

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2005

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)

P. O. Box 619100, Dallas, Texas
(Address of principal executive offices)

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

75261-9100
(Zip Code)

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes . No .

The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2005 (based on the closing stock price on the New York Stock Exchange) on such date was approximately \$29.8 billion.

As of February 16, 2006, there were 460,850,735 shares of the Corporation's common stock outstanding.

Documents Incorporated By Reference

Certain information contained in the definitive Proxy Statement for the Corporation's Annual Meeting of Stockholders to be held on April 27, 2006 is incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. The Corporation is a global health and hygiene company focused on building its personal care, consumer tissue and business-to-business operations. The Corporation is principally engaged in the manufacturing and marketing of a wide range of health and hygiene products around the world. Most of these products are made from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency. As used in Items 1, 1A, 2, 3, 6, 7, 7A, 8 and 9A of this Form 10-K, the term “Corporation” refers to Kimberly-Clark Corporation and its consolidated subsidiaries. In the remainder of this Form 10-K, the terms “Kimberly-Clark” or “Corporation” refer only to Kimberly-Clark Corporation. For financial information by business segment and geographic area, and information about principal products and markets of the Corporation, reference is made to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and to Item 8, Note 17 to the Consolidated Financial Statements.

Recent Developments

In July 2005, the Corporation authorized the initial phase of a multi-year program to improve its competitive position by accelerating investments in targeted growth opportunities and streamlining manufacturing and administrative operations, primarily in North America and Europe (the “Competitive Improvement Initiatives”). The Competitive Improvement Initiatives commenced in the third quarter of 2005. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8, Note 3 to the Consolidated Financial Statements.

On January 18, 2006, the Corporation authorized two subsequent phase projects pursuant to the Competitive Improvement Initiatives. One project is to reduce the workforce in Europe in order to streamline administrative operations. The other project authorized the closure of two manufacturing facilities elsewhere.

During 2005, the Corporation repatriated approximately \$985 million of previously unremitted earnings of certain of its non-U.S. subsidiaries under the provisions of the American Jobs Creation Act of 2004. This Act provides, among other things, for a one-time deduction for certain foreign earnings that are repatriated to and reinvested in the U.S. As a result, the Corporation recorded income tax expense and a related income tax liability of approximately \$55.5 million in 2005.

On November 30, 2004, the Corporation distributed to its stockholders all of the outstanding shares of common stock of Neenah Paper, Inc. (“Neenah Paper”). Neenah Paper was formed in April 2004 to facilitate the spin-off of the Corporation’s U.S. fine paper and technical paper businesses and its Canadian pulp mills (the “Spin-off”). See Item 8, Notes 1 and 2 to the Consolidated Financial Statements for additional information regarding the Spin-off.

Description of the Corporation

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. The reportable segments were determined in accordance with how the Corporation’s executive managers develop and execute the Corporation’s 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, research and development programs, cost reductions including supply chain management, and capacity and capital investments for each of these businesses. The principal sources of revenue in each of our global business segments are described below. Revenue, profit and total assets of each reportable segment are described in Item 8, Note 17 to the Consolidated Financial Statements.

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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, napkins and related products for household use. Products in this segment are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Hakle, Page and other brand names.

The Business-to-Business segment manufactures and markets disposable, single-use, health and hygiene products to the away-from-home marketplace. These products include facial and bathroom tissue, paper towels, napkins, wipers, surgical gowns, drapes, infection control products, sterilization wrap, disposable face masks and exam gloves, respiratory products, other disposable medical products 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.

Products for household use are sold directly, and through wholesalers, to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores and other retail outlets. Products for away-from-home use are sold through distributors and directly to manufacturing, lodging, office building, food service, health care establishments and high volume public facilities. In addition, certain products are sold to converters.

In 2005, 2004 and 2003, sales to Wal-Mart Stores, Inc. were approximately 13 percent of net sales in each year.

Patents and Trademarks

The Corporation owns various patents and trademarks registered domestically and in many foreign countries. The Corporation considers the patents and trademarks which it owns and the trademarks under which it sells certain of its products to be material to its business. Consequently, the Corporation seeks patent and trademark protection by all available means, including registration.

Raw Materials

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

Cellulose fiber, in the form of kraft pulp or fiber recycled from recovered pulp, is the primary raw material for the Corporation's tissue products and is an important component in disposable diapers, training pants, feminine pads and incontinence care products.

Most recovered paper, synthetics, pulp and recycled fiber are purchased from third parties. The Corporation considers the supply of such raw materials to be adequate to meet the needs of its businesses. See Item 1A, "Risk Factors."

Competition

The Corporation has several major competitors in most of its markets, some of which are larger and more diversified than the Corporation. The principal methods and elements of competition include brand recognition

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and loyalty, product innovation, quality and performance, price, and marketing and distribution capabilities. For additional discussion of the competitive environment in which the Corporation conducts its business, see Item 1A, "Risk Factors."

Research and Development

Research and development expenditures are directed toward new or improved personal care, tissue, wiping, and health care products and nonwoven materials. Consolidated research and development expense was \$319.5 million in 2005, \$279.7 million in 2004 and \$279.1 million in 2003.

Foreign Market Risks

The Corporation operates and markets its products globally, and its business strategy includes targeted growth in the developing and emerging markets. See Item 1A, "Risk Factors" for a discussion of foreign market risks that may affect the Corporation's financial results.

Environmental Matters

Total worldwide capital expenditures for voluntary environmental controls or controls necessary to comply with legal requirements relating to the protection of the environment at the Corporation's facilities are expected to be approximately \$34 million in 2006 and \$12 million in 2007. Of these amounts, approximately \$11 million in 2006 and \$3 million in 2007 are expected to be spent at facilities in the U.S. For facilities outside of the U.S., capital expenditures for environmental controls are expected to be approximately \$23 million in 2006 and \$9 million in 2007.

Total worldwide operating expenses for environmental compliance are expected to be approximately \$157 million in 2006 and \$146 million in 2007. Operating expenses for environmental compliance with respect to U.S. facilities are expected to be approximately \$74 million in 2006 and \$73 million in 2007. Operating expenses for environmental compliance with respect to facilities outside the U.S. are expected to be approximately \$83 million in 2006 and \$73 million in 2007. Operating expenses include pollution control equipment operation and maintenance costs, governmental payments, and research and engineering costs.

Total environmental capital expenditures and operating expenses are not expected to have a material effect on the Corporation's total capital and operating expenditures, consolidated earnings or competitive position. However, current environmental spending estimates could be modified as a result of changes in the Corporation's plans, changes in legal requirements or other factors.

Employees

In its worldwide consolidated operations, the Corporation had more than 57,000 employees as of December 31, 2005.

Item 10 of this Form 10-K identifies executive officers of the Corporation and is incorporated herein by reference.

Available Information

The Corporation makes available financial information, news releases and other information on the Corporation's Web site at www.kimberly-clark.com. There is a direct link from the Web site to the Corporation's Securities and Exchange Commission filings via the EDGAR database, where the Corporation's annual reports

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on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge as soon as reasonably practicable after the Corporation files such reports and amendments with, or furnishes them to, the Securities and Exchange Commission. Stockholders may also contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call 972-281-1522 to obtain a hard copy of these reports without charge.

ITEM 1A. RISK FACTORS

The following factors, as well as factors described elsewhere in this Form 10-K, or in other filings by the Corporation with the Securities and Exchange Commission, could adversely affect the Corporation's consolidated financial position, results of operations or cash flows. Other factors not presently known to us or that we presently believe are not material could also affect our business operations and financial results.

Increased pricing pressure and intense competition for sales of the Corporation's products could have an adverse effect on the Corporation's financial results.

The Corporation competes for customers in intensely competitive markets against well-known, branded products and private label products both domestically and internationally. Inherent risks in the Corporation's competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of recent consolidations of retailers and distribution channels, and competitive reaction. Some of the Corporation's major competitors have undergone consolidation, which could result in increased competition and alter the dynamics of the industry. Such consolidation may give competitors greater financial resources and greater market penetration and enable competitors to offer a wider variety of products and services at more competitive prices, which could adversely affect the Corporation's financial results. It may be necessary for the Corporation to lower prices on its products and increase spending on advertising and promotions, each of which could adversely affect the Corporation's financial results. In addition, the Corporation incurs substantial development and marketing costs in introducing new and improved products and technologies. There is no guarantee that the Corporation will be successful in developing new and improved products and technologies necessary to compete successfully in the industry or that the Corporation will be successful in advertising, marketing and selling its products.

There is no guarantee that the Corporation's efforts to reduce costs will be successful.

The Corporation began its Competitive Improvement Initiatives in the third quarter of 2005 to improve its competitive position by accelerating investments in targeted growth opportunities and streamlining manufacturing and administrative operations. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, the Corporation anticipates cost savings to result from reducing material costs and manufacturing waste and realizing productivity gains and distribution efficiencies in each of its business segments. If the Corporation cannot successfully implement the strategic cost reductions included in its Competitive Improvement Initiatives or other cost savings plans, the Corporation may not realize all anticipated benefits. Any negative impact these initiatives have on the Corporation's relationships with employees or customers or any failure to generate the anticipated efficiencies and savings could adversely affect the Corporation's financial results.

Significant increases in prices for raw materials, energy, transportation and other necessary supplies and services could adversely affect the Corporation's financial results.

Increases in the cost of and availability of raw materials, including pulp and petroleum-based materials, the cost of energy, transportation and other necessary services, supplier constraints, an inability to maintain favorable

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(Continued)

supplier arrangements and relations or an inability to avoid disruptions in production output caused by such events as natural disasters, power outages, labor strikes, and the like could have an adverse effect on the Corporation's financial results.

Cellulose fiber, in the form of kraft pulp or recycled fiber from recovered pulp, is used extensively in the Corporation's tissue products and is subject to significant price fluctuations due to the cyclical nature of the pulp markets. Recycled fiber accounts for approximately 25 percent of the Corporation's overall fiber requirements.

On a worldwide basis, the Corporation supplies approximately 10 percent of its virgin fiber needs from internal pulp manufacturing operations. Increases in pulp prices could adversely affect the Corporation's earnings if selling prices for its finished products are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

A number of the Corporation's products, such as diapers, training and youth pants, and incontinence care products contain certain materials which are principally derived from petroleum. These materials are subject to price fluctuations based on changes in petroleum prices, availability and other factors. The Corporation purchases these materials from a number of suppliers. Significant increases in prices for these materials could adversely affect the Corporation's earnings if selling prices for its finished products are not adjusted or if adjustments significantly trail the increases in prices for these materials. Derivative instruments have not been used to manage these risks.

Although the Corporation believes that the supplies of raw materials needed to manufacture its products are adequate, global economic conditions, supplier capacity constraints and other factors could affect the availability of or prices for those raw materials.

The Corporation's manufacturing operations utilize electricity, natural gas and petroleum-based fuels. To ensure that it uses all forms of energy cost effectively, the Corporation maintains ongoing energy efficiency improvement programs at all of its manufacturing sites. The Corporation's contracts with energy suppliers vary as to price, payment terms, quantities and duration. The Corporation's energy costs are also affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. There can be no assurance that the Corporation will be fully protected against substantial changes in the price or availability of energy sources. Derivative instruments are used to hedge a substantial portion of natural gas price risk in accordance with the Corporation's risk management policy.

The Corporation's sales may not occur as estimated.

There is no guarantee that the Corporation will be able to anticipate consumer preferences, estimate sales of new products, estimate changes in population characteristics and the acceptance of the Corporation's products in new markets and anticipate changes in technology and competitive responses. As a result, the Corporation may not be able to achieve anticipated sales.

Difficulties in expanding globally and in developing and emerging markets (Asia, Latin America, the Middle East, Eastern Europe and Africa) may adversely affect the Corporation's financial results.

Because the Corporation and its equity companies have manufacturing facilities in 40 countries and their products are sold in more than 150 countries, the Corporation's results may be substantially affected by foreign market risks. The Corporation is subject to the impact of economic and political instability in developing countries.

The Corporation faces increased risks in its international operations, including fluctuations in currency rates, adverse political and economic conditions, legal and regulatory constraints, tariffs and other trade barriers,

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(Continued)

difficulties in enforcing contractual and intellectual property rights, costs and difficulties in managing international operations and potentially adverse tax consequences. Each of these factors could adversely affect the Corporation's financial results.

In addition, intense competition in European personal care and tissue markets and the challenging economic, political and competitive environments in Argentina, Brazil, Colombia, Mexico, Venezuela and elsewhere in Latin America and developing countries in Eastern Europe and Asia may slow the Corporation's sales growth and earnings potential. The Corporation's success internationally also depends on its ability to acquire or to form successful business alliances, and there is no guarantee that the Corporation will be able to acquire or form such alliances. In addition, there can be no assurance that the Corporation's products will be accepted in any particular market. The Corporation is subject to the movement of various currencies against each other and versus the U.S. dollar. Exposures, arising from transactions and commitments denominated in non-local currencies, are systematically hedged through foreign currency forward, option and swap contracts. Translation exposure for the Corporation with respect to foreign operations generally is not hedged. There can be no assurance that the Corporation will be fully protected against substantial foreign currency fluctuations.

Pending litigation and administrative actions could have an adverse effect on the Corporation.

There is no guarantee that the Corporation will be successful in defending itself in legal and administrative actions or in asserting its rights under various laws, including intellectual property laws. In addition, the Corporation could incur substantial costs in defending itself or in asserting its rights in such actions. The costs and other effects of pending litigation and administrative actions against the Corporation cannot be determined with certainty. Although management believes that no such proceedings will have a material adverse effect on the Corporation, there can be no assurance that the outcome of such proceedings will be as expected. See Item 3, "Legal Proceedings."

Changes in laws, regulations and accounting standards could have an adverse effect on the Corporation's financial results.

The Corporation is subject to federal, state, local and foreign governmental regulation, including the Sarbanes-Oxley Act of 2002 ("SOX") and numerous related regulations promulgated by the Securities and Exchange Commission, the Public Company Accounting Oversight Board and the Financial Accounting Standards Board. The Corporation has incurred substantial costs in complying with SOX and other regulations and standards relating to corporate governance and public disclosure. Although the Corporation is in compliance with the laws and regulations regarding recording and reporting of financial results, there can be no assurance that future regulations or interpretations of such regulations will not have an adverse impact on the Corporation's financial results as compared with prior reporting periods.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Management believes that the Corporation's production facilities are suitable for their purpose and adequate to support its businesses. The extent of utilization of individual facilities varies, but they generally operate at or near capacity, except in certain instances such as when new products or technology are being introduced or when mills are being shut down. Various facilities contain pollution control, solid waste disposal and other equipment which have been financed through the issuance of industrial revenue or similar bonds and are held by the Corporation under lease or installment purchase agreements.

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The principal facilities of the Corporation (including the Corporation's equity companies) and the products or groups of products made at such facilities are as follows:

World Headquarters Location

Dallas, Texas

Operating Segments and Geographic Headquarters

Roswell, Georgia

Neenah, Wisconsin

Milsons Point, Australia

Seoul, Korea

Reigate, United Kingdom

Administrative Centers

Knoxville, Tennessee

Brighton, United Kingdom

Worldwide Production and Service Facilities

United States

Alabama

Mobile—tissue products

Arizona

Tucson—health care products

Arkansas

Conway—feminine care and incontinence care products and nonwovens

Maumelle—wet wipes and nonwovens

California

Fullerton—tissue products

Connecticut

New Milford—tissue products

Georgia

LaGrange—nonwovens

Idaho

Pocatello—health care products

Kentucky

Owensboro—tissue products

Mississippi

Corinth—nonwovens, wipers and towels

North Carolina

Hendersonville—nonwovens

Lexington—nonwovens

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(Continued)

Oklahoma

Jenks—tissue products

Pennsylvania

Chester—tissue products

South Carolina

Beech Island—diapers, wet wipes and tissue products

Tennessee

Loudon—tissue products

Texas

Del Rio—health care products

Fort Worth—health care products

Paris—diapers and training, youth and swim pants

San Antonio—personal cleansing products and systems

Utah

Draper—health care products

Ogden—diapers

Washington

Everett—tissue products, wipers and pulp

Wisconsin

Marinette—tissue products and wipers

Neenah—diapers, training pants, feminine care and incontinence care products and nonwovens

Outside the United States

Argentina

Bernal—tissue products

Pilar—feminine care and incontinence care products

San Luis—diapers

Australia

Albury—nonwovens

Ingleburn—diapers

Lonsdale—diapers and feminine care and incontinence care products

Millicent—pulp and tissue products

Tantanoola—pulp

Warwick Farm—tissue products

Bahrain

* East Riffa—tissue products

* Equity company production facility

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Belgium

Duffel—tissue products

Bolivia

La Paz—tissue products

Santa Cruz—tissue products

Brazil

Bahia—tissue products

Correia Pinto—tissue products

Cruzeiro—tissue products

Mogi das Cruzes—tissue products

Porto Alegre—feminine care products

Suzano—diapers, wet wipes and incontinence care products

Canada

Huntsville, Ontario—tissue products

St. Hyacinthe, Quebec—feminine care and incontinence care products

China

Beijing—feminine care and adult care products

Guangzhou—tissue products

Nanjing—feminine care products

Shanghai—tissue products

Colombia

Barbosa—wipers, business and correspondence papers and notebooks

Puerto Tejada—tissue products

Tocancipa—diapers and feminine care products

* Villa Rica—diapers and incontinence care products

Costa Rica

Belen—tissue products

Cartago—diapers and feminine care and incontinence care products

Czech Republic

Jaromer—diapers and incontinence care products

Litovel—feminine care products

Dominican Republic

Santo Domingo—tissue products

Ecuador

Babahoyo—tissue products

Mapasingue—tissue products, diapers and feminine care products

* Equity company production facility

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(Continued)

El Salvador

Sitio del Niño—tissue products

France

Rouen—tissue products

Villey-Saint-Etienne—tissue products

Germany

Forchheim—feminine care and incontinence care products

Koblenz—tissue products

Mainz—tissue products

Reisholz—tissue products

Honduras

Villanueva—health care products

India

* Pune—feminine care products and diapers

Indonesia

Jakarta—tissue products

Israel

Afula—diapers and feminine care and incontinence care products

Hadera—tissue products

Nahariya—tissue products

Italy

Alanno—tissue products

Romagnano—tissue products

Korea

Anyang—feminine care products, diapers and tissue products

Kimcheon—tissue products and nonwovens

Taejon—feminine care products, diapers and nonwovens

Malaysia

Kluang—tissue and feminine care products and diapers

Mexico

Acuña—health care products

* Bajio—tissue products, fine papers and notebooks

* Cuautitlan—feminine care products, diapers and nonwovens

* Ecatepec—tissue products

Magdalena—health care products

* Morelia—tissue products, pulp and fine papers

* Equity company production facility

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(Continued)

- * Naucalpan—tissue products and specialty papers
Nogales—health care products
- * Orizaba—tissue products, fine papers and pulp
- * Ramos Arizpe—tissue products and diapers
- * San Rafael—fine papers
- * Texmelucan—tissue products
- * Tlaxcala—diapers, nonwovens and wet wipes

Peru

Puente Piedra—tissue products
Villa—diapers and feminine care and incontinence care products

Philippines

San Pedro, Laguna—feminine care products, diapers and tissue products

Poland

Klucze—tissue products

Saudi Arabia

- * Al-Khobar—diapers and feminine care and tissue products

Singapore

Tuas—diapers

Slovak Republic

Piestany—health care products

South Africa

Cape Town—tissue, feminine care and incontinence care products
Springs—tissue products and diapers

Spain

Aranguren—tissue products
Arceniega—tissue products and personal cleansing products and systems
Calatayud—diapers
Salamanca—tissue products
Telde, Canary Islands—tissue products

Switzerland

Balsthal—tissue products and specialty papers
Niederbipp—tissue products
Reichenburg—tissue products

Taiwan

Chung Li—tissue and feminine care products and diapers
Hsin-Ying—tissue products
Ta-Yuan—tissue products

* Equity company production facility

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Thailand

Hat Yai—disposable gloves

Pathumthani—feminine care and tissue products

Samut Prakarn—tissue products

Turkey

Istanbul—diapers

United Kingdom

Barrow—tissue products

Barton-upon-Humber—diapers and nonwovens

Flint—tissue products and nonwovens

Northfleet—tissue products

Venezuela

Maracay—tissue products and diapers

Vietnam

Binh Duong—feminine care products

Hanoi—feminine care products

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2005, the Corporation, along with many other nonaffiliated companies, was a party to lawsuits with allegations of personal injury resulting from asbestos exposure on the defendants' premises and allegations that the defendants manufactured, sold, distributed or installed products which cause asbestos-related lung disease. These general allegations are often made against the Corporation without any apparent evidence or identification of a specific product or premises of the Corporation. The Corporation has denied the allegations and raised numerous defenses in all of these asbestos cases. All asbestos claims have been tendered to the Corporation's insurance carriers for defense and indemnity. The financial statements reflect appropriate accruals for the Corporation's portion of the costs estimated to be incurred in connection with resolving these claims.

The Corporation is subject to federal, state and local environmental protection laws and regulations with respect to its business operations and is operating in compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. 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.

In management's opinion, none of these legal proceedings nor the Corporation's compliance obligations with environmental protection laws and regulations, individually or in the aggregate, is expected to have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The dividend and market price data included in Item 8, Note 19 to the Consolidated Financial Statements is incorporated in this Item 5 by reference.

Quarterly dividends have been paid continually since 1935. Dividends are paid on or about the second business day of January, April, July and October. The Automatic Dividend Reinvestment service of Computershare Trust Company, N.A. is available to Kimberly-Clark stockholders of record. The service makes it possible for Kimberly-Clark stockholders of record to have their dividends automatically reinvested in common stock and to make additional cash investments up to \$3,000 per quarter.

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

As of February 16, 2006, the Corporation had 34,040 holders of record of its common stock.

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

The Corporation regularly repurchases shares of Kimberly-Clark common stock pursuant to publicly announced share repurchase programs. During 2005, the Corporation purchased \$1.5 billion worth of its common stock. The following table contains information for shares repurchased during the fourth quarter of 2005. None of the shares in this table were repurchased directly from any officer or director of the Corporation.

<u>Period (2005)</u>	<u>Shares Purchased^(a)</u>	<u>Average Cost Per Share</u>	<u>Cumulative Number of Shares Purchased Pursuant To The Programs</u>	<u>Remaining Shares That May Be Repurchased</u>
October 1 to 31	3,055,000	\$ 57.56	24,328,000	50,672,000
November 1 to 30	2,838,000	58.42	27,166,000	47,834,000
December 1 to 31	2,665,000	59.40	29,831,000	45,169,000
Total	8,558,000			

(a) All share repurchases between October 1, 2005 and December 31, 2005 were made pursuant to share repurchase programs authorized by the Corporation's Board of Directors on June 8, 2004 and September 15, 2005, each publicly announced the same day, which allow for the repurchase of 25 million shares in an amount not to exceed \$2.25 billion and 50 million shares in an amount not to exceed \$5.0 billion, respectively.

In addition, during November 2005, 18,219 shares at a cost of \$1,075,832 were purchased from current or former employees in connection with the exercise of employee stock options and other awards. No such shares were purchased in October or December 2005.

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(Continued)

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2005 ^(a)	2004 ^(b)	2003 ^(b)	2002 ^{(b)(c)}	2001 ^{(b)(c)(d)}
	(Millions of dollars, except per share amounts)				
Net Sales	\$ 15,902.6	\$ 15,083.2	\$ 14,026.3	\$ 13,231.5	\$ 12,923.6
Gross Profit	5,075.2	5,068.5	4,794.4	4,693.8	4,573.8
Operating Profit	2,310.6	2,506.4	2,331.6	2,368.3	2,272.9
Share of Net Income of Equity Companies	136.6	124.8	107.0	113.3	154.4
Income from:					
Continuing operations	1,580.6	1,770.4	1,643.6	1,627.4	1,571.1
Discontinued operations, net of income taxes	—	29.8	50.6	58.6	38.8
Cumulative effect of accounting change, net of income taxes	(12.3)	—	—	(11.4)	—
Net income	1,568.3	1,800.2	1,694.2	1,674.6	1,609.9
Per share basis:					
Basic					
Continuing operations	3.33	3.58	3.24	3.15	2.97
Discontinued operations	—	.06	.10	.11	.07
Cumulative effect of accounting change, net of income taxes	(.03)	—	—	(.02)	—
Net income	3.30	3.64	3.34	3.24	3.04
Diluted					
Continuing operations	3.31	3.55	3.23	3.13	2.95
Discontinued operations	—	.06	.10	.11	.07
Cumulative effect of accounting change, net of income taxes	(.03)	—	—	(.02)	—
Net income	3.28	3.61	3.33	3.22	3.02
Cash Dividends Per Share					
Declared	1.80	1.60	1.36	1.20	1.12
Paid	1.75	1.54	1.32	1.18	1.11
Total Assets	\$ 16,303.2	\$ 17,018.0	\$ 16,779.9	\$ 15,639.6	\$ 15,059.1
Long-Term Debt	2,594.7	2,298.0	2,733.7	2,844.0	2,424.0
Stockholders' Equity	5,558.2	6,629.5	6,766.3	5,650.3	5,646.9

- (a) In accordance with the requirements of Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, the Corporation recorded a pretax asset retirement obligation of \$23.6 million at December 31, 2005. The cumulative effect on income, net of related income tax effects, of recording the asset retirement obligation was \$12.3 million, or \$.03 per share. See Item 8, Note 1 to the Consolidated Financial Statements.
- (b) Income statement data present the results of Neenah Paper's fine and technical papers businesses as discontinued operations.
- (c) During 2001, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board issued EITF No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products*. The Corporation adopted EITF 01-9 effective January 1, 2002, and reclassified the expected redemption value of coupons and other applicable promotional activities from expense to a reduction in revenue, which reduced net sales \$1.2 billion for 2001. The adoption of EITF 01-9 required the recording of a cumulative effect of a change in accounting principle in 2002, equal to an after-tax charge of approximately \$.02 per share, which resulted from a change in the period for recognizing the costs of coupons.
- (d) On January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Under this standard, goodwill and intangible assets having indefinite lives are no longer amortized but are subject to annual impairment tests with any impairment loss recognized in the period of impairment. The Corporation recorded goodwill amortization of \$94.4 million in 2001. The effect of this amortization, net of applicable income taxes, on basic and diluted earnings per share was \$.18 in 2001.

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(Continued)

ITEM 7. 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 (“MD&A”) is intended to provide investors with an understanding of the Corporation’s past performance, its financial condition and its prospects. The following will be discussed and analyzed:

- Overview of Business
- Overview of 2005 Results
- Results of Operations and Related Information
- Liquidity and Capital Resources
- Variable Interest Entities
- Critical Accounting Policies and Use of Estimates
- Legal Matters
- New Accounting Standard
- Business Outlook
- Forward-Looking Statements

Overview of Business

The Corporation is a global health and hygiene company with manufacturing facilities in 37 countries and its products are sold in more than 150 countries. The Corporation’s products are sold under such well-known brands as Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend. The Corporation has three reportable global business segments: Personal Care, Consumer Tissue and Business-to-Business. These global business segments are described in greater detail in Item 8, Note 17 to the Consolidated Financial Statements.

In managing its global business, the Corporation’s management believes that developing new and improved products, responding effectively to competitive challenges, obtaining and maintaining leading market shares, controlling costs, and managing currency and commodity risks are important to the long-term success of the Corporation. The discussion and analysis of results of operations and other related information will refer to these factors.

- **Product innovation**—Past results and future prospects depend in large part on product innovation. The Corporation relies on its ability to develop and introduce new or improved products to drive sales and volume growth and to achieve and/or maintain category leadership. In order to develop new or improved products, the technology to support those products must be acquired or developed. Research and development expenditures are directed towards new or improved personal care, tissue and health care products and nonwoven materials.
- **Competitive environment**—Past results and future prospects are significantly affected by the competitive environment in which we operate. We experience intense competition for sales of our principal products in our major markets, both domestically and internationally. Our products compete with widely advertised, well-known, branded products, as well as private label products, which are typically sold at lower prices. We have several major competitors in most of our markets, some of which

PART II

(Continued)

are larger and more diversified. The principal methods and elements of competition include brand recognition and loyalty, product innovation, quality and performance, price, and marketing and distribution capabilities.

Aggressive competitive actions in 2004 and 2005 have required increased promotional spending to support new product introductions and enable competitive pricing in order to protect the position of the Corporation's products in the market. We expect competition to continue to be intense in 2006.

- **Market shares**—Achieving leading market shares in our principal products has been an important part of our past performance. We hold number 1 or 2 share positions in more than 80 countries. Achieving and maintaining leading market shares is important because of ongoing consolidation of retailers and the trend of leading merchandisers seeking to stock only the top competitive brands.
- **Cost controls**—To maintain our competitive position, we must control our manufacturing, distribution and other costs. We have achieved cost savings from reducing material costs and manufacturing waste and realizing productivity gains and distribution efficiencies in each of our business segments. Our ability to control costs can be affected by changes in the price of oil, pulp and other commodities we consume in our manufacturing processes. Our strategic investments in information systems should also allow further cost savings through streamlining administrative activities.
- **Foreign currency and commodity risks**—As a multinational enterprise, we are exposed to changes in foreign currency exchange rates, and we are also exposed to changes in commodity prices. Our ability to effectively manage these risks can have a material impact on our results of operations.

Overview of 2005 Results

During 2005, the Corporation continued to face intense competition in most of its markets. In particular, the diaper and pants categories in North America and Europe continued to be affected by the competitive pricing pressures that began in late 2002. The businesses were also adversely affected by higher materials input costs and higher energy and related costs.

- Net sales advanced 5.4 percent.
 - New and improved products such as Scott Extra Soft bathroom tissue, new Huggies toiletries, Pull-Ups Training Pants with Wetness Liner, WypAll X80 towels and Andrex Quilts bathroom tissue contributed to increased sales volumes.
 - Net sales of consumer products grew almost 16 percent in the developing and emerging markets with each geographic region contributing to the increase.
- Operating profit decreased 7.8 percent and net income and diluted earnings per share decreased 12.9 percent and 9.1 percent, respectively.
 - Higher sales volumes and cost savings of nearly \$210 million did not overcome cost inflation and charges related to the strategic cost reductions included in the Corporation's Competitive Improvement Initiatives.
- Cash flow from operations exceeded \$2 billion.
 - The Corporation returned \$2.3 billion to shareholders through dividends and share repurchases.

Results of Operations and Related Information

This section contains a discussion and analysis of net sales, operating profit and other information relevant to an understanding of 2005 results of operations. This discussion and analysis compares 2005 results to 2004, and 2004 results to 2003. Each of those discussions focuses first on consolidated results, and then the results of each reportable business segment.

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(Continued)

Analysis of Consolidated Net Sales

By Business Segment

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
Personal Care	\$ 6,287.4	\$ 5,975.1	\$ 5,652.9
Consumer Tissue	5,781.3	5,343.0	5,046.7
Business-to-Business	3,821.8	3,957.9	3,477.7
Corporate & Other	31.4	24.3	3.7
Intersegment sales	(19.3)	(217.1)	(154.7)
Consolidated	\$ 15,902.6	\$ 15,083.2	\$ 14,026.3

By Geographic Area

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
United States	\$ 9,093.1	\$ 8,683.5	\$ 8,335.8
Canada	516.4	911.0	801.8
Intergeographic sales	(254.7)	(554.4)	(515.6)
Total North America	9,354.8	9,040.1	8,622.0
Europe	3,072.8	3,098.3	2,892.5
Asia, Latin America and other	4,019.2	3,488.8	3,061.6
Intergeographic sales	(544.2)	(544.0)	(549.8)
Consolidated	\$ 15,902.6	\$ 15,083.2	\$ 14,026.3

Commentary:

2005 versus 2004

	Percent Change in Sales Versus Prior Year					
	Total Change	Change Due To				
		Volume	Net Price	Currency	Mix/Other	Pulp Sales
Consolidated	5	3	1	2	—	(1)
Personal Care	5	4	—	2	(1)	—
Consumer Tissue	8	4	2	1	1	—
Business-to-Business	(3)	3	1	1	—	(8)

Consolidated net sales increased 5.4 percent from 2004. Sales volumes rose more than 3 percent with each of the business segments contributing to the increase. Currency effects added nearly 2 percent to the increase primarily due to strengthening of the South Korean won, the Brazilian real, the Canadian dollar and the Australian dollar. Net selling prices increased 1 percent offset by a reduction in net sales due to the divestiture of the pulp operations as part of the spin-off of Neenah Paper on November 30, 2004.

- Worldwide net sales of personal care products increased 5.2 percent due to higher sales volumes, primarily in North and Latin America, and favorable currency effects related to the previously

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(Continued)

mentioned currencies and higher net selling prices in the developing and emerging markets. These positive factors were partially offset by lower net selling prices in North America and Europe.

In North America, net sales increased more than 1 percent resulting from 3 percent higher sales volumes reflecting higher sales of Huggies diapers, growth in child care products—GoodNites youth underpants, Pull-Ups training pants and Little Swimmers swimpants—and incontinence brands Poise and Depend, partially offset by lower feminine care sales volumes. Lower net selling prices of about 1 percent and an unfavorable product mix tempered the effect of the overall higher sales volumes.

Net sales in Europe declined nearly 5 percent. Higher sales volumes for diapers were more than offset by reduced sales volumes for feminine care products. Overall net selling prices decreased about 7 percent due to continued competitive pressure. Currency effects provided a more than 1 percent favorable impact on the comparison.

In the developing and emerging markets, net sales grew nearly 16 percent driven by about 6 percent higher sales volumes and favorable currency effects of the same magnitude. The advance in sales volume was led by double-digit growth in Latin America with increases across the region. Asia also contributed to the sales volume increase. The favorable currency effects occurred primarily in Korea, Brazil and Australia. Net selling prices increased about 3 percent with gains in each of the geographic regions.

- Worldwide net sales of consumer tissue products rose 8.2 percent on the strength of increased sales volumes and net selling prices in North America, higher sales volumes in the developing and emerging markets and favorable currency effects. These favorable impacts were tempered by lower net selling prices in Europe.

In North America, net sales advanced nearly 11 percent as higher sales volumes and higher net selling prices each contributed about 5 percent to the improvement. A more favorable product sales mix also added about 1 percent. The higher sales volumes were driven by the introduction of Scott Extra Soft bathroom tissue in February 2005. List price increases on bathroom and facial tissue and on towels that occurred in August 2004 resulted in the higher net selling prices. Kleenex Anti-Viral facial tissue, introduced in September 2004, was the primary leader in the improved product mix.

In Europe, net sales decreased nearly 2 percent principally due to over 3 percent lower net selling prices reflecting continuing competitive pressures. Sales volumes were even with the prior year and currency provided about a 1 percent favorable effect.

In the developing and emerging markets, net sales increased approximately 16 percent primarily due to about 8 percent higher sales volumes and approximately 6 percent favorable currency effects. Korea, Australia and Brazil were the most significant contributors to both sales volume and currency gains.

- Worldwide net sales for business-to-business products decreased 3.4 percent. The divestiture of the pulp operations included in the Neenah Paper spin-off reduced net sales by about 8 percent. Overall sales volumes increased approximately 3 percent as both K-C Professional and Health Care reported gains of about that same percent. Favorable currency effects and higher net selling prices, principally in K-C Professional's North America operations, each added about 1 percent improvement to the comparison.

PART II

(Continued)

2004 versus 2003

	Percent Change in Sales Versus Prior Year						
	Change Due To						
	Total Change	Volume			Net Price	Currency	Other
		Total Volume	Organic Growth	Acquisitions			
Consolidated	8	5	4	1	(1)	3	1
Personal Care	6	4	4	—	(2)	3	1
Consumer Tissue	6	3	1	2	—	4	(1)
Business-to-Business	14	7	7	—	(1)	3	5

Consolidated net sales increased 7.5 percent from 2003. Sales volumes advanced approximately 5 percent with contributions from each of the business segments. About 1 percentage point of the increase in sales volumes was due to the consolidation, in August 2003, of Klabin Kimberly S.A. (“Klabin”), a former equity affiliate and Brazil’s largest tissue manufacturer. Currency effects added more than 3 percent to the increase primarily due to strengthening of the euro, British pound, and Australian and Canadian dollars. Slightly lower net selling prices were offset by a more favorable product mix.

- Worldwide personal care net sales rose 5.7 percent due to higher sales volumes, mainly in North America, favorable currency effects in Europe and Australia and better product mix in Central America, partially offset by lower net selling prices primarily in North America and Europe.

In North America, net sales increased nearly 5 percent driven by a more than 6 percent sales volume increase reflecting higher sales of Huggies diapers and double-digit growth for child care products—GoodNites youth underpants, Pull-Ups training pants, Little Swimmers swimpants—and incontinence brands Poise and Depend. Net selling prices declined about 2 percent primarily in response to competitive activity. Favorable Canadian dollar exchange rate effects also contributed to the increase in net sales. The increased child care volumes are due to strong category growth through increased consumer usage. Market share for feminine care products declined as a result of significant competitive activity.

Net sales in Europe were even with last year as 10 percent favorable currency effects were offset by almost 7 percent lower sales volumes and a 3 percent reduction in net selling prices. Lower sales volumes for diapers and feminine care products were a result of aggressive competitive price reductions and promotion spending. This more than offset higher sales volumes for child and adult care products. Except for child care, which benefited from a prior year price increase, net selling prices declined due to competitive activity.

In the developing and emerging markets, net sales increased about 10 percent with higher sales volumes and favorable currency effects each contributing about 5 percent, while improved product mix essentially offset lower net selling prices. Advances in sales volumes and favorable currency were realized in both Korea and Australia. Latin America and Israel also recorded higher sales volumes.

- Worldwide consumer tissue net sales increased 5.9 percent on higher sales volumes, primarily in North America, the consolidation of Klabin and favorable currency effects, principally in Europe, partially offset by lower intersegment sales. Net selling prices were even with the prior year.

In North America, net sales increased almost 4 percent with higher sales volumes and net selling prices each contributing about 2 percent. The higher sales volumes were led by increased sales for Scott bathroom tissue and private label, partially offset by lower sales volumes for Kleenex facial tissue. In the third quarter of 2004, the Corporation implemented list price increases on its bathroom and facial tissue products and on paper towels. These price increases along with a reduction in trade promotion

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(Continued)

spending in the fourth quarter contributed to the higher net selling prices. In facial tissue products, the Corporation's main competitor did not match the Corporation's price increases in some product codes, which is reflected in the Corporation's lower market share for the category. The third quarter 2004 introduction of Kleenex Anti-Viral facial tissue contributed to a slight increase in net sales due to product mix.

In Europe, net sales increased nearly 9 percent because of an almost 11 percent favorable effect from currency tempered by lower net selling prices that reflect the continuing competitive marketplace. Sales volumes were nearly 1 percent higher primarily due to increased sales of Andrex products in the United Kingdom.

In the developing and emerging markets, net sales advanced approximately 20 percent on a sales volume increase of more than 11 percent, of which about 7 percentage points was attributable to the consolidation of Klabin, favorable currency effects of almost 5 percent, primarily in Australia, and a favorable product mix.

- Worldwide net sales for products in the business-to-business segment increased 13.8 percent driven by nearly 7 percent higher sales volumes, more than 3 percent favorable currency effects and higher intersegment sales, tempered by less than 2 percent lower net selling prices. Sales volume growth was led by more than an 8 percent volume increase in global health care.

Professional products achieved more than 5 percent higher sales volumes and higher sales of nonwoven products provided additional benefit. The favorable currency effects were principally due to Europe. Despite price increases in the fourth quarter for professional products in North America, net selling prices for the year declined due to price erosion in contract business across the segment.

Analysis of Consolidated Operating Profit

By Business Segment

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
Personal Care	\$1,242.2	\$1,253.2	\$1,221.0
Consumer Tissue	805.8	803.1	728.2
Business-to-Business	673.2	656.6	602.8
Other income (expense), net	(27.2)	(51.2)	(112.5)
Corporate & Other	(383.4)	(155.3)	(107.9)
Consolidated	\$2,310.6	\$2,506.4	\$2,331.6

By Geographic Area

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
United States	\$1,973.5	\$1,953.1	\$1,862.7
Canada	107.7	122.0	131.7
Europe	165.9	221.0	202.9
Asia, Latin America and other	474.1	416.8	354.7
Other income (expense), net	(27.2)	(51.2)	(112.5)
Corporate & Other	(383.4)	(155.3)	(107.9)
Consolidated	\$2,310.6	\$2,506.4	\$2,331.6

Note: Corporate & Other for 2005 includes \$228.6 million of costs for the Competitive Improvement Initiatives discussed below and other expenses not associated with the business segments or geographic areas.

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(Continued)

Commentary:

2005 versus 2004

Percentage Change in Operating Profit Versus Prior Year

	Change Due To						Other ^(a)
	Total Change	Volume	Net Price	Raw Materials Cost	Energy and Distribution Expense	Currency	
Consolidated	(8)	7	4	(9)	(7)	1	(4) ^(b)
Personal Care	(1)	6	(2)	(12)	(2)	3	6
Consumer Tissue	—	7	11	(4)	(14)	1	(1)
Business-to-Business	3	8	3	(6)	(6)	1	3 ^(c)

(a) Includes the benefit of cost savings achieved, net of increased costs for marketing and research.

(b) Includes costs aggregating \$228.6 million for the Competitive Improvement Initiatives.

(c) Operating losses from divested pulp operations were included in 2004.

Consolidated operating profit decreased 7.8 percent. Significant factors that negatively affected operating profit were approximately \$229 million of charges related to the Competitive Improvement Initiatives that are not included in the business segments (as discussed later in this MD&A and in Item 8, Note 3 to the Consolidated Financial Statements), cost inflation of about \$400 million and higher marketing, research and general expenses. Those factors were partially offset by gross cost savings of nearly \$210 million, increased sales volumes and higher net selling prices. Operating profit as a percent of net sales declined to 14.5 percent from 16.6 percent for 2004.

- Operating profit for personal care products decreased .9 percent. Cost savings, higher sales volumes and favorable currency effects were offset by materials cost inflation—particularly for polymer resins and superabsorbents, lower net selling prices and increased costs for marketing and research activities. The year-over-year change in operating profit was also affected by about \$37 million of costs in 2004 to improve the efficiency of the Corporation's diaper operations.

Operating profit in North America declined about 3 percent as materials cost inflation, lower net selling prices and higher distribution costs more than offset cost savings and the higher sales volumes. In Europe, operating profit decreased primarily due to the lower net selling prices. Operating profit in the developing and emerging markets increased nearly 16 percent due to the higher sales volumes, higher net selling prices and favorable currency effects, tempered by higher marketing and administrative costs.

- Operating profit for consumer tissue products was essentially even with last year, an increase of .3 percent. The higher net selling prices, higher sales volumes and cost savings were offset by cost inflation for materials, energy and distribution, and higher marketing and research expenses.

In North America, operating profit grew almost 8 percent because the higher net selling prices and increased sales volumes more than offset the cost inflation. Operating profit in Europe decreased principally due to the effects of the competitive lower net selling prices. In the developing and emerging markets, operating profit advanced approximately 19 percent on the strength of the higher sales volumes and a favorable product mix.

- Operating profit for business-to-business products increased 2.5 percent. The higher sales volumes and higher net selling prices combined with cost savings and the absence of operating losses related to the divested pulp operations allowed the segment to overcome materials and energy related cost inflation.

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(Continued)

Competitive Improvement Initiatives

In July 2005, the Corporation authorized the initial phase of a multi-year program to further improve its competitive position by accelerating investments in targeted growth opportunities and strategic cost reductions aimed at streamlining manufacturing and administrative operations, primarily in North America and Europe (the "Competitive Improvement Initiatives").

The Competitive Improvement Initiatives commenced in the third quarter of 2005 and are expected to be substantially completed by December 31, 2008. Based on current estimates, the strategic cost reductions are expected to result in cumulative charges of approximately \$900 million to \$1.1 billion before tax (\$625-\$775 million after tax) over that three and one-half year period. These reductions are expected to yield annual pretax savings that increase to \$300-\$350 million by 2009. Continuous productivity gains over the last several years along with investments in state-of-the-art manufacturing capacity are enabling the Corporation to consolidate production at fewer facilities. Cash costs related to the sale, closure or streamlining of operations, relocation of equipment, severance and other expenses are expected to account for approximately 45 percent of the charges. Noncash charges will consist primarily of incremental depreciation and amortization and asset write downs.

By the end of 2008, it is anticipated there will be a net workforce reduction of about 10 percent, or approximately 6,000 employees. As of December 31, 2005, a net workforce reduction of more than 400 had occurred. Approximately 20 manufacturing facilities, or 17 percent of the Corporation's worldwide total, are expected to be sold or closed and an additional 4 facilities are expected to be streamlined. There is a particular focus on Europe, aimed at improving business results in the region. The Corporation intends to consolidate and streamline manufacturing facilities, further improve operating efficiencies, and reduce selling, general and administrative expenses while reinvesting in key growth opportunities there. As of December 31, 2005, charges have been recorded related to the initiatives for 14 facilities.

The initial phase of the Competitive Improvement Initiatives will occur between 2005 and mid-2007 and will include the sale, closure or streamlining of 15 of the facilities and the expansion of 3 others. After-tax charges in connection with these projects are expected to total approximately \$355-\$390 million. The Corporation anticipates that the pretax charges for the initial phase of the strategic cost reductions will be incurred for the following categories at the indicated estimated amounts: workforce reduction costs (approximately \$150 million); incremental depreciation and amortization (approximately \$225 million); asset impairments (approximately \$100 million); and other associated costs (approximately \$55 million). During 2005, the Corporation incurred charges totaling \$228.6 million in connection with the initiatives; \$167.6 million after tax.

The strategic cost reductions included in the Competitive Improvement Initiatives are corporate decisions and are not included in the business segments' operating profit performance. See Item 8, Note 17 to the Consolidated Financial Statements for the 2005 costs of the strategic cost reductions by business segment and geographic area. Certain actions yet to be announced for the strategic cost reductions are still being evaluated. Accordingly, it is difficult at this time to estimate the total costs to be incurred by business segment over the life of the initiatives. The 2005 charges have been recorded in Cost of Products Sold (\$201.6 million) and Marketing, Research and General Expenses (\$27.0 million).

Other Income (expense), net

Other income (expense), net decreased compared with 2004 primarily due to income in 2005 of approximately \$22 million from an insurance claim for partial recovery of damages related to a fire in 2004 at a facility in Europe. Increased currency transaction losses in 2005 were mitigated by lower write-offs related to the Corporation's investments in historic real estate restoration projects.

PART II

(Continued)

2004 versus 2003

Percentage Change in Operating Profit Versus Prior Year

	Change Due To						Other ^(a)
	Total Change	Volume	Net Price	Raw Materials Cost	Energy and Distribution Expense	Currency	
Consolidated	8	11	(8)	(4)	(3)	3	9
Personal Care	3	12	(9)	(3)	(1)	2	2
Consumer Tissue	10	4	—	(7)	(6)	4	15
Business-to-Business	9	14	(9)	(8)	(3)	4	11

(a) Includes the benefits of cost savings programs.

Consolidated operating profit increased 7.5 percent as the higher sales volumes, about \$160 million of benefit from cost savings programs and total favorable currency effects of over \$70 million more than offset the lower net selling prices, higher fiber costs and increased energy and distribution expenses. Operating profit as a percentage of net sales was 16.6 percent, the same as 2003.

- Operating profit for personal care products increased 2.6 percent. The higher sales volumes, more than \$85 million in cost savings and favorable currency effects, primarily in Australia and Canada, were partially offset by the lower net selling prices, higher raw material and distribution costs, increased advertising expenses, and costs associated with a plan to streamline diaper operations. Primarily as a result of significant productivity gains, the Corporation had available diaper manufacturing capacity in North America and Europe. Therefore, the Corporation executed a plan to cease diaper manufacturing and scale back distribution operations at its facility in New Milford, Connecticut. Some production capacity was also redeployed from the Barton-upon-Humber facility in the U.K. Diaper machines from these locations will now support growth in other markets, thereby reducing the capital spending required for this business. These steps are consistent with the Corporation's strategies to drive growth in developing and emerging markets and improve its cost structure in North America and Europe.

Costs to implement the infant care plan described above total approximately \$40 million before tax, including about \$37 million recorded in 2004. The balance of the plan costs were recorded in 2005 as they were incurred. Of the total 2004 cost, approximately \$10 million was for employee severance recorded at the time employees were notified of their termination benefits, about \$3 million for other cash costs, principally for equipment removal, and \$24 million for asset write-offs primarily related to the original equipment installation costs. These costs were recorded in Cost of Products Sold.

Operating profit in North America increased about 1 percent as the benefits of the higher sales volumes and cost savings programs were partially offset by the lower selling prices, costs of the infant care plan and higher advertising and distribution costs. In Europe, operating profit declined because of the negative impacts of the competitive environment on selling prices and sales volumes. Operating profit in the developing and emerging markets increased over 7 percent, principally due to higher sales volumes and favorable currency effects, partially offset by higher marketing expenses.

- Operating profit for consumer tissue products improved 10.3 percent driven by cost savings of almost \$60 million, favorable currency effects of about \$25 million and lower marketing expenses tempered by approximately \$45 million of higher fiber costs, higher other raw material and energy costs and increased distribution expense. In North America, operating profit grew nearly 6 percent because of the higher sales volumes and net selling prices, cost savings, and lower marketing expenses, partially offset by higher fiber costs and increased costs for energy and distribution. Operating profit in Europe advanced more than 8 percent principally on the strength of cost savings and favorable currency,

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(Continued)

tempered by the lower net selling prices. In the developing and emerging markets, operating profit rose more than 20 percent primarily due to favorable product mix, the higher sales volumes and currency effects.

- Operating profit for business-to-business products increased 8.9 percent. In addition to the higher sales volumes and favorable currency, the segment benefited from more than \$14 million in cost savings, primarily in the professional business, and lower start-up costs compared to 2003. These gains were tempered by the lower net selling prices, higher fiber costs, increased other raw materials costs, higher energy and distribution expenses, and higher general and administrative costs. Our professional and global health care businesses both had higher sales volumes in North America and Europe.
- Other income (expense), net in 2003 included charges of \$34 million consisting of \$15.6 million for a legal judgment in Europe and \$18.4 million for the costs associated with the redemption of \$400 million of debentures; and nearly \$20 million for charges to write-off an equity investment in an historic restoration project and the write-down of a nonstrategic facility outside of North America.
- In 2004 Corporate & Other included the write-off of a consolidated investment in an historic renovation project, higher corporate charitable contributions and increased general business taxes.

Additional Income Statement Commentary

Synthetic Fuel Partnerships

As described in Item 8, Note 14 to the Consolidated Financial Statements, the Corporation owns minority interests in two synthetic fuel partnerships. Pretax losses from participation in these partnerships are recorded as nonoperating expenses in the Consolidated Income Statement. The \$20.6 million increase in these losses in 2005 compared with 2004 was primarily due to the Corporation's full-year participation in one of the partnerships versus a partial year in 2004. The Corporation's income tax provision was lowered by \$34.5 million as a result of increased income tax credits and tax benefits of the higher nonoperating expenses. The continuing rise in crude oil prices may initiate the phase out of the synthetic fuel tax credits derived from production of the synthetic fuels, and if the credits are phased out, the partnerships are expected to cease production. Based on year-to-date prices of crude oil and expected pricing for the balance of 2006, the Corporation anticipates that it could receive only modest benefits, if any, from these partnerships in 2006.

2005 versus 2004

- Interest expense increased due to both a higher average level of debt and higher interest rates.
- The Corporation's effective income tax rate was 22.3 percent in 2005 compared with 22.0 percent in 2004. The most significant factors causing the increase were the taxes on the dividends received under the American Jobs Creation Act partially offset by the increased synthetic fuel credits.
- The Corporation's share of net income of equity affiliates increased \$11.8 million from 2004 primarily due to higher earnings at Kimberly-Clark de Mexico, S.A. de C.V. ("KCM"). KCM's results were driven by a nearly 16 percent increase in sales due to volume growth in its consumer businesses and higher selling prices. However, its earnings growth was tempered by currency losses.
- Minority owners' share of subsidiaries' net income increased \$12.6 million primarily due to higher earnings of companies in the developing and emerging markets.
- As a result of the Corporation's share repurchase program, the average number of common shares outstanding declined, which benefited 2005 results by \$.14 per share.

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2004 versus 2003

- Interest expense decreased primarily because of a lower average level of debt, partially offset by higher interest rates.
- The Corporation's effective income tax rate was 22.0 percent in 2004 compared with 23.3 percent in 2003. The lower effective tax rate was primarily due to the incremental benefits from the synthetic fuel partnership entered into in 2004.
- The Corporation's share of net income of equity affiliates increased \$17.8 million from 2003 primarily due to higher earnings at KCM. Its results were boosted by a sales gain of more than 10 percent, with continued double-digit volume growth in its consumer businesses and higher selling prices.
- Minority owners' share of subsidiaries' net income increased \$18.3 million primarily due to higher returns on the preferred securities held by the minority interest in the Corporation's consolidated foreign financing subsidiary. (See Item 8, Note 6 to the Consolidated Financial Statements for additional detail regarding these securities.)
- Income from discontinued operations, net of income taxes decreased 41.1 percent due to transaction costs for the Spin-off and to a lesser extent because 2004 includes 11 months' results versus 12 months in 2003 as the Spin-off occurred on November 30, 2004.
- As a result of the Corporation's share repurchase program, the average number of common shares outstanding declined, which benefited 2004 results by \$.07 per share.

Liquidity and Capital Resources

	Year Ended December 31	
	2005	2004
	(Millions of dollars)	
Cash provided by operations	\$2,311.8	\$2,726.2
Capital spending	709.6	535.0
Acquisitions of businesses, net of cash acquired	17.4	—
Ratio of total debt and preferred securities to capital ^(a)	43.5%	37.7%
Pretax interest coverage—times	9.3	11.5

(a) Capital is total debt and preferred securities plus stockholders' equity and minority owners' interest in subsidiaries.

Cash Flow Commentary:

- Cash provided by operations decreased \$414.4 million, or 15.2 percent, primarily due to an increased investment in working capital and higher income tax payments, partially offset by lower cash contributions to the U.S. defined benefit pension plan.

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(Continued)

Contractual Obligations:

The following table presents the Corporation's total contractual obligations for which cash flows are fixed or determinable.

	Total	2006	2007	2008	2009	2010	2011+
	(Millions of dollars)						
Contractual obligations							
Long-term debt	\$2,662	\$ 67	\$338	\$ 49	\$ 8	\$ 33	\$2,167
Interest payments on long-term debt	1,392	154	146	122	118	117	735
Operating leases	258	86	48	34	26	17	47
Unconditional purchase obligations	1,756	416	352	273	226	157	332
Open purchase orders	985	985	—	—	—	—	—
Total contractual obligations	\$7,053	\$1,708	\$884	\$478	\$378	\$324	\$3,281

Obligations Commentary:

- Projected interest payments for variable-rate debt were calculated based on the outstanding principal amounts and prevailing market rates as of December 31, 2005.
- The unconditional purchase obligations are for the purchase of raw materials, primarily pulp and utilities. Although the Corporation is primarily liable for payments on the above operating leases and unconditional purchase obligations, based on historic operating performance and forecasted future cash flows, management believes the Corporation's exposure to losses, if any, under these arrangements is not material.
- The open purchase orders displayed in the table represent amounts the Corporation anticipates will become payable within the next year for goods and services it has negotiated for delivery.

The above table does not include future payments that the Corporation will make for other postretirement benefit obligations. Those amounts are estimated using actuarial assumptions, including expected future service, to project the future obligations. Based upon those projections, the Corporation anticipates making annual payments for these obligations within a range from nearly \$85 million in 2006 to more than \$95 million by 2015.

Deferred taxes, minority interest and payments related to pension plans are also not included in the table.

A consolidated financing subsidiary has issued preferred securities that are in substance perpetual and are callable by the subsidiary in November 2008 and each 20-year anniversary thereafter. Management currently anticipates that these securities will not be called in November 2008, the next call date, and therefore they are not included in the above table. (See Item 8, Note 6 to the Consolidated Financial Statements for additional detail regarding these securities.)

Investing Commentary:

- During 2005, the Corporation's capital spending of \$709.6 million, which is equal to 4.5 percent of net sales, was below the long-term targeted range of 5 percent to 6 percent of net sales. The lower capital spending in 2005 resulted primarily from productivity gains and leveraging the global scale of existing production capacity. Management believes the capital spending target range of 5 percent to 6 percent of net sales is appropriate.
- The net decrease in time deposits in 2005 was primarily due to the Korean business utilizing their investments to pay dividends and to fund their pension plan.

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Financing Commentary:

- At December 31, 2005, total debt and preferred securities was \$4.6 billion, compared with \$4.2 billion last year end.
- During the third quarter of 2005, the Corporation issued \$300 million of 4.875% Notes due August 15, 2015. Proceeds from the sale of the notes were used for general corporate purposes and for the reduction of existing indebtedness, including portions of the Corporation's outstanding commercial paper program.
- At December 31, 2005, the Corporation had fixed-to-floating interest rate swap agreements related to a \$500 million 5.0% Note that matures on August 15, 2013.
- There were no changes in the Corporation's credit ratings in 2005. The Corporation's long-term debt securities have an Aa2 rating from Moody's Investor Service and an AA- from Standard & Poor's. Its commercial paper is rated in the top category.
- At December 31, 2005, the Corporation had \$1.5 billion of revolving credit facilities. These facilities, unused at December 31, 2005, permit borrowing at competitive interest rates and are available for general corporate purposes, including backup for commercial paper borrowings. The Corporation pays commitment fees on the unused portion but may cancel the facilities without penalty at any time prior to their expiration. These facilities expire in June 2010. The Corporation anticipates that these facilities will be renewed when they expire.
- During the fourth quarter of 2005, a three-year bank credit facility was established for the purpose of funding American Jobs Creation Act dividends. The Corporation has the option to repay the facility in any month until the facility expires in October 2008. Currently, the Corporation plans to repay this obligation by the end of 2006; therefore, it has been classified as short-term debt. The facility is denominated in Australian dollars and euros, and interest charges are based on the prevailing local short-term interest rates plus 12.5 basis points. As of December 31, 2005, approximately \$308 million was outstanding. No additional draws against the facility are permitted.
- For the full year 2005, the Corporation repurchased approximately 24.3 million shares of its common stock at a cost of approximately \$1.5 billion, including 8.6 million shares repurchased during the fourth quarter at a cost of approximately \$500 million. The monthly detail of share repurchases for the fourth quarter of 2005 is included in Part II Item 5 of this Form 10-K. On September 15, 2005, the Corporation's Board of Directors authorized the repurchase of an additional 50 million shares of the Corporation's common stock during the next several years.

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, repurchases of common stock and other needs in the foreseeable future.

Variable Interest Entities

The Corporation has variable interests in the following financing and real estate entities and in the synthetic fuel partnerships described above.

Financing Entities

As explained in more detail in Item 8, Note 9 to the Consolidated Financial Statements, the Corporation holds a significant variable interest in two financing entities that were used to monetize long-term notes received from the sale of certain nonstrategic timberlands and related assets, which were sold in 1999 and 1989 to

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nonaffiliated buyers. These sales involved notes receivable, which are backed by irrevocable standby letters of credit issued by money center banks, that have an aggregate face value of \$617 million.

In 1999 the Corporation transferred the notes received from the 1999 sale to a noncontrolled financing entity, and in 2000 it transferred the notes received from the 1989 sale to another noncontrolled financing entity. The Corporation has minority voting interests in each of the financing entities (collectively, the “Financing Entities”). The transfers of the notes and certain other assets to the Financing Entities were made at fair value, were accounted for as asset sales and resulted in no gain or loss. In conjunction with the transfer of the notes and other assets, the Financing Entities became obligated for \$617 million in third-party debt financing. A nonaffiliated financial institution has made substantive capital investments in each of the Financing Entities, has majority voting control over them and has substantive risks and rewards of ownership of the assets in the Financing Entities. The Corporation also contributed intercompany notes receivable aggregating \$662 million and intercompany preferred stock of \$50 million to the Financing Entities, which serve as secondary collateral for the third-party lending arrangements. In the unlikely event of default by both of the money center banks that provided the irrevocable standby letters of credit, the Corporation could experience a maximum loss of \$617 million under these arrangements.

The Corporation has not consolidated the Financing Entities because it is not the primary beneficiary of either entity. Rather, it will continue to account for its ownership interests in these entities using the equity method of accounting. The Corporation retains equity interests in the Financing Entities for which the legal right of offset exists against the intercompany notes. As a result, the intercompany notes payable have been offset against the Corporation’s equity interests in the Financing Entities for financial reporting purposes.

See Item 8, Note 6 to the Consolidated Financial Statements for a description of the Corporation’s Luxembourg-based financing subsidiary, which is consolidated because the Corporation is the primary beneficiary of the entity.

Real Estate Entities

As explained in greater detail in Item 8, Note 9 to the Consolidated Financial Statements, the Corporation participates in the U.S. affordable and historic renovation real estate 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 variable interest entities borrow money from third parties generally on a nonrecourse basis and invest in and own various real estate projects.

Effective March 31, 2004, the Corporation adopted FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities—an Interpretation of ARB 51* (“FIN 46R”), for these real estate entities. Adoption of FIN 46R required the Corporation to consolidate ten apartment projects and two hotels because it was the primary beneficiary of each of these real estate ventures. Subsequently, three of the apartments and the two hotels became wholly-owned by the Corporation. For the entities that remain consolidated under FIN 46R, the carrying amount of the assets that serve as collateral for \$42.7 million of obligations of these ventures was \$47.0 million at December 31, 2005.

The Corporation is not the primary beneficiary for the remainder of the real estate entities and has not consolidated them. These entities are accounted for by the equity method of accounting or by the effective yield method, as appropriate. As of December 31, 2005, total permanent financing debt for the nonconsolidated entities was \$255.8 million. A total of \$19.7 million of the permanent financing debt is guaranteed by the Corporation. Except for the guaranteed portion, permanent financing debt is secured solely by the properties and is

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(Continued)

nonrecourse to the Corporation. From time to time, temporary interim financing is guaranteed by the Corporation. In general, the Corporation's interim financing guarantees are eliminated at the time permanent financing is obtained. At December 31, 2005, \$34.3 million of temporary interim financing associated with these nonconsolidated real estate entities was guaranteed by the Corporation.

If the Corporation's investments in its nonconsolidated real estate entities were to be disposed of at their carrying amounts, a portion of the tax credits may be recaptured and may result in a charge to earnings. As of December 31, 2005, this recapture risk is estimated to be \$34.5 million. The Corporation has no current intention of disposing of these investments during the recapture period, nor does it anticipate the need to do so in the foreseeable future in order to satisfy any anticipated liquidity need. Accordingly, the recapture risk is considered to be remote.

At December 31, 2005, the Corporation's maximum loss exposure for its nonconsolidated real estate entities is estimated to be \$109.4 million and is comprised of its net equity in these entities of \$20.9 million, its permanent financing guarantees of \$19.7 million, its interim financing guarantees of \$34.3 million and the income tax credit recapture risk of \$34.5 million.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. The critical accounting policies used by management in the preparation of the Corporation's consolidated financial statements are those that are important both to the presentation of the Corporation's financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to consumer and trade promotion and rebate accruals, pension benefits and other postretirement benefits, retained insurable risks, excess and obsolete inventory, allowance for doubtful accounts, useful lives for depreciation and amortization, future cash flows associated with impairment testing for goodwill and long-lived assets and for determining the primary beneficiary of variable interest entities, deferred tax assets and potential income tax assessments, and loss contingencies. The Corporation's critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

Promotion and Rebate Accruals

Among those factors affecting the accruals for promotions are estimates of the number of consumer coupons that will be redeemed and the type and number of activities within promotional programs between the Corporation and its trade customers. Rebate accruals are based on estimates of the quantity of products distributors have sold to specific customers. Generally, the estimates for consumer coupon costs are based on historical patterns of coupon redemption, influenced by judgments about current market conditions such as competitive activity in specific product categories. Estimates of trade promotion liabilities for promotional program costs incurred, but unpaid, are generally based on estimates of the quantity of customer sales, timing of promotional activities and forecasted costs for activities within the promotional programs. Settlement of these liabilities sometimes occurs in periods subsequent to the date of the promotion activity. Trade promotion programs include introductory marketing funds such as slotting fees, cooperative marketing programs, temporary price reductions, favorable end of aisle or in-store product displays and other activities conducted by the customers to promote the Corporation's products. Promotion accruals as of December 31, 2005 and 2004 were \$235.3 million and \$263.3 million, respectively. Rebate accruals as of December 31, 2005 and 2004 were \$160.2 million and \$163.0 million, respectively.

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Pension and Other Postretirement Benefits

Pension Benefits

The Corporation and its subsidiaries in North America and the United Kingdom have defined benefit pension plans (the “Principal Plans”) and/or defined contribution retirement plans covering substantially all regular employees. Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. The funding policy for the qualified defined benefit plans in North America and the defined benefit plans in the United Kingdom is to contribute assets to fully fund the accumulated benefit obligation (“ABO”). Subject to regulatory and tax deductibility limits, any funding shortfall will be eliminated over a reasonable number of years.

Nonqualified U.S. plans providing pension benefits in excess of limitations imposed by the U.S. income tax code are not funded. Funding for the remaining defined benefit plans outside the U.S. is based on legal requirements, tax considerations, investment opportunities, and customary business practices in such countries.

Consolidated pension expense for defined benefit pension plans was \$156.8 million in 2005 compared with \$154.8 million for 2004. Pension expense is calculated based upon a number of actuarial assumptions applied to each of the defined benefit plans. The weighted-average expected long-term rate of return on pension fund assets used to calculate pension expense was 8.29 percent in 2005 compared with 8.32 percent in 2004 and will be 8.28 percent in 2006. The expected long-term rate of return on pension fund assets was determined based on several factors, including input from the Corporation’s pension investment consultants and projected long-term returns of broad equity and bond indices. The U.S. plan’s historical 10-year and 15-year compounded annual returns of 9.36 percent and 10.28 percent, respectively, which have been in excess of these broad equity and bond benchmark indices, were also considered. On average, the investment managers for each of the plans comprising the Principal Plans are anticipated to generate annual long-term rates of return of at least 8.5 percent. The expected long-term rate of return on the assets in the Principal Plans is based on an asset allocation assumption of about 70 percent with equity managers, with expected long-term rates of return of approximately 10 percent, and 30 percent with fixed income managers, with an expected long-term rate of return of about 6 percent. Actual asset allocation is regularly reviewed and it is periodically rebalanced to the targeted allocation when considered appropriate. Also, when deemed appropriate, hedging strategies are executed using index options and futures to limit the downside exposure of certain investments by trading off upside potential above an acceptable level. This hedging strategy was last executed for 2003. No hedging instruments are currently in place. Long-term rate of return assumptions continue to be evaluated at least annually and are adjusted as necessary.

Pension expense is determined on the fair value of assets rather than a calculated value that averages gains and losses (“Calculated Value”) over a period of years. Investment gains or losses represent the difference between the expected return calculated using the fair value of assets and the actual return based on the fair value of assets. The variance between actual and expected gains and losses on pension assets are recognized in pension expense more rapidly than they would be if a Calculated Value was used for plan assets. As of December 31, 2005, the Principal Plans had cumulative unrecognized investment losses and other actuarial losses of approximately \$1.7 billion. These unrecognized net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, or (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the “corridor” determined under SFAS No. 87, *Employers’ Accounting for Pensions*.

The discount (or settlement) rate used to determine the present value of the Corporation’s future U.S. pension obligations at December 31, 2005 was based on a yield curve constructed from a portfolio of high quality corporate debt securities with maturities ranging from 1 year to 30 years. Each year’s expected future benefit

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(Continued)

payments were discounted to their present value at the appropriate yield curve rate thereby generating the overall discount rate for U.S. pension obligations. For the non-U.S. Principal Plans, discount rates are established using the long-term local government bond rates increased by the interest rate spread between the U.S. discount rate and long-term U.S. government bond rates. The weighted-average discount rate for the Principal Plans decreased to 5.54 percent at December 31, 2005 from 5.77 percent at December 31, 2004.

Consolidated pension expense is estimated to approximate \$165 million in 2006. This estimate reflects the effect of the actuarial losses and is based on an expected weighted-average long-term rate of return on assets in the Principal Plans of 8.5 percent, a weighted-average discount rate for the Principal Plans of 5.54 percent and various other assumptions. Pension expense beyond 2006 will depend on future investment performance, the Corporation's contributions to the pension trusts, changes in discount rates and various other factors related to the covered employees in the plans. The estimated expense for 2006 does not include any potential effects related to subsequent phase projects under the Competitive Improvement Initiatives that have not yet been authorized.

If the expected long-term rate of return on assets for the Principal Plans was lowered by 0.25 percent, our annual pension expense would increase by approximately \$9 million. If the discount rate assumptions for these same plans were reduced by 0.25 percent, annual pension expense would increase by approximately \$14 million and the December 31, 2005 minimum pension liability would increase by about \$158 million.

The fair value of the assets in the Corporation's defined benefit plans was \$4.1 billion and \$4.0 billion at December 31, 2005 and December 31, 2004, respectively. Lower discount rates have caused the projected benefit obligations (the "PBO") of the defined benefit plans to exceed the fair value of plan assets by approximately \$1.4 billion and \$1.2 billion at December 31, 2005 and December 31, 2004, respectively. Primarily due to the lower discount rates, the ABO of the defined benefit plans exceeded the fair value of plan assets by about \$1.0 billion and about \$.9 billion at the end of 2005 and 2004, respectively. On a consolidated basis, the Corporation contributed about \$117 million to pension trusts in 2005 compared with \$200 million in 2004. In addition, the Corporation made direct benefit payments of \$11.9 million in 2005 compared to \$21.4 million in 2004. While the Corporation is not required to make a contribution in 2006 to the U.S. plan, the benefit of a contribution will be evaluated. The Corporation currently anticipates contributing about \$80 million to its pension plans outside the U.S. in 2006.

The discount rate used for each country's pension obligation is identical to the discount rate used for that country's other postretirement obligation. The discount rates displayed for the two types of obligations for the Corporation's consolidated operations may appear different due to the weighting used in the calculation of the two weighted-average discount rates.

Other Postretirement Benefits

Substantially all North American retirees and employees are covered by health care and life insurance benefit plans. Certain benefits are based on years of service and/or age at retirement. The plans are principally noncontributory for employees who were eligible to retire before 1993 and contributory for most employees who retire after 1992, except that the Corporation provides no subsidized benefits to most employees hired after 2003. These plans are not funded until the year in which payments are made for benefit claims.

The Corporation's contributions to the plans were \$66.5 million in 2005 compared with \$59.4 million in 2004. The increase was due to a change in the timing of contributions to the plans to better align with the payments of benefit claims. The determination of the discount rates used to calculate the benefit obligations of the plans are discussed in the pension benefit section above. If the discount rate assumptions for these plans were reduced by 0.25 percent, our annual other postretirement benefit expense would increase by approximately \$1 million and the December 31, 2005 benefit liability would increase by about \$21 million.

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(Continued)

Prior to 2004, certain U.S. plans limited the Corporation's cost of future annual per capita retiree medical benefits to no more than 200 percent of the 1992 annual per capita cost. These plans reached this limitation (the "Cap") and were amended during 2003. Among other things, the amendments index the Cap by 3 percent annually beginning in 2005 for certain employees retiring on or before April 1, 2004 and limit the Corporation's future cost for retiree health care benefits to a defined fixed per capita cost for certain employees retiring after April 1, 2004.

The health care cost trend rate is based on a combination of inputs including the Corporation's recent claims history and insights from external advisers regarding recent developments in the health care marketplace, as well as projections of future trends in the marketplace. The annual increase in the consolidated weighted-average health care cost trend rate is expected to be 9.91 percent in 2006, 8.86 percent in 2007 and to gradually decline to 5.19 percent in 2011 and thereafter. See Item 8, Note 12 to the Consolidated Financial Statements for disclosure of the effect of a one percentage point change in the health care cost trend rate.

Retained Insurable Risks

Selected insurable risks are retained, primarily those related to property damage, workers' compensation, and product, automobile and premises liability based upon historical loss patterns and management's judgment of cost effective risk retention. Accrued liabilities for incurred but not reported events, principally related to workers' compensation and automobile liability, are based upon loss development factors provided to the Corporation by external insurance brokers and are not discounted.

Excess and Obsolete Inventory

All excess, obsolete, damaged or off-quality inventories including raw materials, in-process, finished goods, and spare parts are required to be adequately reserved for or to be disposed of. This process requires an ongoing tracking of the aging of inventories to be reviewed in conjunction with current marketing plans to ensure that any excess or obsolete inventories are identified on a timely basis. This process also requires judgments be made about the salability of existing stock in relation to sales projections. The evaluation of the adequacy of provision for obsolete and excess inventories is performed on at least a quarterly basis. No provisions for future obsolescence, damage or off-quality inventories are made.

Allowance for Doubtful Accounts

The allowance for doubtful accounts represents the Corporation's best estimate of the accounts receivable that will not be collected. The estimate is based on, among other things, historical collection experience, a review of the current aging status of customer receivables, and a review of specific information for those customers that are deemed to be higher risk. At the time the Corporation becomes aware of a customer whose continued operating success is questionable, collection of their receivable balance is closely monitored and the customer may be required to prepay for shipments. If a customer enters a bankruptcy action, the progress of that action is monitored to determine when and if an additional provision for non-collectibility is warranted. The adequacy of the allowance for doubtful accounts is evaluated on at least a quarterly basis. The allowance for doubtful accounts at December 31, 2005 and 2004 was \$35.8 million and \$42.5 million, respectively, and the write-off of uncollectible accounts was \$15.0 million and \$13.6 million in 2005 and 2004, respectively.

Property and Depreciation

Estimating the useful lives of property, plant and equipment requires the exercise of management judgment, and actual lives may differ from these estimates. Changes to these initial useful life estimates are made when appropriate. Property, plant and equipment are tested for impairment in accordance with SFAS No. 144,

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Accounting for the Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amounts of such long-lived assets may not be recoverable from future net pretax cash flows. Impairment testing requires significant management judgment including estimating the future success of product lines, future sales volumes, growth rates for selling prices and costs, alternative uses for the assets and estimated proceeds from disposal of the assets. Impairment testing is conducted at the lowest level where cash flows can be measured and are independent of cash flows of other assets. An asset impairment would be indicated if the sum of the expected future net pretax cash flows from the use of the asset (undiscounted and without interest charges) is less than the carrying amount of the asset. An impairment loss would be measured based on the difference between the fair value of the asset and its carrying amount. The determination of fair value is based on an expected present value technique in which multiple cash flow scenarios that reflect a range of possible outcomes and a risk free rate of interest are used to estimate fair value.

The estimates and assumptions used in the impairment analysis are consistent with the business plans, including the Competitive Improvement Initiatives, and estimates used to manage business operations and to make acquisition and divestiture decisions. The use of different assumptions would increase or decrease the estimated fair value of the asset and the impairment charge. Actual outcomes may differ from the estimates. For example, if the Corporation's products fail to achieve volume and pricing estimates or if market conditions change or other significant estimates are not realized, then revenue and cost forecasts may not be achieved, and additional impairment charges may be recognized.

Goodwill and Other Intangible Assets

The carrying amount of goodwill is tested annually as of the beginning of the fourth quarter and whenever events or circumstances indicate that impairment may have occurred. Impairment testing is performed in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Impairment testing is conducted at the operating segment level of the Corporation's businesses and is based on a discounted cash flow approach to determine the fair value of each operating segment. The determination of fair value requires significant management judgment including estimating future sales volumes, selling prices and costs, changes in working capital, investments in property and equipment and the selection of an appropriate discount rate. Sensitivities of these fair value estimates to changes in assumptions for sales volumes, selling prices and costs are also tested. If the carrying amount of an operating segment that contains goodwill exceeds fair value, a possible impairment would be indicated. If a possible impairment is indicated, the implied fair value of goodwill would be estimated by comparing the carrying amount of the net assets of the unit excluding goodwill to the total fair value of the unit. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge would be recorded. Judgment is used in assessing whether goodwill should be tested more frequently for impairment than annually. Factors such as unexpected adverse economic conditions, competition, product changes and other external events may require more frequent assessments. The Corporation's annual goodwill impairment testing has been completed and it has been determined that none of its \$2.7 billion of goodwill is impaired.

The Corporation has no intangible assets with indefinite useful lives. At December 31, 2005, the Corporation has other intangible assets with a gross carrying amount of approximately \$277 million and a net carrying amount of about \$164 million. These intangibles are being amortized over their estimated useful lives and are tested for impairment whenever events or circumstances indicate that impairment may have occurred. If the carrying amount of an intangible asset exceeds its fair value based on estimated future undiscounted cash flows, an impairment loss would be indicated. The amount of the impairment loss to be recorded would be based on the excess of the carrying amount of the intangible asset over its discounted future cash flows. Judgment is used in assessing whether the carrying amount of intangible assets is not expected to be recoverable over their estimated remaining useful lives. The factors considered are similar to those outlined in the goodwill impairment discussion above.

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(Continued)

Primary Beneficiary Determination of Variable Interest Entities (“VIE”)

The determination of the primary beneficiary of variable interest entities under FIN 46R requires estimating the probable future cash flows of each VIE using a computer simulation model and determining the variability of such cash flows and their present values. Estimating the probable future cash flows of each VIE requires the exercise of significant management judgment. The resulting present values are then allocated to the various participants in each VIE in accordance with their beneficial interests. The participant that is allocated the majority of the present value of the variability is the primary beneficiary and is required to consolidate the VIE under FIN 46R.

Deferred Income Taxes and Potential Assessments

As of December 31, 2005, the Corporation has recorded deferred tax assets related to income tax loss carryforwards and income tax credit carryforwards totaling \$789.4 million and has established valuation allowances against these deferred tax assets of \$474.0 million, thereby resulting in a net deferred tax asset of \$315.4 million. As of December 31, 2004, the net deferred tax asset was \$267.1 million. These income tax losses and credits are in non-U.S. taxing jurisdictions, in the U.S. for excess foreign tax credits and in certain states within the U.S. In determining the valuation allowances to establish against these deferred tax assets, the Corporation considers many factors, including the specific taxing jurisdiction, the carryforward period, income tax strategies and forecasted earnings for the entities in each jurisdiction. A valuation allowance is recognized if, based on the weight of available evidence, the Corporation concludes that it is more likely than not that some portion or all of the deferred tax asset will not be realized.

As of December 31, 2005, United States income taxes and foreign withholding taxes have not been provided on approximately \$3.7 billion of unremitted earnings of subsidiaries operating outside the U.S. in accordance with Accounting Principles Board (“APB”) Opinion No. 23, *Accounting for Income Taxes, Special Areas*. These earnings are considered by management to be invested indefinitely. However, they would be subject to income tax if they were remitted as dividends, were lent to the Corporation or a U.S. affiliate, or if the Corporation were to sell its stock in the subsidiaries. It is not practicable to determine the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings. We periodically determine whether our non-U.S. subsidiaries will invest their undistributed earnings indefinitely and reassess this determination as appropriate. See Item 8, Note 15 to the Consolidated Financial Statements for disclosure of previously unremitted earnings that were repatriated in 2005 under the provisions of the American Jobs Creation Act.

The Corporation accrues liabilities in current income taxes for potential assessments which at December 31, 2005 and 2004 aggregated to \$268.8 million and \$356.4 million, respectively. The accruals relate to uncertain tax positions in a variety of taxing jurisdictions and are based on what management believes will be the ultimate resolution of these positions. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations. The Corporation’s U.S. federal income tax returns have been audited through 2003. IRS assessments of additional taxes have been paid through 1998. Refund actions are pending with the IRS Examination Division or Appeals Office for the years 1993 through 1998. Management currently believes that the ultimate resolution of these matters, individually or in the aggregate, will not have a material effect on the Corporation’s business, financial condition, results of operations or liquidity.

Loss Contingencies

The outcome of loss contingencies and legal proceedings and claims brought against the Corporation are subject to uncertainty. SFAS No. 5, *Accounting for Contingencies*, requires that an estimated loss contingency be accrued by a charge to earnings if it is probable that an asset has been impaired or a liability has been incurred and the amount can be reasonably estimated. Disclosure of the contingency is required if there is at least a

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(Continued)

reasonable possibility that a loss has been incurred. Determination of whether to accrue a loss requires evaluation of the probability of an unfavorable outcome and the ability to make a reasonable estimate. Changes in these estimates could affect the timing and amount of accrual of loss contingencies.

Legal Matters

See Item 8, Note 11 to the Consolidated Financial Statements for a description of legal matters.

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, results of operations or liquidity.

New Accounting Standard

See Item 8, Note 1 to the Consolidated Financial Statements for a description of SFAS No. 123R, *Share-Based Payment*.

Business Outlook

Under its Global Business Plan, the Corporation expects net sales to continue to benefit from new and improved products and strong growth in developing and emerging markets. The Corporation is also confident that it will generate additional cost savings in 2006 and beyond. And while it is anticipated that inflationary pressures will continue, the Corporation is intent on delivering sustainable growth in net income. The Corporation will also remain focused on increasing cash flow from operations and further improving return on invested capital.

Forward-Looking Statements

Certain matters discussed in this Form 10-K or related documents, a portion of which are incorporated herein by reference, concerning, among other things, the business outlook, including new product introductions, cost savings, anticipated costs and savings related to the Competitive Improvement Initiatives, anticipated financial and operating results, strategies, contingencies and contemplated transactions of the Corporation, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are based upon management's expectations and beliefs concerning future events impacting 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 and availability of the Corporation's raw materials, potential competitive pressures on selling prices or advertising and promotion expenses for the Corporation's products, energy costs, and fluctuations in foreign currency exchange rates, as well as general economic conditions in the markets in which the Corporation does business, could impact the realization of such estimates.

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

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(Continued)

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational enterprise, the Corporation is exposed to risks such as changes in foreign currency exchange rates, interest rates and commodity prices. A variety of practices are employed to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation or trading. All foreign currency derivative instruments are either exchange traded or are entered into with major financial institutions. The Corporation's credit exposure under these arrangements is limited to agreements with a positive fair value at the reporting date. Credit risk with respect to the counterparties is considered minimal in view of the financial strength of the counterparties.

Presented below is a description of the Corporation's most significant risks (foreign currency risk, interest rate risk and commodity price risk) together with a sensitivity analysis, performed annually, of each of these risks based on selected changes in market rates and prices. These analyses reflect management's view of changes which are reasonably possible to occur over a one-year period.

Foreign Currency Risk

Foreign currency risk is managed by the systematic use of foreign currency forward, option and swap contracts. The use of these instruments allows management of transactional exposure to exchange rate fluctuations because the gains or losses incurred on the derivative instruments will offset, in whole or in part, losses or gains on the underlying foreign currency exposure. Prior to 2004, foreign currency risk was managed by the selective, rather than the systematic, use of foreign currency forward, option and swap contracts. Management does not foresee or expect any significant change in its foreign currency risk exposures or in the strategies it employs to manage them in the near future.

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

As of December 31, 2005, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of foreign currencies involving balance sheet transactional exposures would have resulted in a net pretax loss of approximately \$63 million. These hypothetical losses on transactional exposures are based on the difference between the December 31, 2005 rates and the assumed rates. In the view of management, the above hypothetical losses resulting from these assumed changes in foreign currency exchange rates are not material to the Corporation's consolidated financial position, results of operations or cash flows.

The translation of the balance sheets of non-U.S. operations from local currencies into U.S. dollars is also sensitive to changes in foreign currency exchange rates. Consequently, an annual test is performed to determine if changes in currency exchange rates would have a significant effect on the translation of the balance sheets of non-U.S. operations into U.S. dollars. These translation gains or losses are recorded as unrealized translation adjustments ("UTA") within stockholders' equity. The hypothetical increase in UTA is calculated by multiplying the net assets of these non-U.S. operations by a 10 percent change in the currency exchange rates. The results of this sensitivity test are presented in the following paragraph.

As of December 31, 2005, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of the Corporation's foreign currency translation exposures would have reduced

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(Continued)

stockholders' equity by approximately \$528 million. These hypothetical adjustments in UTA are based on the difference between the December 31, 2005 exchange rates and the assumed rates. In the view of management, the above UTA adjustments resulting from these assumed changes in foreign currency exchange rates are not material to the Corporation's consolidated financial position.

Interest Rate Risk

Interest rate risk is managed through the maintenance of a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments. The objective is to maintain a cost-effective mix that management deems appropriate. At December 31, 2005, the debt portfolio was composed of approximately 51 percent variable-rate debt and 49 percent fixed-rate debt. The strategy employed to manage exposure to interest rate fluctuations consists primarily of a mix of fixed and floating rate debt and is designed to balance the Corporation's cost of financing with its interest rate risk.

Two separate tests are performed to determine whether changes in interest rates would have a significant effect on the Corporation's financial position or future results of operations. Both tests are based on consolidated debt levels at the time of the test. The first test estimates the effect of interest rate changes on fixed-rate debt. Interest rate changes would result in gains or losses in the market value of fixed-rate debt due to differences between the current market interest rates and the rates governing these instruments. With respect to fixed-rate debt outstanding at December 31, 2005, a 10 percent decrease in interest rates would have increased the fair value of fixed-rate debt by about \$91 million. The second test estimates the potential effect on future pretax income that would result from increased interest rates applied to the Corporation's current level of variable-rate debt. With respect to commercial paper and other variable-rate debt, a 10 percent increase in interest rates would not have had a material effect on the future results of operations or cash flows.

Commodity Price Risk

The Corporation is subject to commodity price risk, the most significant of which relates to the price of pulp. Selling prices of tissue products are influenced, in part, by the market price for pulp, which is determined by industry supply and demand. On a worldwide basis, the Corporation supplies approximately 10 percent of its virgin fiber needs from internal pulp manufacturing operations. As previously discussed under Item 1A, "Risk Factors," increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

In addition, the Corporation is subject to price risk for utilities, primarily natural gas, which are used in its manufacturing operations. Derivative instruments are used to hedge a substantial portion of this risk in accordance with the Corporation's risk management policy.

Management does not believe that these risks are material to the Corporation's business or its consolidated financial position, results of operations or cash flows.

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(Continued)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT**

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars, except per share amounts)		
Net Sales	\$ 15,902.6	\$ 15,083.2	\$ 14,026.3
Cost of products sold	10,827.4	10,014.7	9,231.9
Gross Profit	5,075.2	5,068.5	4,794.4
Marketing, research and general expenses	2,737.4	2,510.9	2,350.3
Other (income) expense, net	27.2	51.2	112.5
Operating Profit	2,310.6	2,506.4	2,331.6
Nonoperating expense	(179.0)	(158.4)	(105.5)
Interest income	27.5	17.9	18.0
Interest expense	(190.2)	(162.5)	(167.8)
Income Before Income Taxes, Equity Interests, Discontinued Operations and Cumulative Effect of Accounting Change	1,968.9	2,203.4	2,076.3
Provision for income taxes	(438.4)	(483.9)	(484.1)
Share of net income of equity companies	136.6	124.8	107.0
Minority owners' share of subsidiaries' net income	(86.5)	(73.9)	(55.6)
Income From Continuing Operations	1,580.6	1,770.4	1,643.6
Income From Discontinued Operations, Net of Income Taxes	—	29.8	50.6
Income Before Cumulative Effect of Accounting Change	1,580.6	1,800.2	1,694.2
Cumulative effect of accounting change, net of income taxes	(12.3)	—	—
Net Income	\$ 1,568.3	\$ 1,800.2	\$ 1,694.2
Per Share Basis			
Basic			
Continuing operations	\$ 3.33	\$ 3.58	\$ 3.24
Discontinued operations	—	.06	.10
Cumulative effect of accounting change	(.03)	—	—
Net income	\$ 3.30	\$ 3.64	\$ 3.34
Diluted			
Continuing operations	\$ 3.31	\$ 3.55	\$ 3.23
Discontinued operations	—	.06	.10
Cumulative effect of accounting change	(.03)	—	—
Net income	\$ 3.28	\$ 3.61	\$ 3.33

See Notes to Consolidated Financial Statements.

PART II

(Continued)

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31	
	2005	2004
(Millions of dollars)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 364.0	\$ 594.0
Accounts receivable, net	2,101.9	2,038.3
Inventories	1,752.1	1,670.9
Deferred income taxes	223.4	278.2
Other current assets	341.7	380.5
Total Current Assets	4,783.1	4,961.9
Property, Plant and Equipment, net	7,494.7	7,990.5
Investments in Equity Companies	457.8	444.4
Goodwill	2,685.6	2,702.9
Other Assets	882.0	918.3
	\$ 16,303.2	\$ 17,018.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	\$ 1,222.5	\$ 1,214.7
Trade accounts payable	1,055.5	983.2
Other payables	298.8	265.5
Accrued expenses	1,399.6	1,431.6
Accrued income taxes	457.9	448.0
Dividends payable	208.6	194.2
Total Current Liabilities	4,642.9	4,537.2
Long-Term Debt	2,594.7	2,298.0
Noncurrent Employee Benefit and Other Obligations	1,782.6	1,621.7
Deferred Income Taxes	572.9	840.3
Minority Owners' Interests in Subsidiaries	394.5	368.4
Preferred Securities of Subsidiary	757.4	722.9
Stockholders' Equity		
Preferred stock—no par value—authorized 20.0 million shares, none issued	—	—
Common stock—\$1.25 par value—authorized 1.2 billion shares; issued 568.6 million shares at December 31, 2005 and 2004	710.8	710.8
Additional paid-in capital	324.6	348.6
Common stock held in treasury, at cost—107.1 million and 85.7 million shares at December 31, 2005 and 2004	(6,376.1)	(5,047.5)
Accumulated other comprehensive income (loss)	(1,669.4)	(1,226.0)
Retained earnings	12,581.4	11,865.9
Unearned compensation on restricted stock	(13.1)	(22.3)
Total Stockholders' Equity	5,558.2	6,629.5
	\$ 16,303.2	\$ 17,018.0

See Notes to Consolidated Financial Statements.

PART II
(Continued)

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock Issued		Additional Paid-in Capital	Treasury Stock		Unearned Compensation on Restricted Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income
	Shares	Amount		Shares	Amount				
(Dollars in millions, shares in thousands)									
Balance at December 31, 2002	568,597	\$ 710.8	\$ 419.0	57,842	\$(3,350.6)	\$ (25.2)	\$10,054.0	\$ (2,157.7)	
Net income	—	—	—	—	—	—	1,694.2	—	\$ 1,694.2
Other comprehensive income:									
Unrealized translation	—	—	—	—	—	—	—	742.8	742.8
Minimum pension liability	—	—	—	—	—	—	—	(146.2)	(146.2)
Other	—	—	—	—	—	—	—	(4.3)	(4.3)
Total comprehensive income									\$ 2,286.5
Options exercised and other awards	—	—	(18.0)	(988)	49.0	—	—	—	
Option and restricted share income tax benefits	—	—	7.4	—	—	—	—	—	
Shares repurchased	—	—	—	10,569	(537.1)	—	—	—	
Net issuance of restricted stock, less amortization	—	—	(1.5)	(415)	20.6	(1.9)	—	—	
Dividends declared	—	—	—	—	—	—	(689.0)	—	
Balance at December 31, 2003	568,597	710.8	406.9	67,008	(3,818.1)	(27.1)	11,059.2	(1,565.4)	
Net income	—	—	—	—	—	—	1,800.2	—	\$ 1,800.2
Other comprehensive income:									
Unrealized translation	—	—	—	—	—	—	—	415.8	415.8
Minimum pension liability	—	—	—	—	—	—	—	(47.8)	(47.8)
Other	—	—	—	—	—	—	—	(4.2)	(4.2)
Total comprehensive income									\$ 2,164.0
Options exercised and other awards	—	—	(88.9)	(6,239)	378.9	—	—	—	
Option and restricted share income tax benefits	—	—	30.9	—	—	—	—	—	
Shares repurchased	—	—	—	25,061	(1,617.3)	—	—	—	
Net issuance of restricted stock, less amortization	—	—	(.3)	(136)	9.0	4.8	—	—	
Dividends declared	—	—	—	—	—	—	(791.0)	—	
Spin-off of Neenah Paper, Inc.	—	—	—	—	—	—	(202.5)	(24.4)	
Balance at December 31, 2004	568,597	710.8	348.6	85,694	(5,047.5)	(22.3)	11,865.9	(1,226.0)	
Net income	—	—	—	—	—	—	1,568.3	—	\$ 1,568.3
Other comprehensive income:									
Unrealized translation	—	—	—	—	—	—	—	(412.6)	(412.6)
Minimum pension liability	—	—	—	—	—	—	—	(58.6)	(58.6)
Other	—	—	—	—	—	—	—	27.8	27.8
Total comprehensive income									\$ 1,124.9
Options exercised and other awards	—	—	(39.2)	(3,040)	181.9	—	—	—	
Option and restricted share income tax benefits	—	—	15.1	—	—	—	—	—	
Shares repurchased	—	—	—	24,463	(1,511.2)	—	—	—	
Net issuance of restricted stock, less amortization	—	—	.1	(9)	.7	9.2	—	—	
Dividends declared	—	—	—	—	—	—	(852.8)	—	
Balance at December 31, 2005	568,597	\$ 710.8	\$ 324.6	107,108	\$(6,376.1)	\$ (13.1)	\$12,581.4	\$ (1,669.4)	

See Notes to Consolidated Financial Statements.

PART II
 (Continued)

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
Continuing Operations:			
Operating Activities			
Income from continuing operations	\$ 1,580.6	\$ 1,770.4	\$ 1,643.6
Depreciation and amortization	844.5	800.3	745.3
Asset impairments	80.1	—	—
Deferred income taxes	(142.7)	(19.4)	(50.8)
Net losses on asset dispositions	45.8	45.5	35.0
Equity companies' earnings in excess of dividends paid	(23.8)	(30.1)	(9.6)
Minority owners' share of subsidiaries' net income	86.5	73.9	55.6
(Increase) decrease in operating working capital	(156.0)	103.6	111.8
Postretirement benefits	40.9	(54.4)	(59.9)
Other	(44.1)	36.4	81.2
Cash Provided by Operations	2,311.8	2,726.2	2,552.2
Investing Activities			
Capital spending	(709.6)	(535.0)	(872.9)
Acquisitions of businesses, net of cash acquired	(17.4)	—	(258.5)
Investments in marketable securities	(2.0)	(11.5)	(10.8)
Proceeds from sales of investments	27.3	38.0	29.4
Net decrease (increase) in time deposits	75.5	(22.9)	(149.0)
Proceeds from dispositions of property	46.8	30.7	7.6
Other	(16.8)	5.3	(5.9)
Cash Used for Investing	(596.2)	(495.4)	(1,260.1)
Financing Activities			
Cash dividends paid	(838.4)	(767.9)	(671.9)
Net increase (decrease) in short-term debt	524.3	(54.7)	(424.2)
Proceeds from issuance of long-term debt	397.7	38.7	540.8
Repayments of long-term debt	(599.7)	(199.0)	(481.6)
Proceeds from preferred securities of subsidiary	—	125.0	—
Proceeds from exercise of stock options	142.7	290.0	31.0
Acquisitions of common stock for the treasury	(1,519.5)	(1,598.0)	(546.7)
Other	(36.8)	(9.0)	(18.3)
Cash Used for Financing	(1,929.7)	(2,174.9)	(1,570.9)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(15.9)	4.1	18.6
Cash (Used for) Provided by Continuing Operations	(230.0)	60.0	(260.2)
Discontinued Operations:			
Cash provided by discontinued operations	—	30.0	56.3
Cash payment from Neenah Paper, Inc.	—	213.4	—
Cash Provided by Discontinued Operations	—	243.4	56.3
(Decrease) Increase in Cash and Cash Equivalents	(230.0)	303.4	(203.9)
Cash and Cash Equivalents, beginning of year	594.0	290.6	494.5
Cash and Cash Equivalents, end of year	\$ 364.0	\$ 594.0	\$ 290.6

See Notes to Consolidated Financial Statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Kimberly-Clark Corporation and all subsidiaries in which it has a controlling financial interest (the "Corporation"). All significant intercompany transactions and accounts are eliminated in consolidation.

On November 30, 2004, the Corporation completed the spin-off of Neenah Paper, Inc. ("Neenah Paper"), a wholly-owned subsidiary that owned the Corporation's Canadian pulp business and its U.S. fine paper and technical paper businesses (the "Spin-off"). The Spin-off was accomplished by a distribution of all of the shares of Neenah Paper's common stock to the Corporation's stockholders, and no gain or loss was recorded by the Corporation. Holders of common stock received a dividend of one share of Neenah Paper for every 33 shares of stock held. Based on a private letter ruling received from the Internal Revenue Service, receipt of the Neenah Paper shares in the distribution was tax-free for U.S. federal income tax purposes. As a result of the Spin-off, the Corporation's 2004 and 2003 Consolidated Income Statements and Cash Flow Statements and related disclosures present the fine paper and technical paper businesses as discontinued operations, which is discussed in Note 2. The 2003 Consolidated Statements of Stockholders' Equity and Comprehensive Income and related disclosures are presented on their historic basis, and unless otherwise noted, the information contained in the notes to the consolidated financial statements relates to the Corporation's continuing operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Actual results could differ from these estimates, and changes in these estimates are recorded when known. Estimates are used in accounting for, among other things, consumer and trade promotion and rebate accruals, pension benefits, other post-employment benefits, retained insurable risks, excess and obsolete inventory, allowance for doubtful accounts, useful lives for depreciation and amortization, future cash flows associated with impairment testing for goodwill and long-lived assets and for determination of the primary beneficiary of variable interest entities, deferred tax assets and potential income tax assessments, and loss contingencies.

Cash Equivalents

Cash equivalents are short-term investments with an original maturity date of three months or less.

Inventories and Distribution Costs

For financial reporting purposes, most U.S. inventories are valued at the lower of cost, using the Last-In, First-Out (LIFO) method or market. The balance of the U.S. inventories and inventories of consolidated operations outside the U.S. are valued at the lower of cost, using either the First-In, First-Out (FIFO) or weighted-average cost methods, or market. Distribution costs are classified as Cost of Products Sold.

Effective January 1, 2005, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 151, *Inventory Costs—an amendment of ARB No. 43, Chapter 4*. SFAS 151 clarifies the accounting for abnormal amounts of idle facility expenses, freight, handling costs and spoilage. It also requires that allocation of fixed production overheads to inventory be based on the normal capacity of production facilities. Adoption of SFAS 151 did not have a material effect on the Corporation's financial position, results of operations or cash flows.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Available-for-Sale Securities

Available-for-sale securities, consisting of debt securities issued by non-U.S. governments and unaffiliated corporations, are carried at market value. Securities with maturity dates of one year or less are included in other current assets and were \$12.8 million and \$6.6 million at December 31, 2005 and 2004, respectively. Securities with maturity dates greater than one year are included in other assets and were \$2.0 million and \$13.0 million at December 31, 2005 and 2004, respectively. The securities are held by the Corporation's consolidated foreign financing subsidiary described in Note 6. Unrealized holding gains or losses on these securities are recorded in other comprehensive income until realized. No significant gains or losses were recognized in income for any of the three years ended December 31, 2005.

Property and Depreciation

For financial reporting purposes, property, plant and equipment are stated at cost and are depreciated principally on the straight-line method. Buildings are depreciated over their estimated useful lives, primarily 40 years. Machinery and equipment are depreciated over their estimated useful lives, primarily ranging from 16 to 20 years. For income tax purposes, accelerated methods of depreciation are used. Purchases of computer software are capitalized. External costs and certain internal costs (including payroll and payroll-related costs of employees) directly associated with developing significant computer software applications for internal use are capitalized. Training and data conversion costs are expensed as incurred. Computer software costs are amortized on the straight-line method over the estimated useful life of the software, which generally does not exceed five years.

Estimated useful lives are periodically reviewed and, when warranted, changes are made to them. Long-lived assets, including computer software, are reviewed for impairment whenever events or changes in circumstances indicate that their cost may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from the use and eventual disposition of an asset group, which are identifiable and largely independent of other assets groups, are less than the carrying amount of the asset group. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset over its fair value. Fair value is measured using discounted cash flows or independent appraisals, as appropriate. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the balance sheet and any gain or loss on the transaction is included in income.

The cost of major maintenance performed on manufacturing facilities, composed of labor, materials and other incremental costs, is charged to operations as incurred. Start-up costs for new or expanded facilities are expensed as incurred.

Conditional Asset Retirement Obligations

In accordance with the requirements of Financial Accounting Standards Board ("FASB") Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations—an Interpretation of FASB Statement No. 143* ("FIN 47"), the Corporation recorded a pretax asset retirement liability of \$23.6 million at December 31, 2005. This liability represents the estimated costs to settle obligations in connection with the retirement of long-lived assets. FIN 47 requires the recording of an asset retirement obligation when the fair value of such a liability can be reasonably estimated, even though uncertainty exists as to the timing and/or the method of settlement. The Corporation has no plans in the foreseeable future to retire any of the major facilities for which it estimated an asset retirement obligation.

The cumulative effect on income, net of related income tax effects, of recording the asset retirement obligation was \$12.3 million, or \$.03 per share. Had FIN 47 been adopted as of the beginning of the earliest year

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

presented in the consolidated financial statements, the estimated asset retirement obligation would have been approximately \$22.4 million and \$21.3 million at the end of 2004 and 2003, respectively.

The tables below present the pro forma impact as if FIN 47 had been adopted prior to 2003.

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
Net income, as reported	\$1,568.3	\$1,800.2	\$1,694.2
Add: FIN 47 cumulative effect, net of income taxes	12.3	—	—
Less: FIN 47 related depreciation and accretion expense, net of income taxes	(1.2)	(1.1)	(1.1)
Pro forma net income	\$1,579.4	\$1,799.1	\$1,693.1

	Year Ended December 31		
	2005	2004	2003
Earnings per share			
Basic—as reported	\$ 3.30	\$ 3.64	\$ 3.34
Basic—pro forma	\$ 3.33	\$ 3.63	\$ 3.34
Diluted—as reported	\$ 3.28	\$ 3.61	\$ 3.33
Diluted—pro forma	\$ 3.31	\$ 3.60	\$ 3.33

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to systematic amortization, but rather is tested for impairment annually and whenever events and circumstances indicate that an impairment may have occurred. Impairment testing compares the carrying amount of the goodwill with its fair value. Fair value is estimated based on discounted cash flows. When the carrying amount of goodwill exceeds its fair value, an impairment charge would be recorded. The Corporation has completed the required annual testing of goodwill for impairment and has determined that none of its goodwill is impaired.

The Corporation has no intangible assets with indefinite useful lives. Intangible assets with finite lives are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from the use of the asset are less than its carrying amount. Measurement of an impairment loss would be based on discounted future cash flows compared to the carrying amount of the asset.

Investments in Equity Companies

Investments in companies over which the Corporation has the ability to exercise significant influence and that, in general, are at least 20 percent owned are stated at cost plus equity in undistributed net income. These investments are evaluated for impairment in accordance with the requirements of Accounting Principles Board (“APB”) Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*. An impairment loss would be recorded whenever a decline in value of an equity investment below its carrying amount is

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

determined to be other than temporary. In judging “other than temporary,” the Corporation would consider the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity company, the near-term and longer-term operating and financial prospects of the equity company, and its longer-term intent of retaining the investment in the equity company.

Revenue Recognition

Sales revenue for the Corporation and its reportable business segments is recognized at the time of product shipment or delivery, depending on when title passes, to unaffiliated customers, and when all of the following have occurred: a firm sales agreement is in place, pricing is fixed or determinable, and collection is reasonably assured. Sales are reported net of estimated returns, consumer and trade promotions, rebates and freight allowed.

Sales Incentives and Trade Promotion Allowances

The cost of promotion activities provided to customers is classified as a reduction in sales revenue. In addition, the estimated redemption value of consumer coupons is recorded at the time the coupons are issued and classified as a reduction in sales revenue.

Advertising Expense

Advertising costs are expensed in the year the related advertisement is first presented by the media. For interim reporting purposes, advertising expenses are charged to operations as a percentage of sales based on estimated sales and related advertising expense for the full year.

Research Expense

Research and development costs are charged to expense as incurred.

Environmental Expenditures

Environmental expenditures related to current operations that qualify as property, plant and equipment or which substantially increase the economic value or extend the useful life of an asset are capitalized, and all other such expenditures are expensed as incurred. Environmental expenditures that relate to an existing condition caused by past operations are expensed as incurred. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or a commitment to a formal plan of action. At environmental sites in which more than one potentially responsible party has been identified, a liability is recorded for the estimated allocable share of costs related to the Corporation’s involvement with the site as well as an estimated allocable share of costs related to the involvement of insolvent or unidentified parties. At environmental sites in which the Corporation is the only responsible party, a liability for the total estimated costs of remediation is recorded. Liabilities for future expenditures for environmental remediation obligations are not discounted and do not reflect any anticipated recoveries from insurers.

Foreign Currency Translation

The income statements of foreign operations, other than those in hyperinflationary economies, are translated into U.S. dollars at rates of exchange in effect each month. The balance sheets of these operations are translated at period-end exchange rates, and the differences from historical exchange rates are reflected in Stockholders’ Equity as unrealized translation adjustments.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The income statements and balance sheets of operations in hyperinflationary economies are translated into U.S. dollars using both current and historical rates of exchange. The effect of exchange rates on monetary assets and liabilities is reflected in income. Operations in Turkey (prior to 2005) are deemed to be hyperinflationary.

Derivative Instruments and Hedging

All derivative instruments are recorded as assets or liabilities on the balance sheet at fair value. Changes in the fair value of derivatives are either recorded in income or other comprehensive income, as appropriate. The gain or loss on derivatives designated as fair value hedges and the offsetting loss or gain on the hedged item attributable to the hedged risk are included in current income in the period that changes in fair value occur. The gain or loss on derivatives designated as cash flow hedges is included in other comprehensive income in the period that changes in fair value occur and is reclassified to income in the same period that the hedged item affects income. The gain or loss on derivatives designated as hedges of investments in foreign subsidiaries is recognized in other comprehensive income to offset the change in value of the net investments being hedged. The gain or loss on derivatives that have not been designated as hedging instruments is included in current income in the period that changes in fair value occur.

Stock-Based Employee Compensation

The Corporation's stock-based employee compensation plans are described in Note 13. The Corporation continues to account for stock options using the intrinsic-value method permitted by APB Opinion No. 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 under this plan have been equal to the market value of the Corporation's common stock at the date of grant.

Restricted share awards, including restricted shares and restricted share units, are measured at the fair value of the Corporation's common stock on the date of the award, and are initially recorded in Stockholders' Equity as unearned compensation. Unearned compensation is amortized to compensation expense over the requisite service period on the straight-line method. Employer payroll taxes are recorded as expense when they become due at the time the awards vest. Unvested shares are subject to forfeiture and restrictions on sale or transfer generally for three to five years from the grant date.

The following presents information about net income and earnings per share ("EPS") as if the Corporation had applied the fair value expense recognition requirements of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), to all employee stock options granted under the plan.

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
Net income, as reported	\$1,568.3	\$1,800.2	\$1,694.2
Add: Stock-based employee compensation expense included in reported net income, net of income taxes	20.7	12.3	11.6
Less: Stock-based employee compensation determined under the fair value requirements of SFAS 123, net of income taxes	(57.1)	(50.9)	(67.2)
Pro forma net income	\$1,531.9	\$1,761.6	\$1,638.6

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year Ended December 31		
	2005	2004	2003
Earnings per share			
Basic—as reported	\$ 3.30	\$ 3.64	\$ 3.34
Basic—pro forma	\$ 3.23	\$ 3.56	\$ 3.23
Diluted—as reported	\$ 3.28	\$ 3.61	\$ 3.33
Diluted—pro forma	\$ 3.21	\$ 3.53	\$ 3.22

Pursuant to the requirements of SFAS 123, the weighted-average fair value of the individual employee stock options granted during 2005, 2004 and 2003 have been estimated as \$11.94, \$15.49 and \$9.09, respectively, on the date of grant. The fair values were determined using a Black-Scholes-Merton option-pricing model using the following assumptions:

	2005	2004	2003
Dividend yield	2.92%	2.49%	3.05%
Volatility	21.80%	26.45%	26.49%
Risk-free interest rate	3.97%	3.83%	2.83%
Expected life—years	5.9	5.9	5.8

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123R”), which revises SFAS 123. SFAS 123R also supersedes APB 25 and amends SFAS No. 95, *Statement of Cash Flows*. SFAS 123R eliminates the alternative to account for employee stock options under APB 25 and requires the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, be recognized in the income statement, generally over the vesting period.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin (“SAB”) No. 107, which provides additional implementation guidance for SFAS 123R. Among other things, SAB 107 provides guidance on share-based payment valuations, income statement classification and presentation, capitalization of costs and related income tax accounting.

SFAS 123R provides for adoption using either the modified prospective or modified retrospective transition method. The Corporation will adopt SFAS 123R on January 1, 2006 using the modified prospective transition method in which compensation cost is recognized beginning January 1, 2006 for all share-based payments granted on or after that date and for all awards granted to employees prior to January 1, 2006 that remain unvested on that date. The Corporation will continue to use the Black-Scholes-Merton option pricing model to determine the fair value of stock option awards.

Adoption of SFAS 123R’s fair value method will have an effect on results of operations, although it will not have a material impact on the Corporation’s overall financial position. The future impact of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted. However, had SFAS 123R been adopted in prior periods, the effect would have approximated the SFAS 123 pro forma net income and earnings per share disclosures as shown above.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently required, thereby reducing net operating cash flows and increasing net financing cash flows in periods after adoption. While those amounts

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

cannot be estimated for future periods (because they depend on, among other things, when employees will exercise the stock options and the market price of the Corporation's common stock at the time of exercise), the amount of operating cash flows generated in prior periods for such excess tax deductions was \$15.1 million, \$30.9 million and \$7.4 million in 2005, 2004 and 2003, respectively.

Note 2. Discontinued Operations

In connection with the Spin-off discussed in Note 1, the Corporation received a \$213.4 million cash payment from Neenah Paper. The 2004 and 2003 Consolidated Income Statements, Cash Flow Statements and related disclosures present the results of Neenah Paper's fine paper and technical paper businesses, which were previously included in the Business-to-Business segment, as discontinued operations. Prior to the Spin-off, the Corporation internally consumed approximately 90 percent of the pulp produced by the Canadian pulp business. In connection with the Spin-off, the Corporation entered into a long-term pulp supply agreement with Neenah Paper (as discussed in Note 10), whereby the Corporation will continue to consume a substantial portion of the pulp produced by Neenah Paper. Because the Corporation will continue to incur pulp costs in its continuing operations, the results of Neenah Paper's Canadian pulp business were not included in discontinued operations.

Summarized financial information for discontinued operations is presented below:

	2004 ^(a)	2003
	(Millions of dollars)	
Net sales	\$317.7	\$321.7
Income before income taxes	59.2	80.7
Provision for income taxes	(29.4)	(30.1)
Income from discontinued operations	29.8	50.6

(a) Includes operations through November 30, 2004; also included are transaction costs related to the Spin-off.

A summary of the assets, liabilities and accumulated other comprehensive income of Neenah Paper that were spun off is presented below:

	November 30, 2004
	(Millions of dollars)
Assets	
Current assets	\$ 191.3
Property, plant and equipment, net	375.4
Timberlands	5.3
Other assets	45.7
	<u>617.7</u>
Liabilities and Accumulated Other Comprehensive Income	
Current liabilities	67.3
Long-term debt	225.0
Noncurrent employee benefits and other obligations	57.2
Deferred income taxes and other liabilities	41.3
Accumulated other comprehensive income	24.4
	<u>415.2</u>
Total Distribution Charged to Retained Earnings	<u>\$ 202.5</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 3. Competitive Improvement Initiatives

In July 2005, the Corporation authorized the initial phase of a multi-year program to further improve its competitive position by accelerating investments in targeted growth opportunities and strategic cost reductions aimed at streamlining manufacturing and administrative operations, primarily in North America and Europe.

The Competitive Improvement Initiatives commenced in the third quarter of 2005 and are expected to be substantially completed by December 31, 2008. Based on current estimates, the strategic cost reductions are expected to result in cumulative charges of approximately \$900 million to \$1.1 billion before tax (\$625 - \$775 million after tax) over that three and one-half year period.

By the end of 2008, it is anticipated there will be a net workforce reduction of about 10 percent, or approximately 6,000 employees. As of December 31, 2005, a net workforce reduction of more than 400 had occurred. Approximately 20 manufacturing facilities, or 17 percent of the Corporation's worldwide total, are expected to be sold or closed and an additional 4 facilities are expected to be streamlined. As of December 31, 2005, charges have been recorded related to the initiatives for 14 facilities.

In connection with the Competitive Improvement Initiatives approved by the Corporation, charges totaling \$228.6 million were incurred during 2005; \$167.6 million after tax for the strategic cost reductions.

Of the \$228.6 million of charges, \$179.7 million were noncash charges comprised of the following:

	(Millions of dollars)
Incremental depreciation and amortization	\$ 80.1
Asset impairments	67.2
Asset write-offs	32.4
Noncash charges recorded during 2005	<u>\$ 179.7</u>

The following summarizes the cash charges recorded and reconciles such charges to accrued expenses at December 31, 2005.

	(Millions of dollars)
Charges for workforce reductions	\$ 35.6
Other cash charges	11.0
Cash payments	(17.7)
Currency	(.7)
Accrued expenses	<u>\$ 28.2</u>

The Corporation also recorded pension curtailments and special pension benefits aggregating \$2.3 million.

Termination benefits related to workforce reductions were accrued in accordance with the requirements of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, SFAS No. 112, *Employers' Accounting for Postemployment Benefits*, and SFAS No. 88, *Employers' Accounting for Settlements & Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, as appropriate. Retention bonuses related to workforce reductions were accrued in accordance with SFAS 146. The majority of the termination benefits and retention bonuses will be paid within 12 months of accrual. The termination benefits were provided under: a special-benefit arrangement for affected employees in the U.S.; standard benefit practices in the U.K.; applicable union agreements; or local statutory requirements, as appropriate. Incremental depreciation and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

amortization expenses were based on changes in useful lives and estimated residual values of assets that are continuing to be used, but will be removed from service before the end of their originally assumed service period. Asset impairment charges have been recorded in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, to reduce the carrying amount of long-lived assets that will be sold or disposed of to their estimated fair values. The fair values of impaired assets were estimated by independent appraisers. Charges for asset write-offs reduce the carrying amount of long-lived assets to their estimated salvage value in connection with the decision to dispose of such assets.

The strategic cost reductions included in the Competitive Improvement Initiatives are corporate decisions and are not included in the business segments' operating profit performance. Certain actions yet to be announced for the strategic cost reductions are still being evaluated. Accordingly, it is difficult at this time to estimate the total costs to be incurred by business segment over the life of the initiatives. The 2005 charges have been recorded in Cost of Products Sold (\$201.6 million) and Marketing, Research and General Expenses (\$27.0 million). See Note 17 for additional information on the strategic cost reductions by business segment.

Note 4. Acquisitions and Intangible Assets

Acquisitions

During the fourth quarter of 2005, the Corporation acquired Microcuff GmbH, a privately held medical device and technology company in Germany, for approximately \$16 million. This acquisition will further enhance the Corporation's Health Care business' position as a leading global provider of innovative and technologically advanced medical devices.

During the first quarter of 2003, the Corporation purchased the Klucze tissue business in Poland. This acquisition was consistent with the Corporation's strategy of growing its global consumer tissue business and provides it with a strong platform to expand its business. The allocation of the purchase price to the fair value of assets and liabilities acquired was completed in 2003 and resulted in recognition of goodwill and other intangible assets of approximately \$20 million.

During the third quarter of 2003, the Corporation acquired an additional 49 percent interest in Kimberly-Clark Peru S.A. and the remaining 50 percent interest in its tissue joint venture in Brazil (Klabin Kimberly S.A.). The cost of these acquisitions totaled approximately \$200 million. These acquisitions were a result of the partners in each of the ventures exercising their options to sell their ownership interest to the Corporation. The allocation of the purchase price to the fair value of assets and liabilities acquired was completed in 2004 and resulted in recognition of goodwill and other intangible assets of approximately \$140 million.

Goodwill

The changes in the carrying amount of goodwill by business segment are as follows:

	<u>Personal Care</u>	<u>Consumer Tissue</u>	<u>Business- to- Business</u>	<u>Total</u>
	(Millions of dollars)			
Balance at January 1, 2004	\$ 514.8	\$ 594.1	\$ 1,540.2	\$ 2,649.1
Currency and other	28.3	16.4	9.1	53.8
Balance at December 31, 2004	543.1	610.5	1,549.3	2,702.9
Acquisitions	—	—	3.9	3.9
Currency and other	(13.3)	(5.0)	(2.9)	(21.2)
Balance at December 31, 2005	<u>\$ 529.8</u>	<u>\$ 605.5</u>	<u>\$ 1,550.3</u>	<u>\$ 2,685.6</u>

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Other Intangible Assets

Intangible assets subject to amortization are included in Other Assets and consist of the following at December 31:

	2005		2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Millions of dollars)			
Trademarks	\$ 204.1	\$ 77.1	\$ 213.5	\$ 60.7
Patents	50.5	28.0	40.8	24.6
Other	22.2	8.2	21.5	6.0
Total	\$ 276.8	\$ 113.3	\$ 275.8	\$ 91.3

Amortization expense for intangible assets was approximately \$26 million in 2005, \$14 million in 2004 and \$13 million in 2003. Amortization expense is estimated to be approximately \$39 million in 2006, \$12 million in 2007, \$9 million in 2008, \$8 million in 2009 and \$7 million in 2010.

Note 5. Debt

Long-term debt is comprised of the following:

	Weighted- Average Interest Rate	Maturities	December 31	
			2005	2004
	(Millions of dollars)			
Notes and debentures	5.78%	2007 – 2038	\$2,149.5	\$2,309.8
Industrial development revenue bonds	3.74%	2006 – 2037	299.8	300.7
Bank loans and other financings in various currencies	8.97%	2006 – 2031	212.6	272.9
Total long-term debt			2,661.9	2,883.4
Less current portion			67.2	585.4
Long-term portion			\$2,594.7	\$2,298.0

Fair value of total long-term debt, based on quoted market prices for the same or similar debt issues, was approximately \$2.8 billion and \$3.0 billion at December 31, 2005 and 2004, respectively. Scheduled maturities of long-term debt for the next five years are \$67.2 million in 2006, \$337.5 million in 2007, \$49.1 million in 2008, \$8.0 million in 2009 and \$33.1 million in 2010.

During the third quarter of 2005, the Corporation issued \$300 million of 4.875% Notes due August 15, 2015. Proceeds from the sale of the notes were used for general corporate purposes and for the reduction of existing indebtedness, including portions of the Corporation's outstanding commercial paper program.

At December 31, 2005, the Corporation had fixed-to-floating interest rate swap agreements related to a \$500 million 5.0% Note that matures on August 15, 2013.

At December 31, 2005, the Corporation had \$1.5 billion of revolving credit facilities. These facilities, unused at December 31, 2005, permit borrowing at competitive interest rates and are available for general corporate purposes, including backup for commercial paper borrowings. The Corporation pays commitment fees on the unused portion but may cancel the facilities without penalty at any time prior to their expiration. These facilities expire in June 2010.

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Debt payable within one year is as follows:

	December 31	
	2005	2004
	(Millions of dollars)	
Commercial paper	\$ 726.5	\$ 526.3
Current portion of long-term debt	67.2	585.4
Other short-term debt	428.8	103.0
Total	\$ 1,222.5	\$ 1,214.7

At December 31, 2005 and 2004, the weighted-average interest rate for commercial paper was 4.2 percent and 2.3 percent, respectively.

During the fourth quarter of 2005, a three-year bank credit facility was established for the purpose of funding American Jobs Creation Act dividends. The Corporation has the option to repay the facility in any month until the facility expires in October 2008. Currently, the Corporation plans to repay this obligation by the end of 2006; therefore, it has been classified as short-term debt. The facility is denominated in Australian dollars and euros, and interest charges are based on the prevailing local short-term interest rates plus 12.5 basis points. As of December 31, 2005, approximately \$308 million was outstanding. No additional draws against the facility are permitted.

Note 6. Preferred Securities of Subsidiary

In February 2001, the Corporation formed a Luxembourg-based financing subsidiary. The subsidiary issued 1 million shares of voting-preferred securities (the "Securities") with an aggregate par value of \$520 million to a nonaffiliated beneficial interest holder for cash proceeds of \$516.5 million. The Securities are entitled to a 98 percent vote and pay no dividend but accrue a fixed annual rate of return of 4.56 percent. Prior to September 2003, the Securities accrued a variable rate of return. The Securities are in substance perpetual and are callable by the subsidiary at par value plus any accrued but unpaid return on the Securities in November 2008 and each 20-year anniversary thereafter. The subsidiary also issued voting-preferred and common securities to the Corporation for total cash proceeds of \$500 million. These securities are entitled to a combined two percent vote and the common securities are entitled to all of the residual equity after satisfaction of the preferred interests. Approximately 97 percent of the above cash proceeds were loaned to the Corporation. These long-term loans bear fixed annual interest rates. The remaining funds are invested in other financial assets. Prior to September 2003, the loans accrued interest at a variable rate. The Corporation is the primary beneficiary of the subsidiary and, accordingly, consolidates the subsidiary in the accompanying financial statements. The preferred and common securities of the subsidiary held by the Corporation and the intercompany loans have been eliminated in the consolidated financial statements. The return on the Securities is included in Minority Owners' Share of Subsidiaries' Net Income in the Corporation's consolidated income statement. The Securities are shown as Preferred Securities of Subsidiary on the consolidated balance sheet.

In June 2004, the nonaffiliated beneficial interest holder invested an additional \$125 million, thereby increasing the aggregate par value of the Securities that it held. In conjunction with this transaction, the fixed annual rate of return on the Securities was increased from 4.47 to 4.56 percent. The subsidiary loaned these funds to the Corporation, which used them to reduce its outstanding commercial paper.

The nonaffiliated beneficial interest holder does not have recourse to the general credit of the Corporation.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
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Note 7. Stockholders' Equity
Other Comprehensive Income (Loss)

The changes in the components of other comprehensive income (loss) are as follows:

	Year Ended December 31									
	2005			2004				2003		
	Pretax Amount	Tax Effect	Net Amount	Pretax Amount	Tax Effect	Spin- Off	Net Amount	Pretax Amount	Tax Effect	Net Amount
	(Millions of dollars)									
Unrealized translation	\$(412.6)	\$ —	\$(412.6)	\$415.8	\$ —	\$(60.1)	\$355.7	\$ 742.8	\$ —	\$ 742.8
Minimum pension liability	(97.7)	39.1	(58.6)	(75.6)	27.8	36.3	(11.5)	(231.8)	85.6	(146.2)
Deferred gains (losses) on cash flow hedges	40.7	(13.0)	27.7	(5.8)	1.8	(.6)	(4.6)	(5.5)	1.3	(4.2)
Unrealized holding gains (losses) on securities	.1	—	.1	(.2)	—	—	(.2)	(.1)	—	(.1)
Other comprehensive income (loss)	\$(469.5)	\$ 26.1	\$(443.4)	\$334.2	\$29.6	\$(24.4)	\$339.4	\$ 505.4	\$86.9	\$ 592.3

Accumulated balances of other comprehensive income (loss), net of applicable income taxes are as follows:

	December 31	
	2005	2004
	(Millions of dollars)	
Unrealized translation	\$ (797.9)	\$ (385.3)
Minimum pension liability	(888.2)	(829.6)
Deferred gains (losses) on cash flow hedges	16.8	(10.9)
Unrealized holding losses on securities	(.1)	(.2)
Accumulated other comprehensive income (loss)	\$(1,669.4)	\$(1,226.0)

Net unrealized currency gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries, except those in highly inflationary economies, are accumulated in a separate section of stockholders' equity. For these operations, changes in exchange rates generally do not affect cash flows; therefore, unrealized translation adjustments are recorded in stockholders' equity rather than net income. Upon sale or substantially complete liquidation of any of these subsidiaries, the applicable unrealized translation adjustment would be removed from stockholders' equity and reported as part of the gain or loss on the sale or liquidation. The increase in unrealized translation is primarily due to the strengthening of the U.S. dollar versus the euro, British pound, Swiss franc and Australian dollar.

Also included are the effects of foreign exchange rate changes on intercompany balances of a long-term investment nature and transactions designated as hedges of net foreign investments.

At December 31, 2005, unremitted net income of equity companies included in consolidated retained earnings was about \$834 million.

Note 8. Risk Management

As a multinational enterprise, the Corporation is exposed to risks such as changes in foreign currency exchange rates, interest rates and commodity prices. The Corporation employs a variety of practices to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
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instruments. These derivative instruments, including some that are not designated as either fair value or cash flow hedges, are used only for risk management purposes and not for speculation or trading. Foreign currency derivative instruments are either exchange traded or are entered into with major financial institutions. The Corporation's credit exposure under these arrangements is limited to those agreements with a positive fair value at the reporting date. Credit risk with respect to the counterparties is considered minimal in view of the financial strength of the counterparties.

One of the Corporation's equity affiliates has entered into derivatives with notional amounts that exceed the amount of the risk being hedged. Changes in the fair value of these derivatives that exceed the risk being hedged are recorded in that affiliate's income.

Foreign Currency Exchange Risk

Foreign currency exchange risk is managed by the systematic use of foreign currency forward, option and swap contracts. The use of these instruments allows management of transactional exposure to exchange rate fluctuations because the gains or losses incurred on the derivative instruments will offset, in whole or in part, losses or gains on the underlying foreign currency exposure. Prior to 2004, foreign currency risk was managed by the selective, rather than the systematic, use of foreign currency forward, option and swap contracts. Management does not foresee or expect any significant change in such exposures in the near future or in the strategies it employs to manage them. In addition, many of the Corporation's non-U.S. operations buy the majority of their inputs and sell the majority of their outputs in their local currency, thereby minimizing the effect of currency rate changes on their local operating profit margins.

Foreign Currency Translation Risk

Translation adjustments result from translating foreign entities' financial statements to U.S. dollars from their functional currencies. Translation exposure, which results from possible changes in translation rates between functional currencies and the U.S. dollar, generally is not hedged. In 2005, in connection with its plan to repatriate unremitted foreign earnings under the American Jobs Creation Act, the Corporation hedged a portion of its investments in certain subsidiaries. There are no hedges in place at December 31, 2005. The risk to any particular entity's net assets is minimized to the extent that the entity is financed with local currency borrowing.

Interest Rate Risk

Interest rate risk is managed using a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments and interest rate swaps. The objective is to maintain a cost-effective mix that management deems appropriate. Management does not foresee or expect any significant changes in its exposure to interest rate fluctuations in the near future or in the strategies it employs to manage them.

Commodity Price Risk

The Corporation is subject to commodity price risk, the most significant of which relates to the price of pulp, polypropylene and natural gas.

Selling prices of tissue products are influenced, in part, by the market price for pulp, which is determined by industry supply and demand. On a worldwide basis, the Corporation supplies approximately 10 percent of its virgin fiber needs from internal pulp manufacturing operations. Increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage the pulp price risk.

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Polypropylene is subject to price fluctuations based on changes in petroleum prices, availability and other factors. A number of the Corporation's products, such as diapers, training and youth pants, and incontinence care products contain certain polypropylene materials. The Corporation purchases these materials from a number of suppliers. Significant increases in prices for these materials could adversely affect the Corporation's earnings if selling prices for its finished products are not adjusted or if adjustments significantly trail the increases in prices for these materials. Derivative instruments have not been used to manage these risks.

The Corporation uses derivative financial instruments to offset a substantial portion of its exposure to market risk arising from changes in the price of natural gas. Hedging of this risk is accomplished by entering into forward swap contracts, which are designated as hedges of specific quantities of natural gas expected to be purchased in future months. These readily marketable swap contracts are recorded in the Corporation's balance sheet at fair value. On the date the derivative contract is entered into, the Corporation formally documents and designates the swap contract as a cash-flow hedge, including how the effectiveness of the hedge will be measured. This process links the swap contract to specific forecasted transactions. Since these swap contracts were highly effective, changes in their fair values were recorded in other comprehensive income, net of related income taxes, and recognized in income at the time the cost of the natural gas was recognized in income.

Effect of Derivative Instruments on Results of Operations and Other Comprehensive Income

Fair Value Hedges

The Corporation's fair value hedges offset the effect of the hedged items in 2005, 2004 and 2003, resulting in no effect on income. In addition, during these years, all designated derivatives for firm commitments continued to qualify for fair value hedge accounting.

Cash Flow Hedges

The effective portion of the gain or loss on the derivative instruments designated as cash flow hedges is initially recorded in other comprehensive income and is subsequently recognized in income when the hedged exposure affects income. The Corporation's cash flow hedges resulted in no significant ineffectiveness in 2005, 2004 and 2003 and consequently resulted in no significant effect on income. During the same period in which the hedged forecasted transactions affected earnings, the Corporation reclassified \$11.2 million of after-tax gains, and \$9.0 million and \$9.9 million of after-tax losses, respectively, from accumulated other comprehensive income to earnings. At December 31, 2005, the Corporation expects to reclassify \$5.7 million of after-tax gains from accumulated other comprehensive income primarily to cost of sales during the next twelve months, consistent with the timing of the underlying hedged transactions. The maximum maturity of cash flow derivatives in place at December 31, 2005 is August 2017.

Net Investment Hedges

Beginning in the second quarter of 2005, the Corporation hedged a portion of its investment positions in certain foreign subsidiaries by entering into foreign currency forward contracts that were designated as hedges of the related net investments. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, changes in the fair value of the derivative instruments are recognized in other comprehensive income to offset the change in value of the net investment being hedged.

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Note 9. Variable Interest Entities

The Corporation has variable interests in the following financing and real estate entities and synthetic fuel partnerships described in Note 14.

Financing Entities

The Corporation holds a significant variable interest in two financing entities that were used to monetize long-term notes received from the sale of certain nonstrategic timberlands and related assets, which were sold in 1999 and 1989 to nonaffiliated buyers. These transactions qualified for the installment method of accounting for income tax purposes and met the criteria for immediate profit recognition for financial reporting purposes contained in SFAS No. 66, *Accounting for Sales of Real Estate*. These sales involved notes receivable with an aggregate face value of \$617 million and a fair value of approximately \$593 million at the date of sale. The notes receivable are backed by irrevocable standby letters of credit issued by money center banks, which aggregated \$617 million at December 31, 2005.

Because the Corporation desired to monetize the \$617 million of notes receivable and continue the deferral of current income taxes on the gains, in 1999 the Corporation transferred the notes received from the 1999 sale to a noncontrolled financing entity, and in 2000 it transferred the notes received from the 1989 sale to another noncontrolled financing entity. The Corporation has minority voting interests in each of the financing entities (collectively, the "Financing Entities"). The transfers of the notes and certain other assets to the Financing Entities were made at fair value, were accounted for as asset sales and resulted in no gain or loss. In conjunction with the transfer of the notes and other assets, the Financing Entities became obligated for \$617 million in third-party debt financing. A nonaffiliated financial institution has made substantive capital investments in each of the Financing Entities, has majority voting control over them and has substantive risks and rewards of ownership of the assets in the Financing Entities. The Corporation also contributed intercompany notes receivable aggregating \$662 million and intercompany preferred stock of \$50 million to the Financing Entities, which serve as secondary collateral for the third-party lending arrangements. In the unlikely event of default by both of the money center banks that provided the irrevocable standby letters of credit, the Corporation could experience a maximum loss of \$617 million under these arrangements.

The Corporation has not consolidated the Financing Entities because it is not the primary beneficiary of either entity. Rather, it will continue to account for its ownership interests in these entities using the equity method of accounting. The Corporation retains equity interests in the Financing Entities for which the legal right of offset exists against the intercompany notes. As a result, the intercompany notes payable have been offset against the Corporation's equity interests in the Financing Entities for financial reporting purposes.

See Note 6 for a description of the Corporation's Luxembourg-based financing subsidiary, which is consolidated because the Corporation is the primary beneficiary of the entity.

Real Estate Entities

Effective March 31, 2004, the Corporation adopted FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities—an Interpretation of ARB 51* ("FIN 46R"), for its real estate entities described below. In 1994, the Corporation began participating in the U.S. affordable and historic renovation real estate markets. Investments in these markets are encouraged by laws enacted by the United States Congress and related federal income tax rules and regulations. Accordingly, these investments generate income tax credits and tax losses that are used to reduce the Corporation's income tax liabilities. The Corporation had invested in these

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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.

Adoption of FIN 46R required the Corporation to consolidate ten apartment projects and two hotels because it was the primary beneficiary of each of these real estate ventures. Subsequently, three of the apartments and the two hotels became wholly-owned by the Corporation. For the entities that remain consolidated under FIN 46R, the carrying amount of the assets that serve as collateral is \$47.0 million for obligations of these ventures of \$42.7 million at December 31, 2005. The assets are classified as property, plant and equipment on the consolidated balance sheet. Except for the Corporation’s guarantee of \$14.6 million of the obligations of these ventures, neither the creditors nor the other beneficial interest holders of these consolidated ventures have recourse to the general credit of the Corporation.

The Corporation accounts for its interests in real estate entities that are not consolidated by the equity method of accounting or by the effective yield method, as appropriate, and has accounted for the related income tax credits and other tax benefits as a reduction in its income tax provision. As of December 31, 2005, the Corporation had a net equity of \$20.9 million in its nonconsolidated real estate entities. The Corporation has earned income tax credits totaling approximately \$84.1 million, \$71.8 million and \$59.3 million in 2005, 2004 and 2003, respectively. As of December 31, 2005, total permanent financing debt for the nonconsolidated entities was \$255.8 million. A total of \$19.7 million of the permanent financing debt is guaranteed by the Corporation and the remainder of this debt is not supported or guaranteed by the Corporation. Except for the guaranteed portion, permanent financing debt is secured solely by the properties and is nonrecourse to the Corporation. From time to time, temporary interim financing is guaranteed by the Corporation. In general, the Corporation’s interim financing guarantees are eliminated at the time permanent financing is obtained. At December 31, 2005, \$34.3 million of temporary interim financing associated with these nonconsolidated real estate entities was guaranteed by the Corporation.

If the Corporation’s investments in its nonconsolidated real estate entities were to be disposed of at their carrying amounts, a portion of the tax credits may be recaptured and may result in a charge to earnings. As of December 31, 2005, this recapture risk is estimated to be \$34.5 million. The Corporation has no current intention of disposing of these investments during the recapture period, nor does it anticipate the need to do so in the foreseeable future in order to satisfy any anticipated liquidity need. Accordingly, the recapture risk is considered to be remote.

At December 31, 2005, the Corporation’s maximum loss exposure for its nonconsolidated real estate entities is estimated to be \$109.4 million and was comprised of its net equity in these entities of \$20.9 million, its permanent financing guarantees of \$19.7 million, its interim financing guarantees of \$34.3 million and the income tax credit recapture risk of \$34.5 million.

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Note 10. Leases and Commitments*Leases*

The Corporation has entered into operating leases for certain warehouse facilities, automobiles and equipment. The future minimum obligations under operating leases having a noncancelable term in excess of one year as of December 31, 2005, are as follows:

	Amount
	(Millions of dollars)
Year Ending December 31:	
2006	\$ 85.7
2007	47.4
2008	34.1
2009	26.4
2010	17.1
Thereafter	47.0
Future minimum obligations	\$ 257.7

Certain operating leases contain residual value guarantees, which provide that if the Corporation does not purchase the leased property from the lessor at the end of the lease term, the Corporation is liable to the lessor for the shortfall, if any, between the proceeds from the sale of the property and an agreed value. At December 31, 2005, the maximum amount of the residual value guarantee was approximately \$20 million. Management expects the proceeds from the sale of the properties under the operating leases will exceed the agreed values.

Operating lease obligations have been reduced by approximately \$2 million for rental income from noncancelable sublease agreements.

Consolidated rental expense under operating leases was \$199.0 million, \$195.9 million and \$186.7 million in 2005, 2004 and 2003, respectively.

Purchase Commitments

In conjunction with the Spin-off, the Corporation entered into a long-term pulp supply agreement with Neenah Paper. Under the agreement, the Corporation has agreed to purchase annually declining specified minimum tonnages of pulp. In January 2006, the pulp supply agreement was modified to reduce the Corporation's 2006 purchase obligation by approximately 11 percent. Minimum commitments under the agreement are estimated to be approximately \$235 million in 2006, \$233 million in 2007, \$200 million in 2008, \$157 million in 2009 and \$105 million in 2010. The latter two years reflect the phase-down period described in the following paragraph. These commitments represented 16 percent, 16 percent, 13 percent, 10 percent and 7 percent, respectively, of the Corporation's total estimated requirements for virgin pulp. The Corporation purchased approximately \$272 million under that agreement in 2005.

Under the agreement, the prices for pulp will be based on published industry index prices, subject to certain minimum and maximum prices, less agreed-upon discounts. The commitments are structured as supply-or-pay and take-or-pay arrangements. Accordingly, if the Corporation does not purchase the specified minimums, it must pay for the shortfall based on the difference between the contract price and any lower price Neenah Paper obtains for the pulp, plus ten percent of the difference. If Neenah Paper does not supply the specified minimums, it must pay for the shortfall based on the difference between the contract price and any higher price that the Corporation pays to purchase the pulp, plus ten percent of that difference. Either party can elect a two-year

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phase-down period for the agreement, to begin no earlier than January 1, 2009 under which the minimum commitments would be approximately \$157 million in the first year and \$105 million in the second year. Either party may terminate the pulp supply agreement for certain events specified in the agreement.

The Corporation has entered into other long-term contracts for the purchase of raw materials, principally pulp, and utilities, principally electricity. The minimum purchase commitments extend beyond 2009. Commitments under these contracts are approximately \$181 million in 2006, \$118 million in 2007, \$73 million in 2008, \$69 million in 2009 and \$53 million in 2010. Total commitments beyond the year 2010 are \$332 million.

Although the Corporation is primarily liable for payments on the above-mentioned leases and purchase commitments, management believes the Corporation's exposure to losses, if any, under these arrangements is not material.

Note 11. Contingencies and Legal Matters

Litigation

The following is a brief description of certain legal and administrative proceedings to which the Corporation or its subsidiaries is a party or to which the Corporation's or its subsidiaries' properties are subject. In management's opinion, none of the legal and administrative proceedings described below, individually or in the aggregate, is expected to have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

As of December 31, 2005, the Corporation, along with many other nonaffiliated companies, was a party to lawsuits with allegations of personal injury resulting from asbestos exposure on the defendants' premises and allegations that the defendants manufactured, sold, distributed or installed products which cause asbestos-related lung disease. These general allegations are often made against the Corporation without any apparent evidence or identification of a specific product or premises of the Corporation. The Corporation has denied the allegations and raised numerous defenses in all of these asbestos cases. All asbestos claims have been tendered to the Corporation's insurance carriers for defense and indemnity. The financial statements reflect appropriate accruals for the Corporation's portion of the costs estimated to be incurred in connection with resolving these claims.

The Corporation, through a wholly-owned subsidiary, KCC Comercial Ltda. ("KCC Comercial"), owns a 70 percent interest in a Brazil corporation, Kimberly-Clark Kenko Industria e Comercio Ltda. ("K-C Kenko"). The owner of the remaining 30 percent of K-C Kenko filed an action, for the benefit of K-C Kenko, in the Arbitration Center of the Brazil-Canada Chamber of Commerce in Brazil alleging, among other things, that KCC Comercial negligently managed K-C Kenko. KCC Comercial has denied the claims, raised numerous defenses and has asserted counterclaims. In management's opinion, this matter is not expected to have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

Contingency

One of the Corporation's North American tissue mills has an agreement to provide its local utility company a specified amount of electric power for each of the next 12 years. In the event that the mill was shut down, the Corporation would be required to continue to operate the power generation facility on behalf of its owner, the local utility company. The net present value of the cost to fulfill this agreement as of December 31, 2005 is estimated to be approximately \$150 million. Management considers the probability of closure of this mill to be remote.

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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, results of operations or liquidity.

Note 12. Postretirement and Other Benefits*Pension Plans*

Substantially all regular employees in North America and the United Kingdom are covered by defined benefit pension plans (the "Principal Plans") and/or defined contribution retirement plans. Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. The funding policy for the qualified defined benefit plans in North America and the defined benefit plans in the United Kingdom is to contribute assets to fully fund the accumulated benefit obligation ("ABO"). Subject to regulatory and tax deductibility limits, any funding shortfall will be eliminated over a reasonable number of years. Nonqualified U.S. plans providing pension benefits in excess of limitations imposed by the U.S. income tax code are not funded. Funding for the remaining defined benefit plans outside the U.S. is based on legal requirements, tax considerations, investment opportunities, and customary business practices in such countries.

In accordance with SFAS No. 87, *Employers' Accounting for Pensions*, the Corporation recorded a minimum pension liability for underfunded plans representing the excess of the unfunded ABO over previously recorded net pension liabilities. The minimum pension liability is included in Noncurrent Employee Benefit and Other Obligations on the balance sheet. An offsetting charge is included as an intangible asset to the extent of unrecognized prior service cost, and the balance is included in Accumulated Other Comprehensive Income (Loss). The principal cause of the increase in additional minimum pension liability in 2005 was a decrease in the discount rates used to estimate the ABO.

Information about the minimum pension liability follows:

	December 31	
	2005	2004
	(Millions of dollars)	
Minimum pension liability	\$1,436.5	\$1,341.6
Less intangible asset	(50.0)	(52.8)
Accumulated other comprehensive loss	1,386.5	1,288.8
Less related income tax effects	(498.3)	(459.2)
Accumulated other comprehensive loss, net of income taxes	\$ 888.2	\$ 829.6

Other Postretirement Benefit Plans

Substantially all North American retirees and employees are covered by health care and life insurance benefit plans. Certain benefits are based on years of service and/or age at retirement. The plans are principally noncontributory for employees who were eligible to retire before 1993 and contributory for most employees who retire after 1992, except that the Corporation provides no subsidized benefits to most employees hired after 2003.

Prior to 2004, certain U.S. plans limited the Corporation's cost of future annual per capita retiree medical benefits to no more than 200 percent of the 1992 annual per capita cost. These plans reached this limitation

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
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(the “Cap”) and were amended during 2003. Among other things, the amendments index the Cap by 3 percent annually beginning in 2005 for certain employees retiring on or before April 1, 2004 and limit the Corporation’s future cost for retiree health care benefits to a defined fixed per capita cost for certain employees retiring after April 1, 2004. The annual increase in the consolidated weighted-average health care cost trend rate is expected to be 9.91 percent in 2006, 8.86 percent in 2007 and to gradually decline to 5.19 percent in 2011 and thereafter.

Summarized financial information about postretirement plans, excluding defined contribution retirement plans, is presented below.

	Pension Benefits		Other Benefits	
	Year Ended December 31			
	2005	2004	2005	2004
	(Millions of dollars)			
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 5,270.6	\$ 5,233.8	\$ 845.8	\$ 852.6
Service cost	81.4	87.4	17.4	17.8
Interest cost	294.6	296.2	47.1	48.2
Actuarial loss (gain)	308.3	182.3	(1.7)	33.5
Currency and other	(137.0)	155.9	28.1	10.4
Benefit payments from plans	(296.8)	(296.3)	(75.0)	(67.8)
Direct benefit payments	(11.9)	(21.4)	—	—
Spin-off of Neenah Paper	—	(367.3)	—	(49.4)
Benefit obligation at end of year	<u>5,509.2</u>	<u>5,270.6</u>	<u>861.7</u>	<u>845.3</u>
Change in Plan Assets				
Fair value of plan assets at beginning of year	4,044.2	4,027.9	—	—
Actual gain on plan assets	359.5	332.8	—	—
Employer contributions	116.5	200.0	66.5	59.4
Currency and other	(97.2)	103.1	8.5	8.4
Benefit payments	(296.8)	(296.3)	(75.0)	(67.8)
Spin-off of Neenah Paper	—	(323.3)	—	—
Fair value of plan assets at end of year	<u>4,126.2</u>	<u>4,044.2</u>	<u>—</u>	<u>—</u>
Funded Status				
Benefit obligation in excess of plan assets	(1,383.0)	(1,226.4)	(861.7)	(845.3)
Unrecognized net actuarial loss and transition amount	1,778.1	1,650.6	159.0	163.8
Unrecognized prior service cost	47.2	48.0	30.1	11.2
Net amount recognized	<u>\$ 442.3</u>	<u>\$ 472.2</u>	<u>\$ (672.6)</u>	<u>\$ (670.3)</u>
Amounts Recognized in the Balance Sheet				
Prepaid benefit cost	\$ 24.2	\$ 25.3	\$ —	\$ —
Accrued benefit cost	(1,018.4)	(894.7)	(672.6)	(670.3)
Intangible asset	50.0	52.8	—	—
Accumulated other comprehensive loss	1,386.5	1,288.8	—	—
Net amount recognized	<u>\$ 442.3</u>	<u>\$ 472.2</u>	<u>\$ (672.6)</u>	<u>\$ (670.3)</u>

The Corporation uses December 31 as the measurement date for all of its postretirement plans.

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Information for the Principal Plans and All Other Pension Plans

	Principal Plans		All Other Pension Plans		Total	
	Year Ended December 31					
	2005	2004	2005	2004	2005	2004
	(Millions of dollars)					
Projected benefit obligation (“PBO”)	\$ 5,113.8	\$ 4,882.1	\$ 395.4	\$ 388.5	\$ 5,509.2	\$ 5,270.6
ABO	4,770.6	4,558.9	349.0	361.6	5,119.6	4,920.5
Fair value of plan assets	3,853.5	3,794.2	272.7	250.0	4,126.2	4,044.2

Information for Pension Plans With an ABO in Excess of Plan Assets

	December 31	
	2005	2004
	(Millions of dollars)	
PBO	\$ 5,360.2	\$ 5,120.3
ABO	4,980.5	4,780.4
Fair value of plan assets	3,977.8	3,890.0

Components of Net Periodic Benefit Cost

	Pension Benefits			Other Benefits		
	Year Ended December 31					
	2005	2004	2003	2005	2004	2003
	(Millions of dollars)					
Service cost	\$ 81.4	\$ 87.4	\$ 76.1	\$17.4	\$17.8	\$16.2
Interest cost	294.6	296.2	288.0	47.1	48.2	48.9
Expected return on plan assets ^(a)	(322.6)	(324.0)	(286.3)	—	—	—
Amortization of prior service cost (benefit) and transition amount	6.3	7.3	8.7	(.2)	(.7)	(1.5)
Recognized net actuarial loss	92.7	83.3	74.0	3.9	4.0	1.9
Other	4.4	4.6	5.4	—	(1.5)	—
Net periodic benefit cost	<u>\$ 156.8</u>	<u>\$ 154.8</u>	<u>\$ 165.9</u>	<u>\$68.2</u>	<u>\$67.8</u>	<u>\$65.5</u>

(a) The expected return on plan assets is determined by multiplying the fair value of plan assets at the prior year-end (adjusted for estimated current year cash benefit payments and contributions) by the expected long-term rate of return.

Weighted-Average Assumptions used to determine Benefit Obligations at December 31

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
	Discount rate	5.47%	5.68%	5.68%
Rate of compensation increase	3.68%	3.67%	—	—

Weighted-Average Assumptions used to determine Net Cost for years ended December 31

	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
	Discount rate	5.68%	5.92%	6.62%	5.85%	6.01%
Expected long-term return on plan assets	8.29%	8.32%	8.42%	—	—	—
Rate of compensation increase	3.67%	3.51%	3.56%	—	—	—

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
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Expected Long-Term Rate of Return and Investment Strategies for the Principal Plans

The expected long-term rate of return on pension fund assets was determined based on several factors, including input from pension investment consultants and projected long-term returns of broad equity and bond indices. The Corporation also considered the U.S. plan's historical 10-year and 15-year compounded annual returns of 9.36 percent and 10.28 percent, respectively, which have been in excess of these broad equity and bond benchmark indices. The Corporation anticipates that on average the investment managers for each of the plans comprising the Principal Plans will generate annual long-term rates of return of at least 8.5 percent. The Corporation's expected long-term rate of return on the assets in the Principal Plans is based on an asset allocation assumption of about 70 percent with equity managers, with expected long-term rates of return of approximately 10 percent, and 30 percent with fixed income managers, with an expected long-term rate of return of about 6 percent. The Corporation regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate. Also, when deemed appropriate, the Corporation executes hedging strategies using index options and futures to limit the downside exposure of certain investments by trading off upside potential above an acceptable level. The Corporation last executed this hedging strategy for 2003. No hedging instruments are currently in place. The Corporation will continue to evaluate its long-term rate of return assumptions at least annually and will adjust them as necessary.

Plan Assets

The Corporation's pension plan asset allocations for its Principal Plans are as follows:

Asset Category	Target Allocation 2006	Percentage of Plan Assets at December 31	
		2005	2004
Equity securities	74%	73%	73%
Debt securities	26	27	27
Total	100%	100%	100%

The plan assets did not include a significant amount of the Corporation's common stock.

Cash Flows

While the Corporation is not required to make a contribution in 2006 to the U.S. plan, the benefit of a contribution will be evaluated. The Corporation currently anticipates contributing about \$80 million to its pension plans outside the U.S. in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are anticipated to be paid:

	Pension Benefits	Other Benefits
	(Millions of dollars)	
2006	\$ 317	\$ 84
2007	305	86
2008	308	87
2009	310	89
2010	315	92
Years 2011 – 2015	1,719	485

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Health Care Cost Trends

Assumed health care cost trend rates affect the amounts reported for postretirement health care benefit plans. A one-percentage-point change in assumed health care trend rates would have the following effects on 2005 data:

	One-Percentage-Point	
	Increase	Decrease
	(Millions of dollars)	
Effect on total of service and interest cost components	\$ 1.7	\$ 1.6
Effect on postretirement benefit obligation	21.4	19.7

Defined Contribution Retirement Plans

Contributions to defined contribution retirement plans are primarily based on the age and compensation of covered employees. The Corporation's contributions, all of which were charged to expense, were \$52.7 million, \$47.6 million and \$44.9 million in 2005, 2004 and 2003, respectively.

Investment Plans

Voluntary contribution investment plans are provided to substantially all North American and most European employees. Under the plans, the Corporation matches a portion of employee contributions. Costs charged to expense under the plans were \$31.0 million, \$30.8 million and \$32.3 million in 2005, 2004 and 2003, respectively.

Note 13. Stock Compensation Plans

The Corporation's Equity Participation Plans and its Outside Directors' Compensation Plan (the "Plans") provide for awards of stock options, restricted shares and restricted share units to employees and outside directors, and (prior to 1999) participation shares to employees of the Corporation. As of December 31, 2005, the number of shares of common stock available for stock option and restricted share awards under the Plans aggregated 29.7 million shares.

Stock Options

Stock options granted to executives and other key employees are granted at not less than the market value at the date of grant, expire 10 years after the date of grant and generally become exercisable over three years. Stock options granted to outside directors are granted at not less than the market value at the date of grant and vest at time of grant.

In connection with the Spin-off, the number and exercise prices of outstanding options were proportionately adjusted to maintain the aggregate intrinsic value of the options before and after the Spin-off. As a result of the adjustment, the number of outstanding options increased by .5 million shares and the average exercise price decreased by approximately \$.83. In addition, certain stock options previously granted to Neenah Paper employees were converted to Neenah Paper options with terms and amounts that maintained the aggregate intrinsic value of the options. None of the information for 2003, the options outstanding at the beginning of 2004 or grants for 2004 reflect adjustments made in connection with the Spin-off.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Data concerning stock option activity follows (options in thousands):

	2005		2004		2003	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding—Beginning of year	31,720	\$ 55.45	34,374	\$ 53.73	30,308	\$ 54.77
Granted	4,595	61.59	3,933	64.21	5,612	44.56
Exercised	(3,040)	46.90	(6,238)	46.49	(988)	31.27
Canceled, forfeited or converted ^(a)	(653)	61.28	(863)	58.08	(558)	57.32
Neenah Paper spin-off adjustment	—	—	514	55.39	—	—
Outstanding—End of year^(b)	32,622	56.99	31,720	55.45	34,374	53.73
Exercisable—End of year	23,669	56.48	22,493	55.57	23,516	53.52

(a) 2004 includes .4 million options that were converted into Neenah Paper options.

(b) Data concerning stock options at December 31, 2005 follows (options in thousands):

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Number of Options	Weighted-Average Price
\$39.27 – \$ 43.80	4,547	\$ 43.40	6.3	2,779	\$ 43.14
44.54 – 50.64	3,877	48.01	2.5	3,785	48.08
52.00 – 58.82	5,861	53.04	3.2	5,859	53.04
59.03 – 62.93	9,499	60.76	7.2	4,958	60.00
63.14 – 69.75	8,800	66.29	6.0	6,250	67.56
84.84 – 185.39	38	118.73	2.5	38	118.73
	32,622	56.99	5.5	23,669	56.48

Restricted Share Awards

The Plans provide for restricted shares or restricted share units not to exceed 18.0 million shares of the Corporation's common stock. Prior to 2004, and except for certain foreign locations, awards were in the form of restricted shares, which vest and become unrestricted shares in three to 10 years from the date of grant. Although participants are entitled to cash dividends and may vote such awarded shares, the sale or transfer of such shares is limited during the restricted period. Awards granted to employees in certain foreign locations were in the form of restricted share units, which vest and become unrestricted shares in three to 10 years from the date of grant.

Effective in 2004, nearly all awards were in the form of restricted share units, some of which vest on a time basis and others vest on achievement of performance-based standards. The time-based restricted shares and share units vest over three to five years. The performance-based restricted share units vest three years after grant in a range of zero to 150 percent of target levels of return on invested capital ("ROIC") during the three years. Dividends are paid on restricted share units at the same rate as on the Corporation's common stock. At maturity, restricted share units are paid in equivalent shares of the Corporation's common stock.

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Data concerning restricted share awards follows:

	2005	2004	2003
	(Shares in thousands)		
Number of shares awarded	643	645	526
Weighted-average price per share	\$60.89	\$64.21	\$44.54

The number of performance-based restricted share units included in the table above is based on achievement of targeted levels of ROIC. Compensation expense is adjusted based on actual ROIC achieved during the three-year period following grant. During 2005, 2004 and 2003, \$32.4 million, \$19.4 million and \$18.2 million, respectively, was charged to compensation expense under the Plans. The tax effect of differences between compensation expense for financial statement and income tax purposes is recorded as additional paid-in capital.

Participation Shares

Prior to 1999, key employees were awarded participation shares that were payable in cash at the end of the vesting period. The amount of cash paid to participants was based on the increase in the book value of the Corporation's common stock during the award period. Participants did not receive dividends on the participation shares, but their accounts were credited with dividend shares payable in cash at the maturity of the award. Neither participation nor dividend shares were shares of common stock. Amounts expensed related to participation shares were \$11.1 million in 2003. Final payments for matured shares were made in February 2004.

Note 14. Synthetic Fuel Partnerships

In April 2003, the Corporation acquired a 49.5 percent minority interest in a synthetic fuel partnership. In October 2004, the Corporation acquired a 49 percent minority interest in an additional synthetic fuel partnership. Although these partnerships are variable interest entities that are subject to the requirements of FIN 46R, the Corporation is not the primary beneficiary, and the entities have not been consolidated. Synthetic fuel produced by the partnerships is eligible for synthetic fuel tax credits through 2007, although the credits begin to be phased out as the price of domestic crude oil increases above certain statutory amounts.

The production of synthetic fuel results in pretax losses that are reported as Nonoperating Expense on the Corporation's income statement. The synthetic fuel tax credits, as well as tax deductions for the nonoperating losses, reduce the Corporation's income tax expense. The effects of those losses and benefits for 2005 and 2004 are shown in the following table:

	Year Ended December 31	
	2005	2004
	(Millions of dollars)	
Nonoperating expense	\$(179.0)	\$(158.4)
Tax credits	\$169.2	\$144.4
Tax benefit of nonoperating expense	65.1	234.3
	55.3	199.8
Net synthetic fuel benefit	\$ 55.3	\$ 41.4
	.12	.08
Per share basis—diluted	\$.12	\$.08

The effects of these tax credits are shown separately in the Corporation's reconciliation of the U.S. statutory rate to its effective income tax rate in Note 15.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Because the partnerships have received favorable private letter rulings from the IRS and because the partnerships' test procedures conform to IRS guidance, the Corporation's loss exposure under the synthetic fuel partnerships is minimal.

Note 15. Income Taxes

An analysis of the provision for income taxes for income from continuing operations follows:

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
Current income taxes:			
United States	\$ 308.1	\$ 192.0	\$ 302.6
State	66.9	35.4	37.7
Other countries	206.1	275.9	194.6
Total	581.1	503.3	534.9
Deferred income taxes:			
United States	(118.6)	30.8	1.5
State	(30.3)	(20.7)	(33.9)
Other countries	6.2	(29.5)	(18.4)
Total	(142.7)	(19.4)	(50.8)
Total provision for income taxes	\$ 438.4	\$ 483.9	\$ 484.1

Income from continuing operations before income taxes is earned in the following tax jurisdictions:

	Year Ended December 31		
	2005	2004	2003
	(Millions of dollars)		
United States	\$ 1,562.3	\$ 1,578.1	\$ 1,571.2
Other countries	406.6	625.3	505.1
Total income before income taxes	\$ 1,968.9	\$ 2,203.4	\$ 2,076.3

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income tax assets (liabilities) are composed of the following:

	December 31	
	2005	2004
	(Millions of dollars)	
Net current deferred income tax asset attributable to:		
Other accrued expenses	\$ 145.5	\$ 162.0
Pension, postretirement and other employee benefits	94.8	86.9
Inventory	(27.5)	(14.6)
Prepaid royalties	—	27.2
Other	19.0	24.1
Valuation allowances	(8.4)	(7.4)
Net current deferred income tax asset	<u>\$ 223.4</u>	<u>\$ 278.2</u>
Net noncurrent deferred income tax asset attributable to:		
Income tax loss carryforwards	\$ 235.8	\$ 304.1
State tax credits	96.0	67.6
Pension and other postretirement benefits	22.2	37.3
Accumulated depreciation	3.7	32.6
Other	94.8	71.5
Valuation allowances	(224.4)	(219.7)
Net noncurrent deferred income tax asset included in other assets	<u>\$ 228.1</u>	<u>\$ 293.4</u>
Net noncurrent deferred income tax liability attributable to:		
Accumulated depreciation	\$ (1,103.1)	\$ (1,312.7)
Pension, postretirement and other employee benefits	548.1	521.9
Foreign tax credits and loss carryforwards	484.1	160.1
Installment sales	(192.0)	(188.1)
Other	(70.2)	3.8
Valuation allowances	(239.8)	(25.3)
Net noncurrent deferred income tax liability	<u>\$ (572.9)</u>	<u>\$ (840.3)</u>

Valuation allowances increased \$221.6 million and \$4.5 million in 2005 and 2004, respectively. The increase in 2005 was related to an increase in excess foreign tax credits that are potentially not usable in the U.S. during the 2006 through 2015 carryover period. Valuation allowances at the end of 2005 primarily relate to excess foreign tax credits in the U.S. and income tax loss carryforwards of \$916.7 million, that potentially are not usable primarily in jurisdictions outside the U.S. If not utilized against taxable income, \$425.7 million of the loss carryforwards will expire from 2006 through 2025. The remaining \$491.0 million has no expiration date.

Realization of income tax loss carryforwards is dependent on generating sufficient taxable income prior to expiration of these carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, net of applicable valuation allowances, will be realized. The amount of the deferred tax assets considered realizable could be reduced or increased if estimates of future taxable income change during the carryforward period.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Presented below is a reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the provision for income taxes.

	Year Ended December 31					
	2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Millions of dollars)					
Income from continuing operations before income taxes	\$1,968.9		\$2,203.4		\$2,076.3	
Tax at U.S. statutory rate applied to income from continuing operations	\$ 689.1	35.0%	\$ 771.2	35.0%	\$ 726.7	35.0%
State income taxes, net of federal tax benefit	23.8	1.2	9.6	.4	2.5	.1
Taxes on American Jobs Creation Act dividends	55.5	2.8	—	—	—	—
Synthetic fuel credits	(169.2)	(8.6)	(144.4)	(6.6)	(94.1)	(4.5)
Net operating losses realized	(14.2)	(.7)	(9.2)	(.4)	(16.7)	(.8)
Other—net ^(a)	(146.6)	(7.4)	(143.3)	(6.4)	(134.3)	(6.5)
Provision for income taxes	\$ 438.4	22.3%	\$ 483.9	22.0%	\$ 484.1	23.3%

(a) Other—net is comprised of numerous items, none of which is greater than 1.7 percent of income from continuing operations.

On October 22, 2004, the American Jobs Creation Act (the “Act”) was signed into law. The Act provides, among other things, a one-time deduction for certain foreign earnings that are repatriated to and reinvested in the United States. During 2005, the Corporation repatriated approximately \$985 million of previously unremitted earnings of certain of its non-U.S. subsidiaries under the provisions of the Act. As a result, the Corporation recorded income tax expense and a related income tax liability of approximately \$55.5 million in 2005.

At December 31, 2005, U.S. income taxes have not been provided on approximately \$3.7 billion of unremitted earnings of subsidiaries operating outside the U.S. These earnings, which are considered to be invested indefinitely, would become subject to income tax if they were remitted as dividends, were lent to the Corporation or a U.S. affiliate, or if the Corporation were to sell its stock in the subsidiaries. Determination of the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings is not practicable because of the complexities associated with this hypothetical calculation.

The Corporation accrues liabilities in current income taxes for potential assessments, which at December 31, 2005 and 2004 aggregated \$268.8 million and \$356.4 million, respectively. Of the decrease, \$53.1 million was due to the settlement of audit issues related to U.S. foreign tax credits which resulted in an increase in deferred tax assets for unused credits. This increase was offset by higher valuation allowances since the credits potentially may not be used before they expire. The accruals relate to uncertain tax positions in a variety of taxing jurisdictions and are based on what management believes will be the ultimate resolution of these positions. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations. The Corporation’s U.S. federal income tax returns have been audited through 2003. IRS assessments of additional taxes have been paid through 1998. Refund actions are pending with the IRS Examination Division or Appeals Office for the years 1993 through 1998. Management currently believes that the ultimate resolution of these matters, individually or in the aggregate, will not have a material effect on the Corporation’s business, financial condition, results of operations or liquidity.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 16. Earnings Per Share

A reconciliation of the average number of common shares outstanding used in the basic and diluted EPS computations follows:

	Average Common Shares Outstanding		
	2005	2004	2003
		(Millions)	
Basic	474.0	495.2	507.0
Dilutive effect of stock options	2.6	3.4	1.2
Dilutive effect of restricted share awards	.8	.6	.4
Diluted	477.4	499.2	508.6

Options outstanding that were not included in the computation of diluted EPS because their exercise price was greater than the average market price of the common shares are summarized below:

Description	2005	2004	2003
Average number of share equivalents (millions)	9.1	5.4	20.5
Weighted-average exercise price	\$66.58	\$70.13	\$60.19
Expiration date of options	2007 to 2015	2007 to 2012	2006 to 2013
Options outstanding at year-end	8.8	5.4	20.2

The number of common shares outstanding as of December 31, 2005, 2004 and 2003 was 461.5 million, 482.9 million and 501.6 million, respectively.

Note 17. Business Segment and Geographic Data Information

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. The reportable segments were determined in accordance with how the Corporation's executive managers develop and execute the Corporation's 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, research and development programs, cost reductions including supply chain management, and capacity and capital investments for each of these businesses. Segment management is evaluated on several factors, including operating profit. Segment operating profit excludes other income and (expense), net; income and expense not associated with the business segments; and the costs of corporate decisions related to the strategic cost reductions included in the Competitive Improvement Initiatives. Corporate & Other includes the costs of the strategic cost reductions described in Note 3. Corporate & Other assets include the Corporation's investments in equity affiliates, finance operations and real estate entities, and deferred tax assets. The accounting policies of the reportable segments are the same as those described in Note 1.

The principal sources of revenue in each global business segment 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.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- The Consumer Tissue segment manufactures and markets facial and bathroom tissue, paper towels, napkins and related products for household use. Products in this segment are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Hakle, Page and other brand names.
- The Business-to-Business segment manufactures and markets disposable, single-use, health and hygiene products to the away-from-home marketplace. These products include facial and bathroom tissue, paper towels, napkins, wipers, surgical gowns, drapes, infection control products, sterilization wrap, disposable face masks and exam gloves, respiratory products, other disposable medical products 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.

Approximately 13 percent of net sales were to Wal-Mart Stores, Inc. in 2005, 2004 and 2003, primarily in the Personal Care and Consumer Tissue businesses.

Information concerning consolidated operations by business segment and geographic area, as well as data for equity companies, is presented in the following tables:

Consolidated Operations by Business Segment

	Personal Care	Consumer Tissue	Business- to- Business	Intersegment Sales	Corporate & Other	Consolidated Total
(Millions of dollars)						
Net Sales						
2005	\$ 6,287.4	\$ 5,781.3	\$ 3,821.8	\$ (19.3)	\$ 31.4	\$ 15,902.6
2004	5,975.1	5,343.0	3,957.9	(217.1)	24.3	15,083.2
2003	5,652.9	5,046.7	3,477.7	(154.7)	3.7	14,026.3
Operating Profit^(a)						
2005	1,242.2	805.8	673.2	—	(410.6)	2,310.6
2004	1,253.2	803.1	656.6	—	(206.5)	2,506.4
2003	1,221.0	728.2	602.8	—	(220.4)	2,331.6
Depreciation and Amortization						
2005	267.4	301.0	188.1	—	88.0	844.5
2004	286.9	310.7	194.0	—	8.7	800.3
2003	264.4	300.2	178.2	—	2.5	745.3
Assets^(b)						
2005	4,650.7	5,672.9	4,578.9	—	1,400.7	16,303.2
2004	4,813.3	5,881.5	4,745.2	—	1,578.0	17,018.0
2003	4,781.9	5,796.5	4,850.1	—	1,351.4	16,779.9
Capital Spending						
2005	297.9	296.6	115.0	—	.1	709.6
2004	242.5	202.3	89.4	—	.8	535.0
2003	344.4	366.6	141.0	—	20.9	872.9

(a) Corporate & Other includes costs aggregating \$228.6 million in 2005 for the Competitive Improvement Initiatives. On a business segment basis, actual costs recorded in 2005 for these initiatives relate to activities in Personal Care (\$146.0 million), Consumer Tissue (\$31.3 million) and Business-to-Business (\$51.3 million). Additional information concerning these costs is contained in Note 3. In addition, Corporate & Other includes expenses not associated with the business segments.

Segment operating profit also excludes other income (expense), net and income and expenses not associated with the business segments.

(b) Data for 2003 does not reflect the Spin-off. Segment assets exclude assets not allocated to business segments.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Sales of Principal Products

	2005	2004	2003
	(Billions of dollars)		
Consumer tissue products	\$ 5.7	\$ 5.3	\$ 4.8
Diapers	3.3	3.2	3.0
Away-from-home professional products	2.4	2.3	2.1
All other	4.5	4.3	4.1
Consolidated	\$15.9	\$15.1	\$14.0

Consolidated Operations by Geographic Area

	United States	Canada	Inter-geographic Items ^(a)	Total North America	Europe	Asia, Latin America & Other	Inter-geographic Items	Corporate & Other	Consolidated Total
	(Millions of dollars)								
Net Sales									
2005	\$9,093.1	\$516.4	\$ (254.7)	\$9,354.8	\$3,072.8	\$4,019.2	\$ (544.2)	\$ —	\$ 15,902.6
2004	8,683.5	911.0	(554.4)	9,040.1	3,098.3	3,488.8	(544.0)	—	15,083.2
2003	8,335.8	801.8	(515.6)	8,622.0	2,892.5	3,061.6	(549.8)	—	14,026.3
Operating Profit^(b)									
2005	1,973.5	107.7	—	2,081.2	165.9	474.1	—	(410.6)	2,310.6
2004	1,953.1	122.0	—	2,075.1	221.0	416.8	—	(206.5)	2,506.4
2003	1,862.7	131.7	—	1,994.4	202.9	354.7	—	(220.4)	2,331.6
Net Property^(c)									
2005	4,082.0	82.1	—	4,164.1	1,529.5	1,801.1	—	—	7,494.7
2004	4,177.8	103.5	—	4,281.3	1,875.2	1,834.0	—	—	7,990.5
2003	4,379.9	348.2	—	4,728.1	1,809.3	1,726.0	—	—	8,263.4

(a) Intergeographic net sales include \$59.4 million, \$368.0 million and \$345.4 million by operations in Canada to the U.S. in 2005, 2004 and 2003, respectively.

(b) Corporate & Other includes the costs of the 2005 Competitive Improvement Initiatives aggregating \$228.6 million in 2005. On a geographical basis, actual costs recorded in 2005 for these initiatives relate to activities in North America (\$84.9 million), Europe (\$113.5 million) and Asia, Latin America and Other (\$30.2 million).

Geographic operating profit also excludes other income (expense), net and income and expenses not associated with geographic areas.

(c) Data for 2003 does not reflect the Spin-off.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Equity Companies' Data

	Net Sales	Gross Profit	Operating Profit	Net Income	Corporation's Share of Net Income
	(Millions of dollars)				
2005	\$2,115.0	\$730.0	\$ 441.2	\$286.1	\$ 136.6
2004	1,823.0	635.1	433.3	261.1	124.8
2003 ^(a)	1,750.1	630.3	388.3	224.4	107.0

(a) As of August 2003, the Corporation consolidated Klabin-Kimberly S.A., its Brazilian affiliate.

	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Stockholders' Equity
	(Millions of dollars)				
2005	\$869.7	\$992.1	\$ 564.6	\$ 513.4	\$783.9
2004	821.7	931.1	525.5	475.5	751.9
2003	716.7	925.7	386.7	531.6	724.2

Equity companies, primarily in Latin America, are principally engaged in operations in the Personal Care and Consumer Tissue businesses.

At December 31, 2005, the Corporation's equity companies and ownership interest were as follows: Kimberly-Clark Lever, Ltd. (India) (50%), Kimberly-Clark de Mexico, S.A. de C.V. and subsidiaries (47.9%), Olayan Kimberly-Clark Arabia (49%), Olayan Kimberly-Clark (Bahrain) WLL (49%) and Tecnosur S.A. (Colombia) (34.3%).

Kimberly-Clark de Mexico, S.A. de C.V. is partially owned by the public and its stock is publicly traded in Mexico. At December 31, 2005, the Corporation's investment in this equity company was \$396.3 million, and the estimated fair value of the investment was \$2.0 billion based on the market price of publicly traded shares.

Note 18. Supplemental Data (Millions of dollars)

Supplemental Income Statement Data	December 31		
	2005	2004	2003
Advertising expense	\$451.0	\$421.3	\$401.9
Research expense	319.5	279.7	279.1
Foreign currency transaction (gains) losses, net	50.0	26.2	25.5

Supplemental Balance Sheet Data

Summary of Accounts Receivable, net	December 31	
	2005	2004
Accounts Receivable:		
From customers	\$1,930.6	\$1,905.4
Other	228.8	195.5
Less allowance for doubtful accounts and sales discounts	(57.5)	(62.6)
Total	\$2,101.9	\$2,038.3

Accounts receivable are carried at amounts that approximate fair value.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Summary of Inventories	December 31	
	2005	2004
Inventories by Major Class:		
At the lower of cost determined on the FIFO or weighted-average cost methods or market:		
Raw materials	\$ 338.9	\$ 332.7
Work in process	236.7	225.9
Finished goods	1,128.9	1,044.6
Supplies and other	232.3	235.4
	<u>1,936.8</u>	<u>1,838.6</u>
Excess of FIFO or weighted-average cost over LIFO cost	(184.7)	(167.7)
	<u>\$1,752.1</u>	<u>\$1,670.9</u>

FIFO or weighted-average value of total inventories determined on the LIFO method were \$857.6 million and \$768.5 million at December 31, 2005 and December 31, 2004, respectively.

Summary of Property, Plant and Equipment, net	December 31	
	2005	2004
Property, Plant and Equipment:		
Land	\$ 257.4	\$ 279.6
Buildings	2,349.7	2,437.9
Machinery and equipment	11,617.8	11,770.6
Construction in progress	391.3	335.0
	<u>14,616.2</u>	<u>14,823.1</u>
Less accumulated depreciation	(7,121.5)	(6,832.6)
	<u>\$ 7,494.7</u>	<u>\$ 7,990.5</u>

Summary of Accrued Expenses	December 31	
	2005	2004
Accrued advertising and promotion	\$ 260.3	\$ 286.3
Accrued salaries and wages	377.1	389.6
Other	762.2	755.7
	<u>\$ 1,399.6</u>	<u>\$ 1,431.6</u>

Supplemental Cash Flow Statement Data

Summary of Cash Flow Effects of Decrease (Increase) in Operating Working Capital ^(a)	Year Ended December 31		
	2005	2004 ^(b)	2003 ^(b)
Accounts receivable	\$ (41.9)	\$(135.9)	\$ (63.3)
Inventories	(81.1)	(192.9)	(109.8)
Prepaid expenses	(10.6)	27.0	(14.8)
Trade accounts payable	51.1	99.4	(9.4)
Other payables	45.6	(22.5)	32.0
Accrued expenses	21.2	115.9	(.4)
Accrued income taxes	13.6	163.9	140.0
Derivatives	5.3	(29.4)	(6.4)
Currency	(159.2)	78.1	143.9
	<u>\$ (156.0)</u>	<u>\$ 103.6</u>	<u>\$ 111.8</u>

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Cash Flow Data	Year Ended December 31		
	2005	2004 ^(b)	2003 ^(b)
Interest paid	\$ 195.8	\$ 175.3	\$ 178.1
Income taxes paid	590.7	368.7	410.4
Interest Expense	Year Ended December 31		
	2005	2004 ^(b)	2003 ^(b)
Gross interest cost	\$ 197.5	\$ 169.0	\$ 180.3
Capitalized interest on major construction projects	(7.3)	(6.5)	(12.5)
Interest expense	\$ 190.2	\$ 162.5	\$ 167.8

(a) Excludes the effects of acquisitions and dispositions.

(b) Excludes the effects of the Spin-off.

Cash used for investing and financing activities for discontinued operations was approximately \$5 million in both 2004 and 2003.

Note 19. Unaudited Quarterly Data

	2005				2004			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	(Millions of dollars, except per share amounts)							
Net sales	\$4,008.9	\$4,000.8	\$3,987.1	\$3,905.8	\$3,901.4	\$3,783.0	\$3,687.3	\$3,711.5
Gross profit	1,289.6	1,156.4	1,322.6	1,306.6	1,318.9	1,239.1	1,254.8	1,255.7
Operating profit	572.2	464.6	636.2	637.6	641.4	616.9	624.7	623.4
Income (loss) from:								
Continuing operations	383.4	325.3	421.8	450.1	449.8	433.9	442.9	443.8
Discontinued operations, net of income taxes	—	—	—	—	(4.5)	7.4	11.4	15.5
Cumulative effect of accounting change	(12.3)	—	—	—	—	—	—	—
Net income	371.1	325.3	421.8	450.1	445.3	441.3	454.3	459.3
Per share basis:								
Basic								
Continuing operations	.82	.69	.88	.94	.92	.88	.89	.88
Discontinued operations	—	—	—	—	—	.02	.02	.04
Cumulative effect of accounting change	(.03)	—	—	—	—	—	—	—
Net income	.79	.69	.88	.94	.92	.90	.91	.92
Diluted								
Continuing operations	.82	.68	.88	.93	.92	.87	.88	.88
Discontinued operations	—	—	—	—	(.01)	.02	.02	.03
Cumulative effect of accounting change	(.03)	—	—	—	—	—	—	—
Net income	.79	.68	.88	.93	.91	.89	.90	.91
Cash dividends declared per share	.45	.45	.45	.45	.40	.40	.40	.40
Market price per share: ^(a)								
High	60.80	64.99	66.99	68.29	66.20	69.00	66.98	65.16
Low	55.60	58.62	61.26	63.33	58.74	62.58	62.34	56.19
Close	59.65	59.53	62.59	65.73	65.81	64.59	65.88	63.10

(a) Historical market prices do not reflect any adjustment for the Spin-off.

PART II

(Continued)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Kimberly-Clark Corporation:

We have audited the accompanying consolidated balance sheets of Kimberly-Clark Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Kimberly-Clark Corporation and subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, on December 31, 2005, the Corporation changed its method of determining conditional asset retirement obligations.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Dallas, Texas

February 21, 2006

PART II

(Continued)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2005, 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 December 31, 2005.

Internal Control Over Financial Reporting

Management's Report on the Financial Statements

Kimberly-Clark Corporation's management is responsible for all aspects of the business, including the preparation of the consolidated financial statements in this annual report. The consolidated financial statements have been prepared using generally accepted accounting principles considered appropriate in the circumstances to present fairly the Corporation's consolidated financial position, results of operations and cash flows on a consistent basis. Management also has prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

As can be expected in a complex and dynamic business environment, some financial statement amounts are based on estimates and judgments. Even though estimates and judgments are used, measures have been taken to provide reasonable assurance of the integrity and reliability of the financial information contained in this annual report. These measures include an effective control-oriented environment in which the internal audit function plays an important role and an Audit Committee of the Board of Directors that oversees the financial reporting process.

The consolidated financial statements have been audited by the independent registered public accounting firm, Deloitte & Touche LLP. During its audits, Deloitte & Touche LLP was given unrestricted access to all financial records, including minutes of all meetings of stockholders and the Board of Directors and all committees of the board. Management believes that all representations made to the independent registered public accountants during their audits were valid and appropriate.

Audit Committee Oversight and the Corporation's Code of Conduct

The Audit Committee of the Board of Directors, which is composed solely of independent directors, assists the board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Corporation; the audits of its consolidated financial statements; and internal control over financial reporting. The Audit Committee reviews with the auditors any relationships that may affect their objectivity and independence. The Audit Committee also reviews with management, the internal auditors and the independent registered public accounting firm the quality and adequacy of the Corporation's internal control over financial reporting, including compliance matters related to the Corporation's code of conduct, and the results of the internal and external audits. The Audit Committee has reviewed and recommended that the audited consolidated financial statements included in this report be included in the Form 10-K for filing with the Securities and Exchange Commission.

PART II

(Continued)

The Corporation's code of conduct, among other things, contains policies for conducting business affairs in a lawful and ethical manner everywhere it does business, for avoiding potential conflicts of interest and for preserving confidentiality of information and business ideas. Internal controls have been implemented to provide reasonable assurance that the code of conduct is followed.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, including safeguarding of assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance to management and the board of directors regarding preparation of reliable published financial statements and safeguarding of the Corporation's assets. This system is supported with written policies and procedures, contains self-monitoring mechanisms and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and, therefore, can provide only reasonable assurance as to the reliability of financial statement preparation and such asset safeguarding.

The Corporation has assessed the effectiveness of its internal control over financial reporting as of December 31, 2005. In making this assessment, it used the criteria described in "*Internal Control—Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2005, the Corporation's internal control over financial reporting is effective.

Deloitte & Touche LLP has issued its report on management's assessment and on the effectiveness of the Corporation's internal control over financial reporting. That report appears below.

/s/ Thomas J. Falk

Thomas J. Falk
Chairman of the Board and
Chief Executive Officer

February 21, 2006

/s/ Mark A. Buthman

Mark A. Buthman
Senior Vice President and
Chief Financial Officer

PART II

(Continued)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Kimberly-Clark Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Kimberly-Clark Corporation and Subsidiaries maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

PART II

(Continued)

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule of the Corporation as of and for the year ended December 31, 2005 and our report dated February 21, 2006 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding a change in the Corporation's method of determining conditional asset retirement obligations.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Dallas, Texas

February 21, 2006

Changes in Internal Control Over Financial Reporting

There have been no changes in the Corporation's internal control over financial reporting identified in connection with the evaluation described above in "Management's Report on Internal Control Over Financial Reporting" that occurred during the Corporation's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The section of the 2006 Proxy Statement captioned “Certain Information Regarding Directors and Nominees” under “Proposal 1. Election of Directors” identifies members of the Board of Directors of the Corporation and nominees, and is incorporated in this Item 10 by reference.

The names and ages of the executive officers of the Corporation as of February 23, 2006, together with certain biographical information, are as follows:

Robert E. Abernathy, 51, was elected Group President—Developing and Emerging Markets in 2004. He is responsible for the Corporation’s businesses in Asia, Latin America, Eastern Europe, the Middle East and Africa. Mr. Abernathy joined the Corporation in 1982. His past responsibilities in the Corporation have included operations and major project management in North America. He was appointed Vice President—North American Diaper Operations in 1992; Managing Director of Kimberly-Clark Australia Pty. Limited in 1994; and Group President of the Corporation’s Business-to-Business segment in 1998. He is a director of The Lubrizol Corporation.

Mark A. Buthman, 45, was elected Senior Vice President and Chief Financial Officer in 2003. Mr. Buthman joined the Corporation in 1982. He has held various positions of increasing responsibility in the operations, finance and strategic planning areas of the Corporation. Mr. Buthman was appointed Vice President of Strategic Planning and Analysis in 1997 and Vice President of Finance in 2002.

Thomas J. Falk, 47, was elected Chairman of the Board and Chief Executive Officer in 2003 and President and Chief Executive Officer in 2002. Prior to that, he served as President and Chief Operating Officer since 1999. Mr. Falk previously had been elected Group President—Global Tissue, Pulp and Paper in 1998, where he was responsible for the Corporation’s global tissue businesses. Earlier in his career, Mr. Falk had responsibility for the Corporation’s North American Infant Care, Child Care and Wet Wipes businesses. Mr. Falk joined the Corporation in 1983 and has held other senior management positions in the Corporation. He has been a director of the Corporation since 1999. He also serves on the Board of Directors of Centex Corporation, Grocery Manufacturers of America, Inc. and the University of Wisconsin Foundation, and serves as a governor of the Boys & Girls Clubs of America.

Steven R. Kalmanson, 53, was named Group President—North Atlantic Consumer Products effective April 2005. He is responsible for the Corporation’s consumer business in North America and Europe and the related customer development and supply chain organizations. Mr. Kalmanson joined the Corporation in 1977. His past responsibilities have included various marketing and business management positions within the consumer products businesses. He was appointed President, Adult Care in 1990; President, Child Care in 1991; President, Family Care in 1994; Group President of the Corporation’s Consumer Tissue segment in 1995; and Group President—Personal Care in 2004.

Ronald D. Mc Cray, 48, was elected Senior Vice President—Law and Government Affairs and Chief Compliance Officer in 2004. His responsibilities include the Corporation’s legal affairs, internal audit and government relations activities. Mr. Mc Cray joined the Corporation in 1987. He was appointed Vice President and Chief Counsel in 1996. He was elected Vice President and Secretary in 1999, Vice President, Associate General Counsel and Secretary in 2001 and Senior Vice President—Law and Government Affairs in 2003. He is a director of Knight-Ridder, Inc. and a member of the Council on Foreign Relations.

The section of the 2006 Proxy Statement captioned “Corporate Governance—Board of Directors and Board Committees” under “Proposal 1. Election of Directors” identifies members of the Audit Committee of the Board of Directors and an audit committee financial expert, and is incorporated in this Item 10 by reference.

PART III

(Continued)

The section of the 2006 Proxy Statement captioned “Section 16(a) Beneficial Ownership Reporting Compliance” is incorporated in this Item 10 by reference.

The section of the 2006 Proxy Statement captioned “Corporate Governance—Other Corporate Governance Matters—Corporate Governance Policies” identifies how stockholders may obtain a copy of the Corporation’s Corporate Governance Policies without charge and is incorporated in this Item 10 by reference.

The section of the 2006 Proxy Statement captioned “Corporate Governance—Other Corporate Governance Matters—Code of Conduct” identifies how stockholders may obtain a copy of the Corporation’s Code of Conduct without charge and is incorporated in this Item 10 by reference.

The section of the 2006 Proxy Statement captioned “Corporate Governance—Board of Directors and Board Committees” identifies how stockholders may obtain a copy of charters of the Audit, Management Development and Compensation, and Nominating and Corporate Governance Committees of the Board of Directors without charge and is incorporated in this Item 10 by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information in the section of the 2006 Proxy Statement captioned “Executive Compensation” is incorporated in this Item 11 by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in the section of the 2006 Proxy Statement captioned “Security Ownership of Management” is incorporated in this Item 12 by reference.

The following table gives information about the Corporation’s common stock that may be issued upon the exercise of options, warrants and rights under all of the Corporation’s equity compensation plans as of December 31, 2005.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (in millions) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (in millions) (c)
Equity compensation plans approved by stockholders (1)	32.5(2)	\$ 56.93	28.9(3)
Equity compensation plans not approved by stockholders (4)	.1(5)	71.21(5)	.8
Total	32.6	\$ 56.99	29.7

(1) Includes the 1992 Equity Participation Plan and 2001 Equity Participation Plan.

(2) Does not include 1.9 million restricted share units granted under the 2001 Equity Participation Plan. Upon vesting, a share of the Corporation’s common stock is issued for each restricted share unit.

(3) Includes 15.8 million shares that may be granted as restricted shares or restricted share units under the 2001 Equity Participation Plan.

(4) Includes the 1999 Restricted Stock Plan, Outside Directors’ Compensation Plan and certain acquired equity compensation plans. See below for descriptions of the 1999 Restricted Stock Plan and Outside Directors’ Compensation Plan.

PART III

(Continued)

- (5) Includes less than .1 million options at a weighted-average exercise price of \$101.16 granted under equity compensation plans assumed by the Corporation in connection with acquisitions to honor existing obligations of acquired entities. The Corporation will not make any additional grants or awards under such plans, although the terms of one acquired deferred compensation plan provide for issuance of a de minimus number of shares of the Corporation's common stock for reinvested dividends on deferred amounts.

1999 Restricted Stock Plan. In 1999, the Corporation's Board of Directors approved the 1999 Restricted Stock Plan under which certain key employees could be granted, in the aggregate, up to 2,500,000 shares of the Corporation's common stock or awards of restricted stock units. These restricted stock awards vest and become unrestricted shares in three to ten years from the date of grant. Although plan participants are entitled to cash dividends and may vote such awarded shares, the sale or transfer of such shares is limited during the restricted period. The market value of the Corporation's stock at the date of grant determines the value of the restricted stock award. Although no additional awards can be granted under this plan, unvested restricted share units are credited with dividends that are converted to additional restricted share units.

Outside Directors' Compensation Plan. In 2001, the Corporation's Board of Directors approved the Outside Directors' Compensation Plan. A maximum of 1,000,000 shares of the Corporation's common stock is available for grant under this plan. The Corporation's Board of Directors may grant awards in the form of stock, stock appreciation rights, restricted shares, restricted share units, or any combination of cash, options, stock, stock appreciation rights, restricted shares or restricted share units under this plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information in the section of the 2006 Proxy Statement captioned "Certain Transactions and Business Relationships" is incorporated in this Item 13 by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information in the sections of the 2006 Proxy Statement captioned "Principal Accounting Firm Fees" and "Audit Committee Approval of Audit and Non-Audit Services" under "Proposal 2. Approval of Auditors" is incorporated in this Item 14 by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report.

1. Financial statements.

The financial statements are set forth under Item 8 of this report on Form 10-K.

2. Financial statement schedules.

The following information is filed as part of this Form 10-K and should be read in conjunction with the financial statements contained in Item 8:

Report of Independent Registered Public Accounting Firm

Schedule for Kimberly-Clark Corporation and Subsidiaries:

Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted because they were not applicable or because the required information has been included in the financial statements or notes thereto.

3. Exhibits.

- | | |
|--------------------|---|
| Exhibit No. (3)a. | Restated Certificate of Incorporation, dated June 12, 1997, and Certificate Eliminating Series A Junior Participating Preferred Stock, dated November 19, 2004, incorporated by reference to Exhibit (3)a of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004. |
| Exhibit No. (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 quarter ended June 30, 2003. |
| Exhibit No. (4). | Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission on request. |
| Exhibit No. (10)a. | Management Achievement Award Program, as amended and restated, filed herewith. |
| Exhibit No. (10)b. | Executive Severance Plan, as amended and restated, incorporated by reference to Exhibit No. (10)b of the Corporation's Current Report on Form 8-K dated November 16, 2005. |
| Exhibit No. (10)c. | Sixth Amended and Restated Deferred Compensation Plan for Directors, dated November 16, 2005, filed herewith. |
| Exhibit No. (10)d. | Executive Officer Achievement Award Program, incorporated by reference to Exhibit No. (10)d of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002. |
| Exhibit No. (10)e. | 1992 Equity Participation Plan, as amended, incorporated by reference to Exhibit No. (10)e of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000. |
| Exhibit No. (10)f. | Deferred Compensation Plan, as amended and restated, dated December 31, 2005, filed herewith. |
| Exhibit No. (10)g. | Outside Directors' Stock Compensation Plan, as amended, incorporated by reference to Exhibit No. (10)g of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002. |
| Exhibit No. (10)h. | Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan, as amended, dated December 31, 2005, filed herewith. |

PART IV
(Continued)

Exhibit No. (10)i.	Second Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan, as amended and restated, dated December 31, 2005, filed herewith.
Exhibit No. (10)j.	Retirement Contribution Excess Benefit Program, as amended and restated, filed herewith.
Exhibit No. (10)k.	1999 Restricted Stock Plan, as amended, incorporated by reference to Exhibit No. (10)k of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000.
Exhibit No. (10)l.	Outside Directors' Compensation Plan, as amended and restated, filed herewith.
Exhibit No. (10)m.	2001 Equity Participation Plan, as amended, filed herewith.
Exhibit No. (10)n.	Form of Award Agreements under 2001 Equity Participation Plan, incorporated by reference to Exhibit No. (10)n of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
Exhibit No. (10)o.	Summary of Outside Directors' 2005 Compensation pursuant to the Outside Directors' Compensation Plan, incorporated by reference to Exhibit No. (10)o of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.
Exhibit No. (10)p.	Global Business Plan Severance Pay Plan, incorporated by reference to Exhibit No. (10)p of the Corporation's Current Report on Form 8-K dated November 4, 2005.
Exhibit No. (12).	Computation of ratio of earnings to fixed charges for the five years ended December 31, 2005, filed herewith.
Exhibit No. (21).	Subsidiaries of the Corporation, filed herewith.
Exhibit No. (23).	Consent of Independent Registered Public Accounting Firm, filed herewith.
Exhibit No. (24).	Powers of Attorney, filed herewith.
Exhibit No. (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.
Exhibit No. (31)b.	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
Exhibit No. (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, furnished herewith.
Exhibit No. (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, furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

February 23, 2006

By: /s/ MARK A. BUTHMAN
Mark A. Butzman
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u> /s/ THOMAS J. FALK</u> Thomas J. Falk	Chairman of the Board and Chief Executive Officer and Director (principal executive officer)	February 23, 2006
<u> /s/ MARK A. BUTHMAN</u> Mark A. Butzman	Senior Vice President and Chief Financial Officer (principal financial officer)	February 23, 2006
<u> /s/ RANDY J. VEST</u> Randy J. Vest	Vice President and Controller (principal accounting officer)	February 23, 2006

Directors

John R. Alm	Thomas J. Falk
Dennis R. Beresford	Claudio X. Gonzalez
John F. Bergstrom	Mae C. Jemison
Abelardo E. Bru	Linda Johnson Rice
Pastora San Juan Cafferty	Marc J. Shapiro
Robert W. Decherd	G. Craig Sullivan

By: /s/ RONALD D. MC CRAY
Ronald D. Mc Cray,
Attorney-in-Fact

February 23, 2006

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Millions of dollars)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts ^(a)	Write-Offs and Reclassifications	
December 31, 2005					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	\$ 42.5	\$ 8.9	\$ (.6)	\$ 15.0 ^(c)	\$ 35.8
Allowances for sales discounts	20.1	249.5	(.7)	247.3 ^(e)	21.6
December 31, 2004					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	\$ 47.9	\$ 8.8	\$ 4.0	\$ 18.2 ^{(c)(d)}	\$ 42.5
Allowances for sales discounts	19.7	233.1	.1	232.8 ^(e)	20.1
December 31, 2003					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	\$ 48.4	\$ 11.9	\$ 6.5 ^(b)	\$ 18.9 ^(c)	\$ 47.9
Allowances for sales discounts	19.2	228.2	1.6 ^(b)	229.3 ^(e)	19.7

(a) Includes bad debt recoveries and the effects of changes in foreign currency exchange rates.

(b) Includes the beginning balances resulting from acquisitions made during the year and from the consolidation of Klabin Kimberly S.A., the Corporation's Brazilian affiliate in 2003.

(c) Primarily uncollectible receivables written off.

(d) Includes \$4.6 million of Neenah Paper balances spun off in November 2004.

(e) Sales discounts allowed.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(Millions of dollars)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions^(a)</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
December 31, 2005					
Deferred Taxes					
Valuation Allowance	\$ 252.4	\$ 233.6	\$ —	\$ 12.0	\$ 474.0
December 31, 2004					
Deferred Taxes					
Valuation Allowance	\$ 247.9	\$ (12.4)	\$ —	\$ (16.9)	\$ 252.4
December 31, 2003					
Deferred Taxes					
Valuation Allowance	\$ 240.6	\$ 15.1	\$ —	\$ 7.8	\$ 247.9

(a) Includes the net currency effects of translating valuation allowances at current rates under Statement of Financial Accounting Standards No. 52 of \$13.4 million in 2005, \$(18.4) million in 2004 and \$(9.3) million in 2003.

EXHIBIT INDEX

Exhibit No. (3)a. Restated Certificate of Incorporation, dated June 12, 1997, and Certificate Eliminating Series A Junior Participating Preferred Stock, dated November 19, 2004, incorporated by reference to Exhibit (3)a of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.

Exhibit No. (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 quarter ended June 30, 2003.

Exhibit No. (4). Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission on request.

Exhibit No. (10)a. Management Achievement Award Program, as amended and restated, filed herewith.

Exhibit No. (10)b. Executive Severance Plan, as amended and restated, incorporated by reference to Exhibit No. (10)b of the Corporation's Current Report on Form 8-K dated November 16, 2005.

Exhibit No. (10)c. Sixth Amended and Restated Deferred Compensation Plan for Directors, dated November 16, 2005, filed herewith.

Exhibit No. (10)d. Executive Officer Achievement Award Program, incorporated by reference to Exhibit No. (10)d of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.

Exhibit No. (10)e. 1992 Equity Participation Plan, as amended, incorporated by reference to Exhibit No. (10)e of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000.

Exhibit No. (10)f. Deferred Compensation Plan, as amended and restated, dated December 31, 2005, filed herewith.

Exhibit No. (10)g. Outside Directors' Stock Compensation Plan, as amended, incorporated by reference to Exhibit No. (10)g of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002.

Exhibit No. (10)h. Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan, as amended, dated December 31, 2005, filed herewith.

Exhibit No. (10)i. Second Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan, as amended and restated, dated December 31, 2005, filed herewith.

Exhibit No. (10)j. Retirement Contribution Excess Benefit Program, as amended and restated, filed herewith.

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Exhibit No. (10)k. 1999 Restricted Stock Plan, as amended, incorporated by reference to Exhibit No. (10)k of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000.

Exhibit No. (10)l. Outside Directors' Compensation Plan, as amended and restated, filed herewith.

Exhibit No. (10)m. 2001 Equity Participation Plan, as amended, filed herewith.

Exhibit No. (10)n. Form of Award Agreements under 2001 Equity Participation Plan, incorporated by reference to Exhibit No. (10)n of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.

Exhibit No. (10)o. Summary of Outside Directors' 2005 Compensation pursuant to the Outside Directors' Compensation Plan, incorporated by reference to Exhibit No. (10)o of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.

Exhibit No. (10)p. Global Business Plan Severance Pay Plan, incorporated by reference to Exhibit No. (10)p of the Corporation's Current Report on Form 8-K dated November 4, 2005.

Exhibit No. (12). Computation of ratio of earnings to fixed charges for the five years ended December 31, 2005, filed herewith.

Exhibit No. (21). Subsidiaries of the Corporation, filed herewith.

Exhibit No. (23). Consent of Independent Registered Public Accounting Firm, filed herewith.

Exhibit No. (24). Powers of Attorney, filed herewith.

Exhibit No. (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.

Exhibit No. (31)b. Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.

Exhibit No. (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, furnished herewith.

Exhibit No. (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, furnished herewith.

KIMBERLY-CLARK CORPORATION
MANAGEMENT ACHIEVEMENT AWARD PROGRAM
As Amended and Restated as of January 1, 2004

MANAGEMENT ACHIEVEMENT AWARD PROGRAM

As Amended and Restated as of January 1, 2004

1. PURPOSE

This Management Achievement Award Program ("MAAP" or the "Plan") is amended and restated as of January 1, 2004. The purpose of MAAP is to further unite the interests of the stockholders of the Company and its key executives through:

- (a) the annual establishment of Company objectives and the maintenance of a dividend level which are deemed by the Company's Board of Directors (the "Board") to be in the best short- and long-range interests of the Company, and
- (b) the annual payment, or provision for future payment, of incentive compensation to each eligible participating key executive in the form of a cash award which is in an amount significantly above competitive base salary, provided his or her performance has meaningfully contributed to the attainment of Company objectives.

2. ELIGIBILITY

Employees eligible to participate in MAAP (the "Participant") shall include any employee of the Company or any subsidiary or affiliate whose position is evaluated under the Company's Exempt Salary Administration Program (the "Salary Program") at 994 or more total Hay points. Notwithstanding the above, the Chief Executive Officer (the "CEO") of the Company or the Compensation Committee of the Board (the "Compensation Committee") may, in their sole discretion, determine that an employee of the Company or any subsidiary or affiliate is to be eligible to participate in MAAP, or exclude any employee who is otherwise determined to be eligible.

3. OBJECTIVE AREAS AND PERFORMANCE LEVELS

Prior to the beginning of each calendar year, or as soon thereafter as reasonably practicable, performance objectives (the "Objective(s)") shall be established for each Participant in one or more of the three objective areas ("Objective Areas"), i.e. Corporate, Business Unit or Individual.

The Board shall establish the Objective(s) and any Control Measures (as defined in section 6 below) in the Corporate Objective Area. The CEO, or his delegate, shall establish the Objectives and any Control Measures in all Business Unit and Individual Objective Areas for all Participants, except as otherwise determined by the Compensation Committee.

For each Objective there may be established performance levels ("Performance Level(s)") which shall consist of successively better standards or ranges taking into consideration actual progress in the calendar year in accomplishing the Objective(s). For each Objective there may be established Performance Levels under which the percentage of the incentive payout shall be determined by taking into consideration actual progress in the calendar year in achieving the Objective. A payment range, with a minimum and maximum payment, may be established for the Objective.

From time to time, it may be desirable to establish the Objective(s) in such a manner that specific Performance Levels cannot be defined. In such cases, the specific Performance Level(s) will be determined pursuant to section 7 of this Plan.

The Objective(s) in the Individual Objective Area for a Participant may be defined to include specific target areas on which such Participant should focus during the year.

The original definition of any and all Objectives, Objective Areas, Performance Levels, Percentage Weightings (as defined in section 4 below), and Control Measures shall not be changed during the course of a calendar year, except by the approval of the individual or body who originally approved the same. When mid-calendar year changes in the Company's accounting or internal reporting policies have the effect of making the financial results between two periods not fairly comparable for the purpose of properly measuring performance where Objectives are stated in financial terms, such results may be adjusted in such manner as shall be deemed fair and appropriate by the individual or body who originally approved the Objective.

4. OBJECTIVE AREA WEIGHTINGS

Coincident with the establishment of Objective Areas, Objectives, and Performance Levels, the CEO, or his delegate, or the Compensation Committee in the case of employees who are either directors of the Company or officers of the Company who are elected by the Board, shall establish a percentage weighting ("Percentage Weighting") applicable to each Objective Area, or, where applicable, to each Objective within an Objective Area. The total of all Percentage Weightings in all Objective Areas for each Participant shall be 100 percent.

5. TARGET AWARD LEVEL

Prior to the beginning of each calendar year, or as soon thereafter as reasonably practicable, the Board shall, after review by the Compensation Committee, establish the Target Award Level, and a maximum payout stated as a percentage of such Target Award Level, that shall apply for each elected officer of the Company. The Chief Executive Officer shall establish Target Award Levels and maximum payouts for each participant in the MAAP who is not an elected officer of the Company. Such Target Award Levels and maximum payouts shall at all times take into account the basic purposes of MAAP, and shall in no event result in the potential obligation to pay incentive compensation which, in the Board's opinion, is not in the best short- and long-range interests of the Company.

6. CONTROL MEASURES

At the time the Objectives are established, there may also be established certain conditions known as control measures ("Control Measures") which are either personal as to one individual, or general as to a group of individuals. Failure to fulfill a Control Measure may

partially or totally deprive the individual to whom the Control Measure applies of the right to receive an award, notwithstanding the level of performance attained on any or all Objectives, or in any or all Objective Areas.

In the event that the Company's dividend rate is reduced, other than by reason of stock splits or other similar events having no effect on the actual amount paid out in dividends, no award shall be paid under MAAP for performance during the calendar year in which such a reduction occurs. This shall be a Control Measure and shall apply in each calendar year during which the Plan is in effect.

7. ASCERTAINMENT OF PERFORMANCE LEVELS

The Performance Level actually attained with respect to any Objective will be stated as a percentage of the Target Award Level.

The Performance level actually attained with respect to any Objective or Control Measure stated in financial terms, and the payment with respect thereto, shall be determined upon the completion of audited results of the Company and its subsidiaries.

When specific Performance Levels in the Corporate Objective Area have not been defined under section 3 of this Plan, the Board will determine the Performance Level attained following the end of the calendar year.

The Performance Level attained with respect to any Group or Sector Objective or Control Measure stated in nonfinancial terms shall be determined and approved by all levels in the chain of command which originally approved or defined such Objective or Control Measure following the end of the calendar year.

Performance in the Individual Objective Area will be determined by the CEO, or his delegate, following the end of the calendar year, based upon the Participant's performance with respect to the specified target areas.

Notwithstanding the above, the Compensation Committee may, in its sole discretion, authorize that such determinations of the Performance Levels attained be made prior to the end of the calendar year, and that the payment of awards be made pursuant to section 10 of this Plan.

8. AMOUNT OF INCENTIVE COMPENSATION

The amount of incentive compensation an employee is eligible to receive depends upon:

- (a) the Percentage Weighting applicable to that Objective Area,
- (b) the Target Award Level which applies to the Participant,
- (c) the percentage payout of the Target Award Level as a consequence of the Performance Level attained in that Objective Area, and

d) the Participant's annual base salary determined as of December 31 of the calendar year for which the Objectives were established.

Performance in each Objective Area shall be valued by multiplying (a) times (b) times (c) times (d).

Except as otherwise hereinafter provided, the total award a Participant is eligible to receive is the sum of the values attributable to performance actually attained in each Objective Area, as determined by the preceding paragraph.

9. ADJUSTMENT OF AWARD

Except as otherwise determined by the Compensation Committee, in its sole and absolute discretion, the amount of an award may be adjusted by the CEO, in his sole discretion, to more accurately reflect an individual Participant's performance during the calendar year.

The amount of the award, in the event of transfers to, from, or between MAAP eligible positions may be reviewed, and may be adjusted and prorated, on such basis as shall be determined fair and equitable by the CEO, or his delegate.

Adjustments may be made in the amount of an award after the potential thereof has been authorized, if the applicable position is reevaluated under the Salary Program during the calendar year, on such basis as shall be determined fair and equitable by the CEO, or his delegate.

Termination of employment for any reason other than death, retirement, or total and permanent disability shall result in a forfeiture of any MAAP award attributable to performance during the calendar year in which termination occurred. A Participant's death, retirement, or total and permanent disability may result in the pro rata or other adjustment to the amount of the award on such basis as shall be determined fair and equitable by the CEO, or his delegate.

Notwithstanding any provision of MAAP, no award shall be paid to any individual who, in any calendar year, has discharged his principal accountabilities in a manner deemed unacceptable under the Salary Program.

10. PAYMENT OF AWARDS

Awards shall be paid in one lump sum in cash in the first calendar quarter following the calendar year for which the Objectives were established. Notwithstanding the above, the Compensation Committee may make payments at such earlier times as it may, in its sole discretion, determine, and the Compensation Committee, or the CEO, in their sole discretion, will make such determinations as to performance, and establish procedures (including repayment of any overpayment which is determined after the completion of the final audit), implementing such early payment.

Prior to becoming entitled to receive an award, an individual may elect to defer the receipt thereof to some future date or dates. Deferred MAAP awards shall not bear interest.

11. ADMINISTRATION AND INTERPRETATION

Except as otherwise provided by this Plan, the Compensation Committee has discretionary authority to construe and interpret the Plan and to resolve all questions arising thereunder, and such action shall be final and conclusive as to all individuals affected thereby.

Except as provided in this Plan, no right of any Participant shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, attachment, garnishment, execution, levy, bankruptcy, or any other disposition of any kind, whether voluntary or involuntary, prior to actual payment of an award. No Participant, or any other person, shall have any interest in any fund, or in any specific asset or assets of the Company, by reason of an award that has been made but has not been paid or distributed.

Nothing contained in MAAP shall be construed as a contract of employment or as a right of any Participant to be continued in the employment of the Company, or as a limitation on the right of the Company to discharge any Participant with or without cause.

The Board may, at any time, amend this Plan, order the temporary suspension of its application, or terminate it in its entirety, provided, however, that no such action shall adversely affect the rights or interests of Participants theretofore vested hereunder.

MAAP is hereby amended and restated effective as of January 1, 2004.

SIXTH AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN FOR DIRECTORS
OF
KIMBERLY-CLARK CORPORATION

ARTICLE 1

Introduction

1.1 Recitals.

- (a) Whereas, effective January 1, 1983 the Board of Directors (the “Board”) of Kimberly-Clark Corporation, a Delaware corporation (the “Corporation”), approved and adopted the Deferred Compensation Plan for Directors for the purpose of allowing Directors (as defined in Section 1.3(k) below) to irrevocably elect to defer the receipt of fees owing to them for service on, and attending meetings of, the Board and committees thereof during any Plan Year (as defined in Section 1.3(n)), and to assist the Corporation in attracting and retaining qualified individuals to serve as directors;
- (b) Whereas, the Deferred Compensation Plan for Directors previously was amended and restated effective August 31, 1986 (the “Amended and Restated Deferred Compensation Plan for Directors”);
- (c) Whereas, the Amended and Restated Deferred Compensation Plan for Directors previously was amended and restated, effective May 1, 1991 (the “Second Amended and Restated Deferred Compensation Plan for Directors”);

- (d) Whereas, the Second Amended and Restated Deferred Compensation Plan for Directors previously was amended and restated, effective August 15, 1996 (the “Third Amended and Restated Deferred Compensation Plan for Directors”);
- (e) Whereas, the Third Amended and Restated Deferred Compensation Plan for Directors previously was amended and restated, effective February 20, 1997 (the “Fourth Amended and Restated Deferred Compensation Plan for Directors”);
- (f) Whereas, the Fourth Amended and Restated Deferred Compensation Plan for Directors previously was amended and restated, effective January 1, 2004 (the “Fifth Amended and Restated Deferred Compensation Plan for Directors”); and
- (g) Whereas the Committee desires to amend and restate the Fifth Amended and Restated Deferred Compensation Plan for Directors in its entirety;

NOW, THEREFORE, the Fifth Amended and Restated Deferred Compensation Plan for Directors hereby is amended and restated to read in its entirety as set forth herein, effective November 16, 2005.

1.2 Name and Purpose. The name of this plan is the “Sixth Amended and Restated Deferred Compensation Plan for Directors of Kimberly-Clark Corporation” (the “Plan”). The purpose of the Plan is as stated in Section 1.1(a) above.

1.3 Definitions. Whenever used in the Plan, the following terms shall have the meaning set forth or referenced below:

- (a) “Account” means a Cash Account, Stock Account or Restricted Share Units Account.
- (b) “Board” has the meaning set forth in Section 1.1(a) above.
- (c) “Business Day” means a day except for a Saturday, Sunday or a legal holiday.
- (d) “Cash Account” means an Account which reflects the Compensation deferred by a Participant as described in Section 2.4.

- (e) "Cash Credit" means a credit to a Cash Account, expressed in whole dollars and fractions thereof.
- (f) "Closing Price" means the closing price of the Common Stock as reported in the New York Stock Exchange Composite Transactions published in The Wall Street Journal.
- (g) "Committee" means the Compensation Committee of the Board.
- (h) "Common Stock" means (i) the common stock, \$1.25 par value per share, of the Corporation, adjusted as provided in Section 2.10, or (ii) if there is a merger or consolidation and the Corporation is not the surviving corporation thereof, the capital stock of the surviving corporation given in exchange for such common stock of the Corporation.
- (i) "Compensation" means all cash remuneration paid to a Director for services to the Corporation as a director, other than reimbursement for expenses, and shall include retainer fees for service on, and fees for attendance at meetings of, the Board and any committees thereof. For purposes of this Plan, the term "Compensation" shall not include Restricted Share Units.
- (j) "Corporation" has the meaning set forth in Section 1.1(a) above.
- (k) "Director" means any individual serving on the Board who is not an employee of the Corporation or any of its subsidiaries, affiliates or equity companies.
- (l) "Participant" means a Director who has filed an election to participate in the Plan under Section 2.2.
- (m) "Plan" has the meaning set forth in Section 1.2 above.
- (n) "Plan Year" means the calendar year.
- (o) "Restricted Share Units" means the right, under the Kimberly-Clark Corporation Outside Directors' Compensation Plan, to receive an amount equal to the value of a specified number of shares of Common Stock.
- (p) "Restricted Share Units Account" means an Account which reflects the Restricted Share Units deferred by a Participant as described in Section 2.6.

- (q) “Retire” or “Retires” shall mean the ending of a Director’s service as a member of the Board, but shall not include the ending of such service by reason of death.
- (r) “Section 16” has the meaning set forth in Section 4.5 below.
- (s) “Stock Account” means an Account which reflects the Compensation deferred by a Participant as described in Section 2.5.
- (t) “Stock Credit” means a credit to a Stock Account established pursuant to Section 2.3, and calculated pursuant to Section 2.5.

ARTICLE 2

Participation in the Plan

2.1 Eligibility. Any Director may participate in the Plan. Notwithstanding anything in the Plan to the contrary, no Director, may elect to defer payment of any portion of his Compensation that is payable during any Plan Year after 2004.

2.2 Election to Participate.

- (a) Each Director, and each first time nominee for Director, may elect to defer payment of all or any portion of his Compensation that is payable during any Plan Year. Such election must be made prior to the date that services are rendered in the Plan Year in which such Compensation otherwise would be paid and shall be irrevocable thereafter for such Plan Year; provided, however, that an election by a Director or nominee pursuant to this paragraph (a) for any Plan Year (or portion thereof) shall be valid and effective for all purposes for all succeeding Plan Years, unless and until such election is revoked or modified by such Director prior to the date that services are rendered in such succeeding Plan Year(s); and, provided further, that no such election, revocation or modification may be made within six months of another such election, revocation or modification if the exemption afforded by Rule 16b-3 under Section 16 would not be available as a result thereof. Each Director may also elect to defer his Restricted Share Units. Such election must be made prior to the Plan Year in which such Director Retires.

- (b) An election to defer any Compensation or Restricted Share Units under the Plan shall: (i) be in writing; (ii) be delivered to the Secretary of the Corporation; (iii) contain, or be deemed to contain, the matters set forth in Section 2.3 below, in accordance with the terms thereof; and (iv) be irrevocable in all respects with respect to the Plan Year or Plan Years to which the election relates. If a Director does not elect to defer Compensation payable to him during a Plan Year, all such Compensation shall be paid directly to such Director in accordance with resolutions adopted by the Board from time to time. If a Director does not elect to defer his Restricted Share Units, payment of his Restricted Share Units will be made in accordance with the terms of the Kimberly-Clark Corporation Outside Directors' Compensation Plan.
- 2.3 Mode of Deferral. A Participant may elect to defer all or a portion of his Compensation for a Plan Year to a Cash Account, a Stock Account, or a combination of both such Accounts. A separate Cash Account and/or Stock Account, as appropriate, shall be established for a Participant for each Plan Year in which he participates in the Plan. A Participant may elect to defer all or portion of his Restricted Share Units to a Restricted Share Units Account. The Secretary of the Corporation shall maintain such Accounts in the name of the Participant. Any such election with respect to the Account or Accounts to which a Director's Compensation or Restricted Share Units for a Plan Year shall be deferred shall be specified in the election referred to in Section 2.2(b) above that is delivered by the Director to the Secretary, and shall be irrevocable. If a Participant fails to elect the Account to which deferral of his Compensation shall be made, he shall be deemed to have irrevocably elected deferral to the Cash Account. Compensation deferred to a Cash Account or Stock Account shall result in Cash Credits or Stock Credits, respectively.
- 2.4 Cash Account. The Cash Account of a Participant established with respect to a Plan Year shall be credited, as of the day of such Plan Year on which the deferred Compensation otherwise would have been payable to such Participant, with Cash Credits equal to the dollar amount of such deferred Compensation. As of the last day of each calendar quarter, or as of the date the Account is distributed, if earlier, such Cash Account shall be credited with additional Cash Credits in an amount equal to the product of (a) the daily average balance in such Cash Account during such quarter and (b) one-fourth of a rate yielding interest equal to the per annum market discount rate for six-month U.S. Treasury Bills as published by the Federal Reserve Board for the seven calendar days immediately prior to January 1 (for additional Cash Credits to be credited for the subsequent fiscal quarters ending on

March 31 and June 30) or prior to July 1 (for additional Cash Credits to be credited for the subsequent fiscal quarters ending September 30 and December 31). In no case, however, shall such interest rate be less than six percent per annum.

- 2.5 Stock Account. The Stock Account of a Participant established with respect to a Plan Year shall be credited, as of the day of such Plan Year on which the deferred Compensation otherwise would have been payable to such Participant, with Stock Credits equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased with the amount of such deferred Compensation at the average of the Closing Prices of shares of Common Stock on each Business Day during the month immediately preceding the month in which such Stock Account is so credited. As of the date any dividend is paid to holders of shares of Common Stock, such Stock Account shall be credited with additional Stock Credits equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased, at the Closing Price of shares of Common Stock on such date, with the amount which would have been paid as dividends on that number of shares (including fractions of a share) of Common Stock which is equal to the number of Stock Credits then attributed to such Stock Account. In the case of dividends paid in property other than cash, the amount of the dividend shall be deemed to be the fair market value of the property at the time of the payment of the dividend, as determined in good faith by the Committee.
- 2.6 Restricted Share Units Account. The Restricted Share Units Account of a Participant shall be credited as of the day of such Plan Year on which the Restricted Share Units otherwise would have been payable to the Participant. As of the date any dividend is paid to holders of shares of Common Stock, such Restricted Share Units Account shall be credited with additional Restricted Share Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased, at the Closing Price of shares of Common Stock on such date, with the amount which would have been paid as dividends on that number of shares (including fractions of a share) of Common Stock which is equal to the number of Restricted Share Units then attributed to such Restricted Share Units Account. In the case of dividends paid in property other than cash, the amount of the dividend shall be deemed to be the fair market value of the property at the time of the payment of the dividend, as determined in good faith by the Committee.
- 2.7 Timing of Distribution and Installment Elections.
- (a) Distribution of the Cash Accounts, Stock Accounts and Restricted Share Units Account of a Participant shall commence as of January 15 (or such later date

as of which such distribution is not required to be reported pursuant to Section 16) of the Plan Year following the Plan Year in which such Participant Retires. If the date for commencement of such distribution is not a Business Day, such distribution shall commence on the next succeeding Business Day.

- (b) A Participant shall elect the number of annual installments (not to exceed 20) in which all of the Participant's Cash Accounts and Stock Accounts maintained on his behalf with respect to Plan Years after 1997 shall be distributed. If no such election is made by such Director with respect to such Accounts, the number of installments with respect thereto shall be deemed to be elected consistent with the Participant's most recent installment election with respect to any Plan Year prior to 1998. A Participant shall also elect the number of annual installments (not to exceed 20) in which the Participant's Restricted Share Units Account maintained on his behalf shall be distributed. Such payment or payments shall be in amounts determined pursuant to Section 2.9 below, and shall be made on the date set forth in Section 2.7(a) above, and on January 15 of each succeeding Plan Year as applicable.
 - (c) A Participant's initial installment election with regard to his Cash Accounts and Stock Accounts referred to in paragraph (b) above shall apply for all succeeding Plan Years unless modified thereafter. Such election may be modified by a Participant, subject to the approval of the Committee, no later than December 31 of the calendar year preceding the date such Participant Retires.
 - (d) Notwithstanding anything in the Plan to the contrary, each Participant who was a Director on or after February 20, 1997, may elect to modify such Director's election with respect to all Plan Years prior to 1998, subject to the approval of the Committee, so that Cash Accounts and Stock Accounts maintained with respect to all Plan years prior to 1998 shall be paid consistent with the payment for the Cash Accounts and Stock Accounts maintained with respect to all Plan Years after 1997 and in accordance with this Section 2.7.
- 2.8 Distribution of Accounts. Distribution of a Participant's Cash Accounts and Stock Accounts shall be made only in cash. Distribution of a Participant's Restricted Share Units Account may be made entirely in cash or entirely in whole shares of Common Stock with fractional shares paid in cash.
- 2.9 Installment Amount. The amount of each installment with respect to a Cash Account of a Participant shall be equal to the product of the current balance in such

Cash Account and a fraction, the numerator of which is one and the denominator of which is the number of installments yet to be paid. The amount of each installment with respect to a Stock Account or Restricted Share Units Account of a Participant shall be equal to the product of the number of Stock Credits or Restricted Share Units attributable to such installment and the average of the Closing Prices of shares of Common Stock on each Business Day in the month immediately prior to the month in which such installment is to be paid, except as otherwise specified in Section 2.10 of the Plan. The number of Stock Credits or Restricted Share Units attributable to an installment with respect to such Stock Account or Restricted Share Units Account (unless otherwise specified in the Plan) shall be equal to the product of the current number of Stock Credits or Restricted Share Units attributed to such Stock Account or Restricted Share Units Account and a fraction, the numerator of which is one and the denominator of which is the number of installments yet to be paid.

- 2.10 Adjustment. If at any time the number of outstanding shares of Common Stock shall be increased as the result of any stock dividend, stock split, subdivision or reclassification of shares, the number of Stock Credits and Restricted Share Units with which each Stock Account or Restricted Share Units Account of a Participant is credited shall be increased in the same proportion as the outstanding number of shares of Common Stock is increased. If the number of outstanding shares of Common Stock shall at any time be decreased as the result of any combination, reverse stock split or reclassification of shares, the number of Stock Credits and Restricted Share Units with which each Stock Account or Restricted Share Units Account of a Participant is credited shall be decreased in the same proportion as the outstanding number of shares of Common Stock is decreased. In the event the Corporation shall at any time be consolidated with or merged into any other corporation and holders of shares of Common Stock receive shares of the capital stock of the resulting or surviving corporation, there shall be credited to each Stock Account or Restricted Share Units Account of a Participant, in place of the Stock Credits or Restricted Share Units then credited thereto, new Stock Credits or Restricted Share Units in an amount equal to the product of the number of shares of capital stock exchanged for one share of Common Stock upon such consolidation or merger and the number of Stock Credits or Restricted Share Units with which such Account then is credited. If in such a consolidation or merger holders of shares of Common Stock shall receive any consideration other than shares of the capital stock of the resulting or surviving corporation or its parent corporation, the Committee, in its sole discretion, shall determine the appropriate change in Participants' Accounts.

- 2.11 Distribution upon Death. Notwithstanding any other provision of this Plan, upon the death of a Participant all of such Participant's Cash Accounts, Stock Accounts and Restricted Share Units Account shall be paid in a single installment to such person or persons or the survivors thereof, including corporations, unincorporated associations or trusts, as the Participant may have designated. All such designations shall be made in writing and delivered to the Secretary of the Corporation. A Participant may from time to time revoke or change any such designation by written notice to the Secretary. If there is no designation on file with the Secretary at the time of the Participant's death, or if the person or persons designated therein shall have all predeceased the Participant or otherwise ceased to exist, such distributions shall be made to the executor or administrator of the Participant's estate. Any distribution under this Section 2.11(a) shall be made as soon as practicable following the end of the fiscal quarter in which the Secretary is notified of the Participant's death or is satisfied as to the identity of the appropriate payee, whichever is later. The amount of an installment payable under this Section 2.11(a) with respect to a Participant's Stock Accounts or Restricted Share Units shall be equal to the product of the number of Stock Credits or Restricted Share Units with which such Stock Accounts or Restricted Share Units Accounts then are credited and the average of the Closing Prices of shares of Common Stock on each Business Day during the month preceding the month of such Participant's death.
- 2.12 Withholding Taxes. The Corporation shall deduct from all distributions under the Plan any taxes required to be withheld by federal, state, or local governments.

ARTICLE 3

The Committee

- 3.1 Authority. The Committee shall have full power and authority to administer the Plan, including the power to (a) promulgate forms to be used with respect to the Plan, (b) promulgate rules of Plan administration, (c) settle any disputes as to rights or benefits arising from the Plan, (d) interpret the terms of the Plan, (e) amend, modify or terminate the Plan as provided in Section 4.5 below and (e) make such decisions or take such action as the Committee, in its sole discretion, deems necessary or advisable to aid in the proper administration of the Plan. Any decision made by the Committee shall be final and binding on the Corporation, Participants and their heirs or successors.

- 3.2 Elections, Notices. All elections, notices and designations required or permitted to be provided to the Committee under the Plan must be in such form or forms prescribed by, and contain such information as is required by, the Committee.

ARTICLE 4

Miscellaneous

- 4.1 Funding. No promise hereunder shall or may be secured by any assets of the Corporation, and no assets of the Corporation shall otherwise be designated as attributable or allocated to the satisfaction of such promises.
- 4.2 Non-alienation of Benefits. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void. No such benefit, prior to receipt thereof pursuant to the provisions of the Plan, shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant.
- 4.3 Delegation of Administrative Duties. The Committee may delegate to officers and employees of the Corporation from time to time the power and authority to carry out and effect the decisions and rules of the Committee. Any such delegation shall be in writing.
- 4.4 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware.
- 4.5 Amendment, Modification and Termination of the Plan. The Board or the Committee at any time may terminate and in any respect amend or modify the Plan; provided, however, that (a) neither the Board nor the Committee may change or modify any of the irrevocable elections made by a Participant under Section 2.2(b) above, (b) no such termination, amendment or modification shall adversely affect the rights of any Participant or beneficiary, including his rights with respect to Cash Credits, Stock Credits or Restricted Share Units either credited prior to or in the Plan Year of such termination, amendment or modification, without his consent, (c) no provision of the Plan which relates to persons eligible to participate in the Plan or the formula pursuant to which the amount, price and timing of the crediting of Stock Credits or Restricted Share Units are determined, shall be amended more than once every six months other than to comport to changes in the Internal Revenue

Code of 1986, as amended, the Employee Retirement Income Security Act of 1974 or the rules thereunder, and (d) no provision of the Plan shall be amended to the extent that the modification would result in treatment as a material modification under the requirements of Section 409A of the Code and the guidance promulgated thereunder. Notwithstanding anything to the contrary contained herein, either the Board or the Committee may amend or modify the Plan to comply with Section 16 of the Securities Exchange Act of 1934 (or successor statute), as constituted from time to time, or the rules or regulations promulgated thereunder (collectively, "Section 16"); further, if any provision of Section 16 would have the effect of requiring the Plan to be amended or modified in order to retain any exemption from the reporting requirements of and liability exposure under Section 16, the Plan shall be deemed to be automatically amended and modified to retain such exemption at the time that any such provision is effective, and any act or transaction under the Plan by or involving a Participant, the Board or the Committee in contravention of the Plan as so amended and modified shall be null and void ab initio and the Participant, the Board and the Committee shall return the matter to the status quo ante.

- 4.6 Successors and Heirs. The Plan and any properly executed elections hereunder shall be binding upon the Corporation and Participants, and upon any assignee or successor in interest to the Corporation and upon the heirs, legal representatives and beneficiaries of any Participant.
- 4.7 Status of Participants. Stock Credits and Restricted Share Units are not, and do not constitute, shares of Common Stock, and no right as a holder of shares of Common Stock shall devolve upon a Participant by reason of his participation in the Plan.
- 4.8 Use of Terms. The masculine includes the feminine and the plural includes the singular, unless the context clearly indicates otherwise.
- 4.9 Statement of Accounts. In February of each Plan Year, each Participant in the Plan during the immediately preceding Plan Year shall receive a statement of his Accounts under the Plan as of December 31 of such preceding Plan Year. Such statement shall be in a form and contain such information as is deemed appropriate by the Committee.

**KIMBERLY-CLARK CORPORATION
DEFERRED COMPENSATION PLAN**

EFFECTIVE AS OF OCTOBER 1, 1994

AMENDED AND RESTATED
AS OF DECEMBER 31, 2005

**KIMBERLY-CLARK CORPORATION
DEFERRED COMPENSATION PLAN**

Kimberly-Clark Corporation hereby amends and restates in its entirety, the Kimberly-Clark Corporation Deferred Compensation Plan, effective December 31, 2005.

I. PURPOSE

The purpose of this Kimberly-Clark Corporation Deferred Compensation Plan is to permit a select group of management or highly compensated employees of Kimberly-Clark Corporation and its subsidiaries to defer income which would otherwise become payable to them.

II. DEFINITIONS AND CERTAIN PROVISIONS

- 2.1 "Agreement" means the Plan Agreement(s) executed between a Participant and the Company, whereby a Participant agrees to defer a portion of his or her Salary or Bonus, or both, pursuant to the provisions of the Plan, and the Company agrees to make benefit payments in accordance with the provisions of the Plan. In the event the terms of the Agreement conflict with the terms of the Plan, the terms of the Plan shall be controlling.
- 2.2 "Beneficiary" means the person or persons who under this Plan becomes entitled to receive a Participant's interest in the event of the Participant's death.
- 2.3 "Board of Directors" means the Board of Directors of the Company.
- 2.4 "Bonus" means any amount(s) paid during a calendar year to the Participant under the Company's Management Achievement Award Program or any successor program, the Company's Executive Officer Achievement Award Program, or any successor or additional program.
- 2.5 A "Change of Control" of the Company shall be 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, as amended, acquires shares of the Company having 20% or more of the total number of votes that may be cast for the election of Directors of the Company; 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 Company before the Transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.
- 2.6 "Code" means the Internal Revenue Code for 1986, as amended and any lawful regulations or other pronouncements promulgated thereunder.
- 2.7 "Committee" means the Retirement Trust Committee named under the Kimberly-Clark Corporation Salaried Employers' Retirement Plan.

- 2.8 "Company" means Kimberly-Clark Corporation, a Delaware corporation, and its subsidiaries and any successor in interest. For purposes of the Plan, a subsidiary is a corporation, 50% or more of the voting shares of which are owned directly or indirectly by the Company, which is incorporated under the laws of one of the states of the United States.
- 2.9 "Compensation Committee" means the Compensation Committee of the Board of Directors.
- 2.10 "Deferral Year" means any calendar year 1995 through 2004. For purposes of 1994, Deferral Year means the Effective Date of the Plan through December 31, 1994.
- 2.11 "Deferred Benefit Account" means the cumulative total dollar amount that a Participant elects to defer in the Agreement, including gains and losses pursuant to Section 3 as maintained on the books of the Company for a Participant under this Plan. A Participant's Deferred Benefit Account shall not constitute or be treated as a trust fund of any kind.
- 2.12 "Determination Date" means the date on which the amount of a Participant's Deferred Benefit Account is determined as provided in Article III hereof.
- 2.13 "Disability" shall have the same meaning as the phrase "Totally and Permanently Disabled" under the Kimberly-Clark Corporation Salaried Employees' Retirement Plan. The determination of a Participant's having become Disabled shall be made by the Retirement Committee of the Kimberly-Clark Corporation Salaried Employees' Retirement Plan.
- 2.14 "Effective Date" means October 1, 1994.
- 2.15 "Investment Grade" means a bond rating of BBB minus, or its equivalent, by one of the nationally recognized rating agencies.
- 2.16 "Participant" means an employee of the Company, or its subsidiaries or affiliated companies, who is eligible to participate in the Plan pursuant to Article III, who has executed an Agreement with the Company, and who has commenced Salary or Bonus, or both Salary and Bonus, reductions pursuant to such Agreement.
- 2.17 "Plan" means the Kimberly-Clark Corporation Deferred Compensation Plan as amended from time to time.
- 2.18 "Retirement Date" means the date of Termination of Service of the Participant on or after he or she attains age 55 and has 5 Years of Service with the Company.
- 2.19 "Salary" means the Participant's base salary which would be received during a calendar year if no election to defer were made, including any 401(k) Contributions under the Company Incentive Investment Plan or pre-tax contributions under the Company's Flexible Benefit Plan." For purposes of this Plan, Salary shall not include severance or other payments made in connection with a Participant's Termination of Service.

- 2.20 "Termination of Service" means the Participant's cessation of his or her service with the Company for any reason whatsoever, whether voluntarily or involuntarily, including by reason of retirement, death, or Disability.
- 2.21 "Valuation Date" means, for purposes of crediting earnings under Section 3.6 and determining a Participant's Deferred Benefit Account under Section 3.7, any business day on which securities are traded on the New York Stock Exchange.
- 2.22 "Years of Service" shall have the same meaning as defined under the Kimberly-Clark Corporation Salaried Employees' Retirement Plan.

III. PARTICIPATION AND COMPENSATION REDUCTION

- 3.1 Participation. Participation in the Plan shall be limited to the Chief Executive Officer, elected officers and all eligible officers and/or employees of the Company, approved to participate by the Chief Executive Officer in his sole discretion, and who elect to participate in the Plan. A Participant must file an Agreement with the Committee, at such time and in such form as the Committee may require or permit, prior to the first day of the deferral period in which a Participant's participation commences in the Plan. The election to participate shall be effective upon receipt by the Committee of the Agreement that is properly completed and executed in conformity with the Plan. Participation in this Plan shall be frozen as of December 31, 2004.
- 3.2 Minimum and Maximum Deferral and Length of Participation. A Participant may elect to defer any amount of his or her Salary or Bonus, or both, to the extent that any portion of such amounts would not be deductible by the Company pursuant to Section 162(m) of the Code. In addition, a Participant may elect to defer from 10% to 100% of his or her Bonus paid during a Deferral Year in 1% increments.

In the event a Participant elects to defer an amount of his or her Salary and/or Bonus that would not allow for the full payment of all FICA, federal, state and/or local income tax liabilities, the Company may withhold all or a portion of any applicable taxes from the Participant's Salary to the extent required by law.

In no event may the amount of a Participant's deferral election related to his or her Bonus paid during a Deferral Year be less than \$5,000. The deferral opportunity shall extend through December 31, 2004. Notwithstanding anything in the Plan to the contrary, no Participant may elect to defer payment of any portion of his Salary or Bonus or other compensation as defined under Section 409A of the Code that is payable during any Deferral Year after 2004. A Participant shall make an annual election for the upcoming Deferral Year in the year preceding the Deferral Year for which the election is being made. Except as provided in Section 3.5, "Emergency Benefit: Waiver of Deferral," any election so made shall be irrevocable with respect to Salary and Bonus applicable to that Deferral Year.

Notwithstanding anything in this Plan to the contrary, a Participant may not elect to defer any amount under this Plan unless the Participant files a statement with the Committee that the Participant had individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

Notwithstanding anything in this Plan to the contrary, to the extent a Participant elected a deferral for period after December 31, 2004, such deferral election shall be cancelled and the amount shall be refunded to the Participant no later than the close of the taxable year for which they were made and shall include any earnings on such amount credited pursuant to Section 3.6 of the Plan.

3.3 Timing of Deferral Credits. The amount of Salary or Bonus, or both that a Participant elects to defer in the Agreement shall cause an equivalent reduction in the Participant's Salary and Bonus, respectively. Deferrals shall be credited throughout each Deferral Year as the Participant is paid the non-deferred portion of Salary and Bonus for such Deferral Year.

3.4 New Participants. An individual who is hired into a position which satisfies the requirements of a Participant shall be eligible to participate in the Plan thirty (30) days after satisfying the criteria for participation. The eligible employee shall be bound by all terms and conditions of the Plan, provided, however, that his Agreement must be filed no later than thirty (30) days following his eligibility to participate.

Employees who satisfy the criteria of a Participant as a result of a promotion or Salary increase will be eligible to participate in the Plan beginning on January 1st of the calendar year following eligibility.

3.5 Emergency Benefit: Waiver of Deferral. In the event that the Committee, upon written petition of the Participant or his or her Beneficiary, determines in its sole discretion, that the Participant or his or her Beneficiary has suffered an unforeseeable financial emergency, the Company shall pay to the Participant or his or her Beneficiary as soon as possible following such determination, an amount from the Participant's Deferred Benefit Account not in excess of the amount necessary to satisfy the emergency. For purposes of this Plan, an "unforeseeable financial emergency" is an unanticipated emergency that is caused by an event beyond the control of the Participant or Beneficiary and that would result in severe financial hardship to the individual if the emergency distribution were not permitted. Cash needs arising from foreseeable events, such as the purchase of a residence or education expenses for children shall not be considered the result of an unforeseeable financial emergency. For purposes of this Plan, an "unforeseeable financial emergency" is limited to an event described in Treasury Regulation section 1.401(k)-1(d)(2)(iv)(A)(1) or (4). For purposes of this Plan, a distribution is in "the amount necessary to satisfy the emergency" only if the requirements of Treasury Regulation section 1.401(k)-1(d)(2)(iv)(B) are satisfied. The Committee shall also grant a waiver of the Participant's agreement to defer a stated amount of Salary and Bonus upon finding that the Participant has suffered an unforeseeable financial emergency. The waiver shall be for such period of time as the Committee deems necessary under the circumstances to relieve the hardship.

- 3.6 Crediting of Earnings - As of the close of business on each Valuation Date the designated Deferred Benefit Account of each Participant shall be capable of being valued and adjusted to preserve for each Participant his or her proportionate interest in the related funds as if such account held actual assets and such assets were among such investment funds as the Participant, retired Participant or Beneficiary elected pursuant to Section 3.8. As of each Valuation Date the Deferred Benefit Account of each Participant shall be capable of being adjusted to reflect the effect of income, collected and accrued, realized and unrealized profits and losses, expenses which would have been incurred in connection with the sale, investment and reinvestment of the investment funds (such as brokerage, postage, express and insurance charges and transfer taxes), and all other transactions with respect to the related fund. The effect of such transactions shall be determined by the Committee in accordance with generally accepted valuation principles applied on a consistent basis. Each Participant's Deferred Benefit Account shall then be appropriately credited with his or her deferred amounts as set forth in Section 3.7.
- 3.7 Determination of Account. The balance of each Participant's Deferred Benefit Account as of each Valuation Date shall be calculated, in a manner determined by the Committee in accordance with generally accepted valuation principles applied on a consistent basis, as follows: the beginning balance of each Participant's Deferred Benefit Account; less distributions payable pursuant to Section 4.11 as of the Valuation Date coincident with the Determination Date set forth in Section 4.11 or, if none, the Valuation Date immediately following such Determination Date; plus investment earnings, gains and losses determined pursuant to Section 3.6 credited to each Participant's Deferred Benefit Account; plus Participant deferrals credited to each Participant's Deferred Benefit Account pursuant to Section 3.3.
- 3.8 Investment Funds and Elections. - Participants, retired Participants, and Beneficiaries may elect that their Deferred Benefit Account be credited with earnings, gains and losses as if such accounts held actual assets and such assets were among such investment funds as the Company may designate. Any such direction of investment shall be subject to such rules as the Company and the Committee may prescribe, including, without limitation, rules concerning the manner of providing investment directions, the frequency of changing such investment directions, and method of crediting earnings, gains and losses for any portion of a Deferred Benefit Account which is not covered by any valid investment directions. Participants, retired Participants, and Beneficiaries shall allocate their Deferred Benefit Account among the deemed investment options by making an election online or filing an election with the Committee at such time and in such form as the Committee may require or permit. A Participant, retired Participant or Beneficiary may elect to allocate his or her Deferred Benefit Account in 1% increments (minimum of 5% per investment option), among as many of the investment options which are offered by the Company. The investment funds which the Company may designate shall include but not be limited to the following types of funds, which can be managed on an individual basis or as part of a mutual fund, as the Company shall determine:
- (a) money market funds;

- (b) common stock funds;
- (c) bond funds;
- (d) balanced funds;
- (e) investment funds which are primarily invested in insurance contracts; and
- (f) investment funds which are provided for under insurance contracts.

The Company shall have the sole discretion to determine the number of investment funds to be designated hereunder and the nature of the funds and may change or eliminate the investment funds provided hereunder from time to time. The Committee shall determine the rate of earnings, gains and losses to be credited to Participant's Deferred Benefit Accounts under this Plan with respect to any such investment fund for any period, taking into account the return, net of any expenses which would have been incurred in connection with the sale, investment and reinvestment of the investment funds (such as brokerage, postage, express and insurance charges and transfer taxes), of such investment funds for such period.

- 3.9 Reallocations. Prior to January 1, 2001, a Participant may elect to reallocate all or any whole percentage portion of his Deferred Benefit Account effective as of the last Valuation Date of any calendar month.

Effective January 1, 2001, a Participant may elect as of any day on which securities are traded on the New York Stock Exchange to change the manner in which his or her Deferred Benefit Account and his or her future deferrals are deemed invested among the available investment fund options. Any change of investment allocation received will be effective as of the close of business on that business day if received by 3:00 p.m. Central Time (or, if earlier, the closing time of the New York Stock Exchange or such other time and under such other conditions as may be imposed by the recordkeeper or the Committee under the Company Incentive Investment Plan). The determination of a Participant's having timely elected a change of investment allocation shall be made under the same terms and conditions as are applicable to "Timely Notice" of elections to reallocate under the terms of the Company Incentive Investment Plan.

- 3.10 Vesting of Deferred Benefit Account. A Participant shall be 100 percent vested in his or her Deferred Benefit Account equal to the amount of Salary and Bonus he or she deferred into the Deferred Benefit Account and the earnings, gains or losses credited thereon.

IV. BENEFITS

- 4.1 Inservice Distribution. At the time a Participant executes an Agreement, he or she may elect to receive a return of his or her deferrals. The amount of the return of deferral shall be equal to the lesser of the amount deferred in a specific year or the Participant's Deferred Benefit Account. Each such return of deferral shall be made in a lump sum as soon as administratively feasible on or after the last business day of October, which shall be no less than five (5) Deferral Years following the year in which the deferral was originally made, provided that the Participant continues in

the employ of the Company, its subsidiary or affiliated company until such date. Once the Participant elects to receive his or her return of deferral, the election shall be irrevocable. A return of deferral pursuant to this Section 4.1 shall only be paid prior to a Participant's Termination of Service. Any return of deferral paid shall be deemed a distribution, and shall be deducted from the Participant's Deferred Benefit Account. A separate return of deferrals election shall be made for each Deferral Year.

- 4.2 **Retirement Benefit.** Subject to Section 4.6 below, upon a Participant's Retirement Date, he or she shall be entitled to receive the amount of his or her Deferred Benefit Account. The form of benefit payment, and the commencement of such benefit, shall be as provided in Section 4.6.
- 4.3 **Termination Benefit.** Upon the Termination of Service of a Participant prior to his or her Retirement Date, for reasons other than death or Disability, the Company shall pay to the Participant, a benefit equal to his or her Deferred Benefit Account.

Unless otherwise directed by the Committee, the termination benefit shall be payable in a lump sum as set forth in Section 4.11 following the Participant's Termination of Service. Upon a Termination of Service, the Participant shall immediately cease to be eligible for any other benefit provided under this Plan.

- 4.4 **Death Benefit.** Upon the death of a Participant or a retired Participant, the Beneficiary of such Participant shall receive the Participant's remaining Deferred Benefit Account. Payment of a Participant's remaining Deferred Benefit Account shall be in accordance with Section 4.6.
- 4.5 **Disability.** In the event of a Termination of Service due to Disability prior to his or her Retirement Date, a disabled Participant shall receive his or her remaining Deferred Benefit Account. Payment of a Participant's remaining Deferred Benefit Account shall be in accordance with Section 4.6.
- 4.6 **Form of Benefit Payment.**

- (a) Upon the happening of an event described in Sections 4.1, 4.2, 4.3, 4.4, or 4.5, the Company shall pay to the Participant the amount specified therein in a lump sum.
- (b) In the event that a Participant retires as described in Section 4.2, the Participant may, with the consent of the Committee, elect an installment form of benefit payments. The written request must be made prior to December 31 of the calendar year preceding prior to December 31 of the calendar year preceding the Participant's Retirement Date. The Committee may, in its sole and absolute discretion, grant the Participant's request. If, upon a Participant's Retirement Date, the balance of a Participant's Deferred Benefit Account is less than \$25,000, the Participant will be paid his or her Deferred Benefit Account balance as of the Participant's Retirement Date, in a final lump sum payment.

- (c) In the event of the death of the Participant, as described in Section 4.4, the Participant's Beneficiary may, with the consent of the Committee, elect an installment benefit payment. This written request must be made no later than thirty (30) days after the Participant's date of death. The Committee may, in its sole discretion, grant such Beneficiary's request.
- (d) In the event that a Participant terminates service due to a Disability as described in Section 4.5, the Participant may, with the consent of the Committee, elect an installment form of benefit payment. The written request must be made no later than thirty (30) days after the date the Participant is determined to be disabled by the Retirement Committee of the Kimberly-Clark Salaried Employees' Retirement Plan. The Committee may, in its sole discretion, grant the Participant's request.
- (e) In the event that installment payments are to be made pursuant to Subsections 4.6(b), (c) or (d), such payments shall be in quarterly installments commencing as soon as administratively feasible after the Committee grants the request for an installment form of benefit payment. Such quarterly installments shall be payable in approximately equal amounts over a period, no less than two (2) calendar years and no more than twenty (20) calendar years. In addition, if, at the time a Participant is scheduled to receive an installment payment, the balance of his or her Deferred Benefit Account is less than \$5,000, the Participant will be paid his or her remaining Deferred Benefit Account balance in a final lump sum payment.

Initially, the amount of any installments under the installment form of payment described in this Subsection 4.6(e) shall be equal to the balance of the Participant's Deferred Benefit Account to be distributed divided by the number of installments to be paid. The amount of the installment payments shall be recomputed annually and the installment payments shall be increased or decreased to reflect any changes in the Participant's Deferred Benefit Account due to fluctuations in earnings, gains and losses on the remaining balance and the number of remaining installments. Quarterly installments payments will be made on the last business day of January, April, July and October.

- 4.7 Limitations on the Annual Amount Paid to a Participant. Notwithstanding any other provisions of this Plan to the contrary, in the event that a portion of the payments due a Participant pursuant to Sections 3.5, 4.1, 4.2, 4.3, 4.4, 4.5, or 4.6 would not be deductible by the Company pursuant to Section 162(m) of the Code, the Company, at its sole discretion, may postpone payment of such amounts to the Participant until such time that the payments would be deductible by the Company. Provided, however, that no payment postponed pursuant to this Section 4.7 shall be postponed beyond the first anniversary of such Participant's Termination of Service.

4.8 Change of Control and Lump Sum Payments.

- (a) If there is a Change of Control, notwithstanding any other provision of this Plan, any Participant who has a Deferred Benefit Account hereunder may, at any time during a twenty-four (24) month period immediately following a Change of Control, elect to receive an immediate lump sum payment of the balance of his or her Deferred Benefit Account, reduced by a penalty equal to ten percent (10%) of the Participant's Deferred Benefit Account as of the Determination Date. The ten percent (10%) penalty shall be permanently forfeited and shall not be paid to, or in respect of, the Participant.
- (b) If there is a Change of Control, notwithstanding any other provision of this Plan, any retired or disabled Participant, or Beneficiary, who has a Deferred Benefit Account hereunder may, at any time during a twenty-four (24) month period immediately following a Change of Control, elect to receive an immediate lump sum payment of the balance of his or her Deferred Benefit Account, reduced by a penalty equal to five percent (5%) of the Participant's Deferred Benefit Account as of the Determination Date. The five percent (5%) penalty of the retired or disabled Participant's or Beneficiary's Deferred Benefit Account shall be permanently forfeited and shall not be paid to, or in respect of, the retired or disabled Participant or Beneficiary.
- (c) In the event no such request is made by a Participant, a retired or disabled Participant or Beneficiary, the Plan and Agreement shall remain in full force and effect.

4.9 Change In Credit Rating and Lump Sum Payments.

In the event the Company's financial rating falls below Investment Grade, a Participant, retired or disabled Participant, or Beneficiary may at any time during a six (6) month period following the reduction in the Company's financial rating, elect to receive an immediate lump sum payment of the balance of his or her Deferred Benefit Account reduced by a penalty equal to ten percent (10%) of the Participant's Deferred Benefit Account or five percent (5%) of the retired or disabled Participant's or Beneficiary's Deferred Benefit Account. The penalties accrued hereunder shall be permanently forfeited and shall not be paid to, or in respect of, the Participant, retired or disabled Participant or Beneficiary.

In the event no such request is made by a Participant, retired or disabled Participant or Beneficiary, the Plan and Agreement shall remain in full force and effect.

4.10 Tax Withholding. To the extent required by law in effect at the time payments are made, the Company shall withhold any taxes required to be withheld by any Federal, State or local government.

4.11 Commencement of Payments. Unless otherwise provided, commencement of payments under this Plan shall be as soon as administratively feasible on or after the Determination Date after receipt of notice by the Committee of an event which entitles a Participant or a Beneficiary to payments under this Plan.

4.12 Recipients of Payments: Designation of Beneficiary. All payments to be made by the Company under the Plan shall be made to the Participant during his or her lifetime, provided that if the Participant dies prior to the completion of such payments, then all subsequent payments under the Plan shall be made by the Company to the Beneficiary determined in accordance with this Section. The Participant may designate a Beneficiary by filing a written notice of such designation with the Committee in such form as the Committee requires and may include contingent Beneficiaries. The Participant may from time-to-time change the designated Beneficiary by filing a new designation in writing with the Committee. If no designation is in effect at the time when any benefits payable under this Plan shall become due, the Beneficiary shall be the spouse of the Participant, or if no spouse is then living, the representatives of the Participant's estate.

V. CLAIMS FOR BENEFITS PROCEDURE

5.1 Claim for Benefits. Any claim for benefits under the Plan shall be made in writing to any member of the Committee. If such claim is wholly or partially denied by the Committee, the Committee shall, within a reasonable period of time, but not later than sixty (60) days after receipt of the claim, notify the claimant of the denial of the claim. Such notice of denial shall be in writing and shall contain:

- (a) The specific reason or reasons for denial of the claim;
- (b) A reference to the relevant Plan provisions upon which the denial is based;
- (c) A description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and
- (d) An explanation of the Plan's claim review procedure.

If no such notice is provided, the claim shall be deemed to have been denied.

5.2 Request for Review of a Denial of a Claim for Benefits. Upon the receipt by the claimant of written notice of denial of the claim, the claimant may file a written request to the Committee, requesting a review of the denial of the claim, which review shall include a hearing if deemed necessary by the Committee. In connection with the claimant's appeal of the denial of his or her claim, he or she may review relevant documents and may submit issues and comments in writing.

5.3 Decision Upon Review of Denial of Claim for Benefits. The Committee shall render a decision on the claim review promptly, but no more than sixty (60) days after the receipt of the claimant's request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time, in which case the sixty (60) day period shall be extended to 120 days. Such decision shall:

- (a) Include specific reasons for the decision;
- (b) Be written in a manner calculated to be understood by the claimant; and

(c) Contain specific references to the relevant Plan provisions upon which the decision is based.

The decision of the Committee shall be final and binding in all respects on both the Company and the claimant.

VI. ADMINISTRATION

- 6.1 Committee. The Plan shall be administered by the Committee. The Committee shall elect one of its members as chairman. Members of the Committee shall not receive compensation for their services. Committee expenses shall be paid by the Company. Members of the Committee or agents of the Committee may be Participants under the Plan. No member of the Committee who is also a Participant shall be involved in the decisions of the Committee regarding any determination of any claim for benefit with respect to himself or herself.
- 6.2 General Rights, Powers, and Duties of Committee. The Committee shall be responsible for the management, operation, and administration of the Plan. The Committee may designate a Committee member or an officer of the Company as Plan Administrator. Absent such delegation, the Committee shall be the Plan Administrator. The Plan Administrator shall perform duties as designated by the Committee. In addition to any powers, rights and duties set forth elsewhere in the Plan, it shall have the following powers and duties:
- (a) To adopt such rules and regulations consistent with the provisions of the Plan as it deems necessary for the proper and efficient administration of the Plan;
 - (b) To administer the Plan in accordance with its terms and any rules and regulations it establishes;
 - (c) To maintain records concerning the Plan sufficient to prepare reports, returns and other information required by the Plan or by law;
 - (d) To construe and interpret the Plan including any doubtful or contested terms and resolve all questions arising under the Plan;
 - (e) To direct the Company to pay benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan;
 - (f) To employ or retain agents, attorneys, actuaries, accountants or other persons, who may also be Participants in the Plan or be employed by or represent the Company, as it deems necessary for the effective exercise of its duties, and may delegate to such agents any power and duties, both ministerial and discretionary, as it may deem necessary and appropriate; and

- (g) To be responsible for the preparation, filing and disclosure on behalf of the Plan of such documents and reports as are required by any applicable Federal or State law.
- 6.3 Information to be Furnished to Committee. The Company shall furnish the Committee such data and information as it may require. The records of the Company shall be determinative of each Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment, Years of Service, personal data, and Salary and Bonus reductions. Participants and their Beneficiaries shall furnish to the Committee such evidence, data, or information, and execute such documents as the Committee requests.
- 6.4 Responsibility. No member of the Committee, the Compensation Committee or the Board of Directors of the Company shall be liable to any person for any action taken or omitted in connection with the administration of this Plan.
- 6.5 Committee Review. Any action on matters within the discretion of the Committee shall be final and conclusive as to all Participants, retired Participants, disabled Participants, Beneficiaries and other persons claiming rights under the Plan. The Committee shall exercise all of the powers, duties and responsibilities set forth hereunder in its sole discretion.

VII. AMENDMENT AND TERMINATION

- 7.1 Amendment. The Plan may be amended in whole or in part by either the Board of Directors or the Compensation Committee at any time. Notice of any such amendment shall be given in writing to the Committee and to each Participant and each Beneficiary. No amendment shall decrease the value of a Participant's Deferred Benefit Account.
- 7.2 Company's Right to Terminate. The Board of Directors may terminate the Plan and may terminate any Agreements pertaining to the Participant at any time after the Effective Date of the Plan. In the event of any such termination, the Participant shall be entitled to the amount of his or her Deferred Benefit Account determined under Section 3.7 as of the date of any such termination. Such benefit shall be paid to the Participant in quarterly installments over a period of no more than ten (10) years, except that the Company, in its sole discretion, may pay out such benefit in a lump sum or in installments over a period shorter than ten (10) years.

VII. MISCELLANEOUS

- 8.1 No Implied Rights; Rights on Termination of Service. Neither the establishment of the Plan nor any amendment thereof shall be construed as giving any Participant, retired Participant, disabled Participant, Beneficiary, or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Company in accordance with the terms and provisions of the Plan. Except as expressly provided in this Plan, the Company shall not be required or be liable to make any payment under the Plan.

- 8.2 No Right to Company Assets. Neither the Participant nor any other person shall acquire by reason of the Plan any right in or title to any assets, funds or property of the Company whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside. Any benefits which become payable hereunder shall be paid from the general assets of the Company. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Company. Nothing contained in the Plan constitutes a guarantee by the Company that the assets of the Company shall be sufficient to pay any benefit to any person.
- 8.3 No Employment Rights. Nothing herein shall constitute a contract of employment or of continuing service or in any manner obligate the Company to continue the services of the Participant, or obligate the Participant to continue in the service of the Company, or as a limitation of the right of the Company to discharge any of its employees, with or without cause. Nothing herein shall be construed as fixing or regulating the Salary and Bonus payable to the Participant.
- 8.4 Offset. If, at the time payments or installments of payments are to be made hereunder, the Participant, retired Participant, disabled Participant, or the Beneficiary are indebted or obligated to the Company, then the payments remaining to be made to the Participant, retired Participant, disabled Participant, or the Beneficiary may, at the sole discretion of the Company, be reduced by the amount of such indebtedness or obligation, provided, however, that an election by the Company not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation.
- 8.5 Non-assignability. Neither the Participant nor any other person shall have any voluntary or involuntary right to commute, sell, assign, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall be, prior to actual payment, subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by the Participant or any other person, or be transferable by operation of law in the event of the Participant's or any other person's bankruptcy or insolvency.
- 8.6 Successors, Mergers, and Consolidations. The Plan and any Agreement thereunder shall inure to the benefit of and be binding upon (i) the Company and its successors and assigns, including without limitation, any corporation into which the Company may be merged or consolidated, or which acquires all or substantially all of the assets and business of the Company and (ii) the Participant and his or her heirs, executors, administrators and legal representatives.
- 8.7 Notice. Any notice required or permitted to be given under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, and if given to the Company, delivered to the principal office of the Company, directed to the attention of the Committee. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.
- 8.8 Governing Laws. The Plan shall be construed and administered according to the laws of the State of Wisconsin.

**SUPPLEMENTAL BENEFIT PLAN
TO THE
KIMBERLY-CLARK CORPORATION
PENSION PLAN**

Amended and Restated Effective as of December 31, 2005

This Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan (the "Plan") is intended to be an unfunded "excess benefit plan" within the meaning of Section 3(36) and 4(b)(5) of the Employee Retirement Income Security Act of 1974. As such, the purpose of this Plan is solely to provide benefits to participants in the Kimberly-Clark Corporation Pension Plan as amended and restated from time to time (the "Retirement Plan"), which exceed the limitation on benefits imposed by Section 415 of the Internal Revenue Code of 1986, or any comparable provision of any future legislation which amends, supplements or supersedes that Section ("Section 415 of the Code").

The terms and provisions of this Plan are as follows:

1. Each term which is used in this Plan and also used in the Retirement Plan shall have the same meaning herein as under the Retirement Plan. Notwithstanding the above, for purposes of this Plan, where the following words and phrases appear in this Plan they shall have the respective meanings set forth below unless the context clearly indicates otherwise:
 - (a) **Benefit:** A benefit payable pursuant to, and determined in accordance with the provisions of this Plan.
 - (b) **Change of Control:** A Change of Control shall be 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 percent 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, the persons who were directors of the Corporation before the transaction shall cease to constitute a majority of the Board of Directors of the Corporation or any successor to the Corporation.
 - (c) "Grandfathered Benefit" shall mean the portion of the Benefit considered deferred under this Plan on or before December 31, 2004 as determined in accordance with Section 409A of the Code and the guidance promulgated thereunder.

- (d) Investment Grade: A bond rating of BBB minus, or its equivalent, by one of the nationally recognized rating agencies.
- (e) Lump Sum Payment: A form of benefit payable as a lump sum cash payment, actuarially determined based on the rate of interest equivalent to the yield on a 30-year Treasury Bond as published in the Federal Reserve Statistical Release for the week that contains the first business day of the month prior to the date such Lump Sum payment is payable under this Plan, or such other rate as determined pursuant to uniform Committee rules, and the mortality table set forth for determining actuarial equivalent benefits under Section 10.1(a) of the Retirement Plan, and (i) in the case of a lump sum payment pursuant to Section 4(a) or (b) of this Plan, based on the Participant's Benefit payable from this plan and his age at the date of such lump sum payment, and (ii) in the case of a lump sum payment pursuant to Section 4(c) or 4(d) of this Plan, based on the Participant's Benefit payable under this Plan, the earliest age at which his Benefit from the Retirement Plan could commence if he terminated employment, and the early retirement reduction factor applicable at such age of commencement. Notwithstanding the foregoing, the 30-year Treasury Bond yield shall be used in determining a lump sum cash payment so long as such rate is published by the Federal Reserve. In the event that the Federal Reserve ceases to publish the 30-year Treasury Bond rate, a lump sum cash payment will be actuarially determined based on the rate of interest equivalent to the yield on the longest term Treasury Bond published in the Federal Reserve Statistical Release which is no more than 30-years but not less than for a 10-year term.
- (f) Participant: A participant in the Retirement Plan who (i) is a "managerial or highly compensated employee" of an Employer, within the meaning of Title I of ERISA, and (ii) is eligible to receive a Benefit upon his termination of employment.
- (g) "Timely Elected" shall mean as follows:
 - (i) For payments which commence under the Retirement Plan prior to January 1, 1996, the Participant has elected to receive such Lump Sum Payment either (aa) in the calendar year prior to the year in which the payments are eligible to commence under the Retirement Plan or (bb) at least 90 days prior to the date such Lump Sum payment is payable under this Supplemental Benefit Plan;
 - (ii) For payments which commence under the Retirement Plan on or after January 1, 1996 and prior to February 18, 2002, the Participant has elected to receive such Lump Sum Payment no

later than the earlier of (aa) the calendar year prior to the year in which the payments are eligible to commence under the Retirement Plan, (bb) at least 90 days prior to the date such Lump Sum payment is payable under this Supplemental Benefit Plan or (cc) for Participants who terminate employment prior to having attained age 55, the calendar year in which the Participant attained age 54.

- (iii) For payments which commence under the Retirement Plan on or after February 18, 2002 the Participant has elected to receive such Lump Sum Payment no later than the calendar year prior to the year in which the payments are eligible to commence under the Retirement Plan.
 - (iv) In the event of the death of the Participant who has not commenced payments under this Supplemental Benefit Plan, the Participant's surviving spouse or designated beneficiary, as the case may be may, with the consent of the Retirement Trust Committee, elect a Lump Sum Payment in writing no later than thirty (30) days after the Participant's date of death.
 - (v) In the event that a Participant terminates service due to a Disability as described in Section 4.5, the Participant may, with the consent of the Retirement Trust Committee, elect a Lump Sum Payment in writing no later than thirty (30) days after the date the Participant is determined to be disabled by the Committee for the Pension Plan.
2. So long as a Pensioner (or the spouse or designated beneficiary, as the case may be of a former Employee) shall be entitled to receive benefits under the Retirement Plan, there shall be paid under this Plan to such Pensioner (or such spouse or designated beneficiary, as the case may be) such amounts of Disability Benefit, Basic Benefit, Optional Joint and Survivor Benefit, Pensioners Benefit, Survivors Benefit, Optional Years Certain and Life Benefit, Deferred Benefit, Automatic Survivor's Benefit, and any other benefits including benefits distributed upon termination of the Plan (as the case may be) as would have been paid to such person under the Retirement Plan without regard to the limitation on benefits imposed by Section 415 of the Code, but only to the extent that the amount of such benefits exceeds such limitation. Except as provided in Section 4, such amounts relating to Grandfathered Benefits shall be paid to such person on the same terms and conditions, at the same times, and pursuant to the same elections made by the Employee, as they would have been if paid under the Retirement Plan, were it not for such limitation on benefits. Any portion of a Participant's Benefit which is not a Grandfathered Benefit shall be paid as a Lump Sum Payment pursuant to Section 4.
3. The Employer may enter into a contract with any Employee who it is projected will be entitled to receive benefits under this Plan, or with any Pensioner (or any spouse or designated beneficiary) who is entitled to receive benefits under this

Plan, stipulating the terms and manner of payments to be made under this Plan, but the entitlement of a Pensioner (or spouse or designated beneficiary) to receive benefits under this Plan shall not be conditioned upon the entering into of such a contract prior to the entitlement to benefits under this Plan.

4. Notwithstanding any other provision of the Retirement Plan, a Participant (or surviving spouse or designated beneficiary, as the case may be) shall be entitled to elect to receive his Grandfathered Benefit payable under Section 2 as a Lump Sum Payment (subject to any applicable payroll or other taxes required to be withheld) under the following circumstances:
- (a) The Participant (or surviving spouse or designated beneficiary, as the case may be) has Timely Elected to receive such Lump Sum Payment;
 - (b) the Corporation experiences a Change in Control; or
 - (c) the Corporation's long-term credit rating falls below Investment Grade.

If a Participant (or surviving spouse or designated beneficiary, as the case may be) elects a Lump Sum Payment pursuant to subsection 4(a) above, such election is subject to approval by the Retirement Trust Committee in its sole discretion. In addition, the Lump Sum Payment shall be payable at the same time as the payments are eligible to commence under the Retirement Plan.

If a Participant (or surviving spouse or designated beneficiary, as the case may be) elects a Lump Sum Payment pursuant to subsections 4(b) or 4(c) above, the Lump Sum Payment shall be reduced for active Employees by a penalty equal to ten percent (10%) of the Grandfathered Benefit otherwise payable and for former Employees (or spouses or designated beneficiaries) by a penalty equal to five percent (5%) of the Grandfathered Benefit otherwise payable. Such penalty shall be permanently forfeited and shall not be paid to, or in respect of, the Employee, former Employee, or spouse or designated beneficiary. In addition, such election must be made within two years after a Change in Control or within 90 days after the date the Corporation's long-term credit rating falls below Investment Grade. Such Lump Sum Payment shall be paid within thirty days of the date of election.

Notwithstanding any other provisions of this Plan to the contrary, except where waived by the Participant's spouse as required under the provisions of the Retirement Plan, all Grandfathered Benefits payable to a Participant shall be paid in the same form as the benefits would be payable under the Retirement Plan. Provided, however, for each Participant whose employment terminates after February 18, 2002, if the amount of the Lump Sum Distribution, calculated as if such Participant (or surviving spouse or designated beneficiary, as the case may be) had made an election to receive a Lump Sum Distribution at the earliest time that such person could have made an election under subsection 4(a), does not exceed \$25,000, then such Lump Sum Distribution shall be paid at the earliest time such person could have made an election under subsection 4(a).

Notwithstanding any other provision in this Plan, any portion of a Participant's Benefit which is not a Grandfathered Benefit shall automatically be paid as a Lump Sum Payment. Such payment shall be made following the date which is six months after the Participant's separation from service (or, if earlier the date of death of the Participant).

Notwithstanding any other provisions of this Supplemental Benefit Plan to the contrary, (i) in the event that a portion of the Lump Sum Payment of a Grandfathered Benefit due a Participant pursuant to this Section 4 would not be deductible by the Company pursuant to Section 162(m) of the Code, the Company, at its discretion, may postpone payment of such amounts to the Participant until such time that the payments would be deductible by the Company, (ii) in the event that a portion of the Lump Sum Payment of a Participant's Benefit which is not a Grandfathered Benefit due a Participant pursuant to this Section 4 would not be deductible by the Company pursuant to Section 162(m) of the Code, the payment will be delayed where the Company reasonably anticipates that the Company's deduction with respect to such payment otherwise would be limited or eliminated by application of section 162(m); provided that the payment shall be made either at the earliest date at which the Company reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of section 162(m). Provided, however, that no payment postponed pursuant to this subsection 4 shall be postponed beyond the first anniversary of the date such Participant terminated employment. Any Lump Sum Payment postponed pursuant to this subsection 4 shall include interest for the period such Lump Sum Payment is postponed at a per annum rate equal to the six-month U.S. Treasury Bill secondary market rate as published by the Federal Reserve Board for the calendar week ending prior to January 1 (for terminations of employment in either of the two subsequent fiscal quarters ending March 31 or June 30) or prior to July 1 (for terminations of employment in either of the two subsequent fiscal quarters ending on September 30 or December 31), or such other rate as determined pursuant to uniform Committee rules.

5. If a Participant has received a Lump Sum Payment pursuant to Section 4 above, such Participant may accrue an additional Benefit under this Plan after the date of such Lump Sum Payment, provided, however, that such future participation shall not result in duplication of benefits. Accordingly, if he has received a distribution of a Benefit under the Plan by reason of prior participation, his Benefit shall be reduced by the actuarial equivalent (at the date of the later distribution) of the present value of the Benefit previously paid hereunder.
6. This Plan shall not be a funded plan, and the Corporation shall be under no obligation to set aside any funds for the purpose of making payments under this Plan. Any payments hereunder shall be made out of the general assets of the Employer.
7. The Corporation by action of the Board of Directors, shall have the right at any time to amend this Plan in any respect, or to terminate this Plan; provided, however, that no such amendment or termination shall be effective to the extent

it eliminates or reduces any “Section 411(d)(6) protected benefit” or adds or modifies conditions relating to “Section 411(d)(6) protected benefits” the result of which is a further restriction on such benefit unless such protected benefits are preserved with respect to benefits accrued as of the later of the adoption date or effective date of the amendment. “Section 411(d)(6) protected benefits” are benefits described in Section 411(d)(6)(A) of the Internal Revenue Code of 1986, early retirement benefits and retirement-type subsidies, and optional forms of benefit.

8. The Committee under the Retirement Plan, as constituted from time to time, shall administer this Plan and shall have the same powers and duties, and shall be subject to the same limitations as are set forth in the Retirement Plan.
9. Subject to the provisions of Section 5, this Plan shall terminate when the Retirement Plan terminates.

**SECOND SUPPLEMENTAL BENEFIT PLAN
TO THE
KIMBERLY-CLARK CORPORATION
PENSION PLAN**

Amended and Restated Effective as of December 31, 2005

1. Use of Defined Terms. Capitalized terms used herein have the respective meanings ascribed to such terms as set forth in Section 6 below.
2. Purpose. The Second Supplemental Benefit Plan is for the purpose of providing Participants and their Beneficiaries with such benefits, in addition to the Retirement Plan and the Supplemental Plan, as are necessary to fulfill the intent of the Retirement Plan without regard to Section 415 of the Code or any dollar limit imposed by the Code on the amount of compensation considered under the Retirement Plan. It is intended that the Second Supplemental Benefit Plan constitute an unfunded plan of deferred compensation for a select group of management or highly compensated employees, within the meaning of Title I of ERISA.
3. Benefit. The Benefit of a Participant or a Survivor under the Second Supplemental Benefit Plan shall be the difference between:
 - (a) the monthly amount payable under the Retirement Plan, which monthly amount shall be calculated (i) without regard to Article XI of the Retirement Plan and (ii) using the term Earnings defined as set forth in Section 6(f) of the Second Supplemental Benefit Plan below; less
 - (b) the sum of (i) the monthly amount payable under the Retirement Plan and (ii) the monthly amount payable under the Supplemental Plan.
4. Lump Sum Payments.
 - (a) Notwithstanding any other provision of the Retirement Plan, a Participant (or surviving spouse or designated beneficiary, as the case may be) shall be entitled to elect to receive his Grandfathered Benefit payable under Section 3 as a Lump Sum Payment (subject to any applicable payroll or other taxes required to be withheld) under the following circumstances:
 - (i) The Participant (or surviving spouse or designated beneficiary, as the case may be) has Timely Elected to receive such Lump Sum Payment;
 - (ii) the Corporation experiences a Change of Control; or
 - (iii) the Corporation's long-term credit rating falls below Investment Grade.

- (b) If a Participant (or surviving spouse or designated beneficiary, as the case may be) elects a Lump Sum Payment pursuant to subsection 4(a)(i) above, such election is subject to approval by the Retirement Trust Committee in its sole discretion. In addition, the Lump Sum Payment shall be payable at the same time as the payments are eligible to commence under the Retirement Plan.
- (c) If a Participant (or surviving spouse or designated beneficiary, as the case may be) elects a Lump Sum Payment pursuant to subsections 4(a)(ii) or 4(a)(iii) above, the Lump Sum Payment shall be reduced for active employee Participants by a penalty equal to ten percent (10%) of the Benefit otherwise payable and for a former employee, or a surviving spouse or designated beneficiary, by a penalty equal to five percent (5%) of the Grandfathered Benefit otherwise payable. Such penalty shall be permanently forfeited and shall not be paid to or in respect of, the Participant or surviving spouse or designated beneficiary. In addition, such election must be made within two years after a Change of Control or within 90 days after the date the Corporation's long-term credit rating falls below Investment Grade. Such Lump Sum Payment shall be made within thirty days of the date of election.
- (d) Notwithstanding any other provision in this Plan, any portion of a Participant's Benefit which is not a Grandfathered Benefit shall automatically be paid as a Lump Sum Payment. Such payment shall be made following the date which is six months after the Participant's separation from service (or, if earlier the date of death of the Participant).
- (e) If a Participant has received a Lump Sum Payment pursuant to this Section 4, such Participant may accrue an additional Benefit under this Plan after the date of such Lump Sum Payment, provided, however, that such future participation shall not result in duplication of benefits. Accordingly, if he has received a distribution of a Benefit under the Plan by reason of prior participation, his Benefit shall be reduced by the actuarial equivalent (at the date of the later distribution) of the present value of the Benefit previously paid hereunder.
- (f) Notwithstanding any other provisions of this Second Supplemental Benefit Plan to the contrary, (i) in the event that a portion of the Lump Sum Payment of a Grandfathered Benefit due a Participant pursuant to this Section 4 would not be deductible by the Company pursuant to Section 162(m) of the Code, the Company, at its discretion, may postpone payment of such amounts to the Participant until such time that the payments would be deductible by the Company, (ii) in the event that a portion of the Lump Sum Payment of a Participant's Benefit which is not a Grandfathered Benefit due a Participant pursuant to this Section 4 would not be deductible by the Company pursuant to Section 162(m) of the Code, the payment will be delayed where the Company reasonably anticipates that the Company's deduction with respect to such payment otherwise would be limited or eliminated by application of section

162(m); provided that the payment shall be made either at the earliest date at which the Company reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of section 162(m). Provided, however, that no payment postponed pursuant to this subsection 4(f) shall be postponed beyond the first anniversary of the date such Participant terminated employment. Any Lump Sum Payment postponed pursuant to subsection 4(d) or 4(f) shall include interest for the period such Lump Sum Payment is postponed at a per annum rate equal to the six-month U.S. Treasury Bill secondary market rate as published by the Federal Reserve Board for the calendar week ending prior to January 1 (for terminations of employment in either of the two subsequent fiscal quarters ending March 31 or June 30) or prior to July 1 (for terminations of employment in either of the subsequent fiscal quarters ending on September 30 or December 31), or such other rate as determined pursuant to uniform Committee rules.

- (g) Notwithstanding any other provisions of this Plan to the contrary, except where waived by the Participant's spouse as required under the provisions of the Retirement Plan, all Grandfathered Benefits payable to a Participant shall be paid in the same form as the benefits would be payable under the Retirement Plan. Provided, however, for each Participant whose employment terminates after February 18, 2002, if the amount of the Lump Sum Distribution, calculated as if such Participant (or surviving spouse or designated beneficiary, as the case may be) had made an election to receive a Lump Sum Distribution at the earliest time that such person could have made an election under subsection 4(a)(i), does not exceed \$25,000, then such Lump Sum Distribution shall be paid at the earliest time such person could have made an election under subsection 4(a)(i).

- 5. Amendment and Termination. The Corporation, by action of its Board of Directors, may amend the Second Supplemental Benefit Plan in any respect, or terminate the Second Supplemental Benefit Plan; provided, however, that no such amendment or termination shall be effective to the extent it eliminates or reduces any "Section 411(d)(6) protected benefit" or adds or modifies conditions relating to "Section 411(d)(6) protected benefits" the result of which is a further restriction on such benefit unless such protected benefits are preserved with respect to benefits accrued as of the later of the adoption date or effective date of the amendment. "Section 411(d)(6) protected benefits" are benefits described in Section 411(d)(6)(A) of the Internal Revenue Code of 1986, early retirement benefits and retirement-type subsidies, and optional forms of benefit.

- 6. Definitions. The following capitalized terms shall have the respective meanings set forth below:

- (a) "Benefit" shall mean a benefit payable pursuant to, and determined in accordance with the provisions of the Second Supplemental Benefit Plan.
- (b) "Change of Control" shall mean that: (i) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, has acquired

shares of the Corporation having 20 percent 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, the persons who were directors of the Corporation before the transaction have ceased to constitute a majority of the Board of Directors of the Corporation or any successor to the Corporation.

- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (d) "Corporation" shall mean Kimberly-Clark Corporation, and any successor corporation.
- (e) "Committee" shall mean the Committee named under the Retirement Plan.
- (f) "Earnings" shall mean compensation paid by one or more of the designated affiliated companies shown in Appendix B of the Retirement Plan for personal services rendered to one or more of such companies (before any withholding required by law or authorized by the person to whom such compensation is payable), including overtime, bonuses, incentive compensation, Regular Deferred Deposits and special Deferred Deposits under the Kimberly-Clark Corporation Salaried Employees' Incentive Investment Plan, and any salary or bonus, or both, deferred under the Kimberly-Clark Corporation Deferred Compensation Plan, but excluding any payments in lieu of vacation, severance payments, compensation paid in a form other than cash (such as goods, services, and, except as otherwise provided herein, contributions to employee benefit programs), service or suggestion awards, and all other special or unusual compensation of any kind.

Notwithstanding the above, for Plan Years of the Retirement Plan beginning on or after January 1, 1980, in the case of a Participant on foreign assignment, as determined by the Employer pursuant to rules adopted by the Committee, earnings shall be base salary, as determined by the Participant's Employer pursuant to rules adopted by the committee (without regard to any limitation under Section 401(a)(17) of the Code) plus overtime, bonuses, incentive compensation, and Regular Deferred Deposits and Special Deferred Deposits under the Kimberly-Clark Corporation Salaried Employees' Incentive Investment Plan, and any salary or bonus, or both, deferred under the Kimberly-Clark Corporation Deferred Compensation Plan, but shall exclude foreign service premium, cost of living adjustments, housing payments, tax equalization payments, payments in lieu of vacation, severance payments, compensation in a form other than cash (such as goods, services, and, except as otherwise provided herein, contributions to employee benefit programs), service or suggestion award and all other special or unusual compensation of any kind.

- (g) "Employer" shall mean a participating employer shown in Appendix A of the Retirement Plan.
- (h) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.
- (i) "Grandfathered Benefit" shall mean the portion of the Benefit considered deferred under this Plan on or before December 31, 2004 as determined in accordance with Section 409A of the Code and the guidance promulgated thereunder.
- (j) "Investment Grade" shall mean a bond rating of BBB minus, or its equivalent, by one of the nationally recognized rating agencies.
- (k) "Lump Sum Payment" shall mean a form of benefit payable as a lump sum cash payment, actuarially determined based on the rate of interest equivalent to the yield on a 30-year Treasury Bond as published in the Federal Reserve Statistical Release for the week that contains the first business day of the month prior to the date such Lump Sum payment is payable under this Second Supplemental Benefit Plan, or such other rate as determined pursuant to uniform Committee rules, and the mortality table set forth for determining actuarial equivalent benefits under Section 10.1(a) of the Retirement Plan, and (i) in the case of a lump sum payment pursuant to subsection 4(a)(i) of this Plan, based on the Participant's Benefit payable from this Plan and his age at the date of such lump sum payment, and (ii) in the case of a lump sum payment pursuant to subsections 4(a)(ii) or 4(a)(iii) of this Plan, based on the Participant's Benefit payable under this plan, the earliest age at which his Benefit from the Retirement Plan could commence if he terminated employment, and the early retirement reduction factor applicable at such age of commencement. Notwithstanding the foregoing, the 30-year Treasury Bond yield shall be used in determining a lump sum cash payment so long as such rate is published by the Federal Reserve. In the event that the Federal Reserve ceases to publish the 30-year Treasury Bond rate, a lump sum cash payment will be actuarially determined based on the rate of interest equivalent to the yield on the longest term Treasury Bond published in the Federal Reserve Statistical Release which is no more than 30-years but not less than for a 10-year term.
- (l) "Participant" shall mean a participant in the Retirement Plan who (i) is a "managerial or highly compensated employee" of an Employer, within the meaning of Title I of ERISA, and (ii) has earnings in excess of the limit provided under Section 401(a)(17) of the Code for any calendar year in which the Participant participates in the Retirement Plan, except that no individual shall be a participant herein to the extent that such participation is precluded by an agreement between the Corporation and such individual or such individual is subject to a separate agreement regarding deferred compensation which provides for similar benefits.

- (m) "Retirement Plan" shall mean the Kimberly-Clark Corporation Pension Plan, or any successor defined benefit pension plan.
- (n) "Second Supplemental Benefit Plan" shall mean the Second Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan.
- (o) "Supplemental Plan" shall mean the Supplemental Benefit Plan to the Kimberly-Clark Corporation Pension Plan, or any successor to such plan.
- (p) "Survivor" shall refer to any of a Designated Beneficiary, surviving spouse or Surviving Minor Children of a Participant, within the meaning of the Retirement Plan.
- (q) "Timely Elected" shall mean as follows:
 - (i) For payments which commence under the Retirement Plan prior to January 1, 1996, the Participant has elected to receive such Lump Sum Payment either (aa) in the calendar year prior to the year in which the payments are eligible to commence under the Retirement Plan or (bb) at least 90 days prior to the date such Lump Sum payment is payable under this Second Supplemental Benefit Plan;
 - (ii) For payments which commence under the Retirement Plan on or after January 1, 1996 and prior to February 18, 2002 the Participant has elected to receive such Lump Sum Payment no later than the earlier of (aa) the calendar year prior to the year in which the payments are eligible to commence under the Retirement Plan, (bb) at least 90 days prior to the date such Lump Sum payment is payable under this Second Supplemental Benefit Plan or (cc) for Participants who terminate employment prior to having attained age 55, the calendar year in which the Participant attained age 54.
 - (iii) For payments which commence under the Retirement Plan on or after February 18, 2002 the Participant has elected to receive such Lump Sum Payment no later than the calendar year prior to the year in which the payments are eligible to commence under the Retirement Plan.
 - (iv) In the event of the death of the Participant who has not commenced payments under this Second Supplemental Benefit Plan, the Participant's surviving spouse or designated beneficiary, as the case may be may, with the consent of the Retirement Trust Committee, elect a Lump Sum Payment in writing no later than thirty (30) days after the Participant's date of death.

- (v) In the event that a Participant terminates service due to a Disability as described in Section 4.5 of the Retirement Plan, the Participant may, with the consent of the Retirement Trust Committee, elect a Lump Sum Payment in writing no later than thirty (30) days after the date the Participant is determined to be disabled by the Committee for the Pension Plan.

7. Miscellaneous

- (a) The Corporation is the Plan Sponsor and Named Fiduciary of the Second Supplemental Benefit Plan, within the meaning of ERISA.
- (b) The Committee shall administer the Second Supplemental Benefit Plan and shall have the same power and duties, and shall be subject to the same limitations, as are set forth in the Retirement Plan.
- (c) An application or claim for a benefit under the Retirement Plan, or an election to receive his benefit in a Lump Sum Payment, shall constitute a claim for a Benefit under the Second Supplemental Benefit Plan.

KIMBERLY-CLARK CORPORATION
RETIREMENT CONTRIBUTION EXCESS BENEFIT PROGRAM

Amended and Restated effective December 31, 2005

In recognition of the valuable services provided to Kimberly-Clark Corporation (the "Corporation"), and its subsidiaries, by its employees, the Board of Directors of the Corporation (the "Board") wishes to provide additional retirement benefits to those individuals whose benefits under the Kimberly-Clark Corporation Retirement Contribution Plan (the "RCP") are restricted by the operation of the provisions of the Internal Revenue Code of 1986, as amended. It is the intent of the Corporation to provide these benefits under the terms and conditions hereinafter set forth. This Program is intended to encompass two plans, (i) an "excess benefit plan" within the meaning of Section 3(36) of Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and, as such, to be exempt from all of the provisions of ERISA pursuant to Section 4(b)(5) thereof and (ii) a non-qualified supplemental retirement plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Corporation, pursuant to Sections 201, 301 and 401 of ERISA and, as such, exempt from the provisions of Parts II, III and IV of Title I of ERISA.

ARTICLE 1

Definitions

Each term which is used in this Program and also used in the RCP shall have the same meaning herein as the RCP.

Notwithstanding the above, for purposes of this Program, where the following words and phrases appear in this Program they shall have the respective meanings set forth below unless the context clearly indicates otherwise:

1.1 "Beneficiary" means the person or persons who under this Program becomes entitled to receive a Participant's interest in the event of the Participant's death. The Beneficiary need not be the same as the beneficiary under the RCP.

1.2 A "Change of Control" of the Corporation shall be 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, as amended, 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 Directors of the Corporation or any successor to the Corporation.

- 1.3 “Code” means the Internal Revenue Code for 1986, as amended and any lawful regulations or other pronouncements promulgated thereunder.
- 1.4 “Committee” means the Incentive Investment Plan Committee named under the Kimberly-Clark Corporation Salaried Employees Incentive Investment Plan.
- 1.5 “Earnings” means remuneration when paid, or would have been paid but for an Employee’s deferral election, to a Participant from a Participating Unit for personal services rendered to such Participating Unit (before any withholding required by law or authorized by the person to whom such remuneration is payable), including overtime, bonuses, incentive compensation, vacation pay, deducted military pay, state disability payments received, workers compensation payments received and, to the extent such deductions decrease the individual’s base pay, Before-Tax deferrals under the Kimberly-Clark Corporation Salaried Employee Incentive Investment Plan, contributions under the Kimberly-Clark Corporation Flexible Benefits Plan or any other plan described under Section 125 of the Code, and deferrals under the Kimberly-Clark Corporation Deferred Compensation Plan. Earnings shall exclude any severance payments (except as provided in Section 4.3 of the RCP), payments made under the Kimberly-Clark Corporation Equity Participation Plans, pay in lieu of vacation, compensation paid in a form other than cash (such as goods, services and, except as otherwise provided herein, contributions to employee benefit programs), service or suggestion awards, and all other special or unusual compensation of any kind; provided, however that the limitations on Earnings provided for pursuant to Code Sections 401(a)(17) shall not apply under this Program. Notwithstanding the foregoing, Earnings shall not include any remuneration paid to a Participant after payment of such individual’s Individual Account commences in accordance with Section 4.9 following the Participant’s Termination of Service.
- 1.6 “Effective Date” means January 1, 1997.
- 1.7 “Excess Plan” means the plan established as part of the Program for Participants whose Retirement Contributions to the RCP are limited solely by Code Section 415.
- 1.8 “Grandfathered Benefit” means the vested amount of the Participant’s Individual Account as of December 31, 2004, including earnings on such amount thereafter. Such amount shall be determined in accordance with Code Section 409A and any guidance promulgated thereunder.
- 1.9 “Individual Account” means the account established pursuant to Section 3.
- 1.10 “Investment Funds” means the phantom investment funds established under this Program which will accrue earnings as if the Participant’s Individual Account held actual assets which were invested in the appropriate Investment Fund as defined under the RCP.
- 1.11 “Participant” means any Employee who satisfies the eligibility requirements set forth in Section 2. In the event of the death or incompetency of a Participant, the term shall mean the Participant’s personal representative or guardian.
- 1.12 “Program” means the Kimberly-Clark Corporation Retirement Contribution Excess Benefit Program as set forth herein and as the same may be amended from time to time; provided, however, that the term “Excess Plan” or “SRP” may be used to refer to only one of the two plans encompassed within the Program.

1.13 "Retirement Date" means the date of Termination of Service of the Participant on or after he attains age 55 and has 5 Years of Service with the Corporation.

1.14 "RCP" means the Kimberly-Clark Corporation Retirement Contribution Plan, as in effect from time to time.

1.15 "SRP" means the plan established as part of the Program for Participants whose Retirement Contributions to the RCP are limited by the application of the rules, or regulations, of Code Section 401(a)(4) or the limitations of Code Section 401(a)(17), in either case alone or in conjunction with the limitations of Code Section 415 or whose Earnings are not fully taken into account in determining the Employee's Retirement Contributions to the RCP.

1.16 "Termination of Service" means the Participant's cessation of his service with the Corporation for any reason whatsoever, whether voluntarily or involuntarily, including by reasons of retirement or death.

ARTICLE 2

Eligibility

2.1 Any Employee who is a Participant in the RCP on or after the Effective Date and whose Retirement Contributions to the RCP are limited solely by Code Section 415 shall participate in the Excess Plan. Any other Employee who is a Participant in the RCP on or after the Effective Date and whose Retirement Contributions to the RCP are limited by the application of the rules, or regulations, of Code Section 401(a)(4) or the limitations of Code Section 401(a)(17), in either case alone or in conjunction with the limitations of Code Section 415 or whose Earnings are not fully taken into account in determining the Employee's Retirement Contributions to the RCP shall participate in the SRP; provided, however, that no Employee shall become a Participant in the SRP unless such Employee is a member of a select group of management or highly compensated Employees of the Corporation so that the SRP is maintained as a plan described in Section 201(2) of ERISA.

2.2 Notwithstanding any of the foregoing provisions of Article 2 to the contrary, any Employee who on the Effective Date is both an active employee of the Corporation or its subsidiaries and is a Participant in the Kimberly-Clark Tissue Company Defined Contribution Excess Benefit Program (the "KCTC Plan") must elect to participate in this Program and shall, pursuant to this election, as of the Effective Date, have the amount credited to the Participant's Individual Account under the KCTC Plan transferred to this Program. "Active employee" shall not include employees who are in transition assignments or who are on Limited Service as defined under the Scott Paper Company Termination Pay Plan for Salaried Employees.

ARTICLE 3

Individual Account

3.1 The Corporation shall create and maintain an unfunded Individual Account under the Excess Plan or the SRP, as applicable, for each Participant to which it shall credit the amounts described in this Article 3. Participants entitled to receive Retirement Contributions under the

RCP shall receive Retirement Contributions under the Excess Plan in an amount as would have been contributed for such Participant under the RCP without regard to the limitation on benefits imposed by Section 415 of the Code, and calculated using Earnings as defined in this Program, but only to the extent that such amount exceeds such limitations. In addition, each Participant shall receive Retirement Contributions under the SRP as would have been contributed for such Participant under the RCP without regard to the limitations on benefits imposed by Sections 401(a)(17) and 401(a)(4) of the Code, and calculated using Earnings as defined in this Program, but only to the extent that such amount exceeds the Retirement Contributions under the RCP. Such Retirement Contributions shall be made for each Participant on the same terms and conditions, at the same times, and pursuant to the same elections made by the Participant as they would have been if paid under the RCP, were not for such limitations on benefits or Earnings.

3.2 For the period prior to July 1, 1997, as of the last day of each calendar month, the Corporation shall credit each Participant's Individual Account with deemed interest with respect to the then balance of the Participant's Individual Account equal to 1% plus the rate shown for U.S. Treasury Notes with a remaining maturity closest to, but not exceeded, 7 years, in the "representative mid-afternoon over the counter quotations supplied by the Federal Reserve Bank of New York City, based on transactions of \$1 million or more," as reported in The Wall Street Journal published on the last business day of each calendar month; provided, however, the Committee may change this crediting rating at any time for deemed interest not yet credited to an Individual Account.

3.3 After June 30, 1997 and prior to June 29, 2000, each Participant's Retirement Contributions under this Program shall be considered allocated to the Investment Funds in the same proportion as the Participant has elected under the RCP pursuant to Section 6.1 thereof. Effective June 29, 2000, each Participant's Retirement Contributions under this Program shall be considered allocated to the Investment Funds according to the Participant's elections under this Program, independent of the Participant's elections under the RCP, provided that (i) such Participant's elections under this Program shall be made in the same or similar manner prescribed by the Committee for the RCP, and (ii) such Participant's elections under the RCP as of June 29, 2000 shall be carried over to this Program until such time as the Participant changes them hereunder.

3.4 After June 30, 1997 and prior to June 29, 2000, reallocations between Investment Funds shall be considered made at the same time, in the same proportionate amount, and to and from the same Investment Funds under this Program as those made by the Participant under Section 6.3 of the RCP; provided, however, that if such Participant has no account balance under the RCP, the Participant may make separate reallocation elections hereunder in a manner prescribed by the Committee. Effective June 29, 2000, reallocations between Investment Funds shall be considered made according to the Participant's elections under this Program, independent of the Participant's elections under the RCP, provided that (i) such Participant's elections under this Program shall be made in the same or similar manner prescribed by the Committee for the RCP, and (ii) such Participant's elections under the RCP as of June 29, 2000 shall be carried over to this Program until such time as the Participant changes them hereunder.

3.5 After June 30, 1997 and before June 29, 2000, the Corporation shall credit each Participant's Individual Account with earnings, gains and losses as if such accounts held actual assets and such assets were invested among such Investment Funds, in the same proportion

as the Participant has invested in the RCP; provided, however, that if such Participant has no account balance under the RCP, the Participant may make separate investment elections hereunder in the manner prescribed by the Committee. Effective June 29, 2000, the Corporation shall credit each Participant's Individual Account with earnings, gains and losses as if such accounts were invested among the Investment Funds according to the Participant's elections under this Program, independent of the Participant's elections under the RCP, provided that (i) such Participant's elections under this Program shall be made in the same or similar manner prescribed by the Committee for the RCP, and (ii) such Participant's elections under the RCP as of June 29, 2000 shall be carried over to this Program until such time as the Participant changes them hereunder.

ARTICLE 4

Distributions of Benefit Supplement

4.1 Retirement Benefit. Subject to Section 4.5 below, upon a Participant's Retirement Date, he shall be entitled to receive the amount of his Individual Account. The form of benefit payment, and the time of commencement of such benefit, shall be as provided in Section 4.4.

4.2 Termination Benefit. Upon the Termination of Service of a Participant prior to his Retirement Date, for reasons other than death, the Corporation shall pay to the Participant, a benefit equal to his Individual Account.

Unless otherwise directed by the Committee, the termination benefit shall be payable in a lump sum as set forth in Section 4.9 following the Participant's Termination of Service. Upon payment following a Termination of Service, the Participant shall immediately cease to be eligible for any other benefit provided under this Program.

4.3 Death Benefits. Upon the death of a Participant or a retired Participant, the Beneficiary of such Participant shall receive the Participant's remaining Individual Account. Payment of a Participant's remaining Individual Account shall be made in accordance with Section 4.4.

4.4 Form of Benefit Payment. Upon the happening of an event described in Sections 4.1, 4.2 or 4.3, the Corporation shall pay to the Participant the amount specified therein in a lump sum.

4.5 Limitations on the Annual Amount Paid to a Participant. Notwithstanding any other provisions of this Program to the contrary, in the event that a portion of the payments due a Participant pursuant to Sections 4.1, 4.2, 4.3 or 4.4 would not be deductible by the Corporation pursuant to Section 162(m) of the Code, the Corporation, (a) with respect to the portion of the payment that is a Grandfathered Benefit, at its discretion, may postpone payment of such amounts to the Participant until such time that the payments would be deductible by the Corporation and (b) with respect to the portion of the payment that is not a Grandfathered Benefit, shall postpone payment of such amounts to the Participant until such time that the payments would be deductible by the Corporation. Provided, however, that no payment postponed pursuant to this Section 4.5 shall be postponed beyond the first anniversary of such Participant's Termination of Service.

4.6 Change of Control and Lump Sum Payments

(a) If there is a Change of Control, notwithstanding any other provision of this Program, any Participant who has a Grandfathered Benefit hereunder may, at any time during a twenty-four (24) month period immediately following a Change of Control, elect to receive an immediate lump sum payment of the balance of his Grandfathered Benefit, reduced by a penalty equal to ten percent (10%) of the Participant's Grandfathered Benefit as of the last business day of the month preceding the date of the election. The ten percent (10%) penalty shall be permanently forfeited and shall not be paid to, or in respect of, the Participant.

(b) If there is a Change of Control, notwithstanding any other provision of this Program, any retired Participant, or Beneficiary, who has a Grandfathered Benefit hereunder may, at any time during a twenty-four (24) month period immediately following a Change of Control, elect to receive an immediate lump sum payment of the balance of his Grandfathered Benefit, reduced by a penalty equal to five percent (5%) of the Participant's Grandfathered Benefit as of the last business day of the month preceding the date of the election. The five percent (5%) penalty of the retired Participant's or Beneficiary's Grandfathered Benefit shall be permanently forfeited and shall not be paid to, or in respect of, the retired Participant or Beneficiary.

(c) In the event no such request is made by a Participant, a retired Participant or Beneficiary, the Program shall remain in full force and effect.

4.7 Change in Credit Rating and Lump Sum Payments.

In the event the Corporation's financial rating falls below Investment Grade, a Participant, retired Participant, or Beneficiary may at any time during a six (6) month period following the reduction in the Corporation's financial rating, elect to receive an immediate lump sum payment of the balance of his Grandfathered Benefit reduced by a penalty equal to ten percent (10%) of the Participant's Grandfathered Benefit or five percent (5%) of the retired Participant's or Beneficiary's Grandfathered Benefit as of the last business day of the month preceding the election. The penalties accrued hereunder shall be permanently forfeited and shall not be paid to, or in respect of, the Participant, retired Participant or Beneficiary.

In the event no such request is made by a Participant, retired Participant or Beneficiary, the Program shall remain in full force and effect.

4.8 Tax Withholding. To the extent required by law, the Corporation shall withhold any taxes required to be withheld by any Federal, State or local government.

4.9 Commencement of Payments. Unless otherwise provided, commencement of payments under Section 4.6 or 4.7 of this Program shall be as soon as administratively feasible on or after the last business day of the month following receipt of notice and approval by the Committee of an event which entitles a Participant or a Beneficiary to payments under this Program. Unless otherwise provided, commencement of payments of a Grandfathered Benefit under Section 4.1, 4.2 or 4.3 of this Program shall be payable in the first calendar quarter of the year following the Plan year in which the Participant terminates employment from the Corporation for any reason; provided, however, that such a termination shall not be deemed to occur until immediately following the receipt of all payments due to the Employee under the Scott Paper Company Termination Pay Plan for Salaried Employees. Unless otherwise provided, commencement of payments of the portion of a Participant's Individual Account which

is not a Grandfathered Benefit, under Section 4.1, 4.2 or 4.3 of this Program shall be paid as of the later of (i) the first calendar quarter of the year following the Plan year in which the Participant terminates employment from the Corporation for any reason, or (ii) the date which is six months following the Participant's separation from service from the Corporation for any reason (or, if earlier the date of death of the Participant).

4.10 Recipients of Payments; Designation of Beneficiary. All payments to be made by the Corporation under the Program shall be made to the Participant during his lifetime, provided that if the Participant dies prior to the completion of such payments, then all subsequent payments under the Program shall be made by the Corporation to the Beneficiary determined in accordance with this Section. The Participant may designate a Beneficiary by filing a written notice of such designation with the Committee in such form as the Committee requires and may include contingent Beneficiaries. The Participant may from time-to-time change the designated Beneficiary by filing a new designation in writing with the Committee. If a married Participant designates a Beneficiary or Beneficiaries other than his spouse at the time of such designation, such designation shall not be effective (and the Participant's spouse shall be the Beneficiary) unless:

- (a) the spouse consents in writing to such designation;
- (b) the spouse's consent acknowledges the effect of such designation, which consent shall be irrevocable; and
- (c) the spouse executes the consent in the presence of either a Plan representative designated by the Committee or a notary public.

Notwithstanding the foregoing, such consent shall not be required if the Participant establishes to the satisfaction of the Committee that such consent cannot be obtained because (i) there is no spouse; (ii) the spouse cannot be located after reasonable efforts have been made; or (iii) other circumstances exist to excuse spousal consent as determined by the Committee. If no designation is in effect at the time when any benefits payable under this Plan shall become due, the Beneficiary shall be the spouse of the Participant, or if no spouse is then living, the representatives of the Participant's estate.

ARTICLE 5

Vesting

5.1 The balance of a Participant's Individual Account shall be 100% vested at the same time as if the amounts had been credited to the Participant's Account under the RCP.

5.2 K-C Aviation Benefit. Notwithstanding any other provision of the Plan, a Participant shall be fully vested in his Individual Account as of the date on which he ceases to be an Eligible Employee under the Program, if such Participant meets all of the following conditions:

- (a) immediately prior to the Closing Date, as defined in the Agreement of Purchase and Sale dated as of July 23, 1998 by and between the Corporation and Gulfstream Aerospace Corporation (the "Agreement"), he must have been an Employee employed by the Corporation or K-C Aviation Inc.; and

- (b) as of the Closing Date, as defined in the Agreement, he must have ceased to be an Eligible Employee solely on account of the sale of the stock of K-C Aviation Inc. pursuant to the Agreement, and he must either (i) be employed by the Buyer, as defined in the Agreement, immediately after he ceases to be an Eligible Employee hereunder, or (ii) have been on a long-term disability leave of absence from K-C Aviation Inc. as of the Closing Date, as defined in the Agreement.

ARTICLE 6

Funding

6.1 The Board may, but shall not be required to, authorize the establishment of a trust by the Corporation to serve as the funding vehicle for the benefits described herein. In any event, the Corporation's obligations hereunder shall constitute a general, unsecured obligation, payable solely out of its general assets, and no Participant shall have any right to any specific assets of the Corporation.

ARTICLE 7

Administration

7.1 The Committee shall administer this Program and shall have the same powers and duties, and shall be subject to the same limitations as are set forth in the Kimberly-Clark Corporation Salaried Employees Incentive Investment Plan.

ARTICLE 8

Amendment and Termination

8.1 The Corporation, by action of the Board, or the Compensation Committee as designated by the Board, shall have the right at any time to amend this Program in any respect, or to terminate this Program; provided, however, that no such amendment or termination shall operate to reduce the benefit that has accrued for any Participant who is participating in the Program nor the payment due to a terminated Participant at the time the amendment or termination is adopted. Continuance of the Program is completely voluntary and is not assumed as a contractual obligation of the Corporation. Notwithstanding the foregoing, this Program shall terminate when the RCP terminates.

Any action permitted to be taken by the Board, or the Compensation Committee as designated by the Board, under the foregoing provision regarding the modification, alteration or amendment of the Program may be taken by the Committee, using its prescribed procedures, if such action

- (a) is required by law, or
- (b) is estimated not to increase the annual cost of the Program by more than \$1,000,000.

Any action taken by the Board, the Compensation Committee as designated by the Board, or Committee shall be made by or pursuant to a resolution duly adopted by the Board, the Compensation Committee as designated by the Board, or Committee and shall be evidenced by such resolution or by a written instrument executed by such persons as the Board, the Compensation Committee as designated by the Board, or Committee shall authorize for such purpose.

The Committee shall report to the Chief Executive Officer of the Corporation before January 31 of each year all action taken by it hereunder during the preceding calendar year.

ARTICLE 9

Miscellaneous

9.1 Nothing contained herein (a) shall be deemed to exclude a Participant from any compensation, bonus, pension, insurance, termination pay or other benefit to which he otherwise is or might become entitled to as an Employee or (b) shall be construed as conferring upon an Employee the right to continue in the employ of the Corporation as an executive or in any other capacity; provided, however, that if, at the time payments are to be made hereunder, the Participant or the Beneficiary are indebted or obligated to the Corporation, then the payments remaining to be made to the Participant or the Beneficiary may, at the discretion of the Corporation, be reduced by the amount of such indebtedness or obligation, provided, however, that an election by the Corporation not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation.

9.2 Any amounts payable by the Corporation hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Corporation for the benefit of its Employees.

9.3 The rights and obligations created hereunder shall be binding on a Participant's heirs, executors and administrators and on the successors and assigns of the Corporation.

9.4 The Program shall be construed and governed by the laws of the State of Wisconsin.

9.5 The rights of any Participant under this Program are personal and may not be assigned, transferred, pledged or encumbered. Any attempt to do so shall be void.

9.6 Neither the Corporation, its Employees, agents, any member of the Board, the Plan Administrator nor the Committee shall be responsible or liable in any manner to any Participant, Beneficiary, or any person claiming through them for any benefit or action taken or omitted in connection with the granting of benefits, the continuation of benefits or the interpretation and administration of this Program.

9.7 An application or claim for a benefit under the RCP shall constitute a claim for a benefit under this Program.

9.8 The Corporation is the plan sponsor. All actions shall be taken by the Corporation in its sole discretion, not as a fiduciary, and need not be applied uniformly to similarly situated individuals.

KIMBERLY-CLARK CORPORATION
OUTSIDE DIRECTORS'
COMPENSATION PLAN
EFFECTIVE AS OF NOVEMBER 12, 2003

KIMBERLY-CLARK CORPORATION
OUTSIDE DIRECTORS'
COMPENSATION PLAN
(Effective November 12, 2003)

1. INTRODUCTION

The Kimberly-Clark Corporation Outside Directors' Compensation Plan (the "Plan") is intended to promote the interests of Kimberly-Clark Corporation (the "Company") and its stockholders by enhancing the Company's ability to attract, motivate and retain as Outside Directors persons of training, experience and ability, and to encourage the highest level of Outside Director performance. The Plan is intended to permit the Company maximum flexibility in implementing a compensation policy including aligning the Outside Directors' economic interests closely with those of the Company's stockholders by use of equity based compensation awards.

2. DEFINITIONS

Unless otherwise defined in the text of the Plan, capitalized terms herein shall have the meanings set forth in this Section 2.

"Affiliate" means any company in which the Company owns 20 percent or more of the equity interest (collectively, the "Affiliates").

"Award" has the meaning set forth in Section 3 of this Plan.

"Board" means the Board of Directors of the Company.

"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 Company having 20 percent or more of the total number of votes that may be cast for the election of Directors of the Company; 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 Company before the Transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

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

"Committee Rules" means the Committee Rules for the Kimberly-Clark Corporation 2001 Equity Participation Plan or any successor plan.

"Compensation Committee" means the Compensation Committee of the Board.

"Director" means a member of the Board.

"Effective Date" means January 1, 2001.

“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 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.

“Nominating and Corporate Governance Committee” means the Nominating and Corporate Governance Committee of the Board.

“Option” means a right to purchase a specified number of shares of Stock at a fixed option price equal to no less than 100 percent of the Fair Market Value of the Stock on the date the Option is granted. For purposes of this Plan, Options shall be issued either as “Annual Options,” as described in subsection 8(a)(iii), or “Additional Options,” as described in subsection 8(b).

“Outside Director” means a Director who is not on the date of grant of an Award pursuant to the Plan, or within one year prior to the date of such grant, an employee of the Company or any of its Affiliates.

“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 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 10, to receive an amount, payable in either cash or shares of Stock, equal to the value of a specified number of shares of Stock. No certificates shall be issued with respect to such Restricted Share Unit, except as provided in subsection 10(d), and the Company shall maintain a bookkeeping account in the name of the Outside Director to which the Restricted Share Unit shall relate.

“Retainer” means the annual retainer payable to an Outside Director for services rendered as a Director. As of the Effective Date, the amount of the cash portion of such Retainer shall be \$50,000 per year, payable in quarterly installments in advance. The Board may, from time to time, establish a different retainer amount and/or the method of paying the retainer.

“Rule 16b-3” means Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

“Retirement” and “Retires” means the termination of service as a Director on or after the date the Director has attained age 55.

“Stock” means the shares of the Company’s common stock, par value \$1.25 per share.

“Stock Appreciation Right (SAR)” has the meaning set forth in subsection 8(l)(i) of this Plan.

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

3. COMPENSATION

The Outside Directors will be entitled to receive compensation for their services as a member of the Board, and any of its committees, as may be determined from time to time by the Board following a review of, and recommendation on, Outside Director compensation made by the Nominating and Corporate Governance Committee. The compensation paid to each Outside Director is referred to herein as an “Award”, and may be paid in cash, Stock, Options, Restricted Shares, Restricted Share Units, other forms of equity or any combination thereof as is determined by the Board.

4. PARTICIPATION AND FORM OF GRANT

Participation in the Plan is limited to Outside Directors. It is intended that all Outside Directors will be participants in the Plan.

All Awards under the Plan shall be made in the form of Options, Stock, Cash, Restricted Shares, Restricted Share Units, other forms of equity or any combination thereof. Notwithstanding anything in this Plan to the contrary, any Awards shall contain restrictions on assignability to the extent required under Rule 16b-3 of the Exchange Act.

5. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board, which shall have sole and complete discretion and authority with respect thereto, except as expressly limited by the Plan. All action taken by the Board in the administration and interpretation of the Plan shall be final and binding on all matters relating to the Plan. All questions of interpretation, administration and application of the Plan shall be determined by a majority of the members of the Board, except that the Board may authorize any Directors, officers or employees of the Company to assist the Board in the administration of the Plan and to execute documents on behalf of the Board. The Board also may delegate to a committee of the Board, or such other Directors, officers or employees, as the Board determines, such other ministerial and discretionary duties as it sees fit.

The Company or the Board may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any advice or opinion received from any such counsel or consultant and any computation received from any such consultant or agent. No member of the Board shall be liable for any act done or omitted to be done by such member, or by any other member of the Board, in connection with the Plan, except for such member’s own willful misconduct or as otherwise expressly provided by statute.

The Board shall have the power to promulgate 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 Awards.

All expenses of administering the Plan shall be paid by the Company.

6. TERM OF PLAN

The Plan shall become effective as of the Effective Date. The Plan shall remain in effect until December 31, 2011, unless the Plan is terminated prior thereto by the Board. No Awards may be granted after the termination date of the Plan, but Awards theretofore granted shall continue in force beyond that date pursuant to their terms.

7. SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

(a) Shares Subject to the Plan. The aggregate maximum number of shares of Stock available for grant under the Plan shall be 1,000,000 shares, subject to the adjustment provision set forth in subsection 7(b) below. Shares of Stock subject to the Plan will be shares that were once issued and subsequently reacquired by the Company in the form of treasury stock. Shares subject to Awards which become ineligible for purchase, and Restricted Shares forfeited, 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 Board. Notwithstanding anything in this Plan to the contrary, each grant of Awards under this Plan shall be subject to the availability of shares under this subsection 7(a).

(b) Adjustments. In the event there are any changes in the Stock or the capitalization of the Company through a corporate transaction, such as any merger, any acquisition through the issuance of capital stock of the Company, any consolidation, any separation of the Company (including a spin-off or other distribution of stock of the Company), any reorganization of the Company (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 Company, recapitalization, stock dividend, stock split or other change in the corporate structure, appropriate adjustments and changes shall be made by the Board, to the extent necessary to preserve the benefit to the Outside Director contemplated hereby, to reflect such changes in (a) the aggregate number of shares subject to the Plan, (b) the number of shares and the Award Price per share of all shares of Stock subject to outstanding Awards, and (c) 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 dilution or enlargement of any rights of any Outside Director.

8. STOCK OPTIONS

(a) Annual Grant of Options. Except to the extent that the Board determines otherwise, options may be granted to Outside Directors under the Plan as follows:

- (i) The Board, by resolution, may provide that each Outside Director in office on January 1 of the calendar year may be automatically granted an Option to purchase a number of shares to be determined by the Board. The Board, by resolution, also may provide that each Outside Director who is first elected or appointed to the Board after January 1 of the calendar year, may be automatically granted a pro rata number of Options hereunder, without

further action by the Board or the stockholders of the Company, on the earlier of the date of the first regular meeting during the calendar year of the Board or the Compensation Committee after the date such Outside Director first becomes eligible for the grant of Options under this subsection 8(a). The Options to be pro rated will be the amount that would have been paid during the calendar year.

- (ii) In addition, the Board, by resolution, may provide that each Outside Director who during the calendar year is designated to serve as the Chair of any one or more of the Audit, Compensation, or Nominating and Corporate Governance Committees of the Board, or such other committee as may be determined by the Board, may be granted an Option to purchase an additional number of shares for each Chair to be determined by the Board.
- (iii) A grant of Options as payment of either the annual retainer or for each applicable Chair of a Committee are referred to herein as “Annual Options.”
- (iv) Except as otherwise determined by the Board, Annual Options that may be granted to each Outside Director, and each Chair of the Audit, Compensation, or Nominating and Corporate Governance Committees, as of January 1 of the calendar year, shall be automatically granted, without further action by the Board or the stockholders of the Company, on the date of the February Compensation Committee meeting.

(b) Election of Additional Option. To the extent determined by the Board, each Outside Director may elect to receive the cash portion of his or her annual Retainer in the form of an additional option (hereinafter referred to as an “Additional Option”), in increments of 50 percent of such cash portion of the Retainer. Except as otherwise provided below, such election must be made prior to the date that services are rendered in the calendar year in which such Retainer otherwise would be paid and shall be irrevocable thereafter for such calendar year; provided, however, that an election by an Outside Director pursuant to this subsection for a calendar year (or portion thereof) shall be valid and effective for all purposes for all succeeding calendar years, unless and until such election is revoked or modified by such Outside Director prior to the date that services are rendered in such succeeding calendar year(s); and, provided further, that no such election, revocation or modification may be made within six months of another such election, revocation or modification if the exemption afforded by Rule 16b-3 would not be available as a result thereof.

Notwithstanding the preceding, an individual who is first elected to the Board as an Outside Director during a calendar year may, to the extent determined by the Board, be permitted to make an election to receive the cash portion of his or her annual Retainer in the form of an Additional Option, in increments of 50 percent of such cash portion of the Retainer, during the thirty day period following his or her election date. An election under this paragraph shall be subject to the terms and conditions of this Section.

The number of shares subject to this Additional Option shall be based on 85 percent of the Black-Scholes valuation of the cash portion of the Retainer elected to be received as an Additional Option as of the date of grant. To the extent Additional

Options are authorized by the Board, each Outside Director as of January 1 of the calendar year, shall be automatically granted the Additional Options elected hereunder, without further action by the Board or the stockholders of the Company, on the date of the February Compensation Committee meeting. To the extent Additional Options are authorized by the Board, each Outside Director who first becomes eligible for a grant after January 1 of the calendar year, shall be automatically granted the Additional Options elected hereunder, without further action by the Board or the stockholders of the Company, on the earlier of the date of the first regular meeting during the calendar year of either the Board or the Compensation Committee after the date such Outside Director first becomes eligible and elects the grant of Additional Options under this subsection 8(b).

(c) Form of Additional Option Election. An election by an Outside Director to receive some or all of the cash portion of his or her Retainer as an Additional Option shall (i) be in writing, (ii) be delivered to the Secretary of the Company, and (iii) be irrevocable in all respects with respect to the calendar year(s) to which the election relates. If no election has ever been made by the Outside Director pursuant to subsection 8(b) above, he or she shall be deemed to have made an election to receive the entire cash portion of the Retainer in cash.

(d) Period of Option. The period of each Option shall be 10 years from the date it is granted.

(e) Option Price. The exercise price of an Option shall be the Fair Market Value of the Stock at the time the Option is granted.

(f) Limitations on Exercise. Each Option shall not be exercisable until at least one year has expired after the granting of the Option, during which time the Outside Director shall have been in the continuous service as a Director of the Company; provided, however, that the provisions of this subsection 8(f) shall not apply and all Options outstanding under the Plan shall be exercisable in full if a Change in Control occurs. Commencing one year after the date the Option was granted, the Outside Director may purchase the total number of shares covered by the Option; provided, however, that if the Director's service is terminated for any reason other than death, Retirement, a voluntary decision by the Outside Director not to stand for reelection to the Board or total and permanent disability, the Option shall be exercisable only for the number of shares of 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.

(g) Exercise; Notice Thereof. Options shall be exercised by delivering to the Company, as directed by 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 Company or in shares of Stock transferable to the Company and having a Fair Market Value on the transfer date equal to the amount payable to the Company. The date of exercise shall be deemed to be the date the Company receives the written notice and payment for the shares being purchased. An Outside Director shall have none of the rights of a stockholder with respect to shares covered by an Option until the Outside Director becomes the record holder of such shares.

(h) Exercise after Death, Retirement, Disability or Voluntary Termination of Service. If a Director dies, retires, becomes totally and permanently disabled, or terminates service on the Board by reason of a voluntary decision by the Outside Director not to stand for reelection to the Board, without having exercised an Option in full, the remaining portion of such Option may be exercised, without regard to the limitations in subsection 8(f), within the remaining period of the Option. Upon an Outside Director's death, the Option may be exercised by the person or persons to whom such Outside Director's rights under the Option shall pass by will or the laws of descent and distribution or, if no such person has such rights, by his executor or administrator.

(i) Non-transferability. During the Outside Director's lifetime, Options shall be exercisable only by such Outside Director. Options shall not be transferable other than by will or the laws of descent and distribution upon the Outside Director's death. Notwithstanding anything in this subsection 8(i) to the contrary, Outside Directors shall have the right to transfer Options, to the extent allowed under Rule 16b-3 of the Exchange Act, subject to the same terms and conditions applicable to options granted to the Chief Executive Officer of the Company under Committee Rules.

(j) Purchase for Investment. It is contemplated that the Company will register shares sold to Directors pursuant to the Plan under the Securities Act of 1933. In the absence of an effective registration, however, an Outside Director 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.

(k) Options for Nonresident Aliens. In the case of any Option awarded to an Outside Director who is not a resident of the United States, the Board may (i) waive or alter the conditions set forth in subsections 8(a) through 8(j) to the extent that such action is necessary to conform such Option to applicable foreign law, or (ii) take any action, either before or after the award of such Option, which it deems advisable to obtain approval of such Option by an appropriate governmental entity; provided, however, that no action may be taken hereunder if such action would (1) increase any benefits accruing to any Outside Directors under the Plan, (2) increase the number of securities which may be issued under the Plan, (3) modify the requirements for eligibility to participate in the Plan, or (4) result in a failure to comply with applicable provisions of the Securities Act of 1933, the Exchange Act or the Code.

(l) Election to Receive Cash Rather than Stock.

(i) At the same time as Options are granted the Board may also grant to designated Outside Directors the right to convert a specified number of shares of Stock covered by such Options to cash, subject to the terms and conditions of this subsection 8(l). For each such Option so converted, the Outside Director shall be entitled to receive cash equal to the difference between the Outside Director's Option Price and the Fair Market Value of the Stock on the date of conversion. Such a right shall be referred to herein as a Stock Appreciation Right ("SAR"). Outside

Directors 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 Board, 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 Company under section 162(m) of the Code or any successor section.

(ii) An Outside Director 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 an Outside Director converts one or more shares of Stock covered by an Option to cash pursuant to an SAR, such Outside Director must exercise one or more Options, which were granted at the same time as the Option subject to such SAR, for an equal number of shares of Stock. In the event that the number of shares and the Option Price per share of all shares of 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 Stock subject to outstanding Options.

(m) Deferral of Award Payment. The Board may establish one or more programs under the Plan to permit Outside Directors the opportunity to elect to defer receipt of consideration upon exercise of an Award or other event that absent the election would entitle the Outside Director to payment or receipt of Stock or other consideration under an Award. The Board 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 of Stock so deferred, and such other terms, conditions, rules and procedures that the Board deems advisable for the administration of any such deferral program.

9. RESTRICTED SHARES

The Board may from time to time designate those Outside Directors who shall receive Restricted Share Awards. Each grant of Restricted Shares under the Plan shall be evidenced by a notice from the Board to the Outside Director. The notice shall contain such terms and conditions, not inconsistent with the Plan, as shall be determined by the Board and shall indicate the number of Restricted Shares awarded and the following terms and conditions of the award.

(a) Grant of Restricted Shares. The Board 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"). The Restricted Period may be the same for all Restricted Shares granted at a particular time to any one Outside Director or may be different with respect to different Outside Directors or with respect to various of the Restricted Shares granted to the same Outside Director, all as determined by the Board 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, an Outside Director's right, if any, to receive 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 Board 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 9(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 Board 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 Board may provide (i) that the Outside Director will not be entitled to receive any shares of Stock unless he or she still serves as a Director of the Company at the end of the Restricted Period, (ii) that the Outside Director will become vested in Restricted Shares according to a schedule determined by the Board, or under other terms and conditions determined by the Board, and (iii) how any Transferability Restrictions will be applied, modified or accelerated in the case of the Outside Director'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 Outside Director and deposited with the Company or its designee. These certificates shall remain in the possession of the Company or its designee until the end of the applicable Restricted Period or, if the Board has provided for earlier termination of the Transferability Restrictions following an Outside Director's death, total and permanent disability or earlier vesting of the shares of Stock, such earlier termination of the Transferability Restrictions. At whichever time is applicable, certificates representing the number of shares to which the Outside Director is then entitled shall be delivered to the Outside Director free and clear of the Transferability Restrictions; provided that in the case of an Outside Director who is not entitled to receive the full number of Restricted 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 Company and canceled and a new certificate representing the shares of Stock, if any, to which the Outside Director is entitled pursuant to the Transferability Restrictions shall be issued and delivered to the Outside Director, free and clear of the Transferability Restrictions.

10. RESTRICTED SHARE UNITS

The Board shall from time to time designate those Outside Directors who shall receive Restricted Share Unit Awards. The Board shall advise such Outside Directors 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 Outside Directors as of the first day of a Restricted Period. The number of Restricted Share Units to be granted to each Outside Director and the Restricted Period shall be determined by the Board 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, an Outside Director's right, if any, to receive cash or 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 Board 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 Board may provide (i) that the Outside Director will forfeit any Restricted Share Units unless he or she still serves as a Director of the Company at the end of the Restricted Period, (ii) that the Outside Director will become vested in Restricted Share Units according to a schedule determined by the Board or under other terms and conditions determined by the Board, and (iii) how any Transferability Restrictions will be applied, modified or accelerated in the case of the Outside Director's death or total and permanent disability.

(c) Dividends. During the Restricted Period, Outside Directors will be credited with dividends, equivalent in value to those declared and paid on shares of Stock, on all Restricted Share Units granted to them. These dividends will be regarded as having been reinvested in Restricted Share Units on the date of the Stock dividend payments based on the then Fair Market Value of the Stock thereby increasing the number of Restricted Share Units held by an Outside Director. Holders of Restricted Share Units under this subsection 10(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 dividends in cash or other property, nor other 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 shares of Stock unless the Board determines at the time of grant that payment will be made in cash or a combination of both cash and shares of Stock. The payment of Restricted Share Units shall be made within 90 days following the end of the Restricted Period unless the Outside Director elects to defer payment under the Deferred Compensation Plan for Directors of the Company, or any successor plan, or as otherwise determined by the Board at the time of grant.

11. NOTICES; DELIVERY OF STOCK CERTIFICATES

Any notice required or permitted to be given by the Company or the Board pursuant to the Plan shall be deemed given when personally delivered or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Outside Director at the last address shown for the Outside Director on the records of the Company.

12. AMENDMENT AND TERMINATION

The Board may at any time amend, suspend, or discontinue the Plan or alter or amend any or all Awards under the Plan to the extent (i) permitted by law, (ii) permitted by the rules of any stock exchange on which the Stock or any other security of the Company is listed, and (iii) permitted under applicable provisions of the Securities Act of 1933, as amended, the Exchange Act (including Rule 16b-3 thereof); provided, however,

that if any of the foregoing requires the approval by the stockholders of any such amendment, suspension or discontinuance, then the Board may take such action subject to the approval of the stockholders. Except as provided in subsection 7(b), no such amendment, suspension or termination of the Plan shall, without the consent of the Director, adversely alter or change any of the rights or obligations under any Award granted to the Director. The Board may in its sole and absolute discretion, by written notice to a Director, (i) limit the period in which an Award may be exercised to a period ending at least three months following the date of such notice, and/or (ii) limit or eliminate the number of shares subject to Award after a period ending at least three months following the date of such notice. Except as provided in subsection 8(k) and this Section 12, no such amendment, suspension, or termination of the Plan shall, without the consent of the Director, adversely alter or change any of the rights or obligations under any Options or other rights previously granted the Director under the Plan.

13. TAXES

The Company shall require the withholding of all taxes as required by law. An Outside Director may elect to have any portion of the federal, state or local income tax withholding required with respect to an Award satisfied by tendering Stock to the Company, which, in the absence of such an election, would have been issued to the Director in connection with the Award.

14. GOVERNING LAW

The terms of the Plan shall be governed, construed, administered and regulated in accordance with the laws of the state of Delaware and applicable federal law. In the event any provision of the Plan shall be determined to be illegal or invalid for any reason, the other provisions of the Plan shall continue in full force and effect as if such illegal or invalid provision had never been included herein.

15. DIRECTOR'S SERVICE

Nothing contained in the Plan, or with respect to any grant hereunder, shall interfere with or limit in any way the right of stockholders of the Company to remove any Director from the Board, nor confer upon any Director any right to continue to serve on the Board as a Director.

KIMBERLY-CLARK CORPORATION
2001 EQUITY PARTICIPATION PLAN
(as amended effective July 18, 2005)

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, or an agent designated by the Corporation, 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. As determined by the Committee, 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. 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 exercise of an Option or payments of Awards whether in cash or in shares of Common Stock or other securities, withholding shall be as required by law and in the Committee Rules.

(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.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(Dollar amounts in millions)

	Year Ended December 31				
	2005	2004	2003	2002	2001
Consolidated Companies					
Income from continuing operations before income taxes	\$1,968.9	\$2,203.4	\$2,076.3	\$2,202.1	\$2,099.3
Interest expense	190.2	162.5	167.8	181.9	191.4
Interest factor in rent expense	66.3	65.3	62.6	55.5	53.3
Amortization of capitalized interest	6.1	13.2	12.4	11.7	10.4
Equity Affiliates					
Share of 50%-owned:					
Income before income taxes	2.5	2.3	2.7	(2.2)	(.6)
Interest expense	—	—	1.2	2.7	5.5
Interest factor in rent expense	—	—	—	.1	.8
Amortization of capitalized interest	—	—	—	—	.2
Distributed income of less than 50%-owned	112.8	94.5	96.7	104.3	103.8
Earnings	\$2,346.8	\$2,541.2	\$2,419.7	\$2,556.1	\$2,464.1
Consolidated Companies					
Interest expense	\$ 190.2	\$ 162.5	\$ 167.8	\$ 181.9	\$ 191.4
Capitalized interest	7.5	6.5	12.5	11.0	19.6
Interest factor in rent expense	66.3	65.3	62.6	55.5	53.3
Equity Affiliates					
Share of 50%-owned:					
Interest and capitalized interest	—	—	2.6	2.7	5.5
Interest factor in rent expense	—	—	—	.1	.8
Fixed Charges	\$ 264.0	\$ 234.3	\$ 245.5	\$ 251.2	\$ 270.6
Ratio of earnings to fixed charges	8.89	10.85	9.86	10.18	9.11

Note: The Corporation is contingently liable as guarantor, or directly liable as the original obligor, for certain debt and lease obligations of S.D. Warren Company, which was sold in December 1994. The buyer provided the Corporation with a letter of credit from a major financial institution guaranteeing repayment of these obligations. No losses are expected from these arrangements and they have not been included in the computation of earnings to fixed charges.

KIMBERLY-CLARK CORPORATION
 CONSOLIDATED SUBSIDIARIES

The following list includes certain companies that were owned directly or indirectly by Kimberly-Clark Corporation, a Delaware corporation, Dallas, Texas, as of December 31, 2005. The place of incorporation or organization is next to the name of the company.

Consolidated Subsidiaries

- 1194127 Ontario Inc., Ontario Canada
- * Abdelia Comercial Ltda., Brazil
- * Arabian Medical Products Manufacturing Company, Saudi Arabia
- Avent, Inc., Delaware
- Avent de Honduras, S.A. de C.V., Honduras
- Avent Holdings, LLC, Delaware
- Avent, S.R.L., Mexico
- Avent Slovakia, Inc., Delaware
- Avent Slovakia s.r.o., Slovakia
- * Bacraft S.A. Industria de Papel, Brazil
- Ballard Medical Products, Utah
- Ballard Medical Products (Canada) Inc., Ontario, Canada
- Balmoral Participacoes Ltda., Brazil
- Beco, Inc., Wisconsin
- * Colombiana Kimberly Colpapel S.A., Colombia
- Delaware Overseas Finance, Inc., Delaware
- Durafab, Inc., Texas
- Elfi Papier GmbH, Germany
- Excell Paper Sales Co., Pennsylvania
- Excell Paper Sales LLC, Delaware
- * Fibra Industria e Comercio de Produtos Higienicos Ltda., Brazil
- * Gerincomfort Industria e Comercio de Productus Higienicos Ltd., Brazil
- * H-K Overseas Holland B.V., Netherlands
- Hakle Kimberly Deutschland GmbH, Germany
- Hakle Kimberly Papiervertriebs GmbH, Austria
- Hakle-Kimberly Switzerland GmbH, Switzerland
- Hercules Global Investments, Cayman Islands
- * Hogla Kimberly Limited, Israel
- * Hogla Kimberly Marketing Limited, Israel
- Hopewell International Insurance Ltd. (Inactive), Bermuda
- Housing Horizons, LLC, Texas
- Industrial Helvetia S.A., Chile
- Industrial Mimosa S.A., Uruguay
- K-C Advertising, Inc., Delaware
- K-C Equipment Finance L.P., United Kingdom

K-C Financial Services Investment Company, Delaware
K-C Guernsey I Ltd., Isle of Guernsey
K-C Guernsey II Ltd., Isle of Guernsey
K-C Handelsgesellschaft MbH, Austria
K-C Nevada, Inc., Nevada
K-C Worldwide, LLC, Delaware
Kalayaan Land Corporation, Philippines
KC Tower Corporation, Delaware
KCA Nominees, Pty. Ltd., Australia
* KCA Retirement Fund Pty. Limited, Australia
KCC Comercial Ltda., Sao Paulo, Brazil
KCK Tissue, Argentina
* K.C.S.A. Holdings (Proprietary) Limited, South Africa
* Kimberly Bolivia S.A., Bolivia
Kimberly-Clark (Barbados) Holding Ltd., Barbados
Kimberly-Clark (China) Investment Co., Ltd., People's Republic of China
Kimberly-Clark (Cyprus) Ltd., Cyprus
Kimberly-Clark (Hong Kong) Ltd., Hong Kong
Kimberly-Clark Argentina S.A., Argentina
Kimberly-Clark Argentina Holdings S.A., Argentina
Kimberly-Clark Asia Holdings Pte. Ltd., Singapore
Kimberly-Clark Asia Pacific Pte. Ltd., Singapore
Kimberly-Clark Australia Consolidated Holdings Pty. Limited, Australia
Kimberly-Clark Australia Holdings Pty. Limited, Australia
* Kimberly-Clark Australia Pty. Limited, Australia
Kimberly-Clark B.V., Netherlands
Kimberly-Clark Bahrain Holdings S.P., Bahrain
Kimberly-Clark Brasil Holdings Limitada, Brazil
Kimberly-Clark Brasil Industria e Comercio de Produtos de Hygiene Ltda., Brazil
Kimberly-Clark Canada Holdings, Inc., Ontario, Canada
Kimberly-Clark Canada Inc., Ontario, Canada
Kimberly-Clark Canada Inc. Kanadischen Rechts & Company KG, Germany
Kimberly-Clark Canada Services Corporation, Ontario, Canada
Kimberly-Clark Cayman Islands Company, Cayman Islands
Kimberly-Clark Cayman Islands Finance Company, Cayman Islands
Kimberly-Clark Cayman Islands Holding Company, Cayman Islands
Kimberly-Clark CBG (Handan) Hygienic Products Co., Ltd., People's Republic of China
Kimberly-Clark CBG Hygienic Products Company Limited, Chengdu, People's Republic of China
* Kimberly-Clark Central American Holdings, S.A., Panama
Kimberly-Clark Chengdu Hygienic Products Services Company Ltd., People's Republic of China
* Kimberly-Clark Chile S.A., Chile
Kimberly-Clark Colombia Limitada, Colombia
* Kimberly-Clark de Centro America, S.A., El Salvador
Kimberly-Clark Denmark Holdings ApS, Denmark
Kimberly-Clark do Brasil Limitada, Brazil

Kimberly-Clark Dominican Republic S.A., Dominican Republic
* Kimberly-Clark Dominicana, S.A., Dominican Republic
Kimberly-Clark Dublin Finance Ltd., United Kingdom
* Kimberly-Clark Ecuador, S.A., Ecuador
Kimberly-Clark Europe Limited, United Kingdom
Kimberly-Clark European Investment B.V., Netherlands
Kimberly-Clark European Services Limited, United Kingdom
Kimberly-Clark Far East Pte. Limited, Singapore
Kimberly-Clark Finance Ltd., United Kingdom
Kimberly-Clark Financial Services, Inc., Tennessee
Kimberly-Clark Financial Services Investment Company, Delaware
Kimberly-Clark Foreign Sales Corporation B.V., Netherlands
Kimberly-Clark Forestal S.A., Spain
Kimberly-Clark Foundation, Inc., Wisconsin
Kimberly-Clark France Operations, France
Kimberly-Clark France Ventures, France
Kimberly-Clark Global Finance Ltd., Bermuda
Kimberly-Clark Global Partnership, L.P., Texas
Kimberly-Clark Global Sales, Inc., Delaware
* Kimberly-Clark Guatemala S.A., Guatemala
Kimberly-Clark Health Care Inc., Delaware
Kimberly-Clark Hellas EPE, Greece
Kimberly-Clark Holding Kft., Hungary
Kimberly-Clark Holdings Limited, United Kingdom
Kimberly-Clark Holland Holdings B.V., Netherlands
Kimberly-Clark Hygiene Products Private Ltd., India
Kimberly-Clark Inc., Ontario, Canada
Kimberly-Clark Integrated Services Corporation, Delaware
Kimberly-Clark International Services Corporation, Delaware
Kimberly-Clark International, S.A., Panama
Kimberly-Clark Investment Partnership, Canada
Kimberly-Clark Irish Finance Corporation Ltd., United Kingdom
* Kimberly-Clark Kenko Industria e Comercio Ltda., Sao Paulo, Brazil
Kimberly-Clark Latin America, Inc., Delaware
Kimberly-Clark Latin America Inc. y Cia, S.C., Spain
Kimberly-Clark Latin America Investments, Inc., Delaware
Kimberly-Clark Lda., Portugal
Kimberly-Clark Limited, United Kingdom
Kimberly-Clark Luxembourg S.a.r.l., Luxembourg
Kimberly-Clark Luxembourg Holdings S.a.r.l., Luxembourg
* Kimberly-Clark Malta Holding Co. Ltd., Malta
* Kimberly-Clark Malta Investment Company Limited, Malta
Kimberly-Clark Manufacturing (Thailand) Limited, Thailand
Kimberly-Clark Mediterranean Finance Company Ltd., Malta
Kimberly-Clark N.V., Belgium

Kimberly-Clark Netherlands Holdings B.V., Netherlands
Kimberly-Clark North Asia Co., Ltd, South Korea
Kimberly-Clark 000, Russia
Kimberly-Clark Pacific Finance Company, Cayman Islands
Kimberly-Clark Pacific Holdings Pty Limited, Australia
Kimberly-Clark Paper (Guangzhou) Company Limited, People's Republic of China
Kimberly-Clark Paper (Shanghai) Company Limited, People's Republic of China
Kimberly-Clark Paraguay S.A., Paraguay
Kimberly-Clark Patriot Holdings, Inc., Cayman Islands
Kimberly-Clark Pension Trusts Ltd., United Kingdom
Kimberly-Clark Pennsylvania, LLC, Delaware
Kimberly-Clark Personal Hygienic Products (Nanjing) Co. Ltd., People's Republic of China
Kimberly-Clark Personal Hygienic Products Company Limited, Beijing, People's Republic of China
* Kimberly-Clark Peru S.R.L., Peru
* Kimberly-Clark Philippines Inc., Philippines
Kimberly-Clark Philippine Holdings, Inc., Philippines
Kimberly-Clark Poland Holdings Sp. z.o.o., Poland
Kimberly-Clark Products (Malaysia) Sdn. Bdh., Malaysia
Kimberly-Clark Produtos Para Saude Limitada, Brazil
Kimberly-Clark Puerto Rico, Inc., Delaware
Kimberly-Clark Pulp, Inc., Delaware
Kimberly-Clark S.A., Poland
Kimberly-Clark S.L., Spain
Kimberly-Clark S.N.C., France
Kimberly-Clark S.p.A., Italy
Kimberly-Clark s.r.l., Italy
Kimberly-Clark s.r.o., Czech Republic
Kimberly-Clark SUD, S.p.A., Italy
Kimberly-Clark Sales Corporation B.V., Netherlands
Kimberly-Clark Scandinavia ApS, Denmark
Kimberly-Clark Services Asia-Pacific, Australia
Kimberly-Clark Singapore Pte. Ltd., Singapore
Kimberly-Clark Singapore Finance Pte. Ltd., Singapore
* Kimberly-Clark of South Africa (Pty.) Limited, South Africa
* Kimberly-Clark Southern Africa (Holdings) (Pty) Ltd., South Africa
Kimberly-Clark Taiwan, Cayman Islands
Kimberly-Clark Thailand Limited, Thailand
Kimberly-Clark Tissue do Brasil Limitada, Brazil
Kimberly-Clark Trading Limited Liability Company, Hungary
Kimberly-Clark Trading (Malaysia) Sdn. Bdh., Malaysia
Kimberly-Clark Treasury Asia-Pacific, Australia
Kimberly-Clark U.K. Operations Limited, United Kingdom
Kimberly-Clark Ukraine LLC, Ukraine
* Kimberly-Clark Venezuela, C.A., Venezuela
Kimberly-Clark Ventures, LLC, Delaware

Kimberly-Clark Vietnam Co., Ltd., Vietnam
Kimberly-Clark West Indies Finance Company, Cayman Islands
Kimberly-Clark Worldwide Australia Holdings Pty. Limited, Australia
Kimberly-Clark Worldwide Taiwan Investment Ltd., Taiwan, Republic of China
Kimberly-Clark Worldwide, Inc., Delaware
* Kimberly-Clark Zimbabwe (Private) Limited, South Africa
* KIMNICA, S.A., Nicaragua
* KS&J Industria e Comercio Ltda., Brazil
La Ada de Acuna, S.R.L., Mexico
La Compania Que Innova, S.A. de C.V., Mexico
* Manlak Investments (Pty.) Limited, South Africa
* Marsbaum Participacoes Ltda., Brazil
MFS Holdings, LLC, Delaware
Mimo Brasil Limitada, Brazil
Mimo Uruguay S.A., Uruguay
Minnetonka Limitada, Brazil
Minnetonka Overseas Investments Limited, Cayman Islands
* Molett Marketing Limited, Israel
Mountain Tree Farm Company, Washington
Nueva Arizona, S.A., Argentina
* Ovisan Syhhi Bez Sanay Ve Ticaret a.s., Turkey
* Papeles Absorbentes, S.A., Guatemala
* Papeles del Cauca S.A., Colombia
PLS Holdings, LLC, Delaware
Portola S.L., Spain
* P.T. Kimberly-Lever Indonesia, Indonesia
* Rakefet Marketing & Trading Services Ltd., Israel
Ridgeway Insurance Company Limited, Bermuda
Safeskin (B.V.I.) Limited, British Virgin Islands
Safeskin Corporation (Malaysia) Sdn. Bhd., Malaysia
Safeskin Corporation (Thailand) Limited, Thailand
Safeskin Industries (Thailand) Limited, Thailand
Safeskin Latex (Thailand) Limited, Thailand
Safeskin Medical & Scientific (Thailand) Limited, Thailand
Scott CB Holding Company, Delaware
Scott S.A., France
Scott Executive Pension Trustees Limited, United Kingdom
* Scott Paper Co. de Costa Rica S.A., Costa Rica
* Scott Paper Co. Honduras S.A. de C.V., Honduras
Scott Paper Eastern China Inc., Delaware
Scott Trading Ltd., Thailand
* Shikma Improvement of Individual Life Limited, Israel
S-K Corporation, Taiwan
Syzygy, Inc., Delaware
Taiwan Scott Paper Corporation, Taiwan

Tawneydown-ALFA GmbH (Inactive), Germany
TELA-Kimberly Deutschland GmbH, Germany
TELA-Kimberly Switzerland GmbH, Switzerland
Three Rivers Timber Company, Washington
Tiscorp, L.P., United Kingdom

* YuHan-Kimberly, Limited, Korea

* Indicates a company that is not wholly owned directly or indirectly by the Corporation.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Kimberly-Clark Corporation's Registration Statements on Form S-8 (Nos. 33-49050, 33-58402, 33-64689, 333-02607, 333-06996, 333-17367, 333-43647, 333-71661, 333-94139, 333-51922, 333-61010, 333-62358, 333-89314, 333-104099 and 333-115347) and No. 333-105990 on Form S-3 of our reports dated February 21, 2006 relating to the financial statements and financial statement schedule of Kimberly-Clark Corporation (which report expresses an unqualified opinion and includes an explanatory paragraph regarding a change in the Corporation's method of determining conditional asset retirement obligations) and management's report of the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10-K of Kimberly-Clark Corporation for the year ended December 31, 2005.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP

Dallas, Texas

February 23, 2006

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ John R. Alm

John R. Alm

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Dennis R. Beresford

Dennis R. Beresford

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ John F. Bergstrom

John F. Bergstrom

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Abelardo E. Bru

Abelardo E. Bru

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Pastora San Juan Cafferty

Pastora San Juan Cafferty

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Robert W. Dechard

Robert W. Dechard

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Thomas J. Falk

Thomas J. Falk

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Claudio X. Gonzalez

Claudio X. Gonzalez

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Mae C. Jemison

Mae C. Jemison

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Linda Johnson Rice

Linda Johnson Rice

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ Marc J. Shapiro

Marc J. Shapiro

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby constitute and appoint Mark A. Buthman, Randy J. Vest and Ronald D. Mc Cray, and each of them, with full power to act alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Kimberly-Clark Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any one of them, or his substitute or their substitutes, lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of February, 2006.

/s/ G. Craig Sullivan

G. Craig Sullivan

CERTIFICATIONS

I, Thomas J. Falk, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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.

February 23, 2006

/s/ Thomas J. Falk

Thomas J. Falk
Chief Executive Officer

CERTIFICATIONS

I, Mark A. Buthman, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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.

February 23, 2006

/s/ Mark A. Buthman

Mark A. Buthman
Chief Financial Officer

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-K, filed with the Securities and Exchange Commission on February 23, 2006 (“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
February 23, 2006

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-K, filed with the Securities and Exchange Commission on February 23, 2006 (“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
February 23, 2006