Non-GAAP Financial Measures
Used in
Kimberly-Clark Corporation's
Consumer Analyst Group of New York Conference
Presentation
(February 2021)

In Kimberly-Clark Corporation's presentation at the Consumer Analyst Group of New York Conference in February 2021, the following financial measures have not been calculated in accordance with generally accepted accounting principles in the U.S., or GAAP, and are therefore referred to as non-GAAP financial measures ("non-GAAP measures"):

- adjusted earnings per share
- adjusted return on invested capital

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

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

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

- *2018 Global Restructuring Program.* In 2018, the company initiated a restructuring program to reduce our structural cost base by streamlining and simplifying our manufacturing supply chain and overhead organization. Restructuring charges were incurred in 2018, 2019 and 2020.

- *Softex Indonesia acquisition-related costs.* The company incurred transaction and integration costs in 2020 associated with the acquisition of Softex Indonesia.
- *Brazil business tax credits.* In 2020, we received a favorable legal ruling that resolved certain matters related to prior years' business taxes in Brazil.
- *Property sale gain.* In 2019, the company recognized a gain on the sale of property associated with a former manufacturing facility that was closed in 2012 as part of a past restructuring.
- *U.S. tax reform related matters.* The company recognized a net charge in 2018 and a net benefit in 2017 associated with U.S. tax reform related matters.
- *Charges related to Venezuelan Operations.* In 2016 and 2015, the company recorded adjustments for the deconsolidation of its Venezuelan operations.
- *2014 organization restructuring and related charges*. In 2014, the company initiated a restructuring program in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of the company's health care business. The restructuring was completed by the end of 2016.

The presentation also contains other measures including free cash flow, defined as cash provided by operations minus capital spending, and organic net sales which describes the impact of changes in volume, net selling prices and product mix on net sales. Changes in foreign currency exchange rates, acquisitions and exited businesses also impact the year-over-year change in net sales.

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

Return on Invested Capital

Return on Invested Capital ("ROIC") is a measure of the return we earn on the capital invested in our businesses. We calculate adjusted ROIC on a rolling average four quarter basis as follows:

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

Where for each of the most recent four quarters:

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

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

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

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

E = average total assets for the period excluding lease assets

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

G = average debt payable within one year for the period