

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2004**

OR

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

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

Commission file number **1-225**

**KIMBERLY-CLARK CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**39-0394230**

(I.R.S. Employer  
Identification No.)

**P. O. Box 619100**

**Dallas, Texas**

**75261-9100**

(Address of principal executive offices)

(Zip Code)

**(972) 281-1200**

(Registrant's telephone number, including area code)

**No change**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes . No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes . No .

**As of August 2, 2004, there were 494,510,854 shares of the Corporation's common stock outstanding.**

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT

(Millions of dollars, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
<b>Net Sales</b> .....	<b>\$3,775.7</b>	\$3,544.6	<b>\$7,574.8</b>	\$7,004.3
Cost of products sold .....	<b>2,491.0</b>	2,337.4	<b>5,002.5</b>	4,593.5
<b>Gross Profit</b> .....	<b>1,284.7</b>	1,207.2	<b>2,572.3</b>	2,410.8
Marketing, research and general expenses .....	<b>625.5</b>	579.5	<b>1,250.3</b>	1,168.4
Other (income) expense, net .....	<b>14.5</b>	20.8	<b>29.0</b>	56.2
<b>Operating Profit</b> .....	<b>644.7</b>	606.9	<b>1,293.0</b>	1,186.2
Nonoperating expense .....	<b>(38.7)</b>	-	<b>(90.2)</b>	-
Interest income .....	<b>4.0</b>	4.3	<b>8.0</b>	9.1
Interest expense .....	<b>(40.7)</b>	(44.6)	<b>(79.4)</b>	(87.6)
<b>Income Before Income Taxes</b> .....	<b>569.3</b>	566.6	<b>1,131.4</b>	1,107.7
Provision for income taxes .....	<b>126.8</b>	164.9	<b>243.5</b>	322.4
<b>Income Before Equity Interests</b> .....	<b>442.5</b>	401.7	<b>887.9</b>	785.3
Share of net income of equity companies .....	<b>29.9</b>	30.3	<b>60.8</b>	56.3
Minority owners' share of subsidiaries' net income ....	<b>(18.1)</b>	(14.7)	<b>(35.1)</b>	(26.6)
<b>Net Income</b> .....	<b>\$ 454.3</b>	\$ 417.3	<b>\$ 913.6</b>	\$ 815.0
<b>Per Share Basis:</b>				
<b>Net Income</b>				
Basic .....	<b>\$ .91</b>	\$ .82	<b>\$ 1.82</b>	\$ 1.60
Diluted .....	<b>\$ .90</b>	\$ .82	<b>\$ 1.81</b>	\$ 1.60
<b>Cash Dividends Declared</b> .....	<b>\$ .40</b>	\$ .34	<b>\$ .80</b>	\$ .68

Unaudited

See Notes to Consolidated Financial Statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET**

(Millions of dollars)	June 30, 2004	December 31, 2003
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents .....	\$ 362.3	\$ 290.6
Accounts receivable .....	1,951.9	1,955.1
Inventories .....	1,631.4	1,563.4
Other current assets .....	<u>615.2</u>	<u>629.0</u>
<b>Total Current Assets</b> .....	<b>4,560.8</b>	<b>4,438.1</b>
<b>Property</b> .....	<b>15,334.0</b>	<b>15,179.5</b>
Less accumulated depreciation .....	<u>7,161.5</u>	<u>6,916.1</u>
<b>Net Property</b> .....	<b>8,172.5</b>	<b>8,263.4</b>
<b>Investments in Equity Companies</b> .....	<b>451.9</b>	<b>427.7</b>
<b>Goodwill</b> .....	<b>2,581.3</b>	<b>2,649.1</b>
<b>Other Assets</b> .....	<u>957.6</u>	<u>1,001.6</u>
	<b><u>\$16,724.1</u></b>	<b><u>\$16,779.9</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Debt payable within one year .....	\$ 502.5	\$ 864.3
Accounts payable .....	1,145.1	1,141.4
Accrued expenses .....	1,382.5	1,374.7
Other current liabilities .....	<u>612.6</u>	<u>538.3</u>
<b>Total Current Liabilities</b> .....	<b>3,642.7</b>	<b>3,918.7</b>
<b>Long-Term Debt</b> .....	<b>2,772.9</b>	<b>2,733.7</b>
<b>Noncurrent Employee Benefit and Other Obligations</b> .....	<b>1,621.7</b>	<b>1,614.4</b>
<b>Deferred Income Taxes</b> .....	<b>902.2</b>	<b>880.6</b>
<b>Minority Owners' Interests in Subsidiaries</b> .....	<b>315.6</b>	<b>298.3</b>
<b>Preferred Securities of Subsidiary</b> .....	<b>706.2</b>	<b>567.9</b>
<b>Stockholders' Equity</b> .....	<u>6,762.8</u>	<u>6,766.3</u>
	<b><u>\$16,724.1</u></b>	<b><u>\$16,779.9</u></b>

Unaudited

See Notes to Consolidated Financial Statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

(Millions of dollars)	Six Months Ended June 30	
	<u>2004</u>	<u>2003</u>
<b>Operations</b>		
Net income .....	\$ 913.6	\$ 815.0
Depreciation .....	407.9	370.7
Changes in operating working capital .....	(7.1)	39.3
Deferred income tax provision .....	23.2	(10.7)
Equity companies' earnings in excess of dividends paid .....	(36.1)	(30.9)
Postretirement benefits .....	1.5	(27.6)
Other .....	<u>47.7</u>	<u>53.6</u>
<b>Cash Provided by Operations .....</b>	<b><u>1,350.7</u></b>	<b><u>1,209.4</u></b>
<b>Investing</b>		
Capital spending .....	(219.6)	(402.1)
Acquisitions of businesses, net of cash acquired .....	-	(45.2)
Proceeds from sales of investments .....	19.5	17.0
Net increase in time deposits .....	(12.2)	(144.0)
Investments in marketable securities .....	(4.1)	(10.9)
Other .....	<u>11.9</u>	<u>(14.6)</u>
<b>Cash Used for Investing .....</b>	<b><u>(204.5)</u></b>	<b><u>(599.8)</u></b>
<b>Financing</b>		
Cash dividends paid .....	(372.2)	(327.5)
Net decrease in short-term debt .....	(281.1)	(132.5)
Proceeds from issuance of long-term debt .....	32.9	8.5
Repayments of long-term debt .....	(174.3)	(19.7)
Proceeds from preferred securities of subsidiary .....	125.0	-
Proceeds from exercise of stock options .....	190.9	17.4
Acquisitions of common stock for the treasury .....	(579.1)	(251.7)
Other .....	<u>(10.4)</u>	<u>(27.3)</u>
<b>Cash Used for Financing .....</b>	<b><u>(1,068.3)</u></b>	<b><u>(732.8)</u></b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents .....	<u>(6.2)</u>	<u>5.5</u>
Increase (decrease) in Cash and Cash Equivalents .....	<u>71.7</u>	<u>(117.7)</u>
Cash and Cash Equivalents, beginning of year .....	<u>290.6</u>	<u>494.5</u>
Cash and Cash Equivalents, end of period .....	<b><u>\$ 362.3</u></b>	<b><u>\$ 376.8</u></b>

Unaudited

See Notes to Consolidated Financial Statements.

**KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation**

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

**Note 2. Preferred Securities of Subsidiary**

In June 2004, a nonaffiliated entity invested an additional \$125 million in the Corporation's Luxembourg-based financing subsidiary, increasing the aggregate par value of the voting-preferred securities held by the nonaffiliated entity (the "Securities"). In conjunction with this transaction, the fixed annual rate of return on the Securities was increased from 4.47 percent to 4.56 percent. The subsidiary loaned these funds to the Corporation which used them to reduce its outstanding commercial paper.

**Note 3. Stock-Based Employee Compensation**

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

(Millions of dollars, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Net income, as reported .....	\$454.3	\$417.3	\$913.6	\$815.0
Less: Stock-based employee compensation determined under the fair value requirements of SFAS 123, net of income tax benefits .....	<u>8.6</u>	<u>13.4</u>	<u>18.0</u>	<u>29.4</u>
Pro forma net income .....	<u>\$445.7</u>	<u>\$403.9</u>	<u>\$895.6</u>	<u>\$785.6</u>
Earnings per share:				
Basic – as reported .....	<u>\$ .91</u>	<u>\$ .82</u>	<u>\$ 1.82</u>	<u>\$ 1.60</u>
Basic – pro forma .....	<u>\$ .89</u>	<u>\$ .79</u>	<u>\$ 1.79</u>	<u>\$ 1.54</u>
Diluted – as reported .....	<u>\$ .90</u>	<u>\$ .82</u>	<u>\$ 1.81</u>	<u>\$ 1.60</u>
Diluted – pro forma .....	<u>\$ .88</u>	<u>\$ .79</u>	<u>\$ 1.77</u>	<u>\$ 1.54</u>

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

#### Note 4. Inventories

The following schedule presents inventories by major class as of June 30, 2004 and December 31, 2003.

(Millions of dollars)	June 30, 2004	December 31, 2003
At lower of cost on the First-In, First-Out (FIFO) method or market:		
Raw materials .....	\$ 338.0	\$ 353.8
Work in process .....	205.2	186.8
Finished goods .....	1,018.1	935.2
Supplies and other .....	<u>241.1</u>	<u>238.1</u>
	<b>1,802.4</b>	<b>1,713.9</b>
Excess of FIFO cost over Last-In, First-Out (LIFO) cost .....	<u>(171.0)</u>	<u>(150.5)</u>
Total .....	<b><u>\$1,631.4</u></b>	<b><u>\$1,563.4</u></b>

FIFO cost of total inventories on the LIFO method was \$758.1 million and \$663.8 million at June 30, 2004 and December 31, 2003, respectively.

#### Note 5. Synthetic Fuel Partnership

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

The production of synthetic fuel results in pretax losses. In the second quarter of 2004, these pretax losses totaled \$38.7 million and are reported as nonoperating expense on the Corporation's income statement. The production of synthetic fuel results in tax credits as well as tax deductions for the nonoperating losses, which reduce the Corporation's income tax expense. In the second quarter of 2004, the Corporation's participation in the synthetic fuel partnership resulted in \$35.3 million of tax credits, and the nonoperating losses generated an additional \$13.5 million of tax benefits, which combined to reduce the Corporation's income tax provision by \$48.8 million.

#### Note 6. Components of Net Periodic Benefit Cost

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

(Millions of dollars)	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Three Months Ended June 30			
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Service cost .....	\$ 21.0	\$ 19.6	\$ 4.4	\$ 4.2
Interest cost .....	70.7	71.5	14.5	12.3
Expected return on plan assets .....	(80.4)	(72.0)	-	-
Recognized net actuarial loss .....	18.1	17.9	.2	.5
Other .....	<u>2.6</u>	<u>4.1</u>	<u>(.5)</u>	<u>(.6)</u>
Net periodic benefit cost .....	<b><u>\$ 32.0</u></b>	<b><u>\$ 41.1</u></b>	<b><u>\$ 18.6</u></b>	<b><u>\$ 16.4</u></b>

**Note 6.** (Continued)

(Millions of dollars)	Defined Benefit Plans		Other Postretirement Benefit Plans	
	Six Months Ended June 30			
	2004	2003	2004	2003
Service cost .....	\$ 44.9	\$ 39.8	\$ 9.2	\$ 8.5
Interest cost .....	148.7	146.4	26.9	25.1
Expected return on plan assets .....	(164.1)	(146.0)	-	-
Recognized net actuarial loss .....	42.1	36.9	1.2	.9
Other .....	5.0	7.0	(.4)	(.8)
Net periodic benefit cost .....	<u>\$ 76.6</u>	<u>\$ 84.1</u>	<u>\$36.9</u>	<u>\$33.7</u>

During the first and second quarters of 2004, the Corporation made approximately \$62 million and \$13 million of cash contributions, respectively, to its pension trusts. As previously disclosed, the Corporation expects to make cash contributions to its pension trusts of approximately \$100 million in 2004.

Effective April 1, 2004, the Corporation adopted FASB Staff Position 106-2 ("FSP 106-2"), *Accounting and Disclosure Requirements Related to Medicare Prescription Drug, Improvement and Modernization Act of 2003*. Adoption of FSP 106-2 reduced the Corporation's accumulated postretirement benefit obligation by approximately \$72 million and resulted in an unrecognized actuarial gain of a similar amount. Adoption resulted in a \$1.9 million reduction in postretirement benefits cost for the three months ended June 30, 2004.

**Note 7. Earnings Per Share**

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

(Millions of shares)	Average Common Shares Outstanding			
	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Basic .....	499.9	508.1	500.8	509.2
Dilutive effect of stock options .....	3.8	1.3	3.5	.9
Dilutive effect of deferred compensation plan shares .....	.6	.3	.5	.3
Diluted .....	<u>504.3</u>	<u>509.7</u>	<u>504.8</u>	<u>510.4</u>

Options outstanding during the three and six month periods ended June 30, 2004 to purchase 5.4 million and 5.5 million shares of common stock, respectively, were not included in the computation of diluted EPS because the exercise prices of the options were greater than the average market price of the common shares.

Options outstanding during the three and six month periods ended June 30, 2003 to purchase 20.5 million and 26.8 million shares of common stock, respectively, were not included in the computation of diluted EPS because the exercise prices of the options were greater than the average market price of the common shares.

**Note 7. (Continued)**

The number of common shares outstanding as of June 30, 2004 and 2003 was 496.6 million and 507.0 million, respectively.

**Note 8. Comprehensive Income**

The following schedule presents the components of comprehensive income.

(Millions of dollars)	Six Months Ended June 30	
	2004	2003
Net income .....	<b>\$ 913.6</b>	\$ 815.0
Unrealized currency translation adjustments, net of tax .....	<b>(148.5)</b>	405.2
Deferred gains (losses) on cash flow hedges, net of tax .....	<b>7.3</b>	(5.7)
Unrealized holding (losses) gains on marketable securities .....	<b><u>(.2)</u></b>	<u>.3</u>
Comprehensive income .....	<b><u>\$ 772.2</u></b>	<b><u>\$1,214.8</u></b>

**Note 9. Description of Business Segments**

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

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

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

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

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



**Note 9.** (Continued)

The following schedule presents information concerning consolidated operations by business segment.

(Millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	<b>2004</b>	2003	<b>2004</b>	2003
<b>NET SALES:</b>				
Personal Care .....	<b>\$1,491.3</b>	\$1,427.1	<b>\$2,971.4</b>	\$2,812.4
Consumer Tissue .....	<b>1,259.9</b>	1,189.0	<b>2,601.9</b>	2,411.5
Business-to-Business .....	<b>1,084.1</b>	967.4	<b>2,113.7</b>	1,855.2
Intersegment sales .....	<b>(59.6)</b>	(38.9)	<b>(112.2)</b>	(74.8)
Consolidated .....	<b><u>\$3,775.7</u></b>	<u>\$3,544.6</u>	<b><u>\$7,574.8</u></b>	<u>\$7,004.3</u>
<b>OPERATING PROFIT (reconciled to income before income taxes):</b>				
Personal Care .....	<b>\$ 323.2</b>	\$ 304.2	<b>\$ 649.7</b>	\$ 596.1
Consumer Tissue .....	<b>178.3</b>	167.5	<b>380.2</b>	369.6
Business-to-Business .....	<b>195.4</b>	181.3	<b>361.3</b>	325.8
Other income (expense) – net .....	<b>(14.5)</b>	(20.8)	<b>(29.0)</b>	(56.2)
Unallocated items – net .....	<b>(37.7)</b>	(25.3)	<b>(69.2)</b>	(49.1)
Total Operating Profit .....	<b>644.7</b>	606.9	<b>1,293.0</b>	1,186.2
Nonoperating expense .....	<b>(38.7)</b>	-	<b>(90.2)</b>	-
Interest income .....	<b>4.0</b>	4.3	<b>8.0</b>	9.1
Interest expense .....	<b>(40.7)</b>	(44.6)	<b>(79.4)</b>	(87.6)
Income Before Income Taxes .....	<b><u>\$ 569.3</u></b>	<u>\$ 566.6</u>	<b><u>\$1,131.4</u></b>	<u>\$1,107.7</u>

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

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

### **Introduction**

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

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

### **Overview of Second Quarter 2004 Results**

During the second quarter of 2004, the Corporation continued to make progress under its strategic plan which focuses on brand building, achieving sustainable cost reductions and capital effectiveness:

- Net sales grew 6.5 percent.
  - Net sales increased in each of the three business segments and in each geographic region.
  - Child care volumes in North America grew at a double-digit rate for the fourth consecutive quarter and set an all-time record.
  - Other contributors to the gains were global Health Care, Andrex bathroom tissue in Europe and operations in the developing and emerging markets.
- Operating profit advanced over 6 percent and net income increased nearly 9 percent.
  - More than \$50 million in cost savings were achieved with each of the segments contributing to the improvements.
  - Net income benefited from a lower effective tax rate due to an investment in a synthetic fuel partnership.
- Cash flow continued to be strong.
  - Cash provided by operations was \$736 million, an increase of nearly 7 percent.

### **Results of Operations and Related Information**

This section presents a discussion and analysis of the Corporation's second quarter 2004 net sales, operating profit and other information relevant to an understanding of the results of operations.

## Second Quarter of 2004 Compared With Second Quarter of 2003

### Analysis of Net Sales

By Business Segment  
(Millions of dollars)

Net Sales	2004	2003
Personal Care .....	\$1,491.3	\$1,427.1
Consumer Tissue .....	1,259.9	1,189.0
Business-to-Business .....	1,084.1	967.4
Intersegment sales .....	(59.6)	(38.9)
Consolidated .....	\$3,775.7	\$3,544.6

### Commentary:

2004 versus 2003

	Percent Change in Net Sales Versus Prior Year								
	Total Change	Change Due To					Net Price	Currency	Other
		Total Volume	Organic Growth	Acquisitions					
Consolidated .....	7	5	4	1	(2)	3	1		
Personal Care .....	4	3	3	-	(2)	2	1		
Consumer Tissue .....	6	5	2	3	(3)	3	1		
Business-to-Business ....	12	7	7	-	(2)	3	4		

Consolidated net sales for the second quarter of 2004 increased 6.5 percent compared with 2003. Overall sales volumes increased 5 percent, including about 1 percent from the consolidation of Klabin-Kimberly S.A. ("Klabin"), the Corporation's former equity affiliate in Brazil, which occurred in August 2003. Favorable currency effects of about 3 percent and a higher-value product mix of 1 percent also contributed to the higher net sales. Net selling prices declined approximately 2 percent below last year as the business environment remained competitive across all segments.

### Market Shares

U.S. market shares are tracked on a sales dollar basis with information provided by A.C. Nielsen for distribution through the food, drug and mass merchandising channels, excluding Wal-Mart, warehouse clubs, dollar stores and certain other outlets. These customers do not report market share information. The A.C. Nielsen data provides coverage ranging from approximately 50 percent to 65 percent, depending upon the product category, of the retail value of products sold.

Shown below are the Corporation's U.S. market shares for key categories for the second quarter of 2004 and 2003.

Category	2004	2003
Diapers .....	37%	38%
Training, Youth and Swim Pants .....	70%	69%
Feminine Care .....	20%	22%
Adult Incontinence Care .....	56%	56%
Facial Tissue .....	50%	51%
Bathroom Tissue .....	29%	28%
Paper Towels .....	18%	19%
Baby Wipes .....	40%	41%

Contributors to the second quarter 2004 sales volume growth included Pull-Ups training pants, Little Swimmers swimpants, Scott bathroom tissue and Poise and Depend incontinence care brands in North America, which posted double-digit growth, with unit sales for the child care sector setting a new quarterly record. Other key areas of volume strength included Health Care products globally, Andrex bathroom tissue in Europe, and operations in Australia, Brazil, Eastern Europe and the Middle East.

- Personal care net sales increased 4.5 percent from last year. Sales volumes increased over 3 percent, favorable currency effects contributed about 2 percent and product mix added nearly 1 percent, with lower net selling prices of almost 2 percent partially offsetting the increases.

In North America, personal care sales rose approximately 4 percent on the strength of the previously mentioned sales volume increases for child and incontinence care products, along with nearly 3 percent higher shipments of Huggies diapers. In total, sales volumes increased more than 4 percent. The higher sales volumes and a favorable product sales mix were tempered by a decline in net selling prices of about 1 percent.

In Europe, currency had a favorable effect of approximately 8 percent; however, net sales decreased 2 percent because of lower sales volumes and lower net selling prices. Sales volumes and net selling prices declined about 7 percent and nearly 3 percent, respectively, due to competitive pressures. In developing and emerging markets, personal care net sales advanced about 8 percent mainly due to almost 6 percent higher sales volumes along with over 3 percent favorable currency effects and about 2 percent favorable product sales mix, partially offset by about 3 percent lower net selling prices.

- Consumer tissue net sales increased 6.0 percent, driven by volume growth of almost 5 percent and currency effects, primarily in Europe and Australia, of more than 3 percent. Net selling prices declined almost 3 percent from the second quarter of 2003, mainly due to competitive promotional activity in North America and Europe.

In North America, consumer tissue sales volumes increased 3 percent, driven by double-digit growth in Scott bathroom tissue. Improved product mix contributed 1 percent, with higher sales of Cottonelle Ultra bathroom tissue. Net selling prices were about 4 percent lower as competition remained at intense levels. In Europe, net sales rose over 6 percent on favorable currency effects of almost 9 percent and improved sales mix of nearly 1 percent, partially offset by about 3 percent lower net selling prices reflecting the ongoing competitive environment. Net sales in developing and emerging markets increased nearly 30 percent with about half the change due to the consolidation of Klabin and also because of favorable currency effects in Australia.

- Net sales of business-to-business products increased 12.1 percent compared with last year. Overall sales volumes were more than 7 percent higher with growth in all businesses in the segment. Sales volumes for the global health care business advanced 6 percent, with particular strength in surgical drapes and gowns, medical gloves and Ballard medical products.

In North America, K-C Professional sales volumes rose about 4 percent on growth in higher-margin products in the towel, bathroom tissue and wiper categories. K-C Professional sales volumes in Europe increased about 2 percent. The segment also benefited from higher intercompany sales. Net sales benefited from favorable currency effects of about 3 percent that more than offset nearly 2 percent lower selling prices, particularly in K-C Professional and health care.

By Geography  
(Millions of dollars)

Net Sales	2004	2003
North America .....	<b>\$2,312.9</b>	\$2,232.4
Outside North America .....	<b>1,605.3</b>	1,456.0
Intergeographic sales .....	<b>(142.5)</b>	(143.8)
Consolidated .....	<b><u>\$3,775.7</u></b>	<b><u>\$3,544.6</u></b>

Commentary:

- Net sales in North America increased 3.6 percent primarily due to higher sales volumes partially offset by the lower net selling prices.
- Net sales outside North America increased 10.3 percent because of the favorable currency effects in Europe and Australia and higher sales volumes, including Klabin, partially offset by the lower net selling prices.

**Analysis of Operating Profit**

By Business Segment  
(Millions of dollars)

Operating Profit	2004	2003
Personal Care .....	<b>\$323.2</b>	\$304.2
Consumer Tissue .....	<b>178.3</b>	167.5
Business-to-Business .....	<b>195.4</b>	181.3
Other income (expense), net .....	<b>(14.5)</b>	(20.8)
Unallocated items – net .....	<b>(37.7)</b>	(25.3)
Consolidated .....	<b><u>\$644.7</u></b>	<b><u>\$606.9</u></b>

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

Commentary:

2004 versus 2003

	Percent Change in Operating Profit Versus Prior Year					
	Total Change	Change Due To				
		Volume	Net Price	Fiber Cost	Currency	Other (a)
Consolidated .....	6	9	(13)	(1)	4	7
Personal Care .....	6	9	(9)	-	2	4
Consumer Tissue .....	6	5	(20)	(5)	5	21
Business-to-Business .....	8	10	(9)	(4)	4	7

(a) Includes cost savings achieved.

Consolidated operating profit in the second quarter of 2004 increased 6.2 percent from the prior year. The combined benefits of sales volume growth, favorable currency effects, more than \$50 million of cost savings and lower other expense, net more than offset about \$80 million of lower net selling prices and costs of approximately \$16 million related to changes to the Corporation's diaper operations.

- Personal care segment operating profit increased 6.2 percent as higher sales volumes and cost savings more than offset the lower net selling prices and the previously mentioned costs of \$16 million related to diaper operations. Primarily as a result of significant productivity gains, the Corporation had available diaper manufacturing capacity in North America and Europe. After a thorough evaluation, the Corporation decided to cease diaper manufacturing and scale-back distribution operations at its facility in New Milford, Conn., which will now focus solely on the production of tissue products. Some production capacity will also be redeployed from the Barton-upon-Humber facility in the U.K. Diaper machines from these locations will be moved to support growth in other markets, minimizing the need for additional capital spending. These steps are consistent with the Corporation's strategies to drive growth in developing and emerging markets and improve its cost structure in Europe.

Costs to implement the plan are estimated to be approximately \$40 million before tax, including the \$16 million in the second quarter and nearly \$25 million in the third quarter of 2004, after which only minimal costs will be incurred. Of the total cost, approximately \$11 million is for employee severance, about \$4 million for other cash costs, principally for equipment removal, and \$25 million for asset write offs primarily related to the original costs to install the equipment.

The higher sales volumes and cost savings in North America led the segment's overall performance. Despite the lower sales volumes and net selling prices in Europe, operating profit was slightly better than last year primarily due to cost savings and favorable transaction currency effects. In the developing and emerging markets, overall operating profit grew primarily because of the higher sales volumes and cost savings programs.

- Consumer tissue segment operating profit increased 6.4 percent as the higher sales volumes, cost savings and favorable currency more than offset the lower net selling prices and higher fiber costs. Operating profit in North America declined primarily because the lower net selling prices and increased fiber costs more than offset the higher sales volumes and cost savings. In Europe, operating profit advanced on cost management programs and favorable currency effects that outweighed the effect of the lower net selling prices. Operating profit in the developing and emerging markets grew primarily due to increased sales of higher margin products in Latin America and favorable currency effects.
- Business-to-business segment operating profit increased 7.8 percent principally because of the higher K-C Professional and health care sales volumes, cost savings programs and favorable currency, partially offset by the lower selling prices and higher fiber costs.
- Other income (expense), net in 2004 reflects a lower level of expenses associated with affordable housing and historic renovation real estate projects than in 2003.

Results by Geography  
(Millions of dollars)

Operating Profit	2004	2003
North America .....	<b>\$536.7</b>	\$514.7
Outside North America .....	<b>160.2</b>	138.3
Other income (expense), net .....	<b>(14.5)</b>	(20.8)
Unallocated items – net .....	<b><u>(37.7)</u></b>	<u>(25.3)</u>
Consolidated .....	<b><u>\$644.7</u></b>	<u>\$606.9</u>

Note: Unallocated items – net, consists of expenses not associated with the geographic areas.

- Operating profit in North America increased 4.3 percent primarily because of the higher sales volumes and cost savings, tempered by the lower net selling prices.

- Operating profit outside North America increased 15.8 percent due to cost savings and favorable currency effects.

### ***Additional Income Statement Commentary***

- Nonoperating expense of \$38.7 million for the second quarter of 2004 is the Corporation's pretax loss associated with its ownership interest in the synthetic fuel partnership described in Note 5.
- Interest expense decreased 8.7 percent primarily due to a lower average level of debt.
- The Corporation's effective income tax rate was 22.3 percent in 2004 compared with 29.1 percent in 2003. The lower effective tax rate was due to the benefits from the Corporation's ownership interest in the synthetic fuel partnership.
- The Corporation's share of net income of equity companies of approximately \$30 million in the second quarter was essentially unchanged from the prior year, reflecting stable results at Kimberly-Clark de Mexico, S.A. de C.V. (KCM). KCM's net sales rose 6 percent, highlighted by continued double-digit volume growth in its consumer businesses, helping to offset the effects from depreciation of the Mexican peso and higher raw material costs. KCM recently announced price increases for most of its consumer products effective in the third quarter.
- Minority owners' share of subsidiaries' net income increased 23.1 percent, primarily due to higher returns on the preferred securities of the Corporation's consolidated foreign financing subsidiary. In September 2003, these preferred securities were restructured from a variable rate of return to a fixed rate.

### ***First Six Months of 2004 Compared With First Six Months of 2003***

#### ***Analysis of Net Sales***

By Business Segment  
(Millions of dollars)

Net Sales	2004	2003
Personal Care .....	<b>\$2,971.4</b>	\$2,812.4
Consumer Tissue .....	<b>2,601.9</b>	2,411.5
Business-to-Business .....	<b>2,113.7</b>	1,855.2
Intersegment sales .....	<b><u>(112.2)</u></b>	<u>(74.8)</u>
Consolidated .....	<b><u>\$7,574.8</u></b>	<u>\$7,004.3</u>

Commentary:

2004 versus 2003

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

Consolidated net sales for the first six months of 2004 increased 8.1 percent from last year. Sales volume growth of nearly 6 percent, including about 1 percent for Klabin, and favorable currency effects of almost 4 percent were tempered by lower net selling prices of about 2 percent.

- Personal care net sales increased 5.7 percent due to higher sales volumes, mainly in North America and the developing and emerging markets, and favorable currency effects primarily in Australia and Europe. These benefits were partially offset by lower net selling prices due to competitive pressure in North America and Europe.
- Consumer tissue net sales increased 7.9 percent driven by higher sales volumes, primarily in North America and Europe, the consolidation of Klabin and favorable currency principally in Europe and Australia, tempered by the lower net selling prices.
- Business-to-business net sales increased 13.9 percent because of higher sales volumes, primarily for K-C Professional and health care, and favorable currency effects, partially offset by lower selling prices. The segment also benefited from higher intercompany sales.

By Geography  
(Millions of dollars)

Net Sales	2004	2003
North America .....	<b>\$4,620.9</b>	\$4,429.3
Outside North America .....	<b>3,228.2</b>	2,847.4
Intergeographic sales .....	<b>(274.3)</b>	(272.4)
Consolidated .....	<b><u>\$7,574.8</u></b>	<b><u>\$7,004.3</u></b>

- Net sales in North America increased 4.3 percent primarily due to the higher sales volumes partially offset by the lower net selling prices.
- Net sales outside of North America advanced 13.4 percent because of the favorable currency effects and higher sales volumes including Klabin.



## Analysis of Operating Profit

By Business Segment  
(Millions of dollars)

Operating Profit	2004	2003
Personal Care .....	\$ 649.7	\$ 596.1
Consumer Tissue .....	380.2	369.6
Business-to-Business .....	361.3	325.8
Other income (expense), net .....	(29.0)	(56.2)
Unallocated items – net .....	(69.2)	(49.1)
Consolidated .....	<b>\$1,293.0</b>	<b>\$1,186.2</b>

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

### Commentary:

2004 versus 2003

	Percent Change in Operating Profit Versus Prior Year					
	Total Change	Change Due To				
		Volume	Net Price	Fiber Cost	Currency	Other (a)
Consolidated .....	9	10	(12)	(2)	4	9
Personal Care .....	9	10	(9)	-	3	5
Consumer Tissue .....	3	6	(15)	(6)	4	14
Business-to-Business .....	11	13	(12)	(4)	5	9

(a) Includes cost savings achieved.

Consolidated operating profit increased 9.0 percent compared with the prior year. The combined benefits of sales volume growth, favorable currency effects, about \$95 million of cost savings and lower other expense, net more than offset about \$145 million of lower net selling prices, around \$23 million of higher fiber costs and costs of approximately \$16 million related to changes to the Corporation's diaper operations.

- Personal care segment operating profit rose 9.0 percent due to the higher sales volumes, cost savings and favorable currency, partially offset by the lower net selling prices and the previously mentioned costs related to diaper operations.
- Consumer tissue segment operating profit increased 2.9 percent because of the higher sales volumes, cost savings and favorable currency tempered by the lower net selling prices and higher fiber costs.
- Business-to-business segment operating profit advanced 10.9 percent on the strength of the higher sales volumes, cost savings and favorable currency tempered by the lower net selling prices and higher fiber costs.
- Other income (expense), net included a charge of \$15.6 million in the first quarter of 2003 as a result of a legal judgment in Europe.

Analysis of Results by Geography  
(Millions of dollars)

Operating Profit	2004	2003
North America .....	<b>\$1,072.4</b>	\$1,013.4
Outside North America .....	<b>318.8</b>	278.1
Other income (expense), net .....	<b>(29.0)</b>	(56.2)
Unallocated items – net .....	<b><u>(69.2)</u></b>	<u>(49.1)</u>
Consolidated .....	<b><u>\$1,293.0</u></b>	<u>\$1,186.2</u>

Note: Unallocated items – net, consists of expenses not associated with the geographic areas.

- Operating profit in North America increased 5.8 percent due to the higher sales volumes and cost savings, partially offset by the lower selling prices.
- Operating profit outside North America increased 14.6 percent primarily due to strong performance by personal care in Australia and by K-C Professional.

***Additional Income Statement Commentary***

- Nonoperating expense of \$90.2 million for the first six months of 2004 is the Corporation's pretax loss associated with its ownership interest in the synthetic fuel partnership described in Note 5.
- Interest expense declined 9.4 percent primarily due to a lower average level of debt.
- The Corporation's effective income tax rate was 21.5 percent in 2004 compared with 29.1 percent in 2003. The lower effective tax rate was due to the benefits from the Corporation's ownership interest in the synthetic fuel partnership.
- The Corporation's share of net income of equity companies increased 8.0 percent primarily due to higher earnings at KCM.
- Minority owners' share of subsidiaries' net income increased 32.0 percent, primarily due to higher returns on the preferred securities of the Corporation's consolidated foreign financing subsidiary.

**Liquidity and Capital Resources**

- Cash provided by operations for the first six months of 2004 increased \$141.3 million or 11.7 percent compared with 2003 reflecting the higher level of net income and improved accounts receivable and inventory management.
- During the first six months of 2004, the Corporation repurchased nearly 9.1 million shares of its common stock at a cost of approximately \$584 million, including 6.5 million shares repurchased during the second quarter at a cost of approximately \$421 million. On June 8, 2004, the Corporation's board of directors authorized the repurchase of an additional 25 million shares of the Corporation's common stock during the next several years.
- At June 30, 2004, total debt and preferred securities was \$4.0 billion, a decrease of \$.2 billion from the prior year end.
- In June 2004, a nonaffiliated entity invested an additional \$125 million in the Corporation's Luxembourg-based financing subsidiary, increasing the aggregate par value of the voting-preferred securities held by the nonaffiliated entity (the "Securities"). In conjunction with this transaction, the

fixed annual rate of return on the Securities was increased from 4.47 percent to 4.56 percent. The subsidiary loaned these funds to the Corporation which used them to reduce its outstanding commercial paper.

- On June 8, 2004, the Corporation announced that its board of directors had approved the previously disclosed plan to spin-off the paper and Canadian pulp operations. On July 7, a preliminary Form 10 was filed with the Securities and Exchange Commission.
- On July 10, 2004, a fire occurred at the Corporation's Thames Distribution Center at Northfleet in the U.K. Customer service levels were not significantly affected following the fire. Management believes that this event will not have a significant negative impact on the Corporation's results of operations, liquidity or financial position.
- Management believes that the Corporation's ability to generate cash from operations and its capacity to issue short-term and long-term debt are adequate to fund working capital, capital spending, payment of dividends and other needs in the foreseeable future.

### **Environmental Matters**

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

### **Business Outlook**

The Corporation remains focused on its objectives of driving top- and bottom-line growth, generating strong cash flow and improving capital efficiency. Based upon its results in the first half of 2004 and plans for the balance of the year, the Corporation has reiterated its previous guidance that earnings in 2004 are expected to be toward the high-end of the targeted range of \$3.55 to \$3.65 per share. Following the spin-off of its paper and Canadian pulp operations, the Corporation will provide updated guidance based on continuing operations.

In addition, the Corporation has raised the target for several of its other objectives for 2004. Since it has achieved cost savings of about \$95 million in the first half of the year, the Corporation is increasing its savings goal for the full year from \$150 million to a range of \$175 million to \$200 million. At the same time, the Corporation is adjusting its target for capital spending for 2004 from \$750 million to a range of \$600 million to \$650 million. The targeted lower capital spending, along with other factors, including expected cash proceeds related to the pulp and paper operations spin-off, will provide additional cash availability above the Corporation's previous expectations. As a result, the Corporation is raising its target for repurchases of its common shares by an additional \$400 million to \$1.4 billion.

For the third quarter of 2004, the Corporation expects to achieve earnings in a range of \$.88 to \$.90 per share. In particular, the Corporation expects continued solid top-line growth in a highly competitive marketplace and continued success in reducing costs. The Corporation anticipates consumer tissue selling prices will improve as it implements increases in North America during the course of the third quarter. These factors are expected to help achieve the anticipated earnings growth, overcoming higher fiber, oil and energy costs as well as the remaining \$25 million in costs related to changes in diaper operations.

## **Information Concerning Forward-Looking Statements**

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

The assumptions used as a basis for the forward-looking statements include many estimates that, among other things, depend on the achievement of future cost savings and projected volume increases. In addition, many factors outside the control of the Corporation, including the prices of the Corporation's raw materials, potential competitive pressures on selling prices or advertising and promotion expenses for the Corporation's products, and fluctuations in foreign currency exchange rates, as well as general economic conditions in the markets in which the Corporation does business, also could impact the realization of such estimates.

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

### **Item 4. Controls and Procedures.**

As of June 30, 2004, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective as of June 30, 2004. There have been no significant changes during the quarter covered by this report in the Corporation's internal control over financial reporting or in other factors that could significantly affect internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 2. Stock Repurchases.

The Corporation regularly repurchases shares of Kimberly-Clark common stock pursuant to publicly announced share repurchase programs. All share repurchases by the Corporation were made through brokers on the New York Stock Exchange. During 2004, the Corporation anticipates purchasing \$1.4 billion worth of its common stock. The following table contains information for shares repurchased during the second quarter of 2004. None of the shares in this table were repurchased directly from any officer or director of the Corporation.

<u>Period (2004)</u>	<u>Shares Purchased (1)</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>
April 1 to 30	840,000	\$65.147	4,220,000	15,780,000
May 1 to 31	2,740,000	\$64.724	6,960,000	13,040,000
June 1 to 30	<u>2,877,000</u>	\$65.777	9,837,000	35,163,000(2)
Total	<u>6,457,000</u>	\$65.248		

- (1) All share repurchases during the three months ended June 30, 2004 were made pursuant to a share repurchase program authorized by the Corporation's board of directors on February 18, 2003 and publicly announced the same day, which allowed for the repurchase of 20 million shares in an amount not to exceed \$1.5 billion.
- (2) On June 8, 2004, the Corporation's board of directors authorized the repurchase of an additional 25 million shares in an amount not to exceed \$2.25 billion, which was publicly announced the same day.

In addition, during April, May and June 2004, 9,845 shares at a cost of \$638,484; 8,671 shares at a cost of \$561,764; and 43,095 shares at a cost of \$2,840,102, respectively, were purchased from current or former employees in connection with the exercise of employee stock options and other awards.

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

#### (a) Exhibits

- (3)a Restated Certificate of Incorporation, dated June 12, 1997, incorporated by reference to Exhibit No. (3)a of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.
- (3)b By-Laws, as amended April 24, 2003, incorporated by reference to Exhibit No. (3)b of the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2003.
- (4) Copies of instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission on request.
- (10) Consulting Agreement, dated July 1, 2004, between Kimberly-Clark Corporation and Kathi P. Seifert, filed herewith.

- (31)a Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), filed herewith.
- (31)b Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
- (32)a Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.
- (32)b Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.

(b) Reports on Form 8-K.

The Corporation furnished or filed the following Current Reports after March 31, 2004 and prior to June 30, 2004.

Current Report on Form 8-K dated April 12, 2004, to furnish the text of a press release issued by Kimberly-Clark Corporation on April 12, 2004, regarding the Corporation's estimated earnings for the quarter ended March 31, 2004.

Current Report on Form 8-K dated April 13, 2004, to file a summary that reflects reclassifications in the composition of the Corporation's Personal Care and Consumer Tissue business segments, as a result of organizational changes.

Current Report on Form 8-K dated April 22, 2004, to furnish the text of a press release issued by Kimberly-Clark Corporation on April 22, 2004, regarding the Corporation's first quarter results of operations.

## SIGNATURES

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

KIMBERLY-CLARK CORPORATION  
(Registrant)

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

By: \_\_\_\_\_  
Randy J. Vest  
Vice President and Controller  
(principal accounting officer)

August 6, 2004

## EXHIBIT INDEX

Exhibit No.	Description
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(10)	Consulting Agreement, dated July 1, 2004, between Kimberly-Clark Corporation and Kathi P. Seifert, filed herewith.
(31)a	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), filed herewith.
(31)b	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
(32)a	Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.
(32)b	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, filed herewith.



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CONSULTING AGREEMENT

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between

Kimberly-Clark Corporation

(K-C)

and

Kathi P. Seifert

(Consultant)

Made as of the 1<sup>st</sup> day of July, 2004

## CONSULTING AGREEMENT

THIS AGREEMENT made as of the day and year first set forth above, by and between Kimberly-Clark Corporation, a Delaware corporation, with offices at 2100 Winchester Road, Neenah, Wisconsin 54957 ("K-C") and Kathi P. Seifert, who resides in Appleton, Wisconsin ("Consultant").

### WITNESSETH:

WHEREAS, Consultant possesses expertise in the consumer products business, including K-C's brands and in K-C's customer relationships;

WHEREAS, Consultant has represented K-C's interest with community groups and on boards of directors for charitable and nonprofit organizations;

WHEREAS, Consultant possesses expertise in leadership, new products, diversity and culture change;

WHEREAS, K-C wishes to continue to retain Consultant's services as a senior executive consultant after her retirement;

WHEREAS, Consultant represents to K-C that Consultant has the necessary knowledge, experience, skill and the legal right to perform such services; and

WHEREAS, K-C desires to utilize such knowledge, experience and skill upon the terms and conditions set forth herein;

NOW THEREFORE, the parties hereto agree as follows:

## ARTICLE 1

### CONSULTING SERVICES

Consultant acknowledges that she voluntarily retired as Executive Vice President and as an employee of K-C effective June 30, 2004 following 26 years of exemplary service to the K-C. Consultant shall provide K-C consulting services as a Consultant and such other work (the "Services") as requested from time to time by K-C by Thomas J. Falk, Chief Executive Officer, Cheryl A. Perkins, Chief Technical Officer, or any other individuals its Chief Executive Officer may designate. The Services shall be performed solely by Consultant.

## ARTICLE 2

### TERM AND TERMINATION

The Services to be performed by Consultant pursuant to this Agreement shall commence on July 1, 2004, and continue for a period of three years until June 30, 2007. Notwithstanding the expected term hereof, K-C or Consultant may terminate the Services at any time in the event of the failure of the other party to comply with any of the provisions hereunder after receiving written notice of such failure and not curing the same within 30 calendar days. This Agreement also shall terminate on the death or incapacity of the Consultant. In the event of termination of this Agreement, for any reason whatsoever, with or without cause, the provisions of Articles 4 through 11 and any other provisions of this Agreement necessary to give efficacy thereto shall continue in full force and effect following such termination.

ARTICLE 3  
COMPENSATION

For the Services, K-C shall pay Consultant \$25,000 per quarter, such fee to be paid on the first day of each calendar quarter, commencing on July 1, 2004 with the final payment occurring on April 1, 2007. Consultant shall be available to provide Services for a maximum of 200 hours per year at such times as can reasonably be agreed by the parties. In the event that K-C requests Consultant to provide services in excess of 200 hours per year, Consultant shall be compensated at a rate to be agreed upon by the parties. K-C shall reimburse Consultant for all necessary travel and other expenses incurred in connection with the Services provided that such expenses have been incurred with K-C's prior written approval and further provided that Consultant supports such expenses with appropriate documentation.

ARTICLE 4  
FULL AND FINAL RELEASE OF CLAIMS

In consideration of the payments provided under this Agreement, Consultant, for herself, her attorneys, heirs, executors, administrators, successors and assigns, fully, finally and forever releases and discharges K-C, all subsidiary and/or affiliated companies, as well as its and their successors, assigns, officers, owners, directors, agents, representatives, attorneys, and employees (all of whom are referred to in this Article 4 as "K-C"), of and from all claims, demands, actions, causes of action, suits, damages, losses, and expenses, of any and every nature whatsoever, as a result of actions or

omissions occurring through the effective date of this Agreement. Specifically included in this waiver and release are, among other things, any and all claims of alleged employment discrimination, either as a result of the separation of Consultant's employment or otherwise, under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, any other federal, state or local statute, rule, ordinance, or regulation, as well as any claims for alleged wrongful discharge, negligent or intentional infliction of emotional distress, breach of contract, fraud, or any other unlawful behavior, the existence of which is specifically denied by K-C. The benefits provided under this Agreement are in lieu of any benefits payable to Consultant under any severance program sponsored by K-C, provided, however, that nothing in this Agreement and Release is intended to waive Consultant's entitlement to vested benefits under any pension or 401(k) plan or other benefit plan provided by K-C.

#### ARTICLE 5

#### CONFIDENTIAL INFORMATION

Consultant shall keep confidential all information, written or oral, with which Consultant comes into contact as a result of performing the Services (either during the period that the Consultant provides Services under this Agreement or at any time thereafter), limiting access thereto on a need to know basis, and shall not, without K-C's prior written consent disclose such information, except as authorized hereunder. Any and all printed, typed, written or other material, including any material gathered as a result of meetings and

interviews, which Consultant may obtain, produce or prepare shall be and remain the exclusive property of K-C. Any and all such materials shall, upon termination of this Agreement or upon the request of K-C, be promptly delivered to K-C, and Consultant shall make no use, directly or indirectly, of any such material or information contained therein or derived therefrom, except with the prior written consent of K-C.

Also, in exchange for the consideration provided in Article 3 above, Consultant acknowledges that in her position with K-C, she obtained confidential business and proprietary information regarding K-C and otherwise. She agrees that she will not make any such information known to any member of the public. This paragraph is not intended, however, to preclude Consultant from testifying truthfully in any court of law or before an administrative agency, although Consultant agrees that she will testify as to K-C matters only if served with a lawfully executed subpoena.

A copy of the Confidential Information and Business Ideas, Inventions and Developments Agreement executed by Consultant, dated March 27, 1978, the Noncompete Agreement executed by Consultant, dated April 1, 1998 and the proposed Noncompete Agreement to be executed by Consultant, are all attached as Exhibit A. Nothing in this Agreement, including Article 14, is intended to modify Consultant's continuing obligations under any such agreement.

## ARTICLE 6

### NON-SOLICITATION

Consultant shall not, at any time during the period of this Agreement, initiate or cause, directly or indirectly, any action which would cause, serve to encourage, solicit or induce employees of K-C to leave its employ.

## ARTICLE 7

### COPYRIGHTS

Consultant and Consultant's employees, if any, agree to grant, license, release and assign to K-C all right, title and interest in all copyrights arising out of the Services. All works of authorship created by Consultant while providing the Services shall be "works made for hire." Upon request, Consultant shall provide K-C with whatever documents, information or materials are in Consultant's possession or reasonably available to Consultant to enable K-C to protect its copyrights in any materials produced pursuant to this Agreement.

## ARTICLE 8

### INVENTIONS AND IDEAS

Consultant shall promptly disclose and assign to K-C any and all ideas and inventions, patentable or unpatentable, of or relating to anything done in connection with this Agreement or made or conceived which may result from or be suggested by the Services performed. All such ideas and inventions shall be and become the exclusive property of K-C, whether or not patent applications are filed thereon, and Consultant shall at any time and from time to time, upon request, at the expense of K-C, make application through representatives of K-C

or its nominees for patents of the United States or any foreign jurisdiction. Consultant shall promptly provide all reasonable assistance and shall furnish, execute and deliver any and all documents necessary to do any and all acts in securing for K-C or K-C's benefit patents in any and all countries. Termination of this Agreement shall not release Consultant from Consultant's obligations hereunder as to any inventions which, by this Agreement, Consultant has agreed to assign. K-C will, however, provide a lovely, framed copy of any patent issued to the Consultant, should she so desire.

#### ARTICLE 9

##### INDEPENDENT CONTRACTOR

For the period from July 1, 2004 until June 30, 2007, Consultant shall be an independent contractor, and not an employee, and as such is not entitled to any employee benefits arising from performance under this Agreement. Consultant shall not become the agent, representative, employee or servant of K-C in the performance of the Services or any part thereof, and no express or implied representations to the contrary shall be made.

#### ARTICLE 10

##### WARRANTY AND INDEMNITY

Consultant warrants and guarantees that: (a) the terms of this Agreement do not violate any existing agreements or other obligations to which Consultant is bound, (b) the best technical practices, procedures, skill, care and judgment shall be employed in the performance of the Services, (c) the Services shall be performed in the most expeditious and economical manner consistent with K-C's



best interests, and (d) Consultant shall at all times cooperate with K-C so as to further the best interests of K-C. Consultant shall defend, indemnify and hold K-C harmless from and against all claims, damages, costs and expenses (including attorneys' fees) suffered or incurred because of any injury (including death) or property damage, or both, caused by or due to the act or negligence of Consultant, Consultant's employees or agents or otherwise arising out of or in connection with Consultant's performance of the Services.

## ARTICLE 11

### NOTICES

All notices or other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given when delivered in person, transmitted by teletype or telegraph, or when deposited with the United States Postal Service, first class registered or certified mail, postage prepaid, addressed to the last known address provided by Consultant to K-C, or if to K-C, as follows:

If to K-C:

Kimberly-Clark Corporation  
351 Phelps Drive  
Irving, TX 75038  
Attention: General Counsel

or to such other address or individual as either party may specify from time to time in writing.

## ARTICLE 12

### ASSIGNMENT

Consultant shall not assign, subcontract or otherwise transfer this Agreement or any payments due or to become due hereunder without K-C's prior written approval.

## ARTICLE 13

### REVOCATION PERIOD

Consultant acknowledges that she has been advised by K-C to consult with an attorney in regard to this matter. Consultant further acknowledges that she has been given twenty-one (21) days from the time that she receives this Agreement to consider whether to sign it. If Consultant has signed this Agreement before the end of this twenty-one (21) day period, it is because she freely chose to do so after carefully considering its terms. Finally, Consultant shall have seven (7) days from the date she signs this Agreement to change her mind and revoke the Agreement. If Consultant does not revoke this Agreement within seven days of her signing, this Agreement will become final and binding on the day following such seven day period.

## ARTICLE 14

### ENTIRE AGREEMENT; AMENDMENT

This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof. No waiver, modification or amendment of any term of this Agreement shall be valid unless made in writing specifying such waiver, modification, or amendment and signed by the parties hereto. Any

noncompete agreements, and other prior agreements between the parties related to inventions, business ideas, and confidentiality of corporate information, remain intact.

ARTICLE 15

GOVERNING LAW

THIS AGREEMENT SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS IN THE STATE OF WISCONSIN.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of each party as of the day and year first set forth above.

CONSULTANT

/s/ Kathi P. Seifert  
Kathi P. Seifert

KIMBERLY-CLARK CORPORATION

By: /s/ Thomas J. Falk  
Name: Thomas J. Falk  
Title: Chief Executive Officer

**SUPPLEMENTAL  
CONFIDENTIALITY AND NONCOMPETE AGREEMENT**

This Supplemental Confidentiality and Noncompete Agreement (“SCN Agreement”) is made between Kimberly-Clark Corporation (“K-C”) and Kathi P. Seifert (“Executive”). Executive enters into this SCN Agreement on behalf of herself and her spouse, heirs and assigns, if any.

WHEREAS, K-C has employed Executive for years in various upper-management level positions in which Executive has obtained knowledge of and full access to the full range of the confidential, proprietary information of K-C that is competitively valuable, much of which constitutes trade secrets pursuant to Wis. Stat. section 134.90; and

WHEREAS, both K-C and Executive acknowledge that Executive’s knowledge of K-C’s trade secrets and other confidential proprietary information is thorough, both in terms of the breadth (i.e. information from K-C’s various business units and regarding K-C’s various products), and in terms of depth (i.e. the level of detail, and information about K-C’s prior, current and future activities); and

WHEREAS, both K-C and Executive acknowledge that because of Executive’s expansive and thorough knowledge of K-C’s trade secrets and other confidential proprietary information, and its business plans and strategies, K-C would suffer serious competitive harm if Executive were to perform any services for a substantial competitor of K-C in which Executive made or influenced any business decisions of that competitor; and

WHEREAS, both K-C and Executive acknowledge that if Executive were to perform services for a substantial competitor of K-C in which Executive made or influenced any business decisions of the competitor, Executive would inevitably use for the benefit of the competitor and

to the competitive detriment of K-C her knowledge of some K-C trade secrets or other competitively valuable confidential information.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and specifically the payment described in paragraph 2 below, K-C and Executive agree as follows:

1. Definitions.

A. "Competitor" shall mean K-C's primary, substantial competitors named in this paragraph: specifically Procter & Gamble Company, Johnson & Johnson, Georgia-Pacific Corporation, Playtex Products, Inc., SCA Tissue, Tyco International Inc., Unicharm Corporation and any subsidiary or corporate affiliate of these companies that competes with K-C.

B. "Confidential Information" shall mean all of the business-related information of K-C that is not publicly accessible, including, but not limited to, information related to K-C products, manufacturing, research and development, operations, sales, marketing, finances, personnel, vendors, strategies, methods, and processes. Confidential Information necessarily includes, but is not limited to, Trade Secrets.

C. "Trade Secrets" shall mean all information that meets the definition of a trade secret pursuant to the Wisconsin Trade Secret Act, Wis. Stat. section 134.90(1)(c).

2. Payment. In consideration of her decision to enter into this Agreement, K-C shall pay Executive \$25,000 per quarter, such fee to be paid on the first day of each calendar quarter, commencing on July 1, 2004 with the final payment to be made April 1, 2006.

3. Confidentiality. Executive promises that she shall not directly or indirectly disclose, and will not in any way use for the benefit of herself or any person or entity other than K-C, any Trade Secrets or Confidential Information. With respect to Trade Secrets, this confidentiality

obligation shall remain in place and shall bind Executive for so long as the information remains a trade secret pursuant to applicable law. With respect to Confidential Information that is not a Trade Secret, this confidentiality obligation shall bind Executive until the earlier of the date that the particular information at issue becomes available publicly through no fault or participation of Executive, or the date two (2) years from her last day of active employment with K-C.

4. Noncompete. Executive promises that for a period of two (2) years from her last day of active employment with K-C, Executive shall not perform any services for or on behalf of any Competitor of K-C which in any way are intended to, or actually do, assist the Competitor to make any business decision(s). This noncompete includes and prohibits all such services regardless of the actual form of the relationship between the Executive and the Competitor (such as an employee, consultant, advisor, independent contractor, volunteer or otherwise), and this covenant applies regardless of whether Executive receives payment for such services and whether Executive provides the services directly or through another person or entity.

5. Enforcement. Executive acknowledges and agrees that any breach by her of the confidentiality or noncompete obligations described above would cause K-C serious and irreparable competitive harm that is not likely to be measurable specifically in terms of actual and definite economic damages. Therefore, Executive acknowledges and agrees that if she violates any of the confidentiality or noncompete promises contained in this SCN Agreement, or threatens to do so, that K-C shall be entitled to a temporary restraining order and preliminary and permanent injunctive relief prohibiting such violation, in addition to any money damages that may be awarded. Additionally, Executive agrees that if K-C enforces any aspect of this SCN Agreement in a court of competent jurisdiction, she shall be liable to reimburse K-C for all expenses incurred in such enforcement activity, including attorneys' fees.

6. Option. The parties agree that this SCN Agreement will be automatically renewed with the same terms and conditions for an additional one year term, commencing on July 1, 2006 and ending on June 30, 2007, unless either party shall have given written notice to the other party prior to May 1, 2006 of its decision to terminate the Agreement.

7. Relation To Other Agreements. This SCN Agreement supplements, but does not in any way supercede or supplant, any other confidentiality or noncompete obligations that Executive may have to K-C. In this regard, Executive specifically affirms that she received sufficient consideration for the "Noncompete Agreement" she signed on April 1, 1998, including participation in the Kimberly-Clark Corporation 2001 Equity Participation Plan and the grants of an award of stock options pursuant thereto. Executive further affirms that she received sufficient consideration for the "Confidential Information and Business Ideas, Inventions and Developments Agreement" that she signed on March 27, 1978, including employment and continuing employment with K-C. Executive's obligations pursuant to the prior "Noncompete Agreement" and the prior "Confidential Information Agreement" shall remain in full force and effect. This SCN Agreement is a separate agreement from the prior "Noncompete Agreement" and shall be fully enforceable regardless of whether the prior "Noncompete Agreement" would be enforced.

8. Divisibility and Partial Enforcement. If a court of competent jurisdiction determines that any aspects of the obligations imposed on Executive hereunder are unenforceable, the parties desire that all remaining obligations shall be divisible from any unenforceable provision, and shall remain in full force and effect. The parties further desire that the court enforce any part of any unenforceable provision to the full extent permitted by law.

9. Acknowledgements. K-C hereby advises Executive to discuss this SCN Agreement with legal counsel of her choice before signing it. By signing it, Executive acknowledges that she

has had sufficient opportunity to consider this Agreement and to obtain legal advice to the extent she deemed necessary, that she understands its terms, and that she undertakes the obligations described in this SCN Agreement of her own choice and without any duress or coercion.

EXECUTIVE

/s/ Kathi P. Seifert  
Kathi P. Seifert

KIMBERLY-CLARK CORPORATION

By: /s/ Thomas J. Falk  
Name: Thomas J. Falk  
Title: Chief Executive Officer



## CERTIFICATIONS

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

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

/s/ Thomas J. Falk  
Thomas J. Falk  
Chief Executive Officer  
August 6, 2004

## CERTIFICATIONS

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

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

/s/ Mark A. Buthman  
Mark A. Buthman  
Chief Financial Officer  
August 6, 2004

**Certification of Chief Executive Officer**

**Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**

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

- (1) the Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2004 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the accompanied report fairly presents, in all material respects, the financial condition and results of operations of Kimberly-Clark Corporation.

/s/ Thomas J. Falk  
Thomas J. Falk  
Chief Executive Officer  
August 6, 2004

**Certification of Chief Financial Officer**

**Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**

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

- (1) the Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2004 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the accompanied report fairly presents, in all material respects, the financial condition and results of operations of Kimberly-Clark Corporation.

/s/ Mark A. Buthman  
Mark A. Buthman  
Chief Financial Officer  
August 6, 2004