

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

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

For the quarterly period ended JUNE 30, 1996

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 39-0394230
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

P. O. BOX 619100
DALLAS, TEXAS
75261-9100
(Address of principal executive offices)
(Zip Code)

(214) 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 ☐ .

AS OF AUGUST 5, 1996, 281,830,980 SHARES OF THE CORPORATION'S COMMON STOCK
WERE OUTSTANDING.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED INCOME STATEMENT
KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

	Three Months Ended June 30		Six Months Ended June 30	
(Millions of dollars except per share amounts)	1996	1995	1996	1995
NET SALES	\$3,347.7	\$3,393.7	\$6,549.8	\$6,565.6
Cost of products sold	2,093.4	2,220.5	4,127.4	4,340.7

GROSS PROFIT	1,254.3	1,173.2	2,422.4	2,224.9
Advertising, promotion and selling expenses	565.2	531.8	1,065.3	1,027.2
Research expense	51.4	50.1	97.0	99.5
General expense	149.5	155.6	278.6	293.6
OPERATING PROFIT	488.2	435.7	981.5	804.6
Interest Income	7.2	6.6	14.7	18.2
Interest expense	(50.5)	(64.6)	(102.1)	(125.8)
Other income (expense), net	73.1	36.0	72.4	39.7
INCOME BEFORE INCOME TAXES	518.0	413.7	966.5	736.7
Provision for income taxes	181.4	144.7	338.3	261.4
INCOME BEFORE EQUITY INTERESTS	336.6	269.0	628.2	475.3
Share of net income of equity companies	37.9	48.6	72.8	50.9
Minority owners' share of subsidiaries' net income	(9.8)	(10.2)	(21.5)	(19.2)
NET INCOME	\$ 364.7	\$ 307.4	\$ 679.5	\$ 507.0
PER SHARE BASIS:				
Net Income	\$ 1.30	\$ 1.10	\$ 2.41	\$ 1.81
Cash Dividends Declared.....	\$.46	\$.45	\$.92	\$.90

Unaudited

See Notes to Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEET
KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

(Millions of dollars)	June 30, 1996	December 31, 1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 95.9	\$ 221.6
Accounts receivable	1,650.3	1,678.0
Inventories	1,364.5	1,426.1
Other current assets	415.6	488.1
TOTAL CURRENT ASSETS	3,526.3	3,813.8
PROPERTY	11,178.1	10,919.9
Less accumulated depreciation	5,114.6	4,866.6

NET PROPERTY	6,063.5	6,053.3
	-----	-----
INVESTMENTS IN EQUITY COMPANIES	516.4	413.4
ASSETS HELD FOR SALE	196.4	330.2
GOODWILL, DEFERRED CHARGES AND OTHER ASSETS	814.5	828.5
	-----	-----
	\$11,117.1	\$11,439.2
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt payable within one year	\$ 568.7	\$ 817.8
Accounts payable	853.8	1,103.6
Accrued expenses	1,406.2	1,555.3
Other current liabilities	485.6	392.9
	-----	-----
TOTAL CURRENT LIABILITIES	3,314.3	3,869.6
LONG-TERM DEBT	1,884.4	1,984.7
NONCURRENT EMPLOYEE BENEFIT AND OTHER OBLIGATIONS	898.3	974.9
DEFERRED INCOME TAXES	781.5	723.1
MINORITY OWNERS' INTERESTS IN SUBSIDIARIES	218.3	236.5
STOCKHOLDERS' EQUITY	4,020.3	3,650.4
	-----	-----
	\$11,117.1	\$11,439.2
	=====	=====

Unaudited

See Notes to Financial Statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

(Millions of dollars)	Six Months Ended June 30	
	1996	1995

OPERATIONS		
Net Income	\$ 679.5	\$ 507.0
Depreciation	279.1	287.7
Changes in operating working capital	(201.3)	(590.2)
Net gains on asset dispositions	(62.9)	(52.3)
Pension funding less than (in excess) of expense	4.0	(57.3)
Other	(.8)	28.4
	-----	-----
CASH PROVIDED BY OPERATIONS	697.6	123.3
	-----	-----
INVESTING		
Capital spending	(335.6)	(372.0)
Acquisition of businesses, net of cash acquired	(68.0)	(64.4)
Disposals of property and businesses	265.5	172.4
Other1	(1.4)
	-----	-----

CASH USED FOR INVESTING	(138.0)	(265.4)
	-----	-----
FINANCING		
Cash dividends paid	(202.3)	(173.0)
Changes in debt payable within one year	(308.5)	182.4
Increases in long-term debt	19.9	55.7
Decreases in long-term debt	(114.8)	(724.8)
Proceeds from exercise of stock options	157.9	69.6
Acquisitions of common stock for the treasury	(243.9)	(128.6)
Other	6.4	(35.2)
	-----	-----
CASH USED FOR FINANCING	(685.3)	(753.9)
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	\$(125.7)	\$(896.0)
	=====	=====

Unaudited

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES

- On December 12, 1995, Kimberly-Clark Corporation (the 'Corporation') merged with Scott Paper Company ('Scott') in a transaction that was accounted for as a pooling of interests for financial reporting purposes. As a result, prior period financial information has been restated to give effect to this merger except for cash dividends declared per share, which represents the historical dividends declared by the Corporation. Certain promotional costs incurred by former Scott units in 1995 and the first quarter of 1996 have been reclassified from advertising, promotion and selling expenses to a reduction in net sales to conform to the current presentation of such data for the second quarter and the six months ended June 30, 1996.
- The unaudited consolidated financial statements of the Corporation have been prepared on the same basis as those in the 1995 Annual Report to Stockholders and include adjustments necessary to present fairly the condensed consolidated balance sheet and consolidated income and condensed cash flow statements for the periods indicated.
- Share of net income of equity companies and net income for the second quarter and six months ended June 30, 1996 include a loss of \$.6 million, with no per share impact, and a gain of \$1.4 million, or \$.01 per share, respectively, for the translation of U.S. dollar denominated liabilities into pesos resulting from the fluctuation of the Mexican peso. During the second quarter and six months ended June 30, 1995, the translation of the Mexican peso resulted in a gain of \$8.4 million, or \$.03 per share, and a loss of \$18.4 million, or \$.07 per share, respectively.
- The average number of common shares outstanding used in the calculation of net income per share for the six months ended June 30, 1996 and 1995, was 282.0 million and 279.2 million, respectively. There were 281.7 million shares outstanding at June 30, 1996.
- The following schedule details inventories by major class as of June 30, 1996 and December 31, 1995:

(Millions of dollars)	June 30, 1996	December 31, 1995
At lower of cost on the First-In, First-Out (FIFO) method or market:		
Raw materials	\$ 311.1	\$ 373.7

Work in process	266.1	281.0
Finished goods	813.6	785.2
Supplies and other	195.8	251.1
	-----	-----
	1,586.6	1,691.0
Excess of FIFO cost over Last-In, First-Out (LIFO) cost	(222.1)	(264.9)
	-----	-----
Total	\$1,364.5	\$1,426.1
	=====	=====

Unaudited

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management believes that the following commentary and tables appropriately discuss and analyze the comparative results of operations and the financial condition of the Corporation for the periods covered.

BUSINESS SEGMENTS

In conjunction with the previously discussed Scott merger and the application of pooling of interests accounting, management redefined its consolidated operations into the following three business segments to appropriately reflect the businesses in which the Corporation now operates.

- . Personal Care Products include infant, child, feminine and incontinence care products; wet wipes; health care products; and related products.
- . Tissue-Based Products include tissue and wipers for household and away-from-home use; pulp; and related products.
- . Newsprint, Paper and Other includes newsprint, printing papers, premium business and correspondence papers, specialty papers, technical papers, and related products; and other products and services.

Business segment data for all periods presented have been restated to this revised presentation.

RESULTS OF OPERATIONS:

SECOND QUARTER OF 1996 COMPARED WITH SECOND QUARTER OF 1995

By Business Segment
(\$ Millions)

NET SALES	1996	% Change vs. 1995	% of 1996 Consolidated

Personal Care Products.....	\$1,198.1	+ 4.9%	35.8%
Tissue-Based Products.....	1,923.0	+ 3.3	57.4
Newsprint, Paper and Other.	247.2	- 41.9	7.4
Adjustments.....	(20.6)		(.6)
	-----		-----
Consolidated.....	\$3,347.7	- 1.4%	100.0%
	=====		=====

		% Change	% of 1996	% Return on Sales	

OPERATING PROFIT	1996	vs. 1995	Consolidated	1996	1995

Personal Care Products	\$183.1	+ 21.6%	37.5%	15.3%	13.2%
Tissue-Based Products	253.2	+ 1.4	51.9	13.2	13.4
Newsprint, Paper and Other	63.5	- 6.8	13.0	25.7	16.0
Adjustments.....	(11.6)		(2.4)		
	-----		-----		
Consolidated.....	\$488.2	+ 12.0%	100.0%	14.6%	12.8%
	=====		=====		

Commentary:

The decline in net sales of 1.4 percent was attributable to the 1995 net sales of businesses which were subsequently divested, principally Schweitzer-Mauduit International, Inc. and Midwest Express Airlines, Inc. Excluding the sales of these businesses, which were included in the Newsprint, Paper and Other business segment and which totaled \$198.5 million in the second quarter of 1995, consolidated net sales and sales volumes increased 4.8 percent and 5.5 percent, respectively.

- . On a worldwide basis, sales volumes of personal care products increased approximately 8 percent.
- . In North America, sales volumes increased for training and youth pants, diapers, away-from-home products, professional health care products, wet wipes, incontinence care products, feminine care products and technical papers, but declined approximately 6 percent for consumer tissue products in North America.
- . In Europe, sales volumes were higher for disposable diapers as a result of market share gains in the United Kingdom, France and Belgium. Sales volumes also were higher for household and away-from-home products.
- . Sales volumes for consumer products improved in Latin America, particularly in Argentina.
- . Although relative to 1995 second quarter levels, selling prices were higher in North America for facial tissue and household towels, they were lower than 1996 first quarter levels.
- . Selling prices improved in Europe for consumer and away-from-home tissue products, and in the Asia/Pacific region for various consumer products.
- . Changes in currency exchange rates had no significant effect on consolidated net sales in the second quarter of 1996.

Gross profit improved 6.9 percent in absolute terms and as a percentage of sales due, in large part, to lower fiber costs and improved operating efficiencies.

- . Pulp costs were lower worldwide.
- . Cost reductions and manufacturing efficiencies were achieved in North America primarily in the personal care business and in newsprint.
- . Start-up costs declined in the personal care business.

The increase in operating profit of 12.0 percent was greater than the increase in gross profit primarily because of merger-related cost savings and lower general expenses, partially offset by higher marketing expenses.

- . Excluding the 1995 operating profit of the previously mentioned divested businesses, the increase in 1996 operating profit was 20.2 percent.
- . Marketing expenses increased 6.3 percent because of higher advertising and promotion expenses to support the Corporation's U.S. tissue products and its European diaper expansion, partially offset by savings from the merger-related integration of sales and marketing teams in the U.S. and Europe.
- . The key contributors to the increase in operating profit were the personal care business in North America and the tissue business in Europe.
- . Changes in currency exchange rates had no significant effect on consolidated operating profit in the second quarter of 1996.

By Geography
(\$ Millions)

NET SALES	1996	% Change vs. 1995	% of 1996 Consolidated

North America.....	\$2,240.5	- 5.8%	66.9%
Outside North America.....	1,195.2	+10.2	35.7
Adjustments.....	(88.0)		(2.6)
	-----		-----
Consolidated.....	\$3,347.7	- 1.4%	100.0%
	=====		=====

OPERATING PROFIT	1996	% Change vs. 1995	% of 1996 Consolidated	% Return on Sales -----	
				1996	1995

North America.....	\$389.0	+ 2.4%	79.7%	17.4%	16.0%
Outside North America.....	110.8	+ 25.2	22.7	9.3	8.2
Adjustments.....	(11.6)		(2.4)		
	-----		-----		
Consolidated	\$488.2	+ 12.0%	100.0%	14.6%	12.8%
	=====		=====		

Commentary:

- . Operating profit for Europe increased significantly due to the higher sales volumes, lower fiber costs and savings from the merger-related integration of sales and marketing teams.
- . Operating results for the disposable diaper business in Europe remained essentially flat as increased sales volumes and the benefits of cost savings programs were offset by higher costs to introduce an improved diaper and by lower selling prices in France and the United Kingdom.

Additional Income Statement Commentary:

- . The decline in interest expense was primarily the result of lower average debt levels. In addition, a lower average interest rate on borrowed funds reduced interest expense.
- . Other income includes a net pretax gain of approximately \$70 million,

or \$.16 per share after taxes, related to the divestiture of the former Scott baby wipes and facial tissue businesses in the U.S., to meet regulatory requirements related to the merger, and the sale of the Corporation's remaining 20 percent interest in Midwest Express Holdings, Inc., the parent company of Midwest Express Airlines, Inc.

- . In 1995, asset sales and other nonoperating gains in other income totaled approximately \$35 million, or \$.08 per share after taxes.
- . The effective income tax rate was 35.0 percent in both years and is expected to remain at approximately 35.0 percent for the balance of 1996.
- . The year-to-year comparison of the Corporation's share of net income of equity companies was negatively affected by the change in the value of the Mexican peso in 1995. During the second quarter of 1995, the peso gained approximately 8.5 percent of its value versus the U.S. dollar, whereas it declined approximately .7 percent in the second quarter of 1996. The Corporation's Mexican affiliate, Kimberly-Clark de Mexico, S.A. de C.V., has financed part of its operations with U.S. dollar-denominated liabilities, and the remeasurement of these liabilities by the affiliate resulted in an after-tax gain in 1995, of which Kimberly-Clark's share was \$8.4 million, compared with an after-tax loss in 1996, of which Kimberly-Clark's share was \$.6 million. These factors resulted in a negative year-to-year comparison of \$.03 per share.
- . The Corporation's share of equity company net income declined 22.0 percent in 1996 compared to a year ago. Excluding the previously mentioned peso effect, the Corporation's share of equity company net income declined 4.2 percent, or \$1.7 million. The decline occurred in the Corporation's equity affiliate in Mexico due to lower sales volumes and operating profit which were attributable to depressed economic conditions.
- . Excluding the previously discussed effects of the peso, asset sales and other nonoperating gains, net income for the second quarter of 1996 increased 16.0 percent to \$321.8 million, or \$1.14 per share, from \$275.8 million, or \$.99 per share, in the second quarter of 1995. On a per share basis, the increase was 15.2 percent.

RESULTS OF OPERATIONS:

FIRST SIX MONTHS OF 1996 COMPARED WITH FIRST SIX MONTHS OF 1995

By Business Segment
(\$ Millions)

NET SALES	1996	% Change vs. 1995	% of 1996 Consolidated

Personal Care Products.....	\$2,341.0	+ 8.8%	35.8%
Tissue-Based Products.....	3,739.7	+ 2.4	57.1
Newsprint, Paper and Other.	505.2	- 38.2	7.7
Adjustments.....	(36.1)		(.6)
	-----		-----
Consolidated.....	\$6,549.8	- .2%	100.0%
	=====		=====

		% Change	% of 1996	% Return on Sales	
OPERATING PROFIT	1996	vs. 1995	Consolidated	1996	1995

Personal Care Products	\$ 364.6	+ 33.7%	37.2%	15.6%	12.7%
Tissue-Based Products	522.6	+ 15.6	53.2	14.0	12.4
Newsprint, Paper and Other	117.5	- 7.6	12.0	23.3	15.6

Adjustments.....	(23.2)	(2.4)		
	-----	-----		
Consolidated.....	\$ 981.5 + 22.0%	100.0%	15.0%	12.3%
	=====	=====		

Commentary:

Despite improved selling prices, which were up 3.6 percent in the first six months of 1996, net sales declined .2 percent due to the 1995 sales of the previously discussed divested businesses. Excluding sales of these businesses, which totaled \$400.7 million for the first six months of 1995, consolidated net sales and sales volumes increased 6.2 percent and 2.4 percent, respectively.

- . Selling prices increased in many North American businesses, most importantly for consumer and away-from-home tissue products, newsprint and diapers.
- . Selling prices improved in Europe for consumer and away-from-home tissue products, and in the Asia/Pacific region for various consumer products.
- . On a worldwide basis, sales volumes of personal care products increased approximately 10 percent.
- . In North America, sales volumes increased for diapers, training and youth pants, professional health care products, wet wipes, incontinence care products and technical papers.
- . Sales volumes for consumer tissue products in North America declined approximately 11 percent. As previously discussed, they declined approximately 6 percent in the second quarter of 1996, compared with a decline of approximately 15 percent in the first quarter. Although market shares declined in the first quarter compared to 1995 levels, sales trends improved during the second quarter, and market shares, in units, for household towels and bathroom tissue products reflect these trends. The Corporation's share of the North American household towel market was approximately 18 percent in June compared with approximately 15 percent in March, and its share of the bathroom tissue market was approximately 31 percent in June compared with approximately 26 percent in March.
- . In Europe, sales volumes were higher for disposable diapers as a result of market share gains in the United Kingdom, France and Belgium. Sales volumes also were higher for household products.
- . Sales volumes for consumer products improved in Latin America, particularly in Argentina.
- . Changes in currency exchange rates had no significant effect on consolidated net sales in the first six months of 1996.

Gross profit increased 8.9 percent in absolute terms and as a percentage of sales due primarily to the higher selling prices.

- . Cost reductions, manufacturing efficiencies and lower start-up costs were achieved in North America primarily in the personal care segment.

The increase in operating profit of 22.0 percent was greater than the increase in gross profit primarily because of merger-related cost savings and lower research and general expenses, partially offset by higher marketing expenses.

- . Excluding the 1995 operating profit of the previously mentioned divested businesses, the increase in 1996 operating profit was nearly 30 percent.
- . Marketing expenses increased 3.7 percent because of higher advertising and promotion expenses to support the Corporation's U.S. tissue products and its European diaper expansion, partially offset by savings from the merger-related integration of sales and marketing teams in the U.S. and Europe.
- . The key contributors to the increase in operating profit were the personal care business in North America and the tissue business in Europe.
- . Changes in currency exchange rates had no significant effect on

consolidated operating profit in the first six months of 1996.

By Geography
(\$ Millions)

NET SALES	1996	% Change vs. 1995	% of 1996 Consolidated

North America.....	\$4,452.1	- 4.5%	68.0%
Outside North America.....	2,258.9	+10.7	34.5
Adjustments.....	(161.2)		(2.5)
	-----		-----
Consolidated.....	\$6,549.8	- .2%	100.0%
	=====		=====

	% Change		% of 1996	% Return on Sales	
OPERATING PROFIT	1996	vs. 1995	Consolidated	1996	1995

North America.....	\$826.1	+18.8%	84.2%	18.6%	14.9%
Outside North America.....	178.6	+14.2	18.2	7.9	7.7
Adjustments.....	(23.2)		(2.4)		
	-----		-----		
Consolidated	\$981.5	+22.0%	100.0%	15.0%	12.3%
	=====		=====		

Commentary:

- . Operating profit for Europe increased significantly primarily due to the higher sales volumes.
- . Despite benefiting from the higher sales volumes, operating results for the disposable diaper business in Europe declined due to higher costs to introduce an improved diaper and lower selling prices in France and the United Kingdom.

Additional Income Statement Commentary:

- . The decline in interest expense was primarily the result of lower average debt levels.
- . Other income includes a net pretax gain of approximately \$70 million, or \$.16 per share after taxes, from the previously mentioned regulatory divestitures and the sale of the Corporation's remaining 20 percent interest in Midwest Express Holdings, Inc.
- . As previously mentioned, asset sales and other nonoperating gains in other income totaled approximately \$35 million in 1995, or \$.08 per share after taxes.
- . The effective income tax rate declined from 35.5 percent in 1995 to 35.0 percent in 1996.
- . The year-to-year comparison of the Corporation's share of net income of equity companies was positively affected by the change in the value of the Mexican peso in 1995. During the the first six months of 1995, the peso lost approximately 18.5 percent of its value versus the U.S. dollar, whereas it gained approximately 1.6 percent in the first six months of 1996. The Corporation's Mexican affiliate, Kimberly-Clark de Mexico, S.A. de C.V., has financed part of its operations with U.S. dollar-denominated liabilities, and the remeasurement of these liabilities by the affiliate resulted in an after-tax loss in 1995, of which Kimberly-Clark's share was \$18.4 million, compared with an after-tax gain in 1996, of which Kimberly-Clark's share was \$1.4

million. These factors resulted in a positive year-to-year comparison of \$.08 per share.

- . The Corporation's share of equity company net income improved 43.0 percent in 1996 compared to a year ago. Excluding the previously mentioned peso effects, the Corporation's share of equity company net income improved 3.0 percent, or \$2.1 million.
- . Excluding the previously discussed effects of the peso, asset sales and other nonoperating gains, net income for the first six months of 1996 increased 26.1 percent to \$634.6 million, or \$2.24 per share, from \$502.2 million, or \$1.80 per share, in the the first six months of 1995. On a per share basis, the increase was 24.4 percent.

LIQUIDITY AND CAPITAL RESOURCES

- . Cash provided from operations increased \$574.3 million in the first six months of 1996 compared to 1995. The cash flow improvement resulted, in large part, from the increase in net income, the timing of income tax payments, and lower accounts receivable and inventories. The decline in accounts receivable is consistent with the lower sales for the period, and the reduction in inventories is attributable, in part, to increased emphasis on minimizing inventory levels. Partially offsetting these sources of cash from operations was a decline in dividends received from equity companies, lower accounts payable and a decrease in accrued liabilities, attributable, in part, to the 1995 restructuring and other unusual accruals as explained more fully below.
- . In the fourth quarter of 1995, the Corporation recorded a one-time pretax charge of \$1,440.0 million for the estimated costs of the merger with Scott, for restructuring the combined operations, and for other unusual charges (the '1995 one-time charge'). The 1995 one-time charge included:
 - . The write-down of certain mills and facilities in the U.S. and Europe that will be disposed of to eliminate excess capacity, improve manufacturing efficiencies in the combined company and to comply with consent decrees of the U.S. Department of Justice and the European Commission.
 - . Employee severance and other employee-related costs.
 - . The costs of terminating leases, contracts and other long-term agreements.
 - . Impaired asset charges for certain mills or operations the future cash flows of which are estimated to be insufficient to recover their carrying amounts.
 - . Fees for investment bankers, outside legal counsel and independent auditors and other costs of the merger.
 - . Other asset write-downs.
- . During the first six months of 1996, more than \$200 million of employee severance and other employee-related costs; fees for investment bankers, lawyers and accountants; and lease and contract termination costs were charged to these accruals.
- . On June 28, 1996, the Corporation completed the sale of the baby and child wipes business previously conducted by Scott, consisting of three baby and child wipe brands - Baby Fresh, Wash a-Bye Baby and Kid Fresh - and Scott's Dover, Delaware, production facility, to The Procter & Gamble Company. Proceeds from the sale were in excess of \$200 million. In addition, on July 31, 1996, the Corporation completed the sale of Scott's Fort Edward, New York mill and the Scotties facial tissue business to Irving Tissue, Inc., a privately held Canadian company. The Corporation is continuing its efforts to sell a second U.S. tissue mill.
- . In Europe, the Corporation has decided to divest the baby wipes converting plant in Neunkirchen, Germany, and to consolidate its feminine care production at its Forchheim mill in Germany, selling or closing its feminine care products mill in Veenendaal, Netherlands. In addition, the Corporation has restructured its tissue mill in Larkfield, England, and, over the next 18 months, it expects to downsize other facilities in Flensburg and Koblenz, Germany, and Gennepe, Netherlands. Negotiations also are underway to sell the Prudhoe, England tissue mill and to license the Kleenex bathroom tissue and towel brands, along with the former Scott facial tissue

brands in the U.K., as required by the European Commission.

- . The previously mentioned sale of the Corporation's remaining 20 percent interest in Midwest Express Holdings resulted in proceeds of approximately \$43 million.
- . During the first six months of 1996, the Corporation purchased 3.1 million shares of its common stock for the treasury at a total cost of \$220.4 million in connection with its 6.5 million share reacquisition program announced in April 1996 and the remaining authority of a 1994 program. An additional 4.7 million shares remain to be acquired under the program announced in 1996.
- . Total debt was reduced approximately \$350 million during the first six months of 1996.
- . On April 18, 1996, the Corporation announced that it would sell its 50.1 percent interest in Scott Paper Limited, a publicly traded Canadian company ('`SPL``'). The Corporation acquired its interest in SPL when it merged with Scott. Discussions are continuing with SPL concerning the terms of sale of the Corporation's interest. The sale is expected to result in a gain which will be recorded when realized.
- . In the second quarter of 1996, the Corporation:
 - . Increased its ownership of Kimberly-Clark Argentina S.A. to 100 percent from 51 percent;
 - . Formed a joint venture company in Israel by purchasing 49.9 percent of Hogla Ltd., the country's leading consumer products company;
 - . Purchased 51 percent of the tissue company Papelera Guaicaipuro, marking its first entry into the Venezuelan tissue market; and
- . In early July, the Corporation entered the Brazilian personal care market with the purchase of 51 percent of Kenko do Brasil.

ENVIRONMENTAL MATTERS

The Corporation has been named as a potentially responsible party 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 its business or results of operations.

OUTLOOK

The Corporation believes that it has taken many positive steps during the second quarter to ensure the future growth of Kimberly-Clark, while managing its businesses in the short term to mitigate the adverse impact of lower selling prices for its U.S. consumer and international tissue products. The Corporation has launched new or improved products such as Kleenex Cottonelle bathroom tissue, Kleenex Cold Care facial tissue and Huggies Pull-Ups training pants in the U.S. and, more recently, announced product improvements for Huggies diapers in Europe and the U.S. It has recently made strategic acquisitions in the growth markets of Argentina, Brazil, Israel and Venezuela. In addition, the Corporation believes that it has continued to make excellent progress with the integration of the Kimberly-Clark and Scott operations and is well on its way to realizing savings of at least \$250 million this year, increasing to \$500 million in 1998.

In combination, these factors have resulted in stronger cash flow than earlier estimates. The Corporation is encouraged by the financial strength and flexibility this provides. It now expects to generate additional cash of \$200-\$300 million over the balance of the year which will be used to continue purchasing shares of its common stock on the open market and to reduce debt.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain information contained in this report is forward-looking and is based on various assumptions. Such information includes, without limitation, discussions with respect to expected selling prices for tissue-based products; expected savings attributable to the Scott merger; expected cash flow and the estimated effective income tax rate in 1996; status of the restructuring and other unusual accruals at June 30, 1996; and expectations with respect to mills and facilities targeted for restructuring or disposal in 1996 and 1997. These forward-looking statements are made based on management's current expectations and beliefs

concerning future events impacting the Corporation. There can be no assurance that such events will occur or that their effects on the Corporation will be as currently expected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation

- -----

On June 18, 1996, the Corporation was served with an amended complaint in the action originally filed on September 20, 1994 by the Attorney General of the State of West Virginia in the Circuit Court of Kanawha County seeking to recover from certain tobacco companies and other defendants, including the Corporation, monies which West Virginia allegedly has spent and will spend on medical care for its citizens with alleged tobacco-related illnesses. Among other things, the amended complaint alleges that the Corporation aided, abetted and participated in the manufacture of cigarettes by supplying reconstituted tobacco sheets to the tobacco company defendants and advertising that the use of such sheets would allow the tobacco companies to manipulate the level of nicotine in their cigarettes. The Attorney General amended the original complaint to add Public Employees Insurance Agency as a plaintiff in an effort to reinstate eight common law counts which had been dismissed against the Corporation and the other defendants on June 6, 1995 on the basis that the Attorney General lacked the authority to bring the suit in his own name. The Corporation has filed a motion to dismiss the amended complaint on several grounds. The Corporation believes the Attorney General's claims are without merit.

Environmental Matters

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The Corporation has received a Notice of Violation from the Michigan Department of Environmental Quality alleging excess particulate emissions from the Munising mill's coal-fired power boiler. The Corporation has ordered and will install additional air pollution control equipment to improve the environmental performance of the power boiler. Settlement discussions with the State to fully resolve this matter are ongoing.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

- (3) Restated Certificate of Incorporation of Kimberly-Clark Corporation, December 12, 1995.
- (4) Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.
- (10) Kimberly-Clark Corporation Outside Directors' Stock Compensation Plan, incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-8 of the Corporation filed with the Securities and Exchange Commission on April 18, 1996 (Registration No. 33-02607).
- (11) The following statement is filed as an exhibit to Part I of this Form 10-Q:

The net income per common share computations included in the Consolidated Income Statement in Part 1, Item I, of this Form 10-Q are based on average number of shares of common stock outstanding. The only "common stock equivalents" or other potentially dilutive securities or agreements (as defined in Accounting Principles Board Opinion No. 15) which were contained in the Corporation's capital structure during the periods presented were options outstanding under the Corporation's Equity Participation Plans.

Alternative computations of "primary" and "fully diluted" net income per share amounts for 1996 and 1995 assume the exercise of outstanding stock options using the "treasury stock method." There is no significant difference between net income per share presented in Item 1 and net income per share calculated on a "primary" and "fully

diluted" basis for the second quarter and first six months of 1996 and 1995.

(12) The following computation is filed as an exhibit to Part I of this Form 10-Q:

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLAR AMOUNTS IN MILLIONS)

	Six Months Ended June 30	
	1996	1995
<hr/>		
Consolidated Companies		
Income before income taxes	\$ 966.5	\$736.7
Interest expense	102.1	125.8
Interest factor in rent expense.....	13.6	17.8
Amortization of capitalized interest.....	4.2	4.4
Equity Affiliates		
Share of 50%-owned:		
Income before income taxes	20.1	22.4
Interest expense.....	4.7	4.0
Interest factor in rent expense.....	.4	.3
Amortization of capitalized interest.....	.4	.3
Distributed income of less than 50%-owned	12.2	6.8
	-----	-----
Earnings	\$1,124.2	\$918.5
	=====	=====
Consolidated Companies		
Interest expense	\$ 102.1	\$125.8
Capitalized interest	8.0	6.6
Interest factor in rent expense	13.6	17.8
Equity Affiliates		
Share of 50%-owned:		
Interest expense and capitalized interest...	4.7	4.3
Interest factor in rent expense4	.3
	-----	-----
Fixed charges	\$ 128.8	\$154.8
	=====	=====
Ratio of earnings to fixed charges	8.73	5.93
	=====	=====

(27) The Financial Data Schedule required by Item 601(b)(27) of Regulation S-K has been included with the electronic filing of this Form 10-Q.

(b) Reports on Form 8-K

None.

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/ John W. Donehower

John W. Donehower
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)

August 9, 1996

5
1000

6-MOS
DEC-31-1996
JAN-1-1996
JUN-30-1996
95900
0
1650300
0
1364500
3526300
6063500
5114600
11117100
3314300
1884400
0
0
0
0
11117100
6549800
6549800
4127400
5568300
0
0
102100
966500
338300
679500
0
0
0
679500
2.41
2.41

Items not disclosed since they are not required for intermim reporting under
regulation S-X, Article 10.

RESTATED
CERTIFICATE OF INCORPORATION
OF
KIMBERLY-CLARK CORPORATION

DECEMBER 12, 1995

The date of filing of the original certificate of incorporation of this Corporation with the Secretary of State was June 29, 1928.

ARTICLE I

The name of this Corporation is KIMBERLY-CLARK CORPORATION.

ARTICLE II

Its registered office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware. The Corporation shall possess and may exercise all powers and privileges necessary or convenient to effect such purpose and all powers and privileges now or hereafter conferred by the laws of Delaware upon corporations formed under the General Corporation Law of Delaware.

ARTICLE IV

The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is six hundred and twenty million (620,000,000) shares which shall be divided into two classes as follows:

(a) Twenty million (20,000,000) shares of Preferred Stock without par value; and (b) Six hundred million (600,000,000) shares of Common Stock of the par value of One Dollar and Twenty-five Cents (\$1.25) per share.

ARTICLE V

A statement of the voting powers and of the designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of each class of stock of the Corporation, is as follows:

(1) In General

No holders of shares of this Corporation of any class, or of bonds, debentures or other securities convertible into stock of any class, shall be entitled as of right to subscribe for, purchase, or receive any stock of any class whether now or hereafter authorized, or any bonds, debentures or other securities whether now or hereafter authorized, convertible into stock of any class, or any stock into which said bonds, debentures or other securities may be convertible, and all such additional shares of stock, debentures or other securities, together with the stock into which the same may be converted, may be issued and disposed of by the Board of Directors to such persons and on such terms and for such consideration (as far as may be permitted by law) as the Board of Directors in their absolute discretion may deem advisable.

All persons who shall acquire stock in the Corporation shall acquire the same subject to the provisions of this Certificate of Incorporation.

(2) Preferred Stock

The Preferred Stock may be issued from time to time in one or more series, with such distinctive serial designations as may be stated or expressed in the resolution or resolutions providing for the issue of such stock adopted from time to time by the Board of Directors; and in such resolution or resolutions providing for the issue of shares of each particular series, the Board of Directors is also expressly authorized to fix: the consideration for which the shares of such series are to be issued; the number of shares constituting such series; the rate of dividends upon which and the times at which dividends on shares of such series shall be payable and the preference, if any, which such dividends shall have relative to dividends on shares of any other class or classes or any other series of stock of the Corporation; whether such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which dividends on shares of such series shall be cumulative; the voting rights, if any, to be provided for shares of such series; the rights, if any, which the holders of shares of such series shall have in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation; the rights, if any, which the holders of shares of such series shall have to convert such shares into or exchange such shares for shares of any other class or classes or any other series of stock of the Corporation and the terms and conditions, including price and rate of exchange, of such conversion or exchange; the redemption price or prices and other terms of redemption, if any, for shares of such series; and any and all other preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof pertaining to shares of such series.

(3) Common Stock

(a) Subject to preferences and rights to which holders of stock other than the Common Stock may have become entitled by resolution or resolutions of the Board of Directors as hereinbefore provided, such dividends (payable in cash, stock, or otherwise) as may be determined by the Board of Directors may be declared and paid out of funds legally available therefor upon the Common Stock from time to time.

(b) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, the holders of the Common Stock shall be entitled to share ratably in all assets available for distribution to the shareholders, subject to preferences and rights to which the holders of stock other than the Common Stock may have become entitled by resolution or resolutions of the Board of Directors as hereinbefore provided.

(c) The holders of Common Stock shall be entitled to one vote for each of the shares held by them of record at the time for determining holders thereof entitled to vote.

ARTICLE VI

(1) The following corporate action shall require the approval, given at a stockholders' meeting or by consent in writing, of the holders of at least two-thirds of the stock issued and outstanding and entitled to vote thereon:

- (a) the dissolution of the Corporation, or
- (b) the sale, lease, exchange or conveyance of all or substantially all of the property and assets of the Corporation, or
- (c) the adoption of an agreement of merger or consolidation, but no stockholder approval shall be required for any merger or consolidation which, under the Laws of Delaware, need not be approved by the stockholders of the Corporation.

(2) The number of authorized shares of any class or classes of stock may be increased or decreased by the approval of the holders of a majority of all of the stock of the Corporation entitled to vote thereon, except to the extent that, in the resolution or resolutions providing for the issuance of a class or series of stock, the Board of Directors shall specify that approval of the holders of one or more classes or series of stock shall be required to increase or decrease the number of authorized shares of one or more classes or series of stock.

(3) Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders, except for stockholder approvals required by Section (1) of this Article VI.

(4) Meetings of stockholders of the Corporation may be called

only by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors, by the Chairman of the Board, or by the Chief Executive Officer.

ARTICLE VII

The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatever.

ARTICLE VIII

(1) Power of the Board of Directors . The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. In furtherance, and not in limitation, of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized:

(a) to make, alter, amend or repeal the By-Laws of the Corporation; provided , however, that no By-Laws hereafter adopted shall invalidate any prior act of the Directors that would have been valid if such By-Laws had not been adopted;

(b) to determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to direct the business and affairs of the Corporation, including the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for, Board meetings, as well as quorum and voting requirements (except as otherwise provided in this Certificate of Incorporation) for, and the manner of taking, Board action; and

(c) to exercise all such powers and do all such acts as may be exercised by the Corporation, subject to the provisions of the laws of the State of Delaware, this Certificate of Incorporation, and any By-Laws of the Corporation.

(2) Number of Directors . The number of Directors constituting the entire Board of Directors shall be not less than 11 nor more than 25. The specific number of Directors constituting the entire Board of Directors shall be as authorized from time to time exclusively by the affirmative vote of a majority of the entire Board of Directors. As used in this Certificate of Incorporation, the term "entire Board of Directors" means the total authorized number of Directors that the Corporation would have if there were no vacancies.

(3) Classified Board . At the 1986 Annual Meeting of Stockholders, the Directors shall be divided into three classes, with respect to the time that they severally hold office, as nearly equal in number as possible, with the initial term of office of the first class of Directors to expire at the 1987 Annual Meeting of Stockholders, the initial term of office of the second class of Directors to expire at the 1988 Annual Meeting of Stockholders and the initial term of office of the third class of Directors to expire at the 1989 Annual Meeting of Stockholders. Commencing with the 1987 Annual Meeting of Stockholders, Directors elected to succeed those Directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election, and upon the election and qualification of their successors. A person elected as a Director shall be deemed a Director as of the time of such election. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, an equal number of Directors in each class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of Directors in any two classes shall not exceed one.

(4) Nominations . Subject to the rights of holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, nominations for the election of Directors may be made by the affirmative vote of a majority of the entire Board of Directors or by any stockholder of record entitled to vote generally in the election of Directors. However, any stockholder of record entitled to vote generally in the election of Directors may nominate one or more persons for election as Directors at a meeting only if a written notice of such stockholder's intent to make such nomination or nominations, meeting the requirements described below, has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation, and received

by the Corporation, not less than 50 days nor more than 75 days prior to the meeting; provided, however, that in the event that less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of meeting was mailed or such public disclosure was made, whichever first occurs. Each such notice to the Secretary shall set forth: (i) the name and address of record of the stockholder who intends to make the nomination; (ii) a representation that the stockholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence addresses, and principal occupation or employment of each nominee; (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (v) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (vi) the consent of each nominee to serve as a Director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. The presiding officer of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(5) Vacancies . Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, any vacancies in the Board of Directors for any reason and any newly created Directorships resulting by reason of any increase in the number of Directors may, if occurring prior to the expiration of the term of office of the class in which such vacancy or increase occurs, be filled only by the Board of Directors, acting by the affirmative vote of a majority of the remaining Directors then in office, although less than a quorum, and any Directors so elected shall hold office until the next election of the class for which such Directors have been elected and until their successors are elected and qualified.

(6) Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (i) any Director, or the entire Board of Directors, may be removed from office at any time prior to the expiration of his or their term of office, but only for cause and only by the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all of the shares of capital stock of the Corporation then entitled to vote generally in the election of Directors, voting together as a single class, and (ii) any Director may be removed from office by the affirmative vote of a majority of the entire Board of Directors, at any time prior to the expiration of his term of office, but only for cause.

ARTICLE IX

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class

of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ARTICLE X

(1) Certain Definitions . For the purposes of this Article X and the second proviso of Article XI:

A. "Business Combination" means:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) an Interested Stockholder or (b) any other Person (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of not less than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of not less than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or any spin-off or split-up of any kind of the Corporation or any Subsidiary, proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (a) any class of equity securities of the Corporation or any Subsidiary or (b) any class of securities of the Corporation or any Subsidiary convertible into equity securities of the Corporation or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates; or

(vi) any agreement, contract or other arrangement providing for any one or more of the actions specified in clauses (i) through (v) of this Section (1)A.

B. "Affiliate" or "Associate" have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on January 1, 1986.

C. "Beneficial Owner" has the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1986.

D. "Continuing Director" means: (i) any member of the Board of Directors of the Corporation who (a) is neither the Interested Stockholder involved in the Business Combination as to which a vote of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent, or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (b) was a member of the Board of Directors of the Corporation prior to the time that such Interested Stockholder became an Interested Stockholder; and (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Corporation.

E. "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar interdealer quotation system then in use, or, if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

F. "Interested Stockholder" means any Person (other than the Corporation or any Subsidiary, any employee benefit plan maintained by the Company or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner of five percent (5%) or more of the voting power of the then outstanding Voting Stock of the Corporation; or

(ii) is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Corporation of which an Interested Stockholder was the Beneficial Owner at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Corporation shall include unissued shares of Voting Stock of the Corporation of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

G. A "Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act.

H. "Subsidiary" means any corporation of which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding shares of Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Corporation is the Beneficial Owner but shall not include any other shares of Voting Stock of the corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the corporation.

I. "Voting Stock" means outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of Directors.

(2) Higher Vote for Business Combinations . In addition to any affirmative vote required by law or by this Certificate of Incorporation, and except as otherwise expressly provided in Section (3) of this Article, any Business Combination shall require the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of the then outstanding shares of the Voting Stock of the Corporation, voting together as a single class, voting at a stockholders' meeting and not by consent in writing. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(3) When Higher Vote Is Not Required . The provisions of Section (2) of this Article shall not be applicable to any particular Business Combination, and such Business Combination shall require only

such affirmative vote, if any, of the stockholders as is required by law and any other provision of this Certificate of Incorporation, if the conditions specified in either of the following paragraphs A and B are met.

A. Approval by Continuing Directors . The Business Combination shall have been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.

B. Form of Consideration, Price and Procedure Requirements . All of the following conditions shall have been met:

(i) With respect to each share of each class of Voting Stock of the Corporation (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the Business Combination (the "Consummation Date"), consideration, in the form specified in subsection (3)(B)(ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

(a) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder to which the Business Combination relates, or by any Affiliate or Associate of such Interested Stockholder, for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) the Fair Market Value per share of such class of Voting Stock of the Corporation on the Announcement Date; and

(c) the highest preferential amount per share, if any, to which the holders of shares of such class of Voting Stock of the Corporation are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Corporation (including Common Stock) as described in subsection (3)(B)(i) hereof shall be in cash or if the consideration previously paid by or on behalf of the Interested Stockholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted in whole or in part of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Corporation has been made in varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(iii) After such Interested Stockholder has become an Interested Stockholder and prior to the Consummation Date: (a) except as approved by the affirmative vote of a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock of the Corporation, if any; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock), except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (c) such Interested Stockholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Corporation except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(iv) After such Interested Stockholder has become an Interested Stockholder, neither such Interested Stockholder nor any Affiliate or Associate thereof shall have received the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation.

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the stockholders of the Corporation at least 45 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof).

(4) Powers of Continuing Directors . A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article, including, without limitation, (A) whether a Person is an Interested Stockholder, (B) the number of shares of Voting Stock of the Corporation beneficially owned by any Person, (C) whether a Person is an Affiliate or Associate of another, (D) whether the requirements of paragraph B of Section (3) have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of not less than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; and the good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Article.

(5) No Effect on Fiduciary Obligations .

A. Nothing contained in this Article shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

B. The fact that any Business Combination complies with the provisions of Section (3) of this Article shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

(6) Effect on Other Provisions. The provisions of this Article X are in addition to, and shall not alter or amend, the provisions of Section (1) of Article VI of this Certificate of Incorporation.

ARTICLE XI

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power; provided that, notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware, the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all of the shares of capital stock of the Corporation then entitled to vote generally in the election of Directors, voting together as a single class, shall be required to amend, alter, change, repeal, or adopt any provision or provisions inconsistent with, Section (2) of Article V, Sections (3) and (4) of Article VI, and Articles VIII and XI (except for the second proviso of this Article XI) of this Certificate of Incorporation unless such amendment, alteration, change, repeal or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of the entire Board of Directors; and provided further that, notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware, the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all the outstanding Voting Stock of the Corporation, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision or provisions inconsistent with, any provision of Article X or this proviso of this Article XI, unless such amendment, alteration, repeal, or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of

at least seventy-five percent (75%) of the entire Board of Directors and by a majority of the Continuing Directors.

ARTICLE XII

No Director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such Director as a Director. Notwithstanding the foregoing, a Director shall be liable to the extent provided by applicable law (i) for breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the Director derived an improper personal benefit. No amendment to or repeal of these provisions shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such