

Kimberly-Clark Reports Third Quarter 2002 Results

Solid Increase in Sales Volumes Drives Record Quarterly Sales and Contributes to EPS Growth; Cash Flow Shows Continued Strength

Company Updates Earnings Guidance for Full Year 2002

DALLAS, October 22, 2002—Kimberly-Clark Corporation (NYSE: KMB) today reported that sales for the third quarter of 2002 were approximately \$3.5 billion, 3 percent higher than 2001. Worldwide sales volumes were 5 percent higher, boosted by strong increases for consumer tissue products in North America and Europe, as well as record sales volumes of health care products and of adult incontinence products in North America. Competitive promotional activity reduced sales by approximately 2 percent.

Diluted net income for the third quarter was 85 cents per share in 2002 compared with 79 cents per share in 2001.

Third quarter earnings before unusual items were 87 cents per share in 2002, up almost 9 percent from 80 cents per share in 2001. Cash provided by operations in the third quarter was \$557 million in 2002, 6 percent greater than the prior year on a comparable basis, adjusting for differences in the timing of income tax payments. Free cash flow (cash provided by operations less capital expenditures and dividends) in the third quarter was \$180 million, bringing the year-to-date total to \$814 million, above the full year total in 2001 of \$564 million.

Thomas J. Falk, president and chief executive officer of Kimberly-Clark, said, "Our top- and bottom-line growth in the third quarter was better than the levels seen in the first half of the year. We have good sales momentum, particularly in consumer tissue, while results in personal care reflect the impact of intense competitive activity in the diaper and training pant categories in North America and Europe.

"Marketing support increased in the third quarter of this year to drive volume growth and to defend our market leading positions in the face of aggressive levels of competitive activity. We have continued our focus on bringing new, consumer-preferred products to market. Last week, we announced new Pull-Ups training pants with easy open sides and Huggies Ultratrim diapers with a new stretchy waistband. We're optimistic about these innovations and the pipeline of new and improved products in our other businesses as well."

The company's consumer tissue and business-to-business segments posted good improvement in operating profit before unusual items in the third quarter. In total, operating profit before unusual items rose more than 2 percent. Fewer shares outstanding, due to the company's repurchase program, and the acquisition of the remaining 45 percent of K-C Australia in June 2002 also contributed to the increase in earnings per share.

Unusual items in the third quarter of 2002 included pretax charges totaling \$12 million that reduced net income by approximately 2 cents per share. The charges were primarily for costs associated with the previously announced plans to streamline manufacturing and administrative operations in Latin America and Europe.

In the third quarter of 2001, unusual items reduced net income by 1 cent per share. The unusual items included charges for business improvement and other programs primarily to streamline personal care operations in North America as well as costs to integrate acquired businesses into the company's existing operations.

Review of third quarter sales by segment

Consumer tissue sales climbed approximately 9 percent compared with the third quarter of 2001, with increases in every region of the world. Before positive currency effects, the gain was more than 6 percent. Sales volumes rose nearly 10 percent while net selling prices were approximately 4 percent lower, due primarily to promotional activity.

In North America, sales volumes were 11 percent higher, on the strength of double-digit gains for Kleenex facial tissue and both Viva and Scott towels, along with continued solid increases for Cottonelle and Scott bathroom tissue. Net selling prices in North America declined 4 percent due to competitive promotional activity. In Europe, sales of consumer tissue products improved more than 20 percent, and were 10 percent greater before currency effects. Sales volumes rose 9 percent, paced by higher shipments of Andrex bathroom tissue in the U.K. and Scottex bathroom tissue in Italy and Spain, while an improved sales mix more than offset lower net selling prices.

Sales of personal care products decreased about 1 percent versus the third quarter of 2001. However, before currency effects, segment sales were up approximately 1 percent. Global sales volumes rose 2 percent. Net selling prices slipped about 1 percent, as lower net selling prices in North America and Europe, primarily in response to competitive activity in the diaper and training pant categories, were mostly offset by price increases implemented in Latin America following currency devaluations.

In North America, sales volumes of personal care products rose about 1 percent, highlighted by a double-digit gain for Depend and Poise adult incontinence care products, while shipments of Huggies diapers and Pull-Ups training pants were somewhat lower. Sales volumes increased in the mid-single digit range both in Europe and in the Asia/Pacific region, behind continued strong growth in Central and Eastern Europe and Australia and record sales in Korea. Personal care sales dropped significantly in Latin America, mainly as a result of the weak economy in Argentina.

Sales of business-to-business products increased approximately 4 percent in the third quarter and were about 3 percent higher before currency effects and excluding two small divestitures in 2001. Sales volumes rose 4 percent, driven by a gain of 8 percent in Health Care as well as improved sales volumes of K-C Professional's away-from-home products in North America and Europe, up 3 percent and 8 percent, respectively. Selling prices declined approximately 1 percent versus the third quarter of last year.

Other third quarter operating results

Operating profit in the third quarter of 2002 was \$644.8 million, 2.5 percent greater than the prior year. Before unusual items, operating profit also increased 2.5 percent to \$656.4 million in the third quarter of 2002 compared with \$640.7 million in 2001. Higher sales volumes along with productivity gains and other cost reductions were the major positive factors contributing to the increase, overcoming a step-up in the level of promotional activities. In addition, the elimination of noncash goodwill amortization expense was partially offset by a rise in noncash pension expense.

On a proforma basis, elimination of goodwill amortization in the third quarter of 2001 would have increased net income by 4 cents per share.

Kimberly-Clark's share of net income of equity companies in the third quarter decreased from \$30.2 million in

2001 to \$28.1 million in 2002 due to lower net income at Kimberly-Clark de Mexico, S.A. de C.V. (KCM). The decline was primarily attributable to a higher tax rate stemming from changes in Mexican tax law. KCM's market positions and operating profit margin remained strong in a highly competitive marketplace.

At the end of the third quarter, net debt and preferred securities totaled \$3.8 billion, unchanged from December 31, 2001. During the quarter, the company repurchased 2.5 million shares of common stock at a cost of \$147 million.

Year-to-date results

For the first nine months of 2002, sales of \$10.2 billion were up 2.9 percent from \$9.9 billion in the prior year. Excluding currency effects, sales were about 4 percent higher. Operating profit increased 4.5 percent to \$1,934.0 million in 2002 versus \$1,850.8 million in 2001. Before unusual items, year-to-date operating profit increased 4.0 percent to \$1,996.1 million from \$1,919.0 million in 2001. Diluted earnings per share for the first nine months of 2002 were \$2.50 versus \$2.37 in 2001, a gain of 5.5 percent. Earnings per share before unusual items were \$2.59 in 2002 compared with \$2.45 in 2001, an improvement of 5.7 percent.

Outlook

The company announced that the growth rate in earnings per share before unusual items for the full year of 2002 is expected to be in the mid-single digit range. This updated guidance primarily reflects increased levels of competitive activity in the diaper and training pant categories in North America and Europe, as well as changes in the value of certain currencies in Latin America. The company expects earnings before unusual items for 2002 will be in a range of \$3.42 to \$3.46 per share, slightly below the current range of analysts' estimates of \$3.50 to \$3.56 per share. Earnings before unusual items in 2001 were \$3.27 per share.

Commenting on the outlook, Mr. Falk said, "We expect to generate solid overall sales and earnings growth in 2002 as well as continued strong cash flow, even though advertising and promotion spending is coming in above our earlier projections.

"Earnings per share before unusual items in the fourth quarter should be similar to the third quarter except for incremental costs in the fourth quarter of about 2 to 3 cents per share related to package count changes and start-up costs for our new and improved Huggies diapers and Pull-Ups training pants."

Conference call

A conference call to discuss this news release and other matters of interest to investors and analysts will be held at 9 a.m. (CDT) today. The conference call will be simultaneously broadcast over the World Wide Web. Stockholders and others are invited to listen to the live broadcast or a playback, which can be accessed by following the instructions set out in the Investors section of the company's Web site (www.kimberly-clark.com).

About Kimberly-Clark

Kimberly-Clark Corporation is a leading global consumer products company. Its tissue, personal care and health care products are manufactured in 42 countries and sold in more than 150. Kimberly-Clark is home to some of the world's most trusted and recognized brands, including Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend. Nearly one-quarter of the world's population, or 1.3 billion people, use Kimberly-Clark products each year. Kimberly-Clark has been among Fortune magazine's "Most Admired" corporations since 1983 and was named to its 2002 list of "100 Best Companies to Work For." For more information about Kimberly-Clark's well-known brands, visit the Kimberly-Clark Web site at www.kimberly-clark.com.

Certain matters contained in this news release concerning the business outlook, including new product introductions, cost savings and acquisitions, anticipated financial and operating results, strategies, contingencies and transactions of the company constitute forward-looking statements and are based upon management's expectations and beliefs concerning future events impacting the company. There can be no assurance that these future events will occur as anticipated or that the company's results will be as estimated. For a description of certain factors that could cause the company's future results to differ materially from those expressed in any such forward-looking statements, see the section of Part I, Item 1 of the company's Annual Report on Form 10-K for the year ended December 31, 2001 entitled "Factors That May Affect Future Results."

Kimberly-Clark Web site: www.kimberly-clark.com

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