KIMBERLY CLARK CORP
Form 10-K
February 08, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016
or
o Transition Report Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934
For the transition period from to

KIMBERLY-CLARK CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	1-225	39-0394230
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. Employer Identification No.)
P.O. Box 619100, Dallas, Texas		75261-9100
(Address of principal executive offices)		(Zip code)

Registrant's telephone number, including area code: (972) 281-1200
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2016 (based on the most recent closing stock price on the New York Stock Exchange as of such date) was approximately $49.5 billion.

As of February 1, 2017, there were 356,274,872 shares of Kimberly-Clark common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the definitive Proxy Statement for Kimberly-Clark's Annual Meeting of Stockholders to be held on April 20, 2017 is incorporated by reference into Part III.

KIMBERLY-CLARK CORPORATION
TABLE OF CONTENTS

PART
I

ITEM 1. BUSINESS

Kimberly-Clark Corporation was incorporated in Delaware in 1928. We are a global company focused on leading the world in essentials for a better life through product innovation and building our personal care, consumer tissue and K-C Professional brands. We are principally engaged in the manufacturing and marketing of a wide range of products mostly made from natural or synthetic fibers using advanced technologies in fibers, nonwovens and absorbency.

Unless the context indicates otherwise, the terms "Corporation," "Kimberly-Clark," "K-C," "we," "our" and "us" refer to Kimberly-Clark Corporation and its consolidated subsidiaries.

For financial information by business segment and geographic area, including revenue, profit and total assets of each reportable segment, and information about our principal products and markets, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") and Item 8, Note 16 to the consolidated financial statements.

Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted.

Description of Kimberly-Clark

We are organized into operating segments based on product groupings. These operating segments have been aggregated into three reportable global business segments. Information on these three segments, as well as their principal sources of revenue, is included below.

- Personal Care brands offer our consumers a trusted partner in caring for themselves and their families by delivering confidence, protection and discretion through a wide variety of innovative solutions and products such as disposable diapers, training and youth pants, swimpants, baby wipes, feminine and incontinence care products, and other related products. Products in this segment are sold under the Huggies, Pull-Ups, Little Swimmers, GoodNites, DryNites, Kotex, U by Kotex, Intimus, Depend, Plenitud, Poise and other brand names.
- Consumer Tissue offers a wide variety of innovative solutions and trusted brands that touch and improve people's lives every day. Products in this segment include facial and bathroom tissue, paper towels, napkins and related products, and are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Neve and other brand names.
- K-C Professional ("KCP") partners with businesses to create Exceptional Workplaces, helping to make them healthier, safer and more productive through a range of solutions and supporting products such as wipers, tissue, towels, apparel, soaps and sanitizers. Our brands, including Kleenex, Scott, WypAll, Kimtech and Jackson Safety, are well-known for quality and trusted to help people around the world work better.

These reportable segments were determined in accordance with how our chief operating decision maker and our executive managers develop and execute our global strategies to drive growth and profitability of our worldwide personal care, consumer tissue and KCP operations. These strategies include global plans for branding and product positioning, technology, research and development programs, cost reductions including supply chain management and capacity, and capital investments for each of these businesses.

Products for household use are sold directly to supermarkets, mass merchandisers, drugstores, warehouse clubs, variety and department stores and other retail outlets, as well as through other distributors and e-commerce. Products for away-from-home use are sold through distributors and directly to manufacturing, lodging, office building, food service, and high volume public facilities.

Net sales to Wal-Mart Stores, Inc. were approximately 14 percent in 2016 and 2015, and 13 percent in 2014 of our total net sales.

Patents and Trademarks

We own various patents and trademarks registered domestically and in many foreign countries. We consider the patents and trademarks that we own and the trademarks under which we sell certain of our products to be material to our business. Consequently, we seek patent and trademark protection by all available means, including registration.

Raw Materials

Cellulose fiber, in the form of kraft pulp or fiber recycled from recovered waste paper, is the primary raw material for our tissue products and in the form of fluff pulp is a component of disposable diapers, training and youth pants, feminine pads and incontinence care products.

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

Raw materials are purchased from third parties, and we consider the supply to be adequate to meet the needs of our businesses. See Item 1A, "Risk Factors."

Competition

We have several major competitors in most of our markets, some of which are larger and more diversified than us. The principal methods and elements of competition include brand recognition and loyalty, product innovation, quality and performance, price, and marketing and distribution capabilities. For additional discussion of the competitive environment in which we conduct our business, see Item 1A, "Risk Factors."

Research and Development

Research and development expenditures are directed toward new or improved personal care, tissue, wiping, safety and nonwoven materials. Consolidated research and development expense was $328 in 2016, $324 in 2015 and $368 in 2014.

Foreign Market Risks

We operate and market our products globally, and our business strategy includes targeted growth in Asia, Latin America, Eastern Europe, the Middle East and Africa, with a particular emphasis in China, Eastern Europe and Latin America. See Item 1A, "Risk Factors" for a discussion of foreign market risks that may affect our financial results.

Environmental Matters

Total worldwide capital expenditures for voluntary environmental controls or controls necessary to comply with legal requirements relating to the protection of the environment at our facilities are expected to be as follows:

	2017	2018
Facilities in U.S.	$ 14	$ 1
Facilities outside U.S.	20	7
Total	$ 34	$ 8

Total worldwide operating expenses for environmental compliance, including pollution control equipment operation and maintenance costs, governmental payments, and research and engineering costs are expected to be as follows:

	2017	2018
Facilities in U.S.	$58	$59
Facilities outside U.S.	52	53
Total	$110	$112

Total environmental capital expenditures and operating expenses are not expected to have a material effect on our total capital and operating expenditures, consolidated earnings or competitive position. Current environmental spending estimates could be modified as a result of changes in our plans, changes in legal requirements, including any requirements related to global climate change, or other factors.

Employees
In our worldwide consolidated operations, we had approximately 42,000 employees as of December 31, 2016.
Available Information
We make financial information, news releases and other information available on our corporate website at www.kimberly-clark.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on this website as soon as reasonably practicable after we file these reports and amendments with, or furnish them to, the Securities and Exchange Commission ("SEC"). The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the SEC. Stockholders may also contact Stockholder Services, P.O. Box 612606, Dallas, Texas 75261-2606 or call 972-281-5317 to obtain a hard copy of these reports without charge.

ITEM 1A. RISK FACTORS
Our business faces many risks and uncertainties that we cannot control. Any of the risks discussed below, as well as factors described in other places in this Form 10-K, or in our other filings with the SEC, could adversely affect our business, consolidated financial position, results of operations or cash flows. In addition, these items could cause our future results to differ from those in any of our forward-looking statements. These risks are not the only ones we face. Other risks that we do not presently know about or that we presently believe are not material could also adversely affect us.
Our international operations are subject to foreign market risks, including foreign exchange risk, currency restrictions and political, social and economic instability, which may adversely affect our financial results.
Our strategy includes operations growth outside the U.S., especially in developing markets such as China, Latin America and Eastern Europe. About half of our net sales come from markets outside the U.S. We and our equity companies have manufacturing facilities in 38 countries, and sell products in more than 175 countries. Our results may be substantially affected by a number of foreign market risks:

- Exposure to the movement of various currencies against each other and the U.S. dollar. A portion of the exposures, arising from transactions and commitments denominated in non-local currencies, is systematically managed through foreign currency forward and swap contracts. We do not generally hedge our translation exposure with respect to foreign operations.
- Increases in currency exchange restrictions. These restrictions could limit our ability to repatriate earnings from outside the U.S. or obtain currency exchange for U.S. dollar inputs to continue operating in certain countries.
- Adverse political conditions. Risks related to political instability, expropriation, new or revised legal or regulatory constraints, difficulties in enforcing contractual and intellectual property rights, and potentially adverse tax consequences would adversely affect our financial results.
- Increases in dollar-based input costs for operations outside the U.S. due to weaker foreign exchange rates versus the U.S. dollar. There can be no assurance that we will be protected against substantial foreign currency fluctuations.

The inability to effectively manage foreign market risk could adversely affect our business, consolidated financial condition, results of operations or liquidity.
Intense competition for sales of our products, changes in consumer purchasing patterns and the inability to innovate or market our products effectively could have an adverse effect on our financial results.
We operate in highly competitive domestic and international markets against well-known, branded products and low-cost or private label products. Inherent risks in our competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, and competitors' actions. Our competitors for these markets include global, regional and local manufacturers, including private label manufacturers. Some of these competitors may have better access to financial resources and greater market penetration, which enable them to offer a wider variety of products and services at more competitive prices. Alternatively, some of these competitors may have significantly lower product development and manufacturing costs, particularly with respect to private label products, allowing them to offer products at a lower price. The

actions of these competitors could adversely affect our financial results. It may be necessary for us to lower prices on our products and increase spending on advertising and promotions, which could adversely affect our financial results.
We may be unable to anticipate or adequately respond to changes in consumer demand for our products. Demand for our products may change based on many factors, including shifting consumer purchasing patterns to lower cost options such as private-label products and mid to lower-tier value products, low birth rates in certain countries due to slow economic growth or other factors, negative consumer response to pricing actions or changes in consumer trends or habits. If we experience lower sales due to changes in consumer demand for our products, our earnings could decrease.
Our ability to develop new products is affected by whether we can successfully anticipate consumer needs and preferences, develop and fund technological innovations, and receive and maintain necessary patent and trademark protection. In addition, we incur substantial development and marketing costs in introducing new and improved products and technologies. The introduction of a new consumer product (whether improved or newly developed) usually requires substantial expenditures for advertising and marketing to gain recognition in the marketplace. If a product gains consumer acceptance, it normally requires continued advertising and promotional support to maintain its relative market position. Some of our competitors may spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions. We may not be successful in developing new or improved products and technologies necessary to compete successfully in the industry, and we may not be successful in advertising, marketing, timely launching and selling our products. Also, if we fail to perfect or successfully assert our intellectual property rights, we may be less competitive, which could adversely affect our business, financial results and financial condition.
Increasing dependence on key retailers in developed markets and the emergence of new sales channels may adversely affect our business.
Our products are sold in a highly competitive global marketplace, which continues to experience increased concentration and the growing presence of large-format retailers and discounters. With the consolidation of retail trade, especially in developed markets such as the U.S., Europe and Australia, we are increasingly dependent on key retailers, and some of these retailers, including large-format retailers, may have significant bargaining power. They may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. We may also be negatively affected by changes in the policies of our retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of our products, additional requirements related to safety, environmental, social and other sustainability issues, and other conditions. If we lose a significant customer or if sales of our products to a significant customer materially decrease, our business, financial condition and results of operations may be adversely affected. In addition, the emergence of new sales channels may affect customer preferences and market dynamics and could adversely impact our financial results. These new channels include sales of consumer and other products via e-commerce, as well as the growth of large-format retailers and discounters that exclusively sell private-label products.
Damage to the reputation of Kimberly-Clark or to one or more of our brands could adversely affect our business.
Developing and maintaining our reputation, as well as the reputation of our brands, is a critical factor in our relationship with consumers, customers, suppliers and others. Our inability to address adverse publicity or other issues, including concerns about product safety, quality, efficacy or similar matters, or breaches of consumer, customer, supplier, employee or other confidential information, real or perceived, could negatively impact sentiment towards us and our products and brands, and our business and financial results could suffer. Consumers increasing use and reliance on social media for information could increase the risk of adverse publicity, potentially with negative perception of our products or brands. Our business and results could also be negatively impacted by the effects of a significant product recall, product-related litigation, allegations of product tampering or contamination, the distribution and sale of counterfeit products, or a failure or breach of our information technology systems.
Government regulations and enforcement, and potential litigation, could have an adverse effect on our financial results.
As a global company, we are subject to many laws and governmental regulations across all of the countries in which we do business, including laws and regulations involving marketing, antitrust, anti-bribery or anti-corruption, product liability, environmental, intellectual property or other matters, as well as potential litigation or administrative actions.

If we are unable to comply with all laws and regulations, it could negatively impact our reputation and our business results. We cannot provide assurance that our internal control policies and procedures, and ethics and compliance program will always protect us from acts committed by our employees or agents. Adverse regulatory action, including a recall, regulatory or other governmental investigation, or product liability or other litigation may also adversely affect our financial condition and business operations.

Although we believe that none of these proceedings or requirements will have a material adverse effect on us, the outcome of these proceedings may not be as expected.

In addition, new or revised laws or regulations may alter the environment in which we do business, which could adversely impact our financial results. For example, new legislation or regulations may result in increased costs to us, directly for our compliance or indirectly to the extent suppliers increase prices of goods and services because of increased compliance costs, excise taxes or reduced availability of raw materials.

New or revised tax regulations could have an adverse effect in our financial results.

We are subject to income tax requirements in various jurisdictions in the U.S. and internationally. Many of these jurisdictions have made changes to their tax policies or are contemplating changes, or have unpredictable enforcement activity. Increases in applicable tax rates, implementation of new taxes, changes in applicable tax laws and interpretations of these tax laws and actions by tax authorities in jurisdictions in which we operate could reduce our after-tax income and have an adverse effect on our results of operations.

Disruption in our supply chain or the failure of third-party providers to satisfactorily perform could adversely impact our operations.

Our ability to manufacture, distribute and sell products is critical to our operations. These activities are subject to inherent risks such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, pandemics, import restrictions, regional economic, business, environmental or political events, governmental regulatory requirements or nongovernmental voluntary actions in response to global climate change or other concerns regarding the sustainability of our business, which could impair our ability to manufacture or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed, could adversely impact our business, financial condition and results of operations, as well as require additional resources to address.

In addition, third parties manufacture some of our products and provide certain administrative services. Disruptions or delays at these third-party manufacturers or service providers due to the reasons above or the failure of these manufacturers or service providers to otherwise satisfactorily perform, could adversely impact our operations, sales, payments to our vendors, employees, and others, and our ability to report financial and management information on a timely and accurate basis.

Significant increases in prices for raw materials, energy, transportation and other necessary supplies and services, without corresponding increases in our selling prices, could adversely affect our financial results.

Increases in the cost and availability of raw materials, including pulp and petroleum-based materials, the cost of energy, transportation and other necessary services, supplier constraints, an inability to maintain favorable supplier arrangements and relations or an inability to avoid disruptions in production output could have an adverse effect on our financial results.

Cellulose fiber, in the form of kraft pulp or recycled fiber from recovered waste paper, is used extensively in our tissue products and is subject to significant price fluctuations. Cellulose fiber, in the form of fluff pulp, is a key component in our personal care products. In past years, pulp prices have experienced significant volatility. Increases in pulp prices or limits in the availability of recycled fiber could adversely affect our earnings if selling prices for our finished products are not adjusted or if these adjustments significantly trail the increases in pulp prices. We have not used derivative instruments to manage these risks.

A number of our products, such as diapers, training and youth pants, feminine pads, incontinence care products and disposable wipes, contain certain materials that are principally derived from petroleum. These materials are subject to price fluctuations based on changes in petroleum prices, availability and other factors, with these prices experiencing significant volatility in recent years. We purchase these materials from a number of suppliers. Significant increases in prices for these materials could adversely affect our earnings if selling prices for our finished products are not adjusted, if these adjustments significantly trail the increases in prices for these materials, or if we do not utilize lower priced substitutes for these materials. Generally, we have not used derivative instruments to manage these risks.

Our manufacturing operations utilize electricity, natural gas and petroleum-based fuels. To ensure we use all forms of energy efficiently and cost-effectively, we maintain energy efficiency improvement programs at our manufacturing sites. Our contracts with energy suppliers vary as to price, payment terms, quantities and duration. Our energy costs are also affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions (including actions taken to address climate change and related market responses). There can be no assurance that we will be fully protected against substantial changes in the price or availability of energy sources. We use derivative instruments to manage a portion of natural gas price risk in accordance with our risk management policy.

There is no guarantee that our ongoing efforts to reduce costs will be successful.

We continue to implement plans to improve our competitive position by achieving cost reductions in our operations, including implementing restructuring programs in functions or areas of our business where we believe such opportunities exist. In addition, we expect ongoing cost savings from our continuous improvement activities. We anticipate these cost savings will result from reducing material costs and manufacturing waste and realizing productivity gains, distribution efficiencies and overhead reductions in each of our business segments and in our corporate functions. Any negative impact these plans have on our relationships with employees or customers or any failure to generate the anticipated efficiencies and savings could adversely affect our financial results.

If our information technology systems suffer interruptions, failures or breaches, our business operations could be disrupted and we could face financial and reputational damage.

Our information technology systems, some of which are dependent on services provided by third parties, serve an important role in the efficient and effective operation and administration of our business. These systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks. While we have contingency plans in place to prevent or mitigate the impact of these events, if they were to occur and our disaster recovery plans do not effectively address the issues on a timely basis, we could suffer interruptions in our ability to manage our operations, which may adversely affect our business and financial results.

Increased cyber-security threats and computer crime also pose a potential risk to the security of our information technology systems, including those of third party service providers with whom we have contracted, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in our information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive customer, vendor, employee or investor information maintained in the ordinary course of our business. Any such event could cause damage to our reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

The 2014 spin-off of our health care business could result in substantial tax liability to us and our stockholders.

On October 31, 2014, we completed the spin-off of our health care business, creating a stand-alone, publicly traded health care company, Halyard Health, Inc. ("Halyard"). Historically, the IRS provided companies seeking to perform a spin-off transaction with an advance ruling that the proposed spin-off transaction would qualify for tax-free treatment. However, the IRS no longer provides such advance rulings. Prior to completing the spin-off of our health care business, we obtained an opinion of counsel that neither we nor our U.S. stockholders will recognize taxable income, gain or loss for U.S. federal income tax purposes as a result of the spin-off. The opinion of counsel is based on certain statements and representations made by us, which, if incomplete or inaccurate in any material respect, could invalidate the opinion of counsel. In addition, this opinion is not binding on the IRS. Accordingly, the IRS or the courts may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion of counsel. If the spin-off and certain related transactions were determined to be taxable, we would be subject to a substantial tax liability. In addition, if the spin-off were deemed taxable, each U.S. holder of our common stock who received shares of Halyard would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares received.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At December 31, 2016 we own or lease:

- our principal executive offices located in the Dallas, Texas metropolitan area;
- four operating segment and geographic headquarters at two U.S. and two international locations; and

- four administrative centers at one U.S. and three international locations.

The locations of our and our equity affiliates' principal production facilities by major geographic areas of the world are as follows:

Geographic Area:	Number of Facilities
United States (in 16 states)	18
Europe	13
Asia, Latin America and other	60
Worldwide Total (in 38 countries)	91

Many of these facilities produce multiple products. Consumer tissue and KCP products are produced in 55 facilities and personal care products are produced in 49 facilities. We believe that our and our equity affiliates' facilities are suitable for their purpose, adequate to support their businesses and well maintained.

ITEM 3. LEGAL PROCEEDINGS

See Item 8, Note 12 to the consolidated financial statements which is incorporated in this Item 3 by reference for information on legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of our executive officers as of February 8, 2017, together with certain biographical information, are as follows:

Achal Agarwal, 57, was elected President, K-C Asia-Pacific in 2012. He is responsible for our consumer business in our Asia-Pacific region. From 2008 to 2012, his title was President, K-C North Asia. Mr. Agarwal joined Kimberly-Clark from PepsiCo, Inc. where he served from March 2008 to June 2008 as Business Unit General Manager, Sub-Saharan Africa Beverages and Snacks and as Chief Operating Officer, Greater China Beverages from 2005 to February 2008.

J. Scott Boston, 54, was elected Senior Vice President and Chief Human Resources Officer in January 2017. He is responsible for the design and implementation of all human capital strategies for Kimberly-Clark, including global compensation and benefits, talent management, diversity and inclusion, organizational effectiveness and corporate health services. From 2011 to 2016, his title was Vice President of Global Talent Management, HR Strategy & Operations. Prior to joining Kimberly-Clark, Mr. Boston served as Senior Vice President, Human Resources, for McKesson Corporation.

Gustavo Calvo Paz, 55, was elected President, K-C Europe, Middle East & Africa in 2014. He is responsible for our consumer business in our Europe, Middle East & Africa region. From 2010 to 2014, he served as President, K-C Middle East & Africa. Mr. Calvo Paz joined Kimberly-Clark in 1996 and has held a number of positions with increasing responsibility within our international business operations.

Sergio Cruz, 50, was elected President, K-C Latin America in January 2017. He is responsible for our consumer business in our Latin America region. From 2014 to January 2017, Mr. Cruz served as Vice President, K-C Latin America - Brazil and from 2011 to 2013, he served as Managing Director, K-C Eastern Europe. Mr. Cruz joined Kimberly-Clark in 2005 and has held a number of positions with increasing responsibility within our international business operations.

Thomas J. Falk, 58, was elected Chairman of the Board and Chief Executive Officer in 2003 and President and Chief Executive Officer in 2002. Prior to that, he served as President and Chief Operating Officer since 1999. Mr. Falk previously had been elected Group President - Global Tissue, Pulp and Paper in 1998, where he was responsible for our global tissue businesses. Earlier in his career, Mr. Falk had responsibility for our North American Infant Care, Child Care and Wet Wipes businesses. Mr. Falk joined Kimberly-Clark in 1983 and has held other senior management positions. He has been a director of Kimberly-Clark since 1999. He also serves on the board of directors of Lockheed

Martin Corporation, Catalyst Inc., the Global Consumer Goods Forum, and the University of Wisconsin Foundation, and serves as a governor of the Boys & Girls Clubs of America.

Maria Henry, 50, was elected Senior Vice President and Chief Financial Officer in April 2015. Prior to joining Kimberly-Clark, Ms. Henry served as Chief Financial Officer of Hillshire Brands Company, a branded food products company, from 2012 to 2014, and Chief Financial Officer of Sara Lee Corporation’s North American Retail and Food Service business from 2011 to 2012. Prior to joining Sara Lee (the predecessor to Hillshire Brands) in 2011, Ms. Henry was Executive Vice President and Chief Financial Officer of Culligan International, where she was responsible for finance, strategy, business development and information technology. Before Culligan, Ms. Henry served as Chief Financial Officer of Vastera, Inc. She began her career at General Electric. She also serves on the board of directors of General Mills, Inc.

Michael D. Hsu, 52, was elected President and Chief Operating Officer and a member of the Board in January 2017. He is responsible for the day-to-day operations of our business units, along with our global innovation, marketing and supply chain functions. He served as Group President - K-C North America from 2013 to 2016, where he was responsible for our consumer business in North America, as well as leading the development of new business strategies for global nonwovens. From 2012 to 2013, his title was Group President - North America Consumer Products. Prior to joining Kimberly-Clark, Mr. Hsu served as Executive Vice President and Chief Commercial Officer of Kraft Foods, Inc., a North American grocery manufacturing and processing conglomerate, from January 2012 to July 2012, as President of Sales, Customer Marketing and Logistics from 2010 to 2012 and as President of its grocery business unit from 2008 to 2010. Prior to that, Mr. Hsu served as President and Chief Operating Officer, Foodservice at H. J. Heinz Company. Mr. Hsu also serves on the board of trustees of United Way U.S.A.

Sandra MacQuillan, 50, was elected Senior Vice President and Chief Supply Chain Officer in April 2015. She is responsible for procurement, transportation, continuous improvement, sustainability, quality, safety, regulatory operations and lean cost transformation. Ms. MacQuillan joined Kimberly-Clark from Mars Incorporated, a manufacturer of confectionery, pet food, and other food products, where she served from 2009 to 2015 as Global Vice President, Supply Chain, responsible for manufacturing, engineering and logistics for Mars’ Global Petcare business. She has extensive experience in procurement, technology and engineering.

Thomas J. Mielke, 58, was elected Senior Vice President - General Counsel in 2013. From 2007 to 2012, his title was Senior Vice President - Law and Government Affairs and Chief Compliance Officer, and from 2012 to 2013, his title was Senior Vice President - General Counsel and Chief Compliance Officer. His responsibilities include our legal affairs, internal audit and government relations activities. Mr. Mielke joined Kimberly-Clark in 1988. He has held a number of positions with increasing responsibility within the legal function and was appointed Vice President and Chief Patent Counsel in 2000, and Vice President and Chief Counsel - North Atlantic Consumer Products in 2004.

Anthony J. Palmer, 57, was elected President - Global Brands and Innovation in 2012. Previously, he served as Senior Vice President and Chief Marketing Officer from 2006 to 2012. He leads the global development of our consumer categories through marketing, innovation, category and customer development and shopper marketing. In addition, he leads our global marketing, innovation and corporate research and development functions. Prior to joining Kimberly-Clark in 2006, he served in a number of senior marketing and general management roles at Kellogg Company from 2002 to 2006, including as Managing Director of Kellogg's U.K. business. He also serves on the board of directors of The Hershey Company.

Kimberly K. Underhill, 52, was elected President of K-C Professional in 2014. From 2011 to 2014, she served as President, Consumer Europe. She is responsible for our global professional business, which includes commercial tissue and wipers, skin care, safety and do-it-yourself products. She joined Kimberly-Clark in 1988 and has held a number of positions with increasing responsibility within research and engineering, operations and marketing. She also serves on the board of directors of Foot Locker, Inc.

PART II

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

The dividend and market price data included in Item 7, MD&A "Unaudited Quarterly Data," are incorporated in this Item 5 by reference.

Quarterly dividends have been paid continually since 1935. Dividends have been paid on or about the second business day of January, April, July and October.

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

As of February 1, 2017, we had 21,527 holders of record of our common stock.

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

We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2016, we repurchased 6.0 million shares of our common stock at a cost of $750 through a broker in the open market.

The following table contains information for shares repurchased during the fourth quarter of 2016. None of the shares in this table were repurchased directly from any of our officers or directors.

Period (2016)	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October 1 to October 31	624,000	$ 119.52	8,396,811	31,603,189
November 1 to November 30	661,000	113.95	9,057,811	30,942,189
December 1 to December 31	654,000	114.62	9,711,811	30,288,189
Total	1,939,000			

(a) Share repurchases were made pursuant to a share repurchase program authorized by our Board of Directors on November 13, 2014. This program allows for the repurchase of 40 million shares in an amount not to exceed $5 billion.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2016[(a)]	2015[(b)]	2014[(c)]	2013[(d)]	2012[(e)]
Net Sales	$18,202	$18,591	$19,724	$19,561	$19,467
Gross Profit	6,651	6,624	6,683	6,609	6,129
Operating Profit	3,317	1,613	2,521	2,903	2,377
Share of Net Income of Equity Companies	132	149	146	205	177
Income from Continuing Operations	2,219	1,066	1,545	2,018	1,627
Income from Discontinued Operations, Net of Income Taxes	—	—	50	203	201
Net Income	2,219	1,066	1,595	2,221	1,828
Net Income Attributable to Noncontrolling Interests in Continuing Operations	(53)	(53)	(69)	(79)	(78)
Net Income Attributable to Kimberly-Clark Corporation	2,166	1,013	1,526	2,142	1,750
Per Share Basis					
Net Income Attributable to Kimberly-Clark Corporation					
Basic					
Continuing operations	6.03	2.78	3.94	5.05	3.94
Discontinued operations	—	—	0.13	0.53	0.51
Net income	6.03	2.78	4.07	5.58	4.45
Diluted					
Continuing operations	5.99	2.77	3.91	5.01	3.91
Discontinued operations	—	—	0.13	0.52	0.51
Net income	5.99	2.77	4.04	5.53	4.42
Cash Dividends					
Declared	3.68	3.52	3.36	3.24	2.96
Paid	3.64	3.48	3.33	3.17	2.92
Total Assets	14,602	14,842	15,526	18,919	19,873
Long-Term Debt	6,439	6,106	5,630	5,386	5,070
Total Stockholders' Equity	117	40	999	5,140	5,287

(a) Results include other income of $11 related to an updated assessment of the deconsolidation of our Venezuelan operations. Additionally, results were negatively impacted by pre-tax charges of $35, $27 after tax, related to the 2014 Organization Restructuring. See Item 8, Notes 1 and 2 of the consolidated financial statements for details.

(b) Results include pre-tax charges related to pension settlements of $1,358, $835 after tax, a $45 nondeductible charge related to the remeasurement of the Venezuelan balance sheet and a pre-tax charge of $108, $102 after tax, related to the deconsolidation of our Venezuelan operations. Additionally, results were negatively impacted by pre-tax charges of $63, $42 after tax, related to the 2014 Organization Restructuring, and nondeductible charges of $23 related to the restructuring of operations in Turkey. Also included is an income tax charge of $49 related to prior years as a result of an updated assessment of uncertain tax positions in certain of our international operations. See Item 8, Notes 1, 2, 9 and 14 of the consolidated financial statements for details.

(c) Results include pre-tax charges of $133, $95 after tax, related to the 2014 Organization Restructuring, pre-tax charges of $33, $30 after tax, related to European strategic changes, a nondeductible charge of $462 related to the remeasurement of the Venezuelan balance sheet and a nondeductible charge of $35, $17 attributable to Kimberly-Clark Corporation, related to a regulatory dispute in the Middle East. Additionally, results were negatively impacted by pre-tax charges of $157, $138 after tax, for transaction and related costs associated with the spin-off of the health care business (classified in discontinued operations). See Item 8, Notes 1 through 4 of the consolidated financial statements for details.

(d) Results include pre-tax charges of $81, $66 after tax, related to European strategic changes. Additionally, results were negatively impacted by a $36 pre-tax charge, $26 after tax, related to the devaluation of the Venezuelan bolivar.

(e) Results include pre-tax charges of $299, $242 after tax, related to European strategic changes. Additionally, results were negatively impacted by $135 in pre-tax charges, $86 after tax, for restructuring actions related to our pulp and tissue operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This MD&A is intended to provide investors with an understanding of our recent performance, financial condition and prospects. This discussion and analysis compares 2016 results to 2015, and 2015 results to 2014. The reference to "N.M." indicates that the calculation is not meaningful. In addition, we provide commentary regarding organic sales growth, which describes the impact of changes in volume, product mix and net selling prices on net sales. Changes in foreign currency rates also impact the year-over-year change in net sales. Dollar amounts are reported in millions, except per share dollar amounts, unless otherwise noted.

The following will be discussed and analyzed:

- Overview of Business
- Overview of 2016 Results
- Results of Operations and Related Information
- Unaudited Quarterly Data
- Liquidity and Capital Resources
- Critical Accounting Policies and Use of Estimates
- Legal Matters
- New Accounting Standards
- Business Outlook
- Information Concerning Forward-Looking Statements

Throughout this MD&A, we refer to financial measures that have not been calculated in accordance with accounting principles generally accepted in the U.S., or GAAP, and are therefore referred to as non-GAAP financial measures. These measures include adjusted operating profit, adjusted net income, adjusted earnings per share, adjusted other (income) and expense, net, and adjusted effective tax rate. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the financial measures used to evaluate management.

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

The non-GAAP financial measures exclude the following items for the relevant time periods as indicated in the reconciliations included later in this MD&A:

- 2014 Organization Restructuring - In 2014, we initiated a restructuring plan in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business. Results in 2016, 2015 and 2014 include charges related to this initiative. See Item 8, Note 2, of the consolidated financial statements for details.
- Adjustments related to Venezuelan operations - Results in 2016 and 2015 include adjustments for the deconsolidation of our Venezuelan operations, and in 2015 and 2014 include charges for remeasuring the local currency balance sheet in Venezuela. See Item 8, Note 1 of the consolidated financial statements for details.
- Pension settlement charges - In 2015, we recorded settlement-related charges from certain actions taken for our U.S. pension plan. See Item 8, Note 9 of the consolidated financial statements for details.
- Uncertain tax positions adjustment - In 2015, we updated our assessment of uncertain tax positions for certain international operations, and recorded a charge related to prior years in provision for income taxes. See Item 8, Note 14 of the consolidated financial statements for details.

- Turkey restructuring - In 2015, we recorded charges related to the restructuring of our operations in Turkey.
- Regulatory dispute in the Middle East - In 2014, we recorded a charge as a result of an adverse court ruling regarding the treatment of capital contributions in prior years to an affiliate in the Middle East.
- European strategic changes and related restructuring charges - In 2012, we initiated strategic changes to, and a related restructuring in, our Western and Central European businesses. Results in 2014 include charges related to this restructuring activity. See Item 8, Note 4 of the consolidated financial statements for details.

Overview of Business

We are a global company focused on leading the world in essentials for a better life, with manufacturing facilities in 35 countries and products sold in more than 175 countries. Our products are sold under well-known brands such as Kleenex, Scott, Huggies, Pull-Ups, Kotex and Depend. We have three reportable business segments: Personal Care, Consumer Tissue and KCP. These business segments are described in greater detail in Item 8, Note 16 to the consolidated financial statements.

In operating our business, we seek to:

- manage our portfolio to balance growth, profit margin and cash flow,
- invest in our brands, innovation and growth initiatives,
- deliver sustainable cost reductions, and
- provide disciplined capital management to improve return on invested capital and return cash to shareholders.

We describe our business outside North America in two groups – Developing and Emerging Markets ("D&E") and Developed Markets. D&E markets comprise Eastern Europe, the Middle East and Africa, Latin America and Asia-Pacific, excluding Australia and South Korea. Developed Markets consist of Western and Central Europe, Australia and South Korea.

Highlights for 2016 include the following:

- Net sales of $18.2 billion decreased 2 percent compared to 2015. Weakening foreign currency exchange rates reduced sales by 4 percent. Organic sales increased 2 percent.
- Organic sales in our North American consumer business grew 1 percent primarily due to 3 percent sales volume growth.
- Organic sales in D&E markets grew 4 percent in 2016. While we continued to benefit from innovation, expansion, category development and higher net selling prices, our overall growth in D&E markets moderated compared to prior years, primarily due to slower economic growth and weaker category dynamics.
- In our Developed Markets outside North America, organic sales were essentially even.
- We generated an all-time record $435 of cost savings from our ongoing FORCE (Focused On Reducing Costs Everywhere) program. These savings helped fund investments in innovations and growth initiatives and improve our profit margins.
- We completed our 2014 Organization Restructuring in order to improve organization efficiency and offset the impact of stranded overhead costs resulting from the spin-off of our health care business in 2014. Savings from this initiative were $70 in 2016, bringing annualized savings to $140.
- We continued to focus on generating cash flow and allocating capital to shareholders. In 2016, cash provided by operations was $3.2 billion, an increase of 40 percent year-on-year. Share repurchases of Kimberly-Clark common stock were $750. In addition, we raised our dividend in 2016 by 4.5 percent, the 44th consecutive annual increase in our dividend. Altogether, share repurchases and dividends in 2016 amounted to $2.1 billion.

We completed the spin-off of our health care business on October 31, 2014. As a result, the health care business is presented as discontinued operations on the consolidated income statement in 2014.

We are subject to risks and uncertainties, which can affect our business operations and financial results. See Item 1A, "Risk Factors" in this Form 10-K for additional information.

Overview of 2016 Results

- Net sales of $18.2 billion decreased 2 percent compared to prior year, as changes in foreign currency exchange rates decreased net sales by 4 percent.
- Operating profit and Net Income Attributable to Kimberly-Clark Corporation were $3,317 and $2,166 in 2016 and $1,613 and $1,013 in 2015, respectively. Diluted earnings per share was $5.99 in 2016 compared to $2.77 in 2015. Results in 2015 included $1,358 ($835 after tax) of pension settlement charges and $153 ($147 after tax) of charges related to our Venezuelan operations.
- Adjusted operating profit and adjusted diluted earnings per share increased 4 percent and 5 percent, respectively, compared to 2015.

Results of Operations and Related Information

This section presents a discussion and analysis of net sales, operating profit and other information relevant to an understanding of 2016 results of operations.

Consolidated

Selected Financial Results	Year Ended December 31				
	2016	2015	Change 2016 vs. 2015	2014	Change 2015 vs. 2014
Net Sales	$18,202	$18,591	-2.1 %	$19,724	-5.7 %
Other (income) and expense, net	8	1,568	-99.5 %	453	+246.1 %
Operating Profit	3,317	1,613	+105.6 %	2,521	-36.0 %
Provision for income taxes	922	418	+120.6 %	856	-51.2 %
Share of net income from equity companies	132	149	-11.4 %	146	+2.1 %
Income from Continuing Operations	2,219	1,066	+108.2 %	1,545	-31.0 %
Income from discontinued operations, net of income taxes	—	—	—	50	N.M.
Net Income Attributable to Kimberly-Clark Corporation	2,166	1,013	+113.8 %	1,526	-33.6 %
Diluted Earnings per Share from Continuing Operations	5.99	2.77	+116.2 %	3.91	-29.2 %

Operating Profit Reconciliation of GAAP to Non-GAAP

Operating profit includes the following adjusting items:

	Year Ended December 31		
	2016	2015	2014
Operating Profit, GAAP	$3,317	$1,613	$2,521
Plus adjustments for:			
2014 Organization Restructuring	35	63	133
Venezuelan Operations	(11)	153	462
Pension Settlements	—	1,358	—
Turkey Restructuring	—	23	—
Regulatory Dispute in Middle East	—	—	35
European Strategic Changes	—	—	33
Adjusted Operating Profit	$3,341	$3,210	$3,184

Consolidated Net Sales and Adjusted Operating Profit

Net Sales	Percent Change		Adjusted Operating Profit	Percent Change	
	2016 vs. 2015	2015 vs. 2014		2016 vs. 2015	2015 vs. 2014
Volume	2	4	Volume	5	8
Net Price	—	—	Net Price	(1)	1
Mix/Other[(a)]	—	—	Input Costs	2	5
Currency	(4)	(10)	Cost Savings	14	11
Total	(2.1)	(5.7)	Currency Translation	(3)	(11)
			Other[(c)]	(13)	(13)
Organic[(b)]	2	5	Total	4.1	0.8

[(a)]Includes rounding
[(b)]Combined impact of changes in volume, net price and mix/other
[(c)]Includes the impact of changes in marketing, research, and general expenses, foreign currency transaction effects and other manufacturing costs

2016 vs. 2015

Net sales of $18.2 billion decreased 2 percent compared to 2015, as changes in foreign currency exchange rates reduced sales by about 4 percent. Organic sales increased approximately 2 percent due to higher volumes. Operating profit was $3,317 in 2016 versus $1,613 in 2015. Results in 2015 included $1,358 of pension settlement charges and $153 of charges related to our Venezuelan operations. Adjusted operating profit of $3,341 in 2016 increased 4 percent compared to $3,210 in 2015. Results in 2016 included benefits from organic sales growth, $435 of FORCE cost savings and $70 of savings from the 2014 Organization Restructuring. In addition, input costs were $65 lower. Translation effects due to changes in foreign currency exchange rates lowered operating profit by $90 and transaction effects also negatively impacted results.

2015 vs. 2014

Net sales of $18.6 billion decreased 6 percent compared to 2014, as changes in foreign currency exchange rates reduced net sales more than 10 percent. Organic net sales increased 5 percent, as volumes increased 4 percent and product mix was favorable by 1 percent. Operating profit of $1,613 decreased 36 percent compared to 2014. Comparisons were negatively impacted by significant unfavorable currency effects, as well as adjusting items described in the operating profit reconciliation of GAAP to Non-GAAP above. Adjusted operating profit of $3,210 in 2015 increased 1 percent compared to $3,184 in 2014. The comparisons benefited from organic sales growth, FORCE cost savings of $365, input cost deflation of $150 and $65 of savings from the 2014 Organization Restructuring. Translation effects due to changes in foreign currency exchange rates lowered adjusted operating profit by $360 and foreign currency transaction effects also negatively impacted the operating profit comparisons. Total marketing, research and general expenses increased on a local currency basis, driven by higher administrative costs.

Other (Income) & Expense, Net Reconciliation of GAAP to Non-GAAP

Other (income) & expense, net includes the following adjusting items:

	Year Ended December 31		
	2016	2015	2014
Other (income) and expense, net, GAAP	$8	$1,568	$453
Less adjustments for:			
2014 Organization Restructuring	(3)	—	—
Venezuelan Operations	(11)	148	421
Pension Settlements	—	1,358	—

Regulatory Dispute in Middle East	—	—	35
Adjusted other (income) and expense, net	$22	$62	$(3)

Adjusted other (income) and expense, net was expense of $22 in 2016 and $62 in 2015. The change was driven by higher currency transaction losses in 2015. Adjusted other (income) and expense, net was expense of $62 in 2015 and income of $3 in 2014. The change was driven by higher foreign currency transaction losses in 2015 compared to 2014, and gains on asset sales in 2014.

Provision for Income Taxes Reconciliation of GAAP to Non-GAAP

Provision for income taxes includes the following adjusting items:

	Year Ended December 31		
	2016	2015	2014
Effective Tax Rate, GAAP	30.6 %	31.3 %	38.0 %
Provision for income taxes, GAAP	$922	$418	$856
Plus adjustments for:			
2014 Organization Restructuring	8	21	38
Venezuelan Operations	—	6	—
Pension Settlements	—	523	—
Uncertain Tax Positions	—	(49)	—
Europe Strategic Changes	—	—	3
Adjusted Provision for income taxes	$930	$919	$897
Adjusted Effective Tax Rate	30.7 %	31.3 %	30.7 %

The decrease in adjusted effective tax rate in 2016 is primarily due to certain planning initiatives. The increase in adjusted effective tax rate in 2015 is primarily due to the redemption of preferred securities in 2014.

Share of Net Income from Equity Companies

Our share of net income of equity companies was $132 in 2016, $149 in 2015 and $146 in 2014. Kimberly-Clark de Mexico, S.A.B. de C.V. ("KCM") results in 2016 compared to 2015 were negatively impacted by a weaker Mexican peso and higher input costs, partially offset by benefits from organic sales growth and cost savings. KCM results in 2015 compared to 2014 benefited from increased organic sales, cost savings, and lower input costs, partially offset by a weaker Mexican peso.

Net Income Attributable to Kimberly-Clark and Diluted Earnings Per Share from Continuing Operations
Reconciliations of GAAP to Non-GAAP
Net Income Attributable to Kimberly-Clark and Diluted Earnings Per Share include the following adjusting items:

	Year Ended December 31		
	2016	2015	2014
Net Income Attributable to Kimberly-Clark, GAAP	$2,166	$1,013	$1,526
Plus adjustments (net of tax) for:			
2014 Organization Restructuring	27	42	95
Venezuelan Operations	(11)	147	462
Pension Settlements	—	835	—
Uncertain Tax Positions	—	49	—
Turkey Restructuring	—	23	—
Health Care Spin-off	—	—	138
European Strategic Changes	—	—	30
Regulatory Dispute in Middle East	—	—	17
Adjusted Net Income Attributable to Kimberly-Clark	$2,182	$2,109	$2,268

	Year Ended December 31		
	2016	2015	2014
Diluted Earnings Per Share from Continuing Operations, GAAP	$5.99	$2.77	$3.91
Plus adjustments for:			
2014 Organization Restructuring	0.07	0.11	0.25
Venezuelan Operations	(0.03)	0.40	1.22
Pension Settlements	—	2.28	—
Uncertain Tax Positions	—	0.13	—
Turkey Restructuring	—	0.06	—
European Strategic Changes	—	—	0.08
Regulatory Dispute in Middle East	—	—	0.05
Rounding	—	0.01	—
Adjusted Diluted Earnings Per Share from Continuing Operations	$6.03	$5.76	$5.51

The increase in adjusted earnings per share from continuing operations in 2016 and 2015 are due to higher earnings and lower share counts.

Geographical Information

	Year Ended December 31				
	2016	2015	Change 2016 vs. 2015	2014	Change 2015 vs. 2014
NET SALES					
North America	$9,545	$9,531	+0.1 %	$9,400	+1.4 %
Europe	2,178	2,304	-5.5 %	2,717	-15.2 %
Asia, Latin America and other	6,786	7,154	-5.1 %	7,961	-10.1 %
Intergeographic sales	(307)	(398)	-22.9 %	(354)	+12.4 %
TOTAL NET SALES	$18,202	$18,591	-2.1 %	$19,724	-5.7 %
OPERATING PROFIT					
North America	$2,322	$2,180	+6.5 %	$2,003	+8.8 %
Europe	265	297	-10.8 %	282	+5.3 %
Asia, Latin America and other	990	1,071	-7.6 %	1,184	-9.5 %
Corporate & Other[(a)]	(252)	(367)	N.M.	(495)	N.M.
Other (income) and expense, net[(b)]	8	1,568	-99.5 %	453	+246.1 %
TOTAL OPERATING PROFIT	$3,317	$1,613	+105.6 %	$2,521	-36.0 %

(a) Corporate & Other includes charges related to the 2014 Organization Restructuring of $38, $63 and $133 in 2016, 2015, and 2014, respectively, and $5 and $41 related to the remeasurement of the Venezuelan balance sheet in 2015 and 2014, respectively. Corporate & Other also includes charges of $23 for restructuring in Turkey in 2015, and $33 related to European strategic changes in 2014.

(b) Other (income) and expense, net for 2016 and 2015 includes income of $11 and a charge of $108, respectively, related to the deconsolidation of our Venezuelan operations, and for 2015 and 2014 includes charges of $40 and $421, respectively, related to the remeasurement of the Venezuelan balance sheet. In addition, 2015 includes $1,358 for charges related to pension settlements, and 2014 includes a charge of $35 related to a regulatory dispute in the Middle East.

Business Segments

Personal Care

	2016	2015	2014		2016	2015	2014
Net Sales	$9,046	$9,204	$9,635	Operating Profit	$1,857	$1,885	$1,803

Net Sales	Percent Change 2016 vs. 2015	Percent Change 2015 vs. 2014	Operating Profit	Percent Change 2016 vs. 2015	Percent Change 2015 vs. 2014
Volume	4	5	Volume	8	10
Net Price	(1)	1	Net Price	(4)	5
Mix/Other[(a)]	—	1	Input Costs	2	6
Currency	(5)	(11)	Cost Savings	14	12
Total	(1.7)	(4.5)	Currency Translation	(3)	(11)
			Other[(c)]	(18)	(17)
Organic[(b)]	3	7	Total	(1.5)	4.5

[(a)]Includes rounding

[(b)]Combined impact of changes in volume, net price and mix/other

[(c)]Includes the impact of changes in marketing, research, and general expenses, foreign currency transaction effects and other manufacturing costs

2016 vs. 2015

Net sales of $9.0 billion in 2016 decreased 2 percent compared to 2015. Unfavorable currency rates decreased sales by 5 percent while sales volumes increased 4 percent. Changes in net selling prices decreased sales by 1 percent. Operating profit of $1,857 decreased 1 percent. The comparison was impacted by unfavorable currency effects and higher marketing, research and general expenses on a local currency basis, mostly offset by organic sales growth and cost savings.

Net sales in North America increased 2 percent. Sales volumes increased 4 percent, while lower net selling prices reduced sales by 2 percent. Child care volumes increased high-single digits and adult care volumes rose in the mid-single digits, as both businesses benefited from category growth and innovations launched in the last 12 months. Volumes on Huggies baby wipes rose mid-single digits. Huggies diapers volumes were down low-single digits, although market shares were up slightly.

Net sales in developing and emerging markets decreased 6 percent, including an 11 percent negative impact from unfavorable currency rate changes. This was partially offset by sales volume increases of 4 percent and changes in net selling prices that increased sales by 1 percent. Volume growth included gains in China, Eastern Europe, Africa and Central America, while volumes declined in Argentina and Brazil. Net selling prices increased in Argentina and Brazil, but decreased in China.

Net sales in developed markets outside North America decreased 2 percent. Currency rates were unfavorable by 3 percent. Sales volumes increased 2 percent and product mix was favorable 1 percent, while changes in net selling prices decreased sales by 2 percent.

2015 vs. 2014

In 2015, net sales of $9.2 billion decreased 4 percent compared to 2014. Unfavorable currency rates decreased net sales by 11 percent while sales volumes increased 5 percent and net selling prices and product mix each increased net sales by 1 percent. Operating profit of $1,885 increased 5 percent. The comparison benefited from growth in organic net sales, cost savings and lower input and other manufacturing costs, partially offset by unfavorable effects from changes in currency rates and higher marketing, research and general expenses on a local currency basis.

Net sales in North America increased 1 percent. Sales volumes increased 4 percent while net selling prices and currency decreased net sales by 2 percent and 1 percent, respectively. Adult care volumes increased high-single digits with benefits from innovations, brand investments and category growth. Volumes on Huggies diapers rose low-single digits including benefits from innovation and increased promotion support. Huggies baby wipes volumes rose mid-single digits with benefits from innovation and child care volumes were even with prior year.

Net sales in developing and emerging markets decreased 8 percent including a 22 percent decrease from unfavorable currency rate changes. This was partly offset by an increase in sales volumes of 8 percent which included gains in China, most of Latin America, and Eastern Europe, and 5 percent higher net selling prices, driven by increases in Eastern Europe and Latin America in response to weaker currency rates.

Net sales in developed markets outside North America decreased 10 percent. Currency rates were unfavorable by 11 percent. Volumes and product mix increased by 1 percent each while net selling prices decreased net sales by 1 percent.

Consumer Tissue

	2016	2015	2014		2016	2015	2014
Net Sales	$5,967	$6,121	$6,645	Operating Profit	$1,117	$1,073	$1,062

Net Sales	Percent Change 2016 vs. 2015	Percent Change 2015 vs. 2014	Operating Profit	Percent Change 2016 vs. 2015	Percent Change 2015 vs. 2014
Volume	—	3	Volume	1	7
Net Price	—	(1)	Net Price	2	(5)
Mix/Other[a]	(1)	(1)	Input Costs	4	1
Currency	(2)	(9)	Cost Savings	10	10
Total	(2.5)	(7.9)	Currency Translation	(1)	(8)
			Other[c]	(12)	(4)
Organic[b]	—	1	Total	4.1	1.0

[a]Includes rounding

[b]Combined impact of changes in volume, net price and mix/other

[c]Includes the impact of changes in marketing, research, and general expenses, foreign currency transaction effects and other manufacturing costs

2016 vs. 2015

Net sales of $6.0 billion in 2016 decreased 3 percent compared to 2015 as unfavorable currency rates and changes in product mix reduced sales by 2 percent and 1 percent, respectively. Operating profit of $1,117 increased 4 percent compared to prior year. The comparison benefited from cost savings and lower input costs, partially offset by unfavorable foreign currency effects.

Net sales in North America were essentially even with the prior year. Sales volumes increased by 1 percent, with increases in all product categories, while product mix was unfavorable by 1 percent.

Net sales in developing and emerging markets decreased 7 percent as unfavorable currency rates reduced sales by about 7 percent. Sales volumes decreased about 4 percent, primarily in Latin America, while changes in net selling prices increased sales by 3 percent.

Net sales in developed markets outside North America decreased 4 percent as unfavorable currency effects reduced sales by 4 percent. Sales volumes increased 1 percent, mostly in Australia, while changes in net selling prices decreased sales by 1 percent.

2015 vs. 2014

In 2015, net sales of $6.1 billion decreased 8 percent compared to 2014. Unfavorable currency rates reduced net sales by 9 percent. Sales volumes increased net sales by 3 percent and net selling prices lowered net sales by 1 percent. Operating profit of $1,073 increased 1 percent compared to prior year. The comparison benefited from cost savings and higher sales volumes, mostly offset by the impact of unfavorable foreign currency rates.

Net sales in North America increased 2 percent. Sales volumes increased by 6 percent, while net selling prices decreased net sales by 2 percent and product mix was unfavorable by 1 percent. Paper towel volumes rose double-digits led by Viva and bathroom tissue volumes rose high-single digits led by Cottonelle.

Net sales in developing and emerging markets decreased 22 percent. Unfavorable currency rates reduced net sales by 25 percent. Net selling prices increased net sales by 2 percent while volumes increased 1 percent.

Net sales in developed markets outside North America decreased 13 percent. Unfavorable currency effects reduced net sales by 11 percent. Sales volumes decreased 1 percent, mostly in Western/Central Europe, and net selling prices decreased net sales by 1 percent.

K-C Professional

	2016	2015	2014		2016	2015	2014
Net Sales	$3,150	$3,219	$3,388	Operating Profit	$603	$590	$604

Net Sales	Percent Change 2016 vs. 2015	Percent Change 2015 vs. 2014	Operating Profit	Percent Change 2016 vs. 2015	Percent Change 2015 vs. 2014
Volume	—	2	Volume	1	3
Net Price	1	—	Net Price	4	1
Mix/Other[(a)]	(1)	2	Input Costs	(1)	3
Currency	(2)	(9)	Cost Savings	9	7
Total	(2.1)	(5.0)	Currency Translation	(2)	(13)
			Other[(c)]	(9)	(3)
Organic[(b)]	—	4	Total	2.2	(2.3)

[(a)]Includes rounding
[(b)]Combined impact of changes in volume, net price and mix/other
[(c)]Includes the impact of changes in marketing, research, and general expenses, foreign currency transaction effects and other manufacturing costs

2016 vs. 2015

Net sales of $3,150 in 2016 decreased 2 percent compared to 2015 as unfavorable currency rate changes decreased sales by about 2 percent, partially offset by changes in net selling prices that increased sales by about 1 percent. Operating profit of $603 increased 2 percent. The comparison benefited from higher selling prices and cost savings, partially offset by unfavorable currency effects and higher marketing, research and general expenses on a local currency basis.

Net sales in North America increased 2 percent. Sales volumes increased 1 percent, mostly due to growth in washroom products, and the combined impact of changes in net selling prices and product mix increased sales by 1 percent.

Net sales in developing and emerging markets decreased 3 percent as unfavorable changes in currency rates reduced sales by 8 percent. Changes in net selling prices increased sales by 5 percent and product mix improved sales by 1 percent, while sales volumes decreased by 1 percent.

Net sales in developed markets outside North America were down 5 percent, including a 3 percent negative impact from unfavorable currency rates. Changes in net selling prices reduced sales by 2 percent and sales volumes decreased 1 percent, while product mix increased sales by 1 percent.

2015 vs. 2014

In 2015, net sales of $3.2 billion decreased 5 percent compared to 2014. Unfavorable currency rate changes decreased net sales by 9 percent. Sales volumes and product mix each increased net sales by 2 percent, including sales of nonwovens to Halyard Health, Inc. in conjunction with a near-term supply agreement. Operating profit of $590 decreased 2 percent. The comparison was impacted by unfavorable currency effects, mostly offset by benefits from organic net sales growth, cost savings and lower input costs.

Net sales in North America increased 1 percent. Sales volumes increased 2 percent, primarily due to growth in wipers, while unfavorable currency effects decreased net sales by 1 percent.

Net sales in developing and emerging markets decreased 15 percent, including a 21 percent decrease from unfavorable changes in currency rates. Volumes increased by 2 percent and the combined impact of changes in net selling prices and product mix improved net sales by 4 percent.

Net sales in developed markets outside North America were down 13 percent. Unfavorable changes in currency rates decreased net sales by 13 percent. Sales volumes increased 1 percent, while the combined impact of changes in overall net selling prices and product mix reduced sales 1 percent.

Unaudited Quarterly Data

	2016				2015			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Net Sales	$4,544	$4,594	$4,588	$4,476	$4,539	$4,718	$4,643	$4,691
Gross Profit	1,678	1,670	1,664	1,639	1,626	1,682	1,657	1,659
Operating Profit (Loss)	839	836	838	804	630	779	(544)	748
Net Income (Loss)	518	563	578	560	344	529	(293)	486
Net Income (Loss) Attributable to Kimberly-Clark Corporation	505	550	566	545	333	517	(305)	468
Per Share Basis-Diluted	1.40	1.52	1.56	1.50	0.91	1.41	(0.83)	1.27
Cash Dividends Declared Per Share	0.92	0.92	0.92	0.92	0.88	0.88	0.88	0.88
Market Price Per Share								
High	125.76	138.87	138.76	136.61	129.89	117.95	113.45	119.01
Low	111.30	121.20	123.52	121.50	107.79	103.04	104.53	103.67
Close	114.12	126.14	137.48	134.51	127.30	109.04	105.97	107.11

Net income (loss) in the fourth quarter of 2015 was impacted by a $108 pre-tax charge ($102 after tax) to deconsolidate our Venezuelan operations and a charge of $49 related to prior years for uncertain tax positions for certain international operations. Results in 2015 also included charges related to pension settlements of $0.8 billion after tax ($1.4 billion pre-tax), primarily in the second quarter.

Liquidity and Capital Resources

Cash Provided by Operations

Cash provided by operations was $3.2 billion in 2016 compared to $2.3 billion in 2015. The increase was driven by improved working capital and lower pension contributions. Cash provided by operations was $2.8 billion in 2014. The decrease in 2015 compared to 2014 was driven by higher pension contributions in 2015, the spin-off of the health care business in the fourth quarter of 2014 and increased operating working capital.

Obligations

The following table presents our total contractual obligations for which cash flows are fixed or determinable.

	Total	2017	2018	2019	2020	2021	2022+
Long-term debt	$7,416	$965	$936	$711	$757	$249	$3,798
Interest payments on long-term debt	2,993	287	238	185	171	153	1,959
Operating leases	597	187	137	94	67	39	73
Unconditional purchase obligations	1,256	681	184	187	197	5	2
Open purchase orders	1,754	1,644	88	13	5	4	—
Total contractual obligations	$14,016	$3,764	$1,583	$1,190	$1,197	$450	$5,832

- Projected interest payments for variable-rate debt were calculated based on the outstanding principal amounts and prevailing market rates as of December 31, 2016.
- The unconditional purchase obligations are for the purchase of raw materials, primarily superabsorbent materials, pulp and utilities. Although we are primarily liable for payments on the above operating leases and unconditional purchase obligations, based on historic operating performance and forecasted future cash flows, we believe exposure to losses, if any, under these arrangements is not material.
- The open purchase orders displayed in the table represent amounts for goods and services we have negotiated for delivery.

The table does not include amounts where payments are discretionary or the timing is uncertain. The following payments are not included in the table:

- We will fund our defined benefit pension plans to meet or exceed statutory requirements and currently expect to contribute up to $100 to these plans in 2017.
- Other postretirement benefit payments are estimated using actuarial assumptions, including expected future service, to project the future obligations. Based upon those projections, we anticipate making annual payments for these obligations ranging from $59 in 2017 to more than $61 by 2026.
- Accrued income tax liabilities for uncertain tax positions, deferred taxes and noncontrolling interests.

Investing

Our capital spending was $0.8 billion in 2016 and $1.1 billion in 2015. We expect capital spending to be $850 to $950 in 2017.

Financing

We issue long-term debt in the public market periodically. Proceeds from the offerings are used for general corporate purposes, including repayment of maturing debt or outstanding commercial paper indebtedness. See Item 8, Note 7 of the consolidated financial statements for details.

Our short-term debt, which consists of U.S. commercial paper with original maturities up to 90 days and/or other similar short-term debt issued by non-U.S. subsidiaries, was $170 as of December 31, 2016 (included in debt payable within one year on the consolidated balance sheet). The average month-end balance of short-term debt for the fourth quarter of 2016 was $227 and for the twelve months ended December 31, 2016 was $512. These short-term borrowings provide supplemental funding for supporting our operations. The level of short-term debt generally fluctuates depending upon the amount of operating cash flows and the timing of customer receipts and payments for items such as pension contributions, dividends and income taxes.

At December 31, 2016, total debt was $7.6 billion compared to $7.8 billion at December 31, 2015.

We maintain a $2.0 billion revolving credit facility which expires in 2021. This facility, currently unused, supports our commercial paper program, and would provide liquidity in the event our access to the commercial paper markets is unavailable for any reason.

We paid $1.3 billion in dividends in 2016. The Board of Directors approved a dividend increase of 5.4 percent for 2017. We repurchase shares of Kimberly-Clark common stock from time to time pursuant to publicly announced share repurchase programs. During 2016, we repurchased 6.0 million shares of our common stock at a cost of $750 through a broker in the open market. We are targeting full-year 2017 share repurchases of $800 to $1,000, subject to market conditions.

Management believes that our ability to generate cash from operations and our capacity to issue short-term and long-term debt are adequate to fund working capital, capital spending, payment of dividends, pension plan contributions and other needs for the foreseeable future. Further, we do not expect restrictions or taxes on repatriation of cash held outside of the United States to have a material effect on our overall business, liquidity, financial condition or results of operations for the foreseeable future.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. The critical accounting policies we used in the preparation of the consolidated financial statements are those that are important both to the presentation of our financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to accruals for sales incentives and trade promotion allowances, pension and other postretirement benefits, deferred income taxes and potential income tax assessments. These critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

Sales Incentives and Trade Promotion Allowances

Trade promotion programs include introductory marketing funds such as slotting fees, cooperative marketing programs, temporary price reductions, end-of-aisle or in-store product displays and other activities conducted by our customers to promote our products. Rebate and promotion accruals are based on estimates of the quantity of customer sales and the promotion accruals also consider estimates of the number of consumer coupons that will be redeemed and timing and costs of activities within the promotional programs. Generally, the estimates for consumer coupon costs are based on historical patterns of coupon redemption, influenced by judgments about current market conditions such as competitive activity in specific product categories. Our related accounting policies are discussed in Item 8, Note 1 to the consolidated financial statements.

Employee Postretirement Benefits

Pension Plans

We have defined benefit pension plans in the United States and the United Kingdom (the "Principal Plans") and/or defined contribution retirement plans covering substantially all regular employees. Certain other subsidiaries have defined benefit pension plans or, in certain countries, termination pay plans covering substantially all regular employees. Our related accounting policies and account balances, as well as the 2015 transaction related to our U.S. pension plan, are discussed in Item 8, Note 9 to the consolidated financial statements.

Changes in certain assumptions could affect pension expense and the benefit obligations, particularly the estimated long-term rate of return on plan assets and the discount rates used to calculate the obligations:

- Long-term rate of return on plan assets. The expected long-term rate of return is evaluated on an annual basis. In setting these assumptions, we consider a number of factors including projected future returns by asset class relative to the target asset allocation. Actual asset allocations are regularly reviewed and they are periodically rebalanced to the targeted allocations when considered appropriate.

As of December 31, 2016, the Principal Plans had cumulative unrecognized investment and actuarial losses of approximately $1.5 billion. These unrecognized net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the "corridor" as required. If the expected long-term rates of return on assets for the Principal Plans were lowered by 0.25 percent, the impact on annual pension expense would not be material in 2017.

- Discount rate. The discount (or settlement) rate used to determine the present value of our future U.S. pension obligation at December 31, 2016 was based on a portfolio of high quality corporate debt securities with cash flows that largely match the expected benefit payments of the plan. For the U.K. plan, the discount rate was determined based on yield curves constructed from a portfolio of high quality corporate debt securities. Each year's expected future benefit payments were discounted to their present value at the appropriate yield curve rate to determine the pension obligations. If the discount rate assumptions for these same plans were reduced by 0.25 percent, the increase in annual pension expense would not be material in 2017, and the December 31, 2016 pension liability would increase by about $140.

- Other assumptions. There are a number of other assumptions involved in the calculation of pension expense and benefit obligations, primarily related to participant demographics and benefit elections.

Pension expense for defined benefit pension plans is estimated to approximate $65 in 2017. Pension expense beyond 2017 will depend on future investment performance, our contributions to the pension trusts, changes in discount rates and various other factors related to the covered employees in the plans.

Other Postretirement Benefit Plans

Substantially all U.S. retirees and employees have access to our unfunded healthcare and life insurance benefit plans. Changes in significant assumptions could affect the consolidated expense and benefit obligations, particularly the discount rates used to calculate the obligations and the healthcare cost trend rate:

- Discount rate. The determination of the discount rates used to calculate the benefit obligations of the plans is discussed in the pension benefit section above, and the methodology for each country is the same as the methodology used to determine the discount rate for that country's pension obligation. If the discount rate assumptions for these plans were reduced by 0.25 percent, the impact to 2017 other postretirement benefit expense and the increase in the December 31, 2016 benefit liability would not be material. The discount rates displayed for the two types of obligations for our consolidated operations may appear different due to the unique benefit payments of the plans.
- Healthcare cost trend rate. The healthcare cost trend rate is based on a combination of inputs including our recent claims history and insights from external advisers regarding recent developments in the healthcare marketplace, as well as projections of future trends in the marketplace.

Our related accounting policies, account balances and the effects of a one percentage point change in the healthcare cost trend rate are discussed in Item 8, Note 9 to the consolidated financial statements.

Deferred Income Taxes and Potential Assessments

As a global organization we are subject to income tax requirements in various jurisdictions in the U.S. and internationally. Changes in certain assumptions related to income taxes could significantly affect consolidated results, particularly with regard to valuation allowances on deferred tax assets, unremitted earnings of subsidiaries outside the U.S. and uncertain tax positions:

- Deferred tax assets and related valuation allowances. We have recorded deferred tax assets related to, among other matters, income tax loss carryforwards, income tax credit carryforwards and capital loss carryforwards and have established valuation allowances against these deferred tax assets. These carryforwards are primarily in non-U.S. taxing jurisdictions and in certain states in the U.S. Foreign tax credits earned in the U.S. in current and prior years, which cannot be used currently, also give rise to net deferred tax assets. In determining the valuation allowances to establish against these deferred tax assets, many factors are considered, including the specific taxing jurisdiction, the carryforward period, income tax strategies and forecasted earnings for the entities in each jurisdiction. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.
- Unremitted earnings. As of December 31, 2016, U.S. income taxes and foreign withholding taxes have not been provided on approximately $8.9 billion of unremitted earnings of subsidiaries operating outside the U.S. These earnings are considered by management to be invested indefinitely. However, they would be subject to income tax if they were remitted as dividends, were lent to one of our U.S. entities or if we were to sell our stock in the subsidiaries. It is not practicable to determine the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings. We periodically determine whether our non-U.S. subsidiaries will invest their undistributed earnings indefinitely and reassess this determination, as appropriate.
- Uncertain tax positions. We record our global tax provision based on the respective tax rules and regulations for the jurisdictions in which we operate. Where we believe that a tax position is supportable for income tax purposes, the item is included in our income tax returns. Where treatment of a position is uncertain, a liability is recorded based upon the expected most likely outcome taking into consideration the technical merits of the position based on specific tax regulations and facts of each matter. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities or the expiration of the statute of limitations. We currently believe that the ultimate resolution of matters subject to administrative appeals, litigation or other uncertainty, individually and in the aggregate, will not have a material effect on our business, financial condition, results of operations or liquidity.

Our income tax related accounting policies, account balances and matters affecting income taxes are discussed in Item 8, Note 14 to the consolidated financial statements.

Legal Matters

See Item 8, Note 12 to the consolidated financial statements for information on legal matters.

New Accounting Standards

See Item 8, Note 1 to the consolidated financial statements for a description of new accounting standards and their anticipated effects on our consolidated financial statements.

Business Outlook

In 2017, we plan to continue to execute our Global Business Plan strategies, which include a focus on targeted growth initiatives, innovation and brand building, cost savings programs and shareholder-friendly capital allocation. In 2017, we expect earnings per share in a range of $6.20 to $6.35. Our outlook is based on the assumptions described below:

- Organic sales growth is expected to be approximately 2 percent, driven by higher volumes. Net selling prices and product mix are expected to be similar, or up slightly, year-on-year.
- We expect net sales to be similar to the prior year impacted by unfavorable foreign currency exchange rate changes of 2 percent. We also expect unfavorable foreign currency translation effects to negatively impact operating profit growth by 2 percent. Currency transaction effects are also anticipated to negatively impact comparisons.
- We expect operating profit to improve compared to 2016 and to be up 2 to 4 percent compared to adjusted operating profit in 2016.
- We plan to achieve cost savings of at least $400 from our FORCE program.
- We anticipate the net impact of changes in commodity costs to be between $50 and $200 of inflation, primarily due to inflation in international markets.
- We expect an effective tax rate similar to 2016.
- We expect the net income from equity companies to decline due to lower income at K-C de Mexico as a result of a weaker Mexican peso.
- We anticipate capital spending to be in a $850 to $950 range and share repurchases to be between $800 and $1 billion, subject to market conditions.
- We expect to contribute up to $100 to our defined benefit pension plans.
- We have increased our quarterly dividend 5.4 percent.

Information Concerning Forward-Looking Statements

Certain matters contained in this report concerning the business outlook, including the anticipated cost savings from our FORCE program, cash flow and uses of cash, growth initiatives, innovations, marketing and other spending, net sales, anticipated currency rates and exchange risks, raw material, energy and other input costs, effective tax rate, contingencies and anticipated transactions of Kimberly-Clark, including dividends, share repurchases and pension contributions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are based upon management's expectations and beliefs concerning future events impacting Kimberly-Clark. There can be no assurance that these future events will occur as anticipated or that our results will be as estimated. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update them.

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 our control, including fluctuations in foreign currency exchange rates, the prices and availability of our raw materials, potential competitive pressures on selling prices for our products, energy costs and retail trade customer actions, as well as general economic and political conditions globally and in the markets in which we do business, could affect the realization of these estimates.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational enterprise, we are exposed to risks such as changes in foreign currency exchange rates, interest rates and commodity prices. A variety of practices are employed to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation. All foreign currency derivative instruments are entered into with major financial institutions. Our credit exposure under these arrangements is limited to agreements with a positive fair value at the reporting date. Credit risk with respect to the counterparties is actively monitored but is not considered significant since these transactions are executed with a diversified group of financial institutions.

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

Foreign Currency Risk

A portion of our foreign currency risk is managed by the systematic use of foreign currency forward and swap contracts. The use of these instruments allows the management of transactional exposures to exchange rate fluctuations because the gains or losses incurred on the derivative instruments will offset, in whole or in part, losses or gains on the underlying foreign currency exposure.

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

As of December 31, 2016, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of foreign currencies involving balance sheet transactional exposures would not be material to our consolidated financial position, results of operations or cash flows. This hypothetical loss on transactional exposures is based on the difference between the December 31, 2016 rates and the assumed rates.

The translation of the balance sheets of non-U.S. operations from local currencies into U.S. dollars is also sensitive to changes in foreign currency exchange rates. Consequently, an annual test is performed to determine if changes in currency exchange rates would have a significant effect on the translation of the balance sheets of non-U.S. operations into U.S. dollars. These translation gains or losses are recorded as unrealized translation adjustments ("UTA") within stockholders' equity. The hypothetical change in UTA is calculated by multiplying the net assets of these non-U.S. operations by a 10 percent change in the currency exchange rates. As of December 31, 2016, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the prevailing market rates of our foreign currency translation exposures would have reduced stockholders' equity by approximately $650. These hypothetical adjustments in UTA are based on the difference between the December 31, 2016 exchange rates and the assumed rates. In the view of management, the above UTA adjustments resulting from these assumed changes in foreign currency exchange rates are not material to our consolidated financial position because they would not affect our cash flow.

Interest Rate Risk

Interest rate risk is managed through the maintenance of a portfolio of variable- and fixed-rate debt composed of short- and long-term instruments. The objective is to maintain a cost-effective mix that management deems appropriate. At December 31, 2016, the debt portfolio was composed of essentially all fixed-rate debt.

In order to determine the impact of changes in interest rates on our financial position or future results of operations, we calculated the increase or decrease in the market value of fixed-rate debt using a 10 percent change in current market interest rates and the rates governing these instruments. At December 31, 2016, a 10 percent decrease in interest rates would have increased the fair value of fixed-rate debt by about $227, which would not have a significant impact on our financial statements as we do not record debt at fair value.

Commodity Price Risk

We are subject to commodity price risk, the most significant of which relates to the price of pulp. Selling prices of tissue products are influenced, in part, by the market price for pulp. As previously discussed under Item 1A, "Risk Factors," increases in pulp prices could adversely affect earnings if selling prices are not adjusted or if such adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

Our energy, manufacturing and transportation costs are affected by various market factors including the availability of supplies of particular forms of energy, energy prices and local and national regulatory decisions. As previously discussed under Item 1A, "Risk Factors," there can be no assurance we will be fully protected against substantial changes in the price or availability of energy sources. In addition, we are subject to price risk for utilities and manufacturing inputs, used in our manufacturing operations. Derivative instruments are used in accordance with our risk management policy to hedge a limited portion of the price risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

	Year Ended December 31		
(Millions of dollars, except per share amounts)	2016	2015	2014
Net Sales	$18,202	$18,591	$19,724
Cost of products sold	11,551	11,967	13,041
Gross Profit	6,651	6,624	6,683
Marketing, research and general expenses	3,326	3,443	3,709
Other (income) and expense, net	8	1,568	453
Operating Profit	3,317	1,613	2,521
Interest income	11	17	18
Interest expense	(319)	(295)	(284)
Income From Continuing Operations Before Income Taxes and Equity Interests	3,009	1,335	2,255
Provision for income taxes	(922)	(418)	(856)
Income From Continuing Operations Before Equity Interests	2,087	917	1,399
Share of net income of equity companies	132	149	146
Income From Continuing Operations	2,219	1,066	1,545
Income from discontinued operations, net of income taxes	—	—	50
Net Income	2,219	1,066	1,595
Net income attributable to noncontrolling interests in continuing operations	(53)	(53)	(69)
Net Income Attributable to Kimberly-Clark Corporation	$2,166	$1,013	$1,526
Per Share Basis			
Net Income Attributable to Kimberly-Clark Corporation			
Basic			
Continuing operations	$6.03	$2.78	$3.94
Discontinued operations	—	—	0.13
Net income	$6.03	$2.78	$4.07
Diluted			
Continuing operations	$5.99	$2.77	$3.91
Discontinued operations	—	—	0.13
Net income	$5.99	$2.77	$4.04
Cash Dividends Declared	$3.68	$3.52	$3.36

See notes to consolidated financial statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31		
(Millions of dollars)	2016	2015	2014
Net Income	$2,219	$1,066	$1,595
Other Comprehensive Income (Loss), Net of Tax			
Unrealized currency translation adjustments	(107)	(922)	(835)
Employee postretirement benefits	(113)	942	(275)
Other	15	5	20
Total Other Comprehensive Income (Loss), Net of Tax	(205)	25	(1,090)
Comprehensive Income	2,014	1,091	505
Comprehensive income attributable to noncontrolling interests	(44)	(33)	(57)
Comprehensive Income Attributable to Kimberly-Clark Corporation	$1,970	$1,058	$448

See notes to consolidated financial statements.

KIMBERLY-CLARK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31	
(Millions of dollars)	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$923	$619
Accounts receivable, net	2,176	2,281
Inventories	1,679	1,909
Other current assets	337	617
Total Current Assets	5,115	5,426
Property, Plant and Equipment, Net	7,169	7,104
Investments in Equity Companies	257	247
Goodwill	1,480	1,446
Other Assets	581	619
TOTAL ASSETS	$14,602	$14,842
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	$1,133	$1,669
Trade accounts payable	2,609	2,612
Accrued expenses	1,775	1,750
Dividends payable	329	318
Total Current Liabilities	5,846	6,349
Long-Term Debt	6,439	6,106
Noncurrent Employee Benefits	1,301	1,137
Deferred Income Taxes	532	766
Other Liabilities	309	380
Redeemable Preferred Securities of Subsidiaries	58	64
Stockholders' Equity		
Kimberly-Clark Corporation		
Preferred stock - no par value - authorized 20.0 million shares, none issued	—	—
Common stock - $1.25 par value - authorized 1.2 billion shares; issued 378.6 million shares at December 31, 2016 and 2015	473	473
Additional paid-in capital	697	609
Common stock held in treasury, at cost - 22.0 and 17.7 million shares at December 31, 2016 and 2015, respectively	(3,629)	(2,972)
Retained earnings	5,831	4,994
Accumulated other comprehensive income (loss)	(3,474)	(3,278)
Total Kimberly-Clark Corporation Stockholders' Equity (Deficit)	(102)	(174)
Noncontrolling Interests	219	214
Total Stockholders' Equity	117	40
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$14,602	$14,842

See notes to consolidated financial statements.

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

(Millions of dollars, shares in thousands)	Common Stock Issued		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
	Shares	Amount		Shares	Amount			
Balance at December 31, 2013	428,597	$ 536	$ 594	47,798	$(3,746)	$9,714	$ (2,242)	$ 284
Net income in stockholders' equity	—	—	—	—	—	1,526	—	39
Other comprehensive income, net of tax	—	—	—	—	—	—	(1,078)	(11)
Stock-based awards exercised or vested	—	—	(54)	(2,783)	180	—	—	—
Income tax benefits on stock-based compensation	—	—	32	—	—	—	—	—
Shares repurchased	—	—	—	18,246	(2,031)	—	—	—
Recognition of stock-based compensation	—	—	52	—	—	—	—	—
Dividends declared	—	—	—	—	—	(1,256)	—	(43)
Spin-off of health care business	—	—	—	—	—	(1,505)	9	—
Other	—	—	8	—	—	(9)	(1)	1
Balance at December 31, 2014	428,597	536	632	63,261	(5,597)	8,470	(3,312)	270
Net income in stockholders' equity	—	—	—	—	—	1,013	—	48
Other comprehensive income, net of tax	—	—	—	—	—	—	45	(20)
Stock-based awards exercised or vested	—	—	(47)	(2,888)	186	—	—	—
Income tax benefits on stock-based compensation	—	—	32	—	—	—	—	—
Shares repurchased	—	—	—	7,364	(833)	—	—	—
Shares retired	(50,000)	(63)	—	(50,000)	3,272	(3,209)	—	—
Recognition of stock-based compensation	—	—	75	—	—	—	—	—
Dividends declared	—	—	—	—	—			