driven by almost 11 percent growth for health care products globally and more than 7 percent growth for K-C Professional's brands in North America. Favorable currency effects boosted net sales by approximately 5 percent. The segment also benefited from higher intercompany sales. Net selling prices decreased more than 2 percent, as prices for health care products declined about 4 percent and K-C Professional selling prices in North America were more than 2 percent lower.

Analysis of Results by Geography
(Millions of dollars)

Net Sales	2004	2003
North America	\$ 2,308.0	\$ 2,196.9
Outside North America	1,622.9	1,391.4
Intergeographic sales	(131.8)	(128.6)
Consolidated	\$ 3,799.1	\$ 3,459.7

Commentary:

- o Net sales in North America increased 5.1 percent with each of the segments contributing to the gain primarily due to higher sales volumes, tempered by lower net selling prices.
- o Net sales outside North America increased 16.6 percent because of the favorable currency effects, particularly in Europe and Australia, and the consolidation of Klabin and the acquisition of Klucze.

Analysis of Operating Profit

By Business Segment
(Millions of dollars)

Operating Profit	2004	2003
Personal Care	\$ 326.5	\$ 291.9
Consumer Tissue	201.9	202.1
Business-to-Business	165.9	144.5
Other income (expense) - net	(14.5)	(35.4)
Unallocated items - net	(31.5)	(23.8)
Consolidated	\$ 648.3	\$ 579.3

Note: Unallocated items - net, consists of expenses not associated with the business segments.

Commentary:

2004 versus 2003

Percent Change in Operating Profit Versus Prior Year						
	Change Due To					
	Total Change	Volume	Net Price	Fiber Cost	Currency	Other (a)
Consolidated	12	12	(12)	(3)	4	11
Personal Care	12	10	(8)	--	3	7
Consumer Tissue	--	8	(11)	(7)	3	7
Business-to-Business	15	16	(15)	(3)	5	12

(a) Includes cost savings achieved.

Consolidated operating profit in the first quarter of 2004 increased 11.9 percent from the prior year. The combined benefits of sales volume growth, favorable currency effects, about \$40 million of cost savings and lower other expense, net more than offset \$65 million of reduced net selling prices and more than \$15 million of higher fiber costs.

- o Personal care segment operating profit increased 11.9 percent due to the higher sales volumes, cost management programs and favorable currency effects, tempered by reduced net selling prices. The higher sales volumes and cost savings in North America led the segment's overall gains. Operating profit in Europe declined due to lower sales volumes and reduced net selling prices. In the developing and emerging markets, overall operating profit grew primarily on the strength of higher sales volumes and favorable currency effects in Australia.
- o Consumer tissue segment operating profit was essentially even with last year as higher sales volumes and cost savings were offset by increased fiber costs and lower net selling prices. Operating profit in North America declined primarily because of lower net selling prices and increased fiber costs more than offset the higher sales volumes and cost savings. In Europe, operating profit advanced on higher volumes, cost management programs and favorable currency that outweighed the effect of lower net selling prices. Operating profit in the developing and emerging markets grew primarily because of higher sales in the Middle East, Africa and Eastern Europe.
- o Business-to-business segment operating profit increased 14.8 percent due to higher sales volumes, cost management savings and favorable currency effects. Global health care's operating profit increased on the strength of the higher sales volumes and favorable currency that more than offset lower net selling prices. Operating profit for K-C Professional increased, led by cost savings in North America and favorable currency, principally in Europe.
- o Other income (expense), net in 2004 included lower currency transaction losses than in 2003. In addition, 2003 included a charge of \$15.6 million, or \$.02 per share, as a result of a legal judgment related to a 1987 European government grant to a facility that was sold in 1998.

Analysis of Results by Geography
(Millions of dollars)

Operating Profit	2004	2003
North America	\$ 535.1	\$ 498.7
Outside North America	158.6	139.8
Other income (expense) - net	(14.5)	(35.4)
Unallocated items - net	(30.9)	(23.8)
Consolidated	\$ 648.3	\$ 579.3

Note: Unallocated items – net, consists of expenses not associated with the business segments.

- o Operating profit in North America advanced 7.3 percent due to the cost savings programs in each of the segments and the higher sales volumes, partially offset by the lower net selling prices and higher fiber costs.
- o Operating profit outside North America increased 13.4 percent led by the gains in personal care in Australia and favorable currency effects from K-C Professional in Europe.

Additional Income Statement Commentary

- o Nonoperating expense of \$51.5 million for the first quarter of 2004 is the Corporation's pretax loss associated with its ownership interest in the synthetic fuel partnership described in Note 5.
- o Interest expense decreased 10.0 percent primarily due to a lower average level of debt.
- o The Corporation's effective income tax rate was 20.8 percent in 2004 compared with 29.1 percent in 2003. The lower effective tax rate was due to the benefits from the Corporation's ownership interest in the synthetic fuel partnership. The first quarter 2004 benefits from this investment were higher than anticipated at the end of 2003.
- o The Corporation's share of net income of equity companies increased from \$26.0 million in 2003 to \$30.9 million in 2004 primarily due to higher earnings at Kimberly-Clark de Mexico, S.A. de C.V. ("KCM"). The increase was mainly attributable to currency effects as changes in the value of the Mexican peso depressed the prior year's results. Meanwhile, KCM's sales rose 10 percent, highlighted by continued double-digit volume growth in its consumer businesses; however, higher raw material costs caused a 6 percent decline in operating profit for the quarter. KCM recently announced price increases for most of its consumer products effective in the third quarter to offset the cost inflation.
- o Minority owners' share of subsidiaries' net income increased 42.9 percent, primarily due to higher returns on the preferred securities of the Corporation's consolidated foreign financing subsidiary. In September 2003, these preferred securities were restructured from a variable rate of return to a fixed rate.

Liquidity and Capital Resources

- o Cash provided by operations for the first three months of 2004 increased \$94.5 million compared with 2003 primarily due to the higher levels of net income and non-cash charges included in net income in 2004. Higher payments of income tax liabilities were partially offset by lower pension contributions in the first quarter of 2004 compared with 2003.

- o During the first quarter of 2004, the Corporation made contributions of approximately \$62 million to its pension trusts, including \$50 million to its U.S. defined benefit pension trust. This compares with contributions of approximately \$108 million during the first quarter of 2003 that included \$100 million to the Corporation's U.S. defined benefit pension trust. Also during the first quarter of 2004, the Corporation made cash payments of its income tax liabilities that were approximately \$54 million higher than in the first quarter of 2003 as that period benefited from income tax refunds.
- o Capital spending in the first quarter of 2004 was lower compared with 2003, primarily due to the timing of initiating spending on projects. The Corporation expects that capital spending for the full year 2004 will not exceed its spending target of \$750 million.
- o During the first quarter of 2004, the Corporation repurchased 2.6 million shares of its common stock at a cost of approximately \$163 million. Because of its strong cash flow, the Corporation has announced its intention to increase the level of share repurchases in 2004 from \$500 million or more to approximately \$1 billion, as market conditions permit.
- o At March 31, 2004, total debt and preferred securities was \$4.0 billion, a decrease of \$0.2 billion from the prior year end.
- o Management believes that the Corporation's ability to generate cash from operations and its capacity to issue short-term and long-term debt are adequate to fund working capital, capital spending, payment of dividends and other needs in the foreseeable future.

Environmental Matters

The Corporation has been named a potentially responsible party under the provisions of the federal Comprehensive Environmental Response, Compensation and Liability Act, or analogous state statutes, at a number of waste disposal sites, none of which, individually or in the aggregate, in management's opinion, is likely to have a material adverse effect on the Corporation's business, financial condition or results of operations.

Business Outlook

The Corporation's priorities for the balance of the year and beyond center on delivering results in line with the long-term objectives set forth in its Global Business Plan announced in July 2003. The Corporation remains focused on driving top- and bottom-line growth, generating strong cash flow and improving capital efficiency. Given our first quarter performance and plans in place for the year, we continue to believe that our targets of 3 to 5 percent volume growth and \$150 million of cost reductions in 2004 are reasonable. All in all, we believe that earnings per share this year will be toward the high end of our targeted range of \$3.55 to \$3.65.

As for the second quarter, we expect to overcome recent increases in fiber, polymer and oil costs to deliver earnings in a range of 87 to 89 cents per share, an improvement of 6 to 9 percent compared with earnings of 82 cents per share in 2003. This is in line with external expectations and consistent with our bottom-line growth targets both for 2004 and longer-term.

The Corporation's Consumer Tissue business plans to raise prices in the U.S. during the third quarter of 2004 to offset inflation in key raw material inputs, particularly fiber, as well as higher energy costs.

The Corporation expects that, based on additional synthetic fuel tax benefits, its effective income tax rate for the year will be approximately 24 percent versus the previous forecast of 25 to 26 percent. The additional tax benefits, net of related nonoperating expenses, should total approximately \$10 million.

A majority of this net benefit was recognized in the first quarter and the balance will be recorded in the second quarter. As a result, the effective tax rate is anticipated to be 22 to 23 percent in the second quarter, before increasing to 25 to 26 percent in the second half of the year.

The Corporation is continuing with the evaluation of the previously announced potential tax-free spin-off later this year of its Neenah Paper and Technical Paper businesses along with its Canadian pulp operations. It is anticipated that the Board of Directors will review the potential transaction in late second quarter 2004.

Information Concerning Forward-Looking Statements

Certain matters discussed in this report concerning, among other things, the business outlook, including new product introductions, cost savings, anticipated financial and operating results, strategies, contingencies and contemplated transactions of the Corporation, constitute forward-looking statements and are based upon management's expectations and beliefs concerning future events impacting the Corporation. There can be no assurance that these events will occur or that the Corporation's results will be as estimated.

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 the control of the Corporation, including the prices of the Corporation's raw materials, potential competitive pressures on selling prices or advertising and promotion expenses for the Corporation's products, and fluctuations in foreign currency exchange rates, as well as general economic conditions in the markets in which the Corporation does business, also could impact the realization of such estimates.

For a description of these and other factors that could cause the Corporation's future results to differ materially from those expressed in any such forward-looking statements, see the section Part 1 of Item I of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003 entitled "Factors That May Affect Future Results."

Item 4. Controls and Procedures.

As of March 31, 2004, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective as of March 31, 2004. There have been no significant changes during the quarter covered by this report in the Corporation's internal control over financial reporting or in other factors that could significantly affect internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2. Stock Repurchases.

The Corporation regularly repurchases shares of Kimberly-Clark common stock pursuant to publicly announced share repurchase programs. All share repurchases by the Corporation were made through brokers on the New York Stock Exchange. During 2004, the Corporation anticipates purchasing up to \$1 billion worth of its common stock. The following table contains information for shares repurchased during the first quarter of 2004. None of the shares in this table were repurchased directly from any officer or director of the Corporation.

Period (2004)	Shares Purchased (1)	Average Cost Per Share	Cumulative Number of Shares Purchased Pursuant To The Plan	Remaining Shares That May Be Repurchased
January 1 to 31	260,000	\$58.997	1,010,000	18,990,000
February 1 to 29	630,000	\$60.849	1,640,000	18,360,000
March 1 to 31	1,740,000	\$62.639	3,380,000	16,620,000
Total	2,630,000	\$61.850		

- (1) All share repurchases during the three months ended March 31, 2004 were made pursuant to a share repurchase program authorized by the Corporation's board of directors on February 18, 2003 and announced the same day, which allowed for the repurchase of 20 million shares in an amount not to exceed \$1.5 billion.

In addition, during January, February and March 2004, 158 shares at a cost of \$9,267; 101,980 shares at a cost of \$6,393,991; and 7,443 shares at a cost of \$470,213, respectively, were purchased from current or former employees in connection with the exercise of employee stock options and other awards.

Item 4. Submission of Matters to a Vote of Security Holders.

The 2004 Annual Meeting of Stockholders was held on Thursday, April 29, 2004, at the Corporation's World Headquarters, 351 Phelps Drive, Irving, Texas. Represented at the meeting in person or by proxy were 440,993,152 shares of common stock, or more than 87.7 percent of all shares of common stock outstanding.

Following is a list of directors elected to three-year terms expiring in 2007 and the corresponding vote tabulation for the shares represented at the meeting. Of the shares represented at the meeting, at least 66.9 percent voted for each nominee. There were no broker non-votes with respect to this matter.

Nominee	Votes For	Votes Withheld
Pastora San Juan Cafferty	306,690,536	134,302,616
Claudio X. Gonzalez	295,035,431	145,957,721
Linda Johnson Rice	306,938,773	134,054,379
Marc J. Shapiro	306,958,733	134,034,419

The Corporation's other directors are John F. Bergstrom, Dennis R. Beresford, Robert W. Decherd, Thomas J. Falk, and Mae C. Jemison, M.D. Paul J. Collins retired from the Board effective April 29, 2004.

The stockholders also voted on three proposals at the Annual Meeting. The following table shows the vote tabulation for the shares represented at the meeting:

Proposal	Votes For	Votes Against	Abstain	Broker Non-votes
Corporation Proposals				
Approval of Amendments to 2001 equity participation plan	336,087,903	40,070,954	3,863,037	60,971,258
Selection of auditors	426,819,456	11,467,283	2,706,413	
Stockholder Proposal				
Relating to the Corporation's amended and restated rights agreement	283,824,097	89,087,444	7,110,350	60,971,261

Approval of the stockholder proposal relating to the Corporation's amended and restated rights agreement is not binding on the Corporation. The Board of Directors will consider this matter at a future Board meeting.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

- (3)a Restated Certificate of Incorporation, dated June 12, 1997, incorporated by reference to Exhibit No. (3)a of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.
- (3)b By-Laws, as amended April 24, 2003, incorporated by reference to Exhibit No. (3)b of the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003.
- (4) Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission on request.
- (10)m 2001 Equity Participation Plan, as amended, filed herewith.
- (31)a Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), filed herewith.
- (31)b Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
- (32)a Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.
- (32)b Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.

(b) Reports on Form 8-K

The Corporation furnished the following Current Reports after December 31, 2003 and prior to April 1, 2004.

Current Report on Form 8-K dated January 26, 2004, to furnish the text of a press release issued by Kimberly-Clark Corporation on January 26, 2004, regarding the Corporation's fourth quarter and full year 2003 results of operations.

SIGNATURES

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

KIMBERLY-CLARK CORPORATION
(Registrant)

By: /s/ Mark A. Buthman

Mark A. Buthman
Senior Vice President and
Chief Financial Officer
(principal financial officer)

By: /s/ Randy J. Vest

Randy J. Vest
Vice President and Controller
(principal accounting officer)

May 7, 2004

EXHIBIT INDEX

Exhibit No.	Description
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KIMBERLY-CLARK CORPORATION
2001 EQUITY PARTICIPATION PLAN
(as amended effective January 1, 2004)

1. PURPOSE

This 2001 Equity Participation Plan (the “Plan”) of Kimberly-Clark Corporation (the “Corporation”) is intended to aid in attracting and retaining highly qualified personnel and to encourage those employees who materially contribute, by managerial, scientific or other innovative means to the success of the Corporation or of an Affiliate, to acquire an ownership interest in the Corporation, thereby increasing their motivation for and interest in the Corporation’s or Affiliate’s long-term success.

2. EFFECTIVE DATE

The Plan is amended effective as of January 1, 2004 upon (a) approval of the Board and (b) approval by the stockholders of the Corporation at the 2004 Annual Meeting of Stockholders.

3. DEFINITIONS

“Affiliate” means any company in which the Corporation owns 20% or more of the equity interest (collectively, the “Affiliates”).

“Award” has the meaning set forth in Section 6 of this Plan.

“Award Agreement” means an agreement entered into between the Corporation and a Participant setting forth the terms and conditions applicable to the Award granted to the Participant.

“Board” means the Board of Directors of the Corporation.

“Cause” means any of the following: (i) the commission by the Participant of a felony; (ii) the Participant’s dishonesty, habitual neglect or incompetence in the management of the affairs of the Corporation; or (iii) the refusal or failure by the Participant to act in accordance with any lawful directive or order of the Corporation, or an act or failure to act by the Participant which is in bad faith and which is detrimental to the Corporation.

“Change of Control” means an event deemed to have taken place if: (i) a third person, including a “group” as defined in section 13(d)(3) of the Securities Exchange Act of 1934, acquires shares of the Corporation having 20% or more of the total number of votes that may be cast for the election of directors of the Corporation; or (ii) as the result of any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions (a “Transaction”), the persons who were directors of the Corporation before the Transaction shall cease to constitute a majority of the Board of the Corporation or any successor to the Corporation.

“Code” means the Internal Revenue Code of 1986 and the regulations thereunder, as amended from time to time.

“Committee” means the Compensation Committee of the Board, provided that if the requisite number of members of the Compensation Committee are not Disinterested Persons, the Plan shall be administered by a committee, all of whom are Disinterested Persons, appointed by the Board and consisting of two or more directors with full authority to act in the matter. The term “Committee” shall mean the Compensation Committee or the committee appointed by the Board, as the case may be. Furthermore, the term “Committee” shall include any delegate to the extent authority is delegated pursuant to Section 4 hereunder.

“Committee Rules” means the interpretative guidelines approved by the Committee providing the foundation for administration of this Plan.

“Common Stock” means the common stock, par value \$1.25 per share, of the Corporation and shall include both treasury shares and authorized but unissued shares and shall also include any security of the Corporation issued in substitution, in exchange for, or in lieu of the Common Stock.

“Disinterested Person” means a person who is a “Non-Employee Director” for purposes of rule 16b-3 under the Exchange Act, or any successor provision, and who is also an “outside director” for purposes of section 162(m) of the Code or any successor section.

“Exchange Act” means the Securities Exchange Act of 1934 and the rules and regulations thereunder, as amended from time to time.

“Fair Market Value” means the reported closing price of the Common Stock, on the relevant date as reported on the composite list used by The Wall Street Journal for reporting stock prices, or if no such sale shall have been made on that day, on the last preceding day on which there was such a sale.

“Incentive Stock Option” means an Option which is so defined for purposes of section 422 of the Code or any successor section.

“Nonqualified Stock Option” means any Option which is not an Incentive Stock Option.

“Option” means a right to purchase a specified number of shares of Common Stock at a fixed option price equal to no less than 100% of the Fair Market Value of the Common Stock on the date the Award is granted.

“Option Price” has the meaning set forth in subsection 7(b) of this Plan.

“Participant” means an employee who the Committee selects to participate in and receive Awards under the Plan (collectively, the “Participants”).

“Performance Goal” means the specific performance objectives as established by the Committee, which, if achieved, will result in the amount of payment, or the early payment, of the Award. The Performance Goal may consist of one or more or any combination of the following criteria: return on invested capital, stock price, market share, sales revenue, cash flow, earnings per share, return on equity, total shareholder return, gross margin, and/or costs. The performance goals may be described in terms that are related to the individual Participant, to the Company as a whole, or to a subsidiary, division, department, region, function or business unit of the Company in which the Participant is employed. The Committee, in its discretion, may change or modify these criteria; however, at all times the criteria must meet the requirements of Section 162(m) of the Code, or any successor section, to the extent applicable.

“Qualified Termination of Employment” means the termination of a Participant’s employment with the Corporation and/or its Affiliates within the two (2) year period following a Change of Control of the Corporation for any reason (whether voluntary or involuntary) unless such termination is by reason of death or disability or unless such termination is (i) by the Corporation for Cause or (ii) by the Participant without Good Reason. Subject to the definition of “Termination by the Participant for Good Reason,” transfers of employment for administrative purposes among the Corporation and its Affiliates shall not be deemed a Qualified Termination of Employment.

“Restricted Period” shall mean the period of time during which the Transferability Restrictions applicable to Awards will be in force.

“Restricted Share” shall mean a share of Common Stock which may not be traded or sold, until the date the Transferability Restrictions expire.

“Restricted Share Unit” means the right, as described in Section 9, to receive an amount, payable in either cash or shares of Common Stock, equal to the value of a specified number of shares of Common Stock. No certificates shall be issued with respect to such Restricted Share Unit, except as provided in subsection 9(d), and the Corporation shall maintain a bookkeeping account in the name of the Participant to which the Restricted Share Unit shall relate.

“Retirement” and “Retires” for Awards granted after December 31, 2003 means the termination of employment on or after the date the Participant has attained age 55. For Awards granted prior to January 1, 2004 “Retirement” and “Retires” means the termination of employment on or after the date the Participant is entitled to receive immediate payments under a qualified retirement plan of the Corporation or an Affiliate; provided, however, if the Participant is not eligible to participate under a qualified retirement plan of the Corporation or its Affiliates then such Participant shall be deemed to have retired if his termination of employment is on or after the date such Participant has attained age 55.

“Stock Appreciation Right (SAR)” has the meaning set forth in subsection 7(i)(i) of this Plan.

“Termination by the Participant for Good Reason” shall mean the occurrence (without the Participant’s express written consent) of any one of the following acts by the Corporation, or failures by the Corporation to act, unless, in the case of any act or failure to act described below, such act or failure to act is corrected prior to the Participant’s termination date:

- (a) the assignment to the Participant of any duties inconsistent with the Participant’s status with the Corporation or a substantial adverse alteration in the nature or status of the Participant’s responsibilities from those in effect immediately prior to the Change of Control other than such alteration primarily attributable to the fact that the Corporation may no longer be a public company;
- (b) a reduction by the Corporation of the Participant’s annual base salary by five percent or more as in effect immediately prior to the Change of Control, except for across-the-board salary reductions similarly affecting all similarly situated employees of the Corporation;
- (c) the Corporation requiring the Participant to be based at a location more than 50 miles from the location of the Participant’s office as of the date of the Change of Control except for required travel on the Corporation’s business to an extent substantially consistent with the Participant’s business travel obligations as of the date of the Change of Control;
- (d) the failure of the Corporation to pay as soon as administratively feasible, after notice from the Participant, any portion of the Participant’s current compensation;

(e) the failure of the Corporation to continue in effect any compensation plan in which the Participant participates immediately prior to the Change of Control which is material to the Participant's total compensation, including but not limited to the Corporation's stock option, incentive compensation, and bonus plans, or any substitute plans adopted prior to the Change of Control, unless an equitable arrangement (which is embodied in an ongoing substitute or alternative plan but which need not provide the Participant with equity-based incentives) has been made with respect to such plan, or the failure by the Corporation to continue the Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable than the benefits provided to other participants; or

(f) the failure by the Corporation to continue to provide the Participant with benefits substantially similar to those enjoyed by the Participant under any of the Corporation's pension, life insurance, medical, health and accident, or disability plans in which the Participant was participating at the time of the Change of Control, the taking of any action by the Corporation which would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by the Participant at the time of the Change of Control, or the failure by the Corporation to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change of Control.

The Participant's right to terminate the Participant's employment for Good Reason shall not be affected by the Participant's incapacity due to physical or mental illness. The Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Total and Permanent Disability." means Totally and Permanently Disabled as defined in the Kimberly-Clark Corporation Pension Plan.

"Transferability Restrictions" means the restrictions on transferability imposed on Awards of Restricted Shares or Restricted Share Units.

4. ADMINISTRATION

The Plan and all Awards granted pursuant thereto shall be administered by the Committee. The Committee, in its absolute discretion, shall have the power to interpret and construe the Plan and any Award Agreements; provided, however, that no such action or determination may increase the amount of compensation payable that would otherwise be due in a manner that would result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section. Any interpretation or construction of any provisions of this Plan or the Award Agreements by the Committee shall be final and conclusive upon all persons. No member of the Board or the Committee shall be liable for any action or determination made in good faith.

Within 60 days following the close of each calendar year that the Plan is in operation, the Committee shall make a report to the Board. The report shall specify the employees who received Awards under the Plan during the prior year, the form and size of the Awards to the individual employees, and the status of prior Awards.

The Committee shall have the power to promulgate Committee Rules and other guidelines in connection with the performance of its obligations, powers and duties under the Plan, including its duty to administer and construe the Plan and the Award Agreements.

The Committee may authorize persons other than its members to carry out its policies and directives subject to the limitations and guidelines set by the Committee, and may delegate its authority under the Plan, provided, however, the delegation of authority to grant Awards shall be limited to grants by the Chief Executive Officer to newly hired employees, or to respond to special recognition or retention needs, and any such grants shall be limited to eligible Participants who are not subject to section 16 of the Exchange Act. The delegation of authority shall be limited as follows: (a) with respect to persons who are subject to section 16 of the Exchange Act, the authority to grant Awards, the selection for participation, decisions concerning the timing, pricing and amount of a grant or Award and authority to administer Awards shall not be delegated by the Committee; (b) the maximum number of shares of Common Stock covered by Awards which may be granted by the Chief Executive Officer within any calendar year period shall not exceed 200,000; (c) any delegation shall satisfy all applicable requirements of rule 16b-3 of the Exchange Act, or any successor provision; and (d) no such delegation shall result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section. Any person to whom such authority is granted shall continue to be eligible to receive Awards under the Plan.

5. ELIGIBILITY

The Committee shall from time to time select the Participants from those employees whom the Committee determines either to be in a position to contribute materially to the success of the Corporation or Affiliate or to have in the past so contributed. Only employees (including officers and directors who are employees) of the Corporation and its Affiliates are eligible to participate in the Plan.

6. FORM OF GRANTS

All Awards under the Plan shall be made in the form of Options, Restricted Shares or Restricted Share Units, or any combination thereof. Notwithstanding anything in this Plan to the contrary, any Awards shall contain the restriction on assignability in subsection 16(g) of this Plan to the extent required under rule 16b-3 of the Exchange Act.

7. STOCK OPTIONS

The Committee or its delegate shall determine and designate from time to time those Participants to whom Options are to be granted and the number of shares of Common Stock to be optioned to each and the periods the Option shall be exercisable. Such Options may be in the form of Incentive Stock Options or in the form of Nonqualified Stock Options. The Committee in its discretion at the time of grant may establish performance goals that may affect the grant, exercise and/or settlement of an Option. After granting an Option to a Participant, the Committee shall cause to be delivered to the Participant an Award Agreement evidencing the granting of the Option. The Award Agreement shall be in such form as the Committee shall from time to time approve. The terms and conditions of all Options granted under the Plan need not be the same, but all Options must meet the applicable terms and conditions specified in subsections 7(a) through 7(h).

- (a) Period of Option. The Period of each Option shall be no more than 10 years from the date it is granted.

(b) Option Price. The Option price shall be determined by the Committee, but shall not in any instance be less than the Fair Market Value of the Common Stock at the time that the Option is granted (the "Option Price").

(c) Limitations on Exercise. The Option shall not be exercisable until at least one year has expired after the granting of the Option, during which time the Participant shall have been in the continuous employ of the Corporation or an Affiliate; provided, however, that the Option shall become exercisable immediately in the event of a Qualified Termination of Employment of a Participant, without regard to the limitations set forth below in this subsection 7(c). Unless otherwise determined by the Committee or its delegate at the time of grant, at any time during the period of the Option after the end of the first year, the Participant may purchase up to 30 percent of the shares covered by the Option; after the end of the second year, an additional 30 percent; and after the end of the third year, the remaining 40 percent of the total number of shares covered by the Option; provided, however, that if the Participant's employment is terminated for any reason other than death, Retirement or Total and Permanent Disability, the Option shall be exercisable only for three months following such termination and only for the number of shares of Common Stock which were exercisable on the date of such termination. In no event, however, may an Option be exercised more than 10 years after the date of its grant.

(d) Exercise after Death, Retirement, or Disability. Unless otherwise determined by the Committee or its delegate at the time of grant, if a Participant dies, becomes Totally and Permanently Disabled, or Retires without having exercised the Option in full, the remaining portion of such Option may be exercised, without regard to the limitations in subsection 7(c), as follows. If a Participant dies or becomes Totally and Permanently Disabled the remaining portion of such Option may be exercised within (i) three years from the date of any such event or (ii) the remaining period of the Option, whichever is earlier. Upon a Participant's death, the Option may be exercised by the person or persons to whom such Participant's rights under the Option shall pass by will or by applicable law or, if no such person has such rights, by his executor or administrator. If a Participant Retires the remaining portion of such Option may be exercised within (i) five years from the date of any such event or (ii) the remaining period of the Option, whichever is earlier.

(e) Non-transferability. During the Participant's lifetime, Options shall be exercisable only by such Participant. Options shall not be transferable other than by will or the laws of descent and distribution upon the Participant's death. Notwithstanding anything in this subsection 7(e) to the contrary, the Committee may grant to designated Participants the right to transfer Nonqualified Stock Options, to the extent allowed under rule 16b-3 of the Exchange Act, subject to the terms and conditions of the Committee Rules.

(f) Exercise; Notice Thereof. Options shall be exercised by delivering to the Corporation, at the office of the Treasurer at the World Headquarters, written notice of the number of shares with respect to which Option rights are being exercised and by paying in full the Option Price of the shares at the time being acquired. Payment may be made in cash, a check payable to the Corporation or in shares of Common Stock transferable to the Corporation and having a Fair Market Value on the transfer date equal to the amount payable to the Corporation. The date of exercise shall be deemed to be the date the Corporation receives the written notice and payment for the shares being purchased. A Participant shall have none of the rights of a stockholder with respect to shares covered by such Option until the Participant becomes the record holder of such shares.

(g) Purchase for Investment. It is contemplated that the Corporation will register shares sold to Participants pursuant to the Plan under the Securities Act of 1933. In the absence of an effective registration, however, a Participant exercising an Option hereunder may be required to give a representation that he/she is acquiring such shares as an investment and not with a view to distribution thereof.

(h) Limitations on Incentive Stock Option Grants.

(i) An Incentive Stock Option shall be granted only to an individual who, at the time the Option is granted, does not own stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Corporation or Affiliates.

(ii) The aggregate Fair Market Value of all shares with respect to which Incentive Stock Options are exercisable by a Participant for the first time during any year shall not exceed \$100,000. The aggregate Fair Market Value of such shares shall be determined at the time the Option is granted.

(i) Election to Receive Cash Rather than Stock.

(i) At the same time as Nonqualified Stock Options are granted the Committee may also grant to designated Participants the right to convert a specified number of shares of Common Stock covered by such Nonqualified Stock Options to cash, subject to the terms and conditions of this subsection 7(i). For each such Option so converted, the Participant shall be entitled to receive cash equal to the difference between the Participant's Option Price and the Fair Market Value of the Common Stock on the date of conversion. Such a right shall be referred to herein as a Stock Appreciation Right ("SAR"). Participants to whom an SAR has been granted shall be notified of such grant and of the Options to which such SAR pertains. An SAR may be revoked by the Committee, in its sole discretion, at any time, provided, however, that no such revocation may be taken hereunder if such action would result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section.

(ii) A person who has been granted an SAR may exercise such SAR during such periods as provided for in the rules promulgated under section 16 of the Exchange Act. The SAR shall expire when the period of the subject Option expires.

(iii) At the time a Participant converts one or more shares of Common Stock covered by an Option to cash pursuant to an SAR, such Participant must exercise one or more Nonqualified Stock Options, which were granted at the same time as the Option subject to such SAR, for an equal number of shares of Common Stock. In the event that the number of shares and the Option Price per share of all shares of Common Stock subject to outstanding Options is adjusted as provided in the Plan, the above SARs shall automatically be adjusted in the same ratio which reflects the adjustment to the number of shares and the Option Price per share of all shares of Common Stock subject to outstanding Options.

8. RESTRICTED SHARES

The Committee or its delegate may from time to time designate those Participants who shall receive Restricted Share Awards. Each grant of Restricted Shares under the Plan shall be evidenced by an agreement which shall be executed by the Corporation and the Participant. The agreement shall contain such terms and conditions, not inconsistent with the Plan, as shall be determined by the Committee and shall indicate the number of Restricted Shares awarded and the following terms and conditions of the award.

(a) Grant of Restricted Shares. The Committee shall determine the number of Restricted Shares to be included in the grant and the period or periods during which the Transferability Restrictions applicable to the Restricted Shares will be in force (the "Restricted Period"). Unless otherwise determined by the Committee at the time of grant, the Restricted Period shall be for a minimum of three years and shall not exceed ten years from the date of grant, as determined by the Committee at the time of grant. The Restricted Period may be the same for all Restricted Shares granted at a particular time to any one Participant or may be different with respect to different Participants or with respect to various of the Restricted Shares granted to the same Participant, all as determined by the Committee at the time of grant.

(b) Transferability Restrictions. During the Restricted Period, Restricted Shares may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. Furthermore, a Participant's right, if any, to receive Common Stock upon termination of the Restricted Period may not be assigned or transferred except by will or by the laws of descent and distribution. In order to enforce the limitations imposed upon the Restricted Shares the Committee may (i) cause a legend or legends to be placed on any such certificates, and/or (ii) issue "stop transfer" instructions as it deems necessary or appropriate. Holders of Restricted Shares limited as to sale under this subsection 8(b) shall have rights as a shareholder with respect to such shares to receive dividends in cash or other property or other distribution or rights in respect of such shares, and to vote such shares as the record owner thereof. With respect to each grant of Restricted Shares, the Committee shall determine the Transferability Restrictions which will apply to the Restricted Shares for all or part of the Restricted Period. By way of illustration but not by way of limitation, the Committee may provide (i) that the Participant will not be entitled to receive any shares of Common Stock unless he or she is still employed by the Corporation or its Affiliates at the end of the Restricted Period, (ii) that the Participant will become vested in Restricted Shares according to a schedule determined by the Committee, or under other terms and conditions determined by the Committee, and (iii) how any Transferability Restrictions will be applied, modified or accelerated in the case of the Participant's death or Total and Permanent Disability.

(c) Manner of Holding and Delivering Restricted Shares. Each certificate issued for Restricted Shares shall be registered in the name of the Participant and deposited with the Corporation or its designee. These certificates shall remain in the possession of the Corporation or its designee until the end of the applicable Restricted Period or, if the Committee has provided for earlier termination of the Transferability Restrictions following a Participant's death, Total and Permanent Disability or earlier vesting of the shares of Common Stock, such earlier termination of the Transferability Restrictions. At whichever time is applicable, certificates representing the number of shares to which the Participant is then entitled shall be delivered to the Participant free and clear of the Transferability Restrictions; provided that in the case of a Participant who is not entitled to receive the full number of Shares evidenced by the certificates then being released from escrow because of the application of the Transferability Restrictions, those certificates shall be returned to the Corporation and canceled and a new certificate representing the shares of Common Stock, if any, to which the Participant is entitled pursuant to the Transferability Restrictions shall be issued and delivered to the Participant, free and clear of the Transferability Restrictions.

9. RESTRICTED SHARE UNITS

The Committee or its delegate shall from time to time designate those Participants who shall receive Restricted Share Unit Awards. The Committee shall advise such Participants of their Awards by a letter indicating the number of Restricted Share Units awarded and the following terms and conditions of the award.

(a) Restricted Share Units may be granted to Participants as of the first day of a Restricted Period. The number of Restricted Share Units to be granted to each Participant and the Restricted Period shall be determined by the Committee in its sole discretion.

(b) Transferability Restrictions. During the Restricted Period, Restricted Share Units may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. Furthermore, a Participant's right, if any, to receive cash or Common Stock upon termination of the Restricted Period may not be assigned or transferred except by will or by the laws of descent and distribution. With respect to each grant of Restricted Share Units, the Committee shall determine the Transferability Restrictions which will apply to the Restricted Share Units for all or part of the Restricted Period. By way of illustration but not by way of limitation, the Committee may provide (i) that the Participant will forfeit any Restricted Share Units unless he or she is still employed by the Corporation or its Subsidiaries at the end of the Restricted Period, (ii) that the Participant will forfeit any or all Restricted Share Units unless he or she has met the Performance Goals according to the schedule determined by the Committee, (iii) that the Participant will become vested in Restricted Share Units according to a schedule determined by the Committee, or under other terms and conditions determined by the Committee, and (iv) how any Transferability Restrictions will be applied, modified or accelerated in the case of the Participant's death or Total and Permanent Disability.

(c) Unless otherwise determined by the Committee, during the Restricted Period, Participants will be credited with dividends, equivalent in value to those declared and paid on shares of Common Stock, on all Restricted Share Units granted to them, and these dividends will be regarded as having been reinvested in Restricted Share Units on the date of the Common Stock dividend payments based on the then Fair Market Value of the Common Stock thereby increasing the number of Restricted Share Units held by a Participant. Holders of Restricted Share Units under this subsection 9(c) shall have none of the rights of a shareholder with respect to such shares. Holders of Restricted Share Units are not entitled to receive distribution of rights in respect of such shares, nor to vote such shares as the record owner thereof.

(d) Payment of Restricted Share Units. The payment of Restricted Share Units shall be made in cash or shares of Common Stock, or a combination of both, as determined by the Committee at the time of grant. The payment of Restricted Share Units shall be made within 90 days following the end of the Restricted Period.

10. GOVERNMENT SERVICE, LEAVES OF ABSENCE AND OTHER TERMINATIONS

(a) In the event the Participant's employment with the Corporation or an Affiliate is terminated by reason of a shutdown or divestiture of all or a portion of the Corporation's or its Affiliate's business, a proportion of the Restricted Shares or Restricted Share Unit Award shall be considered to vest as of the Participant's termination of employment. The number of shares that shall vest shall be prorated for the number of full years of employment during the Restricted Period prior to the Participant's termination of employment. In the event the number of Restricted Shares or Restricted Share Units was to be determined by the attainment of Performance Goals according to a schedule determined by the Committee the number of shares that are considered to vest shall be determined at the end of the Restricted Period, prorated for the number of full years of employment during the Restricted Period prior to the Participant's termination of employment, and shall be paid within 90 days following the end of the Restricted Period.

(b) In the event of a Qualified Termination of Employment of a Participant, all of the Options, Restricted Shares or Restricted Share Unit Awards shall be considered to vest immediately. In the event the number of Restricted Shares or Restricted Share Units was to be determined by the attainment of Performance Goals according to a schedule determined by the Committee, the number of shares that shall be considered to vest shall be the greater of the target level established or the number of shares which would have vested based on the attainment of the Performance Goal as of the end of the prior calendar year.

(c) An authorized leave of absence, or qualified military leave in accordance with section 414(u) of the Code, shall not be deemed to be a termination of employment for purposes of the Plan. A termination of employment with the Corporation or an Affiliate to accept immediate reemployment with the Corporation or an Affiliate likewise shall not be deemed to be a termination of employment for purposes of the Plan. A Participant who is classified as an intermittent employee shall be deemed to have a termination of employment for purposes of the Plan.

11. SHARES SUBJECT TO THE PLAN

The number of shares of Common Stock available with respect to all Awards granted under this Plan shall not exceed 50,000,000 in the aggregate, of which not more than 50,000,000 shall be available for option and sale, and of which not more than 18,000,000 shall be available for grant as Restricted Shares and Restricted Share Units, subject to the adjustment provision set forth in Section 13 hereof. The shares of Common Stock subject to the Plan may consist in whole or in part of authorized but unissued shares or of treasury shares, as the Board may from time to time determine. Shares subject to Options which become ineligible for purchase, Restricted Share Units which are retired through forfeiture or maturity, other than those Restricted Share Units which are retired through the payment of Common Stock, and Restricted Shares which are forfeited during the Restricted Period due to any applicable Transferability Restrictions will be available for Awards under the Plan to the extent permitted by section 16 of the Exchange Act (or the rules and regulations promulgated thereunder) and to the extent determined to be appropriate by the Committee.

12. INDIVIDUAL LIMITS

The maximum number of shares of Common Stock covered by Awards which may be granted to any Participant within any two consecutive calendar year period shall not exceed 1,500,000 in the aggregate. If an Option which had been granted to a Participant is canceled, the shares of Common Stock which had been subject to such canceled Option shall continue to be counted against the maximum number of shares for which Options may be granted to the Participant. In the event that the number of Options which may be granted is adjusted as provided in the Plan, the above limits shall automatically be adjusted in the same ratio which reflects the adjustment to the number of Options available under the Plan.

13. CHANGES IN CAPITALIZATION

In the event there are any changes in the Common Stock or the capitalization of the Corporation through a corporate transaction, such as any merger, any acquisition through the issuance of capital stock of the Corporation, any consolidation, any separation of the Corporation (including a spin-off or other distribution of stock of the Corporation), any reorganization of the Corporation (whether or not such reorganization comes within the definition of such term in section 368 of the Code), or any partial or complete liquidation by the Corporation, recapitalization, stock dividend, stock split or other change in the corporate structure, appropriate adjustments and changes shall be made by the Committee, to the extent necessary to preserve the benefit to the Participant contemplated hereby, to reflect such changes in (a) the aggregate number of shares subject to the Plan, (b) the maximum number of shares subject to the Plan, (c) the maximum number of shares for which Awards may be granted to any Participant, (d) the number of shares and the Option Price per share of all shares of Common Stock subject to outstanding Options, (e) the maximum number of shares of Common Stock covered by Awards which may be granted by the Chief Executive Officer within any calendar year period, (f) the maximum number of shares of Common Stock available for option and sale and available for grant as Restricted Shares and Restricted Share Units, (g) the number of Restricted Shares and Restricted Share Units awarded to Participants, and (h) such other provisions of the Plan as may be necessary and equitable to carry out the foregoing purposes, provided, however that no such adjustment or change may be made to the extent that such adjustment or change will result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section.

14. EFFECT ON OTHER PLANS

All payments and benefits under the Plan shall constitute special compensation and shall not affect the level of benefits provided to or received by any Participant (or the Participant's estate or beneficiaries) as part of any employee benefit plan of the Corporation or an Affiliate. The Plan shall not be construed to affect in any way a Participant's rights and obligations under any other plan maintained by the Corporation or an Affiliate on behalf of employees.

15. TERM OF THE PLAN

The term of the Plan shall be ten years, beginning April 26, 2001, and ending April 25, 2011, unless the Plan is terminated prior thereto by the Committee. No Award may be granted or awarded after the termination date of the Plan, but Awards theretofore granted or awarded shall continue in force beyond that date pursuant to their terms.

16. GENERAL PROVISIONS

- (a) Designated Beneficiary. Each Participant who shall be granted Restricted Shares and/or Restricted Share Units under the Plan may designate a beneficiary or beneficiaries with the Committee; provided that no such designation shall be effective unless so filed prior to the death of such Participant.
- (b) No Right of Continued Employment. Neither the establishment of the Plan nor the payment of any benefits hereunder nor any action of the Corporation, its Affiliates, the Board of Directors of the Corporation or its Affiliates, or the Committee shall be held or construed to confer upon any person any legal right to be continued in the employ of the Corporation or its Affiliates, and the Corporation and its Affiliates expressly reserve the right to discharge any Participant without liability to the Corporation, its Affiliates, the Board of Directors of the Corporation or its Affiliates or the Committee, except as to any rights which may be expressly conferred upon a Participant under the Plan.
- (c) Binding Effect. Any decision made or action taken by the Corporation, the Board or by the Committee arising out of or in connection with the construction, administration, interpretation and effect of the Plan shall be conclusive and binding upon all persons. Notwithstanding anything in section 3 to the contrary, the Committee may determine in its sole discretion whether a termination of employment for purposes of this Plan is caused by disability, retirement or for other reasons.
- (d) Modification of Awards. The Committee may in its sole and absolute discretion, by written notice to a Participant, (i) limit the period in which an Option may be exercised to a period ending at least three months following the date of such notice, (ii) limit or eliminate the number of shares subject to Option after a period ending at least three months following the date of such notice, and/or (iii) accelerate the Restricted Period with respect to the Restricted Share and Restricted Share Unit Awards granted under this Plan. Notwithstanding anything in this subsection 16(d) to the contrary, the Committee may not take any action to the extent that such action would result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section.
- (e) Nonresident Aliens. In the case of any Award granted to a Participant who is not a resident of the United States or who is employed by an Affiliate other than an Affiliate that is incorporated, or whose place of business is, in a State of the United States, the Committee may (i) waive or alter the terms and conditions of any Awards to the extent that such action is necessary to conform such Award to applicable foreign law, (ii) determine which Participants, countries and Affiliates are eligible to participate in the Plan, (iii) modify the terms and conditions of any Awards granted to Participants who are employed outside the United States, (iv) establish subplans, each of which shall be attached as an appendix hereto, modify Option exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable, and (v) take any action, either before or after the Award is made, which is deemed advisable to obtain approval of such Award by an appropriate governmental entity; provided, however, that no action may be taken hereunder if such action would (i) materially increase any benefits accruing to any Participants under the Plan, (ii) increase the number of securities which may be issued under the Plan, (iii) modify the requirements for eligibility to participate in the Plan, (iv) result in a failure to comply with applicable provisions of the Securities Act of 1933, the Exchange Act or the Code or (v) result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section.

(f) No Segregation of Cash or Stock. The Restricted Share Unit accounts established for Participants are merely a bookkeeping convenience and neither the Corporation nor its Affiliates shall be required to segregate any cash or stock which may at any time be represented by Awards. Nor shall anything provided herein be construed as providing for such segregation. Neither the Corporation, its Affiliates, the Board nor the Committee shall, by any provisions of the Plan, be deemed to be a trustee of any property, and the liability of the Corporation or its Affiliates to any Participant pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by the Plan, and no such obligation of the Corporation or its Affiliates shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation or its Affiliates.

(g) Inalienability of Benefits and Interest. Except as otherwise provided in this Plan, no benefit payable under or interest in the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void and no such benefit or interest shall be in any manner liable for or subject to debts, contracts, liabilities, engagements, or torts of any Participant or beneficiary.

(h) Delaware Law to Govern. All questions pertaining to the construction, interpretation, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Delaware.

(i) Purchase of Common Stock. The Corporation and its Affiliates may purchase from time to time shares of Common Stock in such amounts as they may determine for purposes of the Plan. The Corporation and its Affiliates shall have no obligation to retain, and shall have the unlimited right to sell or otherwise deal with for their own account, any shares of Common Stock purchased pursuant to this paragraph.

(j) Use of Proceeds. The proceeds received by the Corporation from the sale of Common Stock pursuant to the exercise of Options shall be used for general corporate purposes.

(k) Deferral of Award Payment. The Committee may establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of consideration upon exercise of an Award or other event that absent the election would entitle the Participant to payment or receipt of Common Stock or other consideration under an Award. The Committee may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts so deferred, and such other terms, conditions, rules and procedures that the Committee deems advisable for the administration of any such deferral program.

(l) Withholding. The Committee shall require the withholding of all taxes as required by law. In the case of payments of Awards in shares of Common Stock or other securities, withholding shall be as required by law and in the Committee Rules. A Participant may elect to have any portion of the federal, state or local income tax withholding required with respect to an exercise of a Nonqualified Stock Option satisfied by tendering to the Corporation shares of Common Stock, which, in the absence of such an election, would have been issued to such Participant in connection with such exercise. In the event that the value of the shares of Common Stock tendered to satisfy the withholding tax required with respect to an exercise exceeds the amount of such tax, the excess of such market value over the amount of such tax shall be returned to the Participant, to the extent possible, in whole shares of Common Stock, and the remainder in cash. The value of a share of Common Stock tendered pursuant to this subsection shall be the Fair Market Value of the Common Stock on the date on which such shares are tendered to the Corporation. An election pursuant to this subsection shall be made in writing and signed by the Participant. An election pursuant to this subsection is irrevocable. A Participant who exercises an Option may satisfy the income tax withholding due in respect of such exercise pursuant to this subsection only to meet required tax withholding and shares of Common Stock cannot be withheld in excess of the minimum number required for tax withholding. Notwithstanding any other provision of the Plan, the number of shares of Common Stock or the amount of cash to be delivered may, in the discretion of the Corporation, be net of the number of shares of Common Stock or the amount of cash required to be withheld to meet all applicable tax withholding requirements.

(m) Amendments. The Committee may at any time amend, suspend, or discontinue the Plan or alter or amend any or all Awards and Award Agreements under the Plan to the extent (1) permitted by law, (2) permitted by the rules of any stock exchange on which the Common Stock or any other security of the Corporation is listed, (3) permitted under applicable provisions of the Securities Act of 1933, as amended, the Exchange Act (including rule 16b-3 thereof) and (4) that such action would not result in the disallowance of a deduction to the Corporation under section 162(m) of the Code or any successor section (including the rules and regulations promulgated thereunder); and (5) that no Option may be re-priced, replaced, re-granted though cancellation, or modified without shareholder approval (except in connection with a change in the Common Stock or the capitalization of the Corporation as provided in Section 13 hereof) if the effect would be to reduce the exercise price for the shares underlying such Option; provided, however, that if any of the foregoing requires the approval by stockholders of any such amendment, suspension or discontinuance, then the Committee may take such action subject to the approval of the stockholders. Except as provided in subsections 16(d) and 16(e) no such amendment, suspension, or termination of the Plan shall, without the consent of the Participant, adversely alter or change any of the rights or obligations under any Awards or other rights previously granted the Participant.

CERTIFICATIONS

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

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

/s/ Thomas J. Falk

Thomas J. Falk
Chief Executive Officer
May 7, 2004

CERTIFICATIONS

I, Mark A. Buthman, Chief Financial Officer of Kimberly-Clark Corporation, certify that:

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

/s/ Mark A. Buthman

Mark A. Buthman
Chief Financial Officer
May 7, 2004

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

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

- (1) the Form 10-Q, filed with the Securities and Exchange Commission on May 7, 2004 ("accompanied report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the accompanied report fairly presents, in all material respects, the financial condition and results of operations of Kimberly-Clark Corporation.

/s/ Thomas J. Falk

Thomas J. Falk
Chief Executive Officer
May 7, 2004

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

I, Mark A. Buthman, Chief Financial Officer of Kimberly-Clark Corporation, certify that, to my knowledge:

- (1) the Form 10-Q, filed with the Securities and Exchange Commission on May 7, 2004 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the accompanied report fairly presents, in all material respects, the financial condition and results of operations of Kimberly-Clark Corporation.

/s/ Mark A. Buthman

Mark A. Buthman
Chief Financial Officer
May 7, 2004